DETAILED ANALYSIS

2001-03
LEGISLATIVELY ADOPTED BUDGET

Legislative
Fiscal
Office

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December 17, 2001

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

I am pleased to submit the Legislative Fiscal Office *Detailed Analysis of the 2001-03 Legislatively Adopted Budget*. The following expanded narrative includes discussion of agency and program revenue sources, performance measures, Governor's proposed spending, and the specific budget actions taken by the 2001 Legislative Assembly.

I trust you will find this report useful. Please feel free to call the Legislative Fiscal Office at 503-986-1828 should you have further questions.

Sincerely,

Ken Rocco
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EDUCATION

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

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	398,253,205	435,671,037	474,438,058	474,528,195
Other Funds	6,920,152	11,072,313	11,374,303	11,370,695
Federal Funds	80,989,515	114,686,652	111,693,680	119,092,725
Total	**486,162,872**	**561,430,002**	**597,506,041**	**604,991,615**
Positions (FTE)	37.78	41.70	43.40	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 (OYCC). 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. In 2001, however, the AmeriCorps program was transferred to the Housing and Community Services Department.

Revenue Sources and Relationships

The agency projects Federal Fund receipts of $119 million in the 2001-03 biennium. About $109 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 D. 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,174,075	2,120,096	2,681,086	2,659,258
Other Funds	800,814	1,567,457	1,682,997	1,680,690
Federal Funds	4,149,833	5,057,436	5,933,493	5,907,538
Total	**7,124,722**	**8,744,989**	**10,297,576**	**10,247,486**
Positions (FTE)	35.78	36.70	40.40	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 summer conference fees; and funds from the Department of Education for Carl D. 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), and 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 added 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) were funded from General Fund support in the base budget for distance learning. The Department had contracted with Chemeketa Community College to administer the distance learning program. The Governor's budget transferred the two Chemeketa employees to the Department. This was done without increasing General Fund. Instead, General Fund that was in the CCSF for paying Chemeketa was transferred to the Department's Office Operations to fund the personal service costs of the employees. The budget allowed a contractor in the Even Start program to be hired, and added a position to provide technical assistance to community colleges on the use of the student assessment system. Both of these latter two positions were financed through a combination of Federal and Other Funds, and from savings realized by discontinuing the Even Start contract. The budget also reduced General Fund support for services and supplies by $10,000.

Legislatively Adopted Budget

The legislatively adopted budget incorporates all of the items in the Governor's recommended budget. Additionally, the budget includes a number of reductions that were applied on a standard basis to all state agencies. The reductions include adjustments for a lower Public Employees Retirement System (PERS) contribution rate, reductions in state government service charges and telecommunication funding, a 1% reduction in out-of-state travel, and a 1% reduction in General Fund support for services and supplies. Together, these adjustments reduced the budget by $21,828 General Fund, by $2,307 Other Funds, and by $25,955 Federal Funds.

CCWD – State Support to Community Colleges

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	391,162,540	428,383,836	466,956,019	467,068,191
Other Funds	0	1,637,066	1,782,400	1,782,400
Total	**391,162,540**	**430,020,902**	**468,738,419**	**468,850,591**
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 associate degree in a professional program. Developmental Education includes Adult Basic Education, English as a Second Language, GED and Adult High School programs, and post-secondary remedial courses. 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.

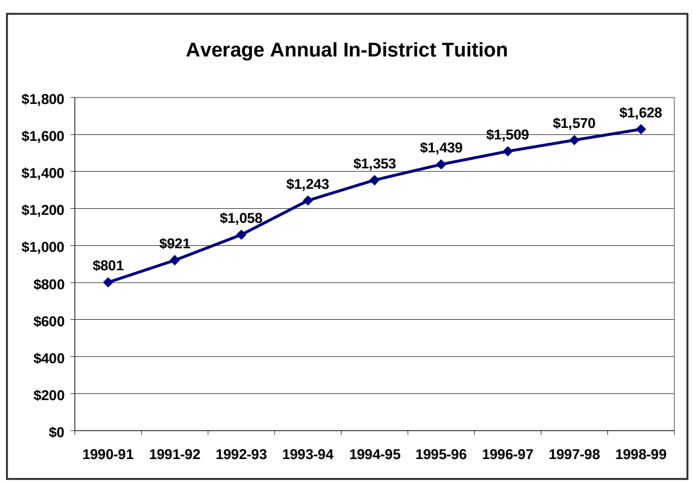
Note that community colleges also collect property taxes that fund their operations. These taxes do not flow through the agency budget, however, and are not included in any budget figures identified here.

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- to 25-year-old population are less important than for higher education institutions.

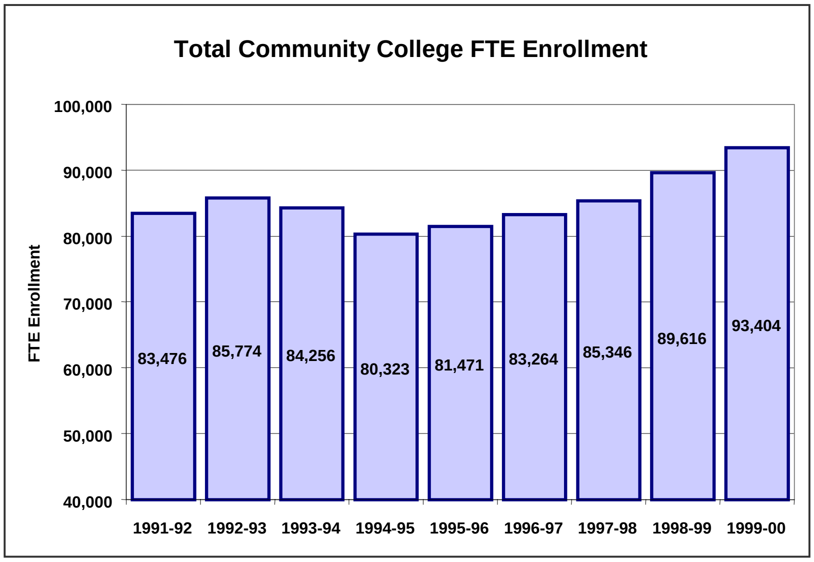
Many community college students are workers seeking retraining as the types of jobs that are available change, and graduating high school students seeking professional/technical education to become qualified for available jobs. Students may also seek an associate degree at a community college or choose 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. To address issues such as long course waiting lists that were developing with enrollment growth, in 2000 the Emergency Board allocated $4.5 million to deal with community colleges resource issues.



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' professional 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 increased the General Fund contribution to the Community College Support Fund, and reduced or eliminated General Fund support for a variety of other programs. The budget added $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 did not include any funds to implement SB 164. Therefore, SB 164 will not become operative, and students living outside of a community college district will continue to be financed on a contracted out-of-district basis.

The budget also contained a number of General Fund reductions. The budget eliminated General Fund support for:

- ***Community College Skill Centers ($3.4 million reduction).*** There were 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 by 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 eliminated 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 eliminated support for the COUC in the Oregon University System's budget and provided $7.2 million in that budget to support establishment of an OUS branch campus in Bend. The branch campus will supercede the functions of the COUC.

The budget reduced 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 phased 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 had covered about one-third of the Center's budget, with the remainder coming from the school districts served.

These General Fund reductions totaled 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 was 7.3% above the current service level and a net 9% increase over the prior biennium. None of the reductions in the budget affected the funds distributed on an FTE basis through the CCSF, however. Looking just at these funds, the Governor's $45 million funding enhancement was 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 did 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 reduced the effective increase above current service level to an estimated 8.4%, for FTE funding in the CCSF.

Legislatively Adopted Budget

The legislatively adopted budget made only a minor adjustment to the total state funding provided to community colleges. Approximately $1.5 million General Fund, however, was transferred from unrestricted funding distributed through the CCSF on a student FTE enrollment basis to specified purposes (i.e., $1 million for a new Southwestern Oregon Community College satellite facility in Brookings, and $500,000 to reduce cuts to the Sabin Skills Center budget).

The budget includes the $45 million General Fund enhancement in CCSF support. During the session, community college presidents requested this package as their highest funding priority. The adopted budget accepted this request, and does not restore any of the General Fund reductions in the Governor's budget, with one exception. The exception was to add $500,000 for the Sabin Skills Center, thereby reducing its funding cut to approximately $1.2 million. The adopted budget reduces base CCSF support by approximately $1.4 million General Fund. This includes approximately $628,000 to reflect the reduced PERS contribution rate on community college budgets, and approximately $760,000 as a 1% reduction in funding of community colleges' services and supplies costs.

CCWD – Federal/Other Support to Community Colleges

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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	113,185,187
Total	**80,132,809**	**111,229,675**	**112,057,077**	**119,482,077**
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 D. 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 funded these programs at the current service level. Because these programs are financed exclusively by the Federal government, the current service level is defined, simply, to be the same as the projected level of available funding. Thus, the Governor's budget allowed all available funds to be spent. The budget projected 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.

Legislatively Adopted Budget

The Legislature approved the application for two federal grants under the Workforce Investment Act, and increased the Federal Funds expenditure limitation by $7,425,000 to allow expenditure of the requested grant funds. The Department of Administrative Services will unschedule the limitation increase pending award of the grants by the U.S. Department of Labor. The two grant applications include $4 million for retraining workers who have lost their jobs because of the North American Free Trade Act, and $3,425,000 to retrain workers affected by the Klamath Basin drought.

The adopted budget included a requirement for the Department to work with the Employment Department and the Department of Human Services to coordinate and prioritize workforce services. The Department will report on these efforts to the Emergency Board during the interim.

CCWD – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 principal 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 funded this program.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget for Debt Service.

CCWD – Community Service Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	0	0	0
Federal Funds	2,826,211	4,712,019	0	0
Total	**2,826,211**	**4,712,019**	**0**	**0**
Positions (FTE)	2.00	2.00	0.00	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 funded primarily with Federal Funds. The Commission staff is housed at Portland State University.

Governor's Budget

The Governor's budget transferred the Community Service Commission to the Oregon Housing and Community Services Department (HCSD). There were no funds in the 2001-03 CCWD budget for the Commission. The budget supported 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 was supported by the Commission itself, by the State Board of Education, and by the staff of both CCWD and HCSD. All believed that the Commission's programs find a more natural fit within the mission and functions of HCSD.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget and transfer of the Community Service Commission.

CCWD – Oregon Youth Conservation Corps

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	433,678	448,868	448,661
Other Funds	0	1,555,312	1,612,016	1,610,715
Total	**0**	**1,988,990**	**2,060,884**	**2,059,376**
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 Device 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 supported the OYCC at the current service level.

Legislatively Adopted Budget

The budget includes a number of reductions that were applied on a standard basis to all state agencies. The reductions included adjustments for a lower Public Employees Retirement System (PERS) contribution rate, reductions in telecommunication funding, and a 1% reduction in General Fund support for services and supplies. Together, these adjustments reduced the budget by $207 General Fund and $1,301 Other Funds.

The Legislature also approved a $258,343 supplemental Other Funds expenditure limitation for the OYCC 1999-01 biennium. This was to accommodate expanded agreements with other state agencies for crew services. This increase is not included in the 1999-01 Estimated Other Funds expenditure figure above.

Department of Education (ODE) – Agency Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,948,617,172	4,513,329,247	5,105,423,853	5,063,020,061
Lottery Funds	451,008,248	301,407,344	316,317,086	344,417,086
Other Funds	189,125,099	285,420,149	187,711,639	173,700,530
Federal Funds	499,110,528	589,396,453	603,880,530	704,012,722
Nonlimited	5,466,368	4,592,800	4,707,302	4,707,302
Total	**5,093,327,415**	**5,694,145,993**	**6,218,040,410**	**6,289,857,701**
Positions (FTE)	574.94	467.44	484.87	462.90

* *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 was a 9.2% increase over 1999-01 estimated expenditures. The following were highlights of the Governor's budget:

- Increased 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 was for increases in personal services and $43.7 million for increases in other services and supplies);
- As part of the $5.2 billion, earmarked $220 million ($110 million General Fund and $110 million of tobacco settlement money) for a School Improvement Fund to target activities that improve student performance, specifically K-5 literacy;
- Provided, 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;
- Reduced Lottery Funds by $38 million from the State School Fund. This reduction reflected the decrease in lottery resources available for allocation after meeting statutory distribution requirements and debt service on lottery bonds. The reduction was offset by anticipated increases in local property taxes. The budget also reduced General Fund by $136 million in anticipation of increased local resources.
- Added 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 reduced funding for regional programs by $5.5 million General Fund and for assessment activities in Department Operations by $694,885 General Fund. Additionally, funding for Together For Children in the Department's grant-in-aid program was transferred to the State Commission on Children and Families for support of the Oregon Children's Plan.

The Legislature made several changes to the Department's budget, as described in the following analysis. Overall, the legislatively adopted budget is a 10.2% increase over 1999-01 estimated expenditures and a 1.2% increase over the Governor's recommended budget.

ODE – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	28,306,970	39,225,482	50,692,990	45,117,708
Other Funds	4,349,416	18,886,866	8,909,675	8,863,658
Federal Funds	19,764,933	31,317,110	32,898,407	32,862,087
Nonlimited	5,258,764	4,471,781	4,583,258	4,583,258
Total	**57,680,083**	**93,901,239**	**97,084,330**	**91,426,711**
Positions (FTE)	220.25	258.52	278.49	265.99

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.

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. In January 2001, the Department began implementing the first phase of the project, which included 28 schools as of 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 Legislative 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 to 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 was completed 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." In January 2001, 98.3% received one of these ratings. The Department's goal is to have 100% of schools with a rating of "satisfactory" or higher within 5 years.
- Dropout report – The 1999-00 school dropout rate was 6.3% as compared to 6.6% in 1998-99 and approximately 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 was a 3.4% increase over 1999-01 estimated expenditures. The 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 included $6 million to phase in the technology-based student assessment system approved by the 1999-01 Emergency Board. Major policy packages in the Governor's recommended budget included:

- $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 were contained in the Grant-in-Aid section of the budget.

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

Legislatively Adopted Budget

The legislatively adopted budget is a 2.6% decrease from 1999-01 estimated expenditures and a 5.8% decrease from the Governor's budget. The Legislature made the following changes to the Governor's budget:

- Removed $4.9 million General Fund and 11.50 FTE for the policy option packages due to General Fund constraints. The agency is directed to seek federal funds for these initiatives and report to the Emergency Board, after the 2002 federal budget is approved, on the agency's success in obtaining funding for these packages.
- Removed $200,000 General Fund and one vacant position (1 FTE) but transferred the funding and the position to the Governor's office for staff support to the State Board of Education.
- Added $175,000 General Fund for a feasibility study of the Data Integrity Assurance Project and correspondingly reduced that project's total funding from $10.5 million to $10.325 million (see the section entitled "State School Fund and Other K-12 Grants" for a more detailed description of the project).
- Reduced the technology budget by $277,090 General Fund to reflect more accurately the costs of phasing in the Technology Enhanced Student Assessment system.
- Reduced the technology budget by $2.5 million General Fund and appropriated this amount to the Emergency Board as a special purpose appropriation pending submission of a detailed technology plan by the agency.

The Legislature also requested the Department of Administrative Services to unschedule $1.7 million of the remaining technology budget pending reporting by the agency to the Joint Legislative Committee on Information Management and Technology no later than March 2002.

The Legislature reduced the budget by $33,925 General Fund, $4,564 Other Funds, and $25,049 Federal Funds for a revised Public Employees Retirement System (PERS) contribution rate. It also adjusted the budget for lower Attorney General hourly rates ($26,414 General Fund, $1,388 Other Funds, and $2,818 Federal Funds); a reduction in interagency assessments from the Department of Administrative Services and the Secretary of State's Audits Division ($29,577 General Fund, $35,462 Other Funds, and $1,725 Federal Funds); and lower long-distance telephone charges ($6,560 General Fund, $3,678 Other Funds, and $4,230 Federal Funds).

Additionally, the Legislature approved a 1% reduction in out-of-state travel and a 1% reduction in Services and Supplies expenditure categories resulting in a decrease of $313,149 General Fund, $925 Other Funds, and $2,498 Federal Funds. A $30,000 General Fund reduction for one-time expenditures related to new staff hired in 1999-01 also was taken. The Legislature approved the $694,885 General Fund reduction in the Governor's budget for the development of social science and science assessments.

Finally, a $15,539 General Fund appropriation in House Bill 2852, which provides for salary increases for statewide officials including the Superintendent of Public Instruction, is included in the Operations budget.

ODE – Special Schools

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	14,286,942	14,811,056	16,725,903	16,684,209
Other Funds	2,792,831	3,336,148	3,035,187	3,281,915
Federal Funds	145,698	450,461	308,313	567,111
Nonlimited	207,604	121,019	124,044	124,044
Total	**17,433,075**	**18,718,684**	**20,193,447**	**20,657,279**
Positions (FTE)	167.68	163.38	163.38	160.91

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 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 was a 7.9% increase over 1999-01 estimated expenditures. It essentially maintained 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.

Legislatively Adopted Budget

The legislatively adopted budget is a 10.4% increase over 1999-01 estimated expenditures and a 2.3% increase over the Governor's recommended budget.

The Legislature approved the policy option package for salary increases, modified for reduced PERS rates, for a total of $523,943 General Fund. It also added $250,000 Other Funds expenditure limitation and $260,000 Federal Funds expenditure limitation to reflect funding available for a new bus, furnishings, and a facilities study for the Special Schools.

Reductions were made for the revised PERS contribution rate ($26,016 General Fund, $314 Other Funds, and $353 Federal Funds), lower Attorney General hourly rates ($24 General Fund), reduced interagency assessments ($1,049 General Fund and $849 Federal Funds), lower long-distance telephone charges ($221 General Fund and $2,782 Other Funds), and a reduction of 1% each in out-of-state travel and in other Services and Supplies expenditure categories ($13,327 General Fund and $176 Other Funds).

Finally, the Legislature approved the elimination of 37 positions (2.47 FTE) no longer used by the Special Schools, primarily as a result of contracting out certain education services.

ODE – Youth Corrections Education

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	470,194	0	0	0
Other Funds	18,190,585	21,018,203	25,910,091	20,401,698
Federal Funds	2,002,329	2,975,994	2,951,768	2,861,482
Total	**20,663,108**	**23,994,197**	**28,861,859**	**23,263,180**
Positions (FTE)	187.01	45.54	43.00	36.00

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 4.7% in the 2001-03 biennium, from 316 at July 2001 to 331 by July 2003. The total close custody population forecast is projected to grow from 1,118 at July 2001 to 1,199 at July 2003, a 7.2% 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 was a 20.3% increase over 1999-01 estimated expenditures. It added $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 eliminated 150 beds from the Oregon Youth Authority, the Youth Corrections Education Program expenditure limitation was not adjusted for this reduction.

Legislatively Adopted Budget

The Legislature approved a budget of $23,263,180 Total Funds for this program. It did not approve the policy option package adding $5 million Other Funds expenditure limitation, with the expectation the agency will return to the Emergency Board with updated information on population forecasts for students in the youth corrections programs, students transitioning from these programs to their resident school districts, and students in county detention programs eligible for educational services while in county custody as a result of House Bill 3619 from the 2001 legislative session.

The adopted budget reflects reductions of $5,310 Other Funds and $358 Federal Funds for the revised PERS contribution rate; $158 Other Funds for reduced interagency assessments; and $125 Other Funds for lower long-distance telephone charges.

Finally, the Legislature eliminated seven vacant positions (7 FTE) in this program and reduced the budget by $502,800 Other Funds and $89,928 Federal Funds. The positions are no longer used by the agency, as a result of contracting out the education program.

ODE – Grant-in-Aid

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	159,509,236	187,780,418	214,818,904	210,007,088
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	667,722,042
Total	**650,282,238**	**759,328,546**	**797,247,791**	**892,435,975**
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 was 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. The Department estimates it was serving 50% by the end of the 1999-01 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 was a 5% increase over 1999-01 estimated expenditures. This increase included $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 accounted for $20.5 million ($6 million General Fund; $443,000 Other Funds; and $14.1 million Federal Funds). The budget also transferred 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 was reduced $200,000 General Fund for anticipated Medicaid receipts for the EI/ECSE program.

The Governor's budget also added:

- $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.

Reductions in certain grant-in-aid programs in large part offset enhancements in the Governor's budget. These reductions included:

- $5.5 million General Fund in the current level of services for regional programs (it was anticipated services and, as a result, costs for certain children would 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 was transferred to the budget for the State Commission on Children and Families as resources for the Oregon Children's Plan).

Legislatively Adopted Budget

The legislatively adopted budget is a 17.5% increase over 1999-01 estimated expenditures and a 12% increase over the Governor's recommended budget.

The Legislature reduced the Early Intervention/Early Childhood Special Education program by $8.5 million General Fund but appropriated this same amount to the Emergency Board as a special purpose appropriation for potential caseload growth. The Legislature directed the Department of Education to report to the Emergency Board on any additional federal funding that may become available for the program.

The Legislature reduced the budget for the Oregon PreKindergarten program by $5.9 million General Fund and appropriated $3.9 million of this amount to the Emergency Board as a special purpose appropriation. The net reduction of $2 million was made in anticipation of additional federal funds for the HeadStart program. The Legislature directed the agency to report to the Emergency Board on the status of the expansion of these two programs in Oregon and the Department's progress in helping local providers obtain child care dollars necessary to add new HeadStart slots, which are to be full-day, full-year slots. The Legislature directed the agency to work with the Employment Department to ensure use of child care dollars for HeadStart expansion is included in the State Plan for Child Care Development Funds.

Due to reduced State resources, the Legislature removed $2.8 million General Fund from policy option packages for the teacher/administrator mentor program as well as the dropout prevention and reduction program. The agency is directed to seek federal funds for these initiatives and report to the Emergency Board after the 2002 federal budget is approved with a plan to use federal funds to achieve the goals of these packages.

The Legislature approved the transfer of funding for the Together for Children program from the Department of Education to the State Commission on Children and Families as part of the newly established Oregon Children's Plan. It also approved the $5.5 million reduction in the regional programs, with the knowledge that federal special education law puts the ultimate responsibility on school districts to serve students with disabilities. The Department is directed to take a leadership role in working with school districts, education service districts, regional programs and other entities to devise a strategy to mitigate the impact of the reduction.

Finally, the Legislature approved a $100 million increase in the Federal Funds expenditure limitation, in anticipation of federal resources not reflected in the Governor's budget. To better track significant changes in federal revenue sources, the Legislature approved separate limitations in the budget legislation for the major sources of federal funding. These sources include special education, compensatory education (Title 1- Low-Income and Title 1 – Migrant Education), Title II – Vocational Education, and nutrition programs.

The following table shows the funding levels in the legislatively adopted budget for specific grant-in-aid programs, including Emergency Fund appropriations:

2001-03 Legislatively Adopted 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	20.2	109.3
Oregon Pre-Kindergarten	61.9	0.0	0.0	61.9
Regional Programs	32.9	0.0	14.8	47.7
Long-Term Treatment & Hospital Programs	20.5	12.2	0.7	33.4
Nutrition Programs	0.0	0.0	194.7	194.7
Compensatory Education	0.0	0.0	199.0	199.0
Local & Other Special Education Programs	0.0	0.0	127.9	127.9
Vocational Education	0.0	0.0	25.2	25.2
Class Size Reduction	0.0	0.0	15.6	15.6
Other Programs	5.6	2.5	69.6	77.7
TOTAL EXPENDITURES	**210.0**	**14.7**	**667.7**	**892.4**

ODE – State School Fund and Other K-12 Grants

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,746,043,830	4,271,512,291	4,823,186,056	4,791,211,056
Lottery Funds	451,008,248	295,962,709	257,717,086	288,417,086
Other Funds	150,216,833	189,075,207	133,691,000	122,891,000
Total	**4,347,268,911**	**4,756,550,207**	**5,214,594,142**	**5,202,519,142**
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 was 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 was an increase of 10% over 1999-01 estimated expenditures presented in the table above. However, after adding in other sources of support not reflected in the table but part of the total $4.811 billion funding for schools approved by the Legislature for the 1999-01 biennium, the Governor's budget was an 8.1% increase. Combined General Fund and Lottery Fund support was increased by 11.2% over 1999-01 estimated expenditures. The budget did 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 included $86.6 million for student growth of 0.8% in 2001-02 and 0.8% in 2002-03. The budget also included $605 million for inflation. This amount comprised 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 was a new factor in calculating the State School Fund budget. The basis for this adjustment was 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 was 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 was the result of the second (and presumably higher) year of the biennial budget being 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 was to further increase inflation and roll-up costs, but the actual components of the $125 million were not specifically identified in the Governor's budget. This analysis assumes 85% was for personnel costs and 15% was for services and supplies.

The methodology used to calculate the State School Fund appeared 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 did not recognize that the State School Fund adjustment of $125 million described above was used to compensate for step increases and other salary costs rolling over to a subsequent biennium.

The State School Fund calculation fully funded 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 did 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 earmarked $110 million General Fund in the current service level budget for a School Improvement Fund, as described below. This was described as a reduction (1.5%) from the budgets for middle and high schools. However, the Legislative Fiscal Office believes it to be better characterized as recognition that the personal services costs for the State School Fund current service level budget were overstated. Finally, the Legislative Fiscal Office notes that since personal services costs were used to calculate the costs for student growth, any overstatement of personal services costs would result in an overstatement of dollars for student growth.

The budget also included $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 to improve student performance, specifically K-5 literacy (the Governor's budget intended 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

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[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.

- $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 included Lottery Funds, continuing the lottery support that began in the 1995-97 budget. However, the amount of Lottery Funds in the State School Fund declined by $38 million from the 1999-01 biennium. Lottery support in the Governor's budget accounted for 5.1% of state funding, down from 6.5% in 1999-01. This reduction reflected 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.

Legislatively Adopted Budget

The legislatively adopted budget for the State School Fund and other K-12 grants is a total of $5.202 billion, a 2.3% decrease from the Governor's recommended budget. It is an increase of approximately 8.1% over the 1999-01 level of $4.811 billion, including one-time funding in 1999-01 of $168.4 million (lottery bonds and Senate Bill 622 proceeds). Without one-time funding, the legislatively adopted budget is a 12% increase over 1999-01 funding.

Total funding comprises $4.79 billion General Fund, a $288.4 million Lottery Funds allocation, and $122.9 million Other Funds. Components of the total funding include the following:

- $4.56 billion General Fund, $288.4 million Lottery Funds, and $122.9 Other Funds for basic school support distributed through the statutory distribution formula;
- $220 million General Fund for the School Improvement Fund (General Fund replaces the $110 million of tobacco settlement proceeds in the Governor's recommended budget) ;
- $10.325 million General Fund for the Data Integrity Assurance project; and
- $600,000 General Fund for estimated local option equalization grants to eligible school districts meeting the criteria established in House Bill 2300 (2001).

Sources of Other Funds for basic school support include $99.2 million of Medicaid Upper Payment Limit (MUPL) resources and $23.7 million in local timber receipts deposited in the State School Fund as a result of 1999 legislation (House Bill 3575). The MUPL funds are intended to cover health-related costs in schools such as health teachers' salaries and benefits as well as health services provided to students. These funds replace General Fund support in the Governor's budget.

Additionally, the Legislature approved replacing $30.7 million General Fund with Lottery Funds based on a revised lottery forecast. Finally, it reduced General Fund in the Governor's budget by $7.5 million to use this funding for county mental health programs.

Budget notes direct the Department of Education to continue refining the methodology for calculating a current service level budget for the State School Fund and to report to the Emergency Board on the Department's progress.

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

($ in millions)	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	Leg. Adopted. 01-02	02-03
State funding (a)	626	818	1100	1132	1427	1750	1760	2075(c)	2252(d)	2354(e)	2440(e)	2542(f)	2660(f)
Local & other revenues (b)	1598	1637	1490	1343	1178	902	956	871	884	939	994	1041(g)	1095(g)
Total	2224	2455	2590	2475	2605	2652	2716	2946	3136	3293	3434	3583	3755
Percent change		*10.4%*	*5.5%*	*-4.4%*	*5.3%*	*1.8%*	*2.4%*	*8.5%*	*6.4%*	*5.0%*	*4.3%*	*4.3%*	*4.8%*
STATE SHARE	**28%**	**33%**	**42%**	**46%**	**55%**	**66%**	**65%**	**70%**	**72%**	**71%**	**71%**	**71%**	**71%**

a State funding includes juvenile corrections for 1992-93 through 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

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, $10.325 million for data projects, and $600,000 for local option matching grants

g Includes (per current law) increased forest fees as a result of federal H.R. 2389, adding $28.7 million to the school equalization revenues resulting in all schools benefitting from the increase in federal revenues

Historical Source: Legislative Revenue Office

Statewide per student (weighted) funding in 2001-02 is projected to be $5,297. This is a 3.8% increase over the 2000-01 statewide average of $5,104, which includes expenditures of lottery bond proceeds. Without this one-time funding source, it is a 6.1% increase.

Senate Bill 519 from the 2001 session slightly modifies the equalization formula, which provides the per student funding amounts for school districts. It creates the Small School District Supplement Fund and sets aside $9 million from the State School Fund for schools meeting the established criteria. It also sets aside $150,000 from the State School Fund for the Department of Education to conduct a study on special education issues.

ODE – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	0	5,444,635	58,600,000	56,000,000
Other Funds	0	36,208,485	1,458,841	3,555,414
Total	**0**	**41,653,120**	**60,058,841**	**59,555,414**
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 (1999).

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 of the legislative caps set for 1997-99 State School Fund distributions was transferred to the Education Lottery Bond Fund for debt service. Excess 1999-01 State School Fund dollars for 2001-03 debt service are not expected because of lower property tax collections.

Governor's Budget

The Governor's budget provided $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.

Legislatively Adopted Budget

Based on a revised lottery forecast and updated projections for interest income, the Legislature approved a budget of $42.4 million Lottery Funds, $13.6 million in interest earnings on the Education Endowment Fund (reflected as Lottery Funds), and $3.6 million in other interest income. The total budget was reduced by $503,427 to reflect actual debt service requirements.

Oregon Health and Science University Public Corporation (OHSU) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	107,896,926	111,896,927	104,694,350	3,300,000
Other Funds	0	0	10,000,000	101,313,772
Total	**107,896,926**	**111,896,927**	**114,694,350**	**104,613,772**

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 and Science 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 acquired the assets and liabilities of OGI and established the OGI School of Science and Engineering at OHSU. The merged institution retains OHSU's public corporation status, and to reflect the addition of an engineering program, OHSU changed its name to "Oregon Health and Science University." The 2001 Legislative Assembly approved legislation allowing the merger and the name change.

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 is the net medical service fee revenue 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 Child Development and Rehabilitation Center (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 reduced General Fund support by approximately $7.2 million from the 1999-01 biennium level, and added $10 million of Tobacco Settlement [Master Settlement Agreement of 1998] funds (shown as Other Funds).

This budget contained a number of departures from previous Governor's recommendations for OHSU. In 1999, 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 reversed his earlier decision and included 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 added approximately $2.8 million for inflation and then reduced 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 did identify separate recommended funding levels at the program area level. Until now, state support to OHSU had 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 proposed to combine these into a single appropriation. There was no direction to OHSU on the allocation of funds, or on how any budget reductions necessitated by the General Fund reductions were to be taken. The Department of Administrative Services suggested 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 allocated $10 million of Tobacco Settlement funds for the Oregon Opportunity Program – OHSU's proposal to expand research programs in genetics and biotechnology, and its rural health programs. 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 dedicated $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 would 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 did not believe, however, that underwriters would support such a bond issuance if OHSU were to proceed on its own.

Legislatively Adopted Budget

The Legislature essentially approved the funding level in the Governor's budget for ongoing programs, but changed the funding source. The Governor had proposed approximately $104.7 million of General Fund to support existing Education and General, Hospital and Clinics, and Child Development and Rehabilitation Center programs. The Legislature reduced this by $80,581 under standard adjustments that were applied to all budgets to reflect a lower Public Employees Retirement System (PERS) contribution rate, and a 1% reduction in out-of-state travel.

The preponderance of state support was shifted from the General Fund to moneys in the Medicaid Upper Payment Limit (MUPL) Account. The 2001 Legislative Assembly established the MUPL account to receive payments from health districts, under the Proportionate Share Incentive Adjustment State Plan Amendment to the State Medicaid Plan and under intergovernmental agreements with the health districts, that are attributable to the federal funds portion of the total payment made to the health districts. The Legislature dedicated the MUPL account funds to health-related programs. The adopted budget shifts $101.3 million of state support for OHSU from the General Fund to MUPL funds. OHSU may use these funds for the same purposes as General Fund with the exception that they may not be used as matching funds for federal grants. Because of this restriction, the budget retained $3.3 million in General Fund for the Child Development and Rehabilitation Center and the Area Health Education Centers, to meet existing federal fund match requirements. Because the federal government will phase out MUPL funding over the next several biennia, the budget indicates that state support is not tied to this funding source, and that other state resources will be used to support the institution as MUPL funding is phased out.

The Legislature approved the Oregon Opportunity Program at the full level requested by OHSU. The budget will allow up to $200 million of bonds to be issued for this program. The bonds will be repaid with Tobacco Settlement funds. Voters at the 2002 primary election will determine the form of the bond issuance. If voters approve House Joint Resolution 19, they will allow the state to issue General Obligation bonds for this program. The budget allows $200 million of bonds to be issued in this case. If voters reject the General Obligation authority, the state will issue $165 million of Tobacco Settlement revenue bonds instead. Revenue bonds carry a higher interest rate than General Obligation bonds. Because of this, the budget reduces the bond issue, if revenue bonds are used, to contain debt service costs. Either bond issue is projected to generate $31.6 million in biennial debt service costs beginning in the 2003-05 biennium. The budget eliminated the $10 million for debt service payments in 2001-03. Although it is anticipated that the bonds will be issued late in the 2001-03 biennium, no debt service payments will be made until 2003-05. Because OHSU has not developed a specific proposal for the use of the bond proceeds, the Legislature limited 2001-03 bond proceed Other Funds expenditures to $1, and required the university to obtain Emergency Board approval of a specific program plan before any bonds are issued. If the Emergency Board approves the plan, it will increase the expenditure limitation to allow OHSU to spend money on the Oregon Opportunity Program.

OHSU – Education and General

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	69,724,926	73,724,927		
Other Funds				
Total	**69,724,926**	**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. The Oregon Graduate Institute of Science and Technology (OGI) receives some state support from the Oregon Engineering Education Investment Fund, which is supported in the Department of Higher Education Budget.

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

Legislatively Adopted Budget

The legislatively adopted budget also contains no specific recommendations on either the funding level or on funding cuts for the university's Education and General Program. The budget identified the offering of high-quality academic programs to train health care professionals as one of the purposes of state funding, and directed OHSU to utilize its state funds to best achieve this and other purposes. The budget also noted concerns about nursing shortages and requested OHSU to consider increasing nonresident tuition at all of its schools to finance an enrollment expansion in the School of Nursing. The budget provided a total of $3.3 million in General Fund to allow federal grants for the Area Health Education Centers program to be matched at current levels.

The budget also approved the full $200 million bond request for the Oregon Opportunity Program (more detail is in the Agency Totals section above), but eliminated any funding for debt service in the 2001-03 biennium. Although bonds may be issued in 2001-03, the debt service must be structured so that no payments are required prior to the 2003-05 biennium. OHSU must present a specific proposal for the use of the bond proceeds to the Emergency Board before any bonds may be issued.

OHSU – Hospital and Clinics

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	27,882,000	27,882,000		
Total	**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 contained no specific recommendation on either the funding level or on funding cuts for the university's hospital and clinical programs.

Legislatively Adopted Budget

The legislatively adopted budget also contains no specific recommendations on either the funding level or on funding cuts for the university's hospital and clinical programs. The budget identified supporting access to medical care by under-served populations and non-sponsored patients as one of the purposes of state funding, and directed OHSU to utilize its state funds to best achieve this and other purposes.

OHSU – Child Development and Rehabilitation Center

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	10,290,000	10,290,000		
Total	**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 contained no specific recommendation on either the funding level or on funding cuts for the CDRC.

Legislatively Adopted Budget

The legislatively adopted budget also contained no specific recommendations on either the funding level or on funding cuts for the CDRC. The budget identified support of the CDRC as one of the purposes of state funding, and directed OHSU to utilize its state funds to best achieve this and other purposes. The budget also provided a total of $3.3 million in General Fund to allow federal grants for CDRC programs to be matched at current levels.

Department of Higher Education (DHED) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	608,847,923	756,317,213	762,223,707	812,062,569
Lottery Funds	4,912,828	4,886,091	5,340,371	6,247,457
Other Funds	853,291,388	938,623,733	967,934,158	1,176,146,471
Nonlimited	1,227,618,964	1,273,158,364	1,895,005,683	1,804,031,145
Total	**2,694,671,103**	**2,972,985,401**	**3,630,503,919**	**3,798,487,642**
Positions (FTE)	11,160.65	11,469.52	11,503.88	11,786.42

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 1999-01 Estimated figures are also adjusted for a $39.6 million supplemental Other Funds expenditure limitation increase included in the legislatively adopted budget.

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 contained a combination of funding enhancements to establish new educational initiatives, coupled with cuts in funding for existing programs. In aggregate, the recommended budget was $33 million, or 4.1%, below the current service level. All discussions in this report of the Governor's budget and of the legislatively adopted budget for the Department, unless explicitly stated otherwise, exclude the implicit funding for the Department that was 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 did 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 from 21.5 to 28.5 percent.

The Department funds its operations within a number of programs whose budgets essentially operate 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 was a net $17.6 million, or 2.6%, below the current service level. The budget included $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 increased 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 would 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 included another $25 million General Fund that is characterized as funding enhancements, but that would effectively be used to mitigate or offset a portion of the funding cuts discussed in the next paragraph. This $25 million General Fund included:
- $17 million for undergraduate and graduate enrollment growth. The budget did not specify how these funds were to be distributed and did not require any specific enrollment growth as a prerequisite for distributing the funds. These funds would be distributed to campuses and would offset funding cuts to existing campus programs.
- $8 million to finance a Small School Adjustment in the system's new budget model. The impact would 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 included 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 included $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 were no funds to offset any of the cuts to centralized operations, but the $25 million identified above would 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 was further offset by a tuition increase to generate Other Funds revenue for campuses:
- $25.2 million of additional Other Funds revenues derived 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 included $25.2 million from tuition increases. OUS estimated that 4% annual tuition increases, applied to undergraduate and graduate resident and non-resident students, would raise this amount of revenue. OUS estimated that this level of tuition increase would reduce total full-time equivalent (FTE) enrollment by about 230 FTE per year.

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

Statewide Public Service Programs of Oregon State University
The Governor's budget was $15.1 million General Fund below the current service level. This included a $12.85 million reduction to remove all program enhancements approved by the 1999 Legislative Assemby, and an additional $2.3 million in cuts to the programs that existed prior to the 1999 legislative enhancements. There were no offsetting funding increases in the statewide public service budgets. The extent of the cuts varied by program. State support for the Agricultural Experiment Station was cut 16.5% from the current service level. The percentage cut for the Extension Service was 11.8%, and the cut for the Forest Research Laboratory was 28.1 percent.

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

Current Service Level Issues
The budget included increased funds to finance the General Fund roll-up costs of 1999-01 biennium compensation increases. As in all state budgets, this increased funding was 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 other 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 created a 7.91% cost roll-up. The current service level for the Department accommodated a 5.46% compensation cost roll-up – equal to the average rate for all other state agencies.

The Governor's budget fully funded this roll-up, but did not fund the portion of the Department's roll-up costs that exceeded the statewide average. The additional amount of General Fund needed to finance the full 7.91% rollup was $12.7 million. This included $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 did not fund them is not considered a cut from current service level. Nonetheless, these are costs that the Department's compensation levels do impose, and the Governor's budget did not finance them.

Legislatively Adopted Budget

Details of the Legislative Adopted Budget are found in each of the program areas below. Highlights of the legislative changes to the Governor's budget are listed here:

- The Legislature increased General Fund support to OUS by $51.2 million. Of this total, $30.1 million was used to restore Education and General program cuts in the Governor's budget, $17 million was used to restore the Governor's cuts to the Statewide Public Service Programs and to fund the full salary roll-up costs in these programs, $4 million was to establish a four-year independent Doctor of Veterinary Medicine degree program at Oregon State University, and $100,000 was to establish a Patient Prescription Drug Program.
- The Legislature approved a $26.9 million Other Funds expenditure limitation increase to support the Education and General program. This increase will allow the revenues projected under a 4% tuition rate increase in the 2001-02 academic year and a 3% tuition rate increase in the 2002-03 academic year to be spent on program enhancements. Although the Governor had originally proposed 4% tuition increases for both years, his recommended budget underestimated what tuition revenue would actually be.
- The adopted budget uses General Fund and tuition revenue to restore all proposed cuts in the Education and General budget with two exceptions: the Smart Jitney Program is discontinued, and unneeded debt service funds for Certificates of Participation are eliminated. A total of $65 million of proposed reductions are restored.
- The budget includes $34.2 million for program enhancements in the Education and General budget. These funds will be used to address cost increases that exceed those allowed in the current service level calculation (including salary roll-up costs exceeding the state agency average and energy cost increases), and to expand programs to address enrollment growth related and other needs.
- The budget includes all of the Governor's proposed funding enhancements, although the $17 million General Fund for enrollment growth was redirected towards other purposes.
- The budget contains major increases in the Capital Construction budget. The Legislature approved ten additional capital projects and added $17 million of Other Funds for systemwide use. The budget authorizes Lottery bonds for OUS capital projects for the first time, and more than doubles the total amount of Article XI-G bonds authorized for capital construction.

DHED – Education and General Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	498,758,834	628,066,704	645,248,943	678,205,931
Other Funds	537,804,281	647,491,687	664,009,696	665,745,330
Nonlimited	658,446,782	690,102,061	980,655,437	1,120,508,788
Total	**1,695,009,897**	**1,965,660,452**	**2,289,914,076**	**2,464,460,049**
Positions (FTE)	8,520.69	8,756.50	8,796.75	9,079.29

The figures for 1999-01 Estimated differ from the Governor's budget because they include items that the Governor omitted as indicated in the Agency Totals table.

Program Description

The Education and General 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

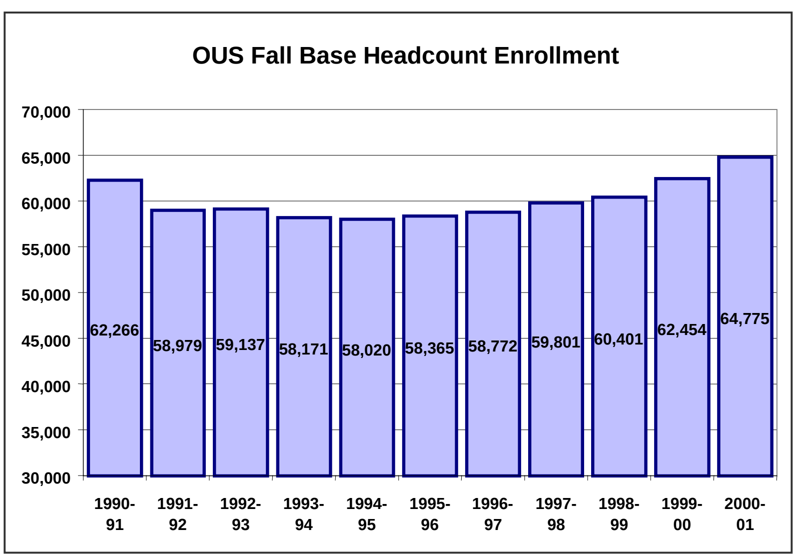
The primary source of Other Funds for the Education and General Program is tuition. Other sources include sales and charges for services, indirect cost recovery on grants, and other miscellaneous revenue. Other Funds subject to expenditure limitation are retained by the campuses generating those revenues, 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 (RAM). 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 enough 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.

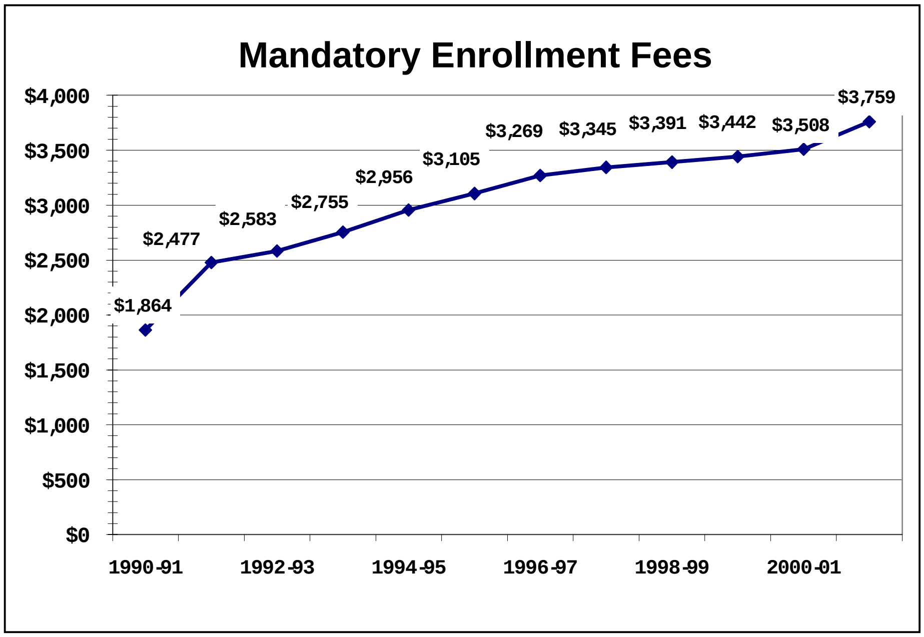
In 1999, the Legislature increased General Fund support of the Education and General Program by 22 percent. This included $106.8 million of General Fund enhancements. Of this total, $15.3 million resulted in no additional revenue for the budget, since it was used to freeze tuition rates for resident 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 each campus' 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 above table. 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 2001-03 Legislatively Adopted Budget allows for a 4% tuition increase in the 2001-02 academic year, and a 3% tuition increase in the 2002-03 academic year. Although all campuses limited their tuition increase for resident undergraduate students to 4% in the 2001-02 academic year, they increased their non-tuition mandatory fees at a much greater rate, and most campuses imposed a new Energy Surcharge Fee. As a result, total mandatory enrollment fees increased by an average of 7.2% in the 2001-02 academic year, almost equal in percentage terms to the increase over the prior four years combined.

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 included both enhancements and cuts of General Fund support for Education and General programs. There was a net $17.6 million (or 2.6%) cut in General Fund from the current service level. The budget also included $25.2 million of Other Funds generated by a 4% per annum tuition increase.

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

1) $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 increased state support for engineering and computer science by $15 million over the prior biennium level. The additional $15 million and the continuing $5 million would be directed toward increasing the number of engineering and computer science graduates, and increasing the quality of engineering programs. The budget anticipated 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 was 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 needed to determine how best to use the more limited funding that was available.

2) $7.2 million above the current service level to expand higher education opportunities in Central Oregon. These funds would 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 funded the full amount that the Department had requested for this effort.

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

- $17 million for undergraduate and graduate enrollment growth. The budget did not specify how these funds were to be distributed and did not require any specific enrollment growth as a prerequisite for distributing the funds. These funds would be distributed to campuses and would offset funding cuts to existing campus programs. The funds would 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 would 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 would be distributed to the four schools through a targeted program in the RAM, although the funding amount to each individual school would be based on its total enrollment. The Department had requested $8.8 million to implement the Small School Adjustment.

The budget included a total of $69.8 million in General Fund cuts to existing programs in the Education and General program area. These cuts were 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 used by the budget model's "cell values". The cell values provide funds to campuses on a per-enrollment basis.

The targeted programs provide funds on some other basis. Targeted programs are designed to address the institutions' costs that are not directly dependent on their enrollment levels. The General Fund cuts included a:

- $10 million reduction in funding of a targeted program that supports non-sponsored (i.e., not grant supported) research programs. This equated 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 was 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 were not to be taken from engineering programs administered centrally. This represented an 11.4% cut in support of the effected programs.
- $5 million reduction in personal services. A portion of this cut was to be taken in centralized service areas, but the bulk was distributed to campuses through reduction of the RAM cell values.
- $4.6 million reduction in services and supplies. This cut essentially removed the services and supplies inflation cost included in the current service level. A portion of this cut was to be taken in centralized service areas, but the bulk was 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 adjustment reduced 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. Campuses had received $470 per FTE enrollment of non-resident Masters students. The cut also eliminated support for student internship programs.
- $2.1 million reduction to eliminate the holding of centralized reserve funds. These reserve funds were used to finance enrollment growth that exceeds projections and to address unforeseen contingencies.
- $2 million reduction by eliminating campus performance awards. These funds were 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 did 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 was a General Fund reduction and is included in the $69.8 million total of General Fund cuts. This reduction, however, was fully offset by $25.2 million generated from a tuition increase. The net fiscal impact to campuses was zero. The substitution of tuition for General Fund did, 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 included $57.5 million of cuts to campus funding, and $12.2 million of cuts to centralized operations. There were no funds to offset any of the cuts to centralized operations. For campus budgets, the tuition increase was 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 included $25.2 million from tuition increases. OUS estimated that 4% annual tuition increases, applied to undergraduate and graduate resident and non-resident students, would raise this amount of revenue. OUS estimated that this level of tuition increase would 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 would increase $108 in 2001-02, and another $112 in 2002-03. Full-time nonresident undergraduates at the University of Oregon would see tuition increases of $510 in 2001-02, and of another $529 in 2002-03. As another example, full-time resident graduate students at the University of Oregon would see tuition increases of $237 in 2001-02, and of another $247 in 2002-03. Mandatory enrollment fees would 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 reduced the total funding cuts to campus budgets to $32.3 million. However, the $25 million for enrollment growth and the small school adjustment was also available to mitigate program cuts, leaving a net funding cut to campuses of $7.3 million.

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

Legislatively Adopted Budget

The Legislature substantially changed the budget of the Education and General program. The adopted budget restores all but $4.26 million of the cuts in the Governor's budget. It funds all of the Governor's recommended enhancements and adds additional ones. Finally, it provides additional General Fund and tuition dollars for program enhancements. Although the total dollar amount of tuition was increased, the budget actually supports a smaller tuition rate increase than proposed in the Governor's budget.

The adopted budget includes the $27.2 million in General Fund for program enhancements in the Governor's budget. This includes $20 million to enhance Engineering and Computer Science programs, and $7.2 million to establish the Oregon State University Cascades Branch Campus in Bend. The $20 million for Engineering and Computer Science is divided as follows: $15 million for the "2X Proposal" and $5 million for the "Tier 1 Proposal."

The adopted budget also includes the $25 million of General Fund in the Governor's budget to mitigate funding cuts. This consists of $8 million for the Small School Adjustment and $17 million that had been designated for enrollment growth. The $17 million was redirected toward other purposes, however. Approximately $9.7 million was applied toward restoring cuts in the Governor's budget, and the remaining $7.3 million was used to provide unrestricted funding for program enhancements above the current service level.

The budget restored $65 million of the $69.8 million of cuts in the Governor's budget. The only remaining cuts are elimination of the Smart Jitney program ($1.3 million) and a $3.5 million cut to centralized services. This $3.5 million represents General Fund that was in the Governor's budget to pay debt service on Certificates of Deposit that have actually already been paid off.

The $65 million of cuts were restored with three funding sources: a) the redirection of $9.7 million General Fund originally in the Governor's budget for enrollment growth, b) the $25.2 million in tuition revenue above the amount needed to fund the current service level that was in the Governor's budget, and c) an additional $30.1 million of General Fund above the level in the Governor's budget.

Finally, the budget approves an additional $26.9 million of Other Funds expenditures from tuition and resource fee revenue. These funds, combined with $7.3 million of General Fund remaining in the $17 million enrollment growth package after restoring budget cuts, provide a total of $34.2 million for Education and General program enhancements above the current service level. These funds will allow OUS to cover inflation costs that exceed the current service level calculation, and to establish new programs and address enrollment-growth related costs. It is assumed that $10.9 million of these funds will probably be used to finance the unfunded portion of the salary roll-up costs in the Education and General budget.

The $26.9 million of Other Funds limitation was added to allow OUS to spend the tuition revenue it is projected to receive under a 4% tuition rate increase in the 2001-02 academic year and a 3% tuition rate increase in the 2002-03 academic year. This rate of increase is less than the 4% annual rate increase assumed in the Governor's budget. The $25.2 million of tuition dollars added in the Governor's budget, however, substantially underrepresented the additional tuition revenue that such a tuition rate increase would generate. The primary reason for this is that the Governor's budget did not include extra tuition revenue generated by rising enrollments. When you include this, it turns out that even a more moderate 4%/3% increase will generate $52.1 million above the current service level. This is $26.9 million more than the $25.2 million the Governor had added. The adopted budget includes the additional $26.9 million of Other Funds limitation to allow the full amount of tuition revenue to be spent.

The budget directs OUS and any relevant campuses to report to the Emergency Board if they increase tuition by more than these amounts. For the 2001-02 academic year, Eastern Oregon University, Oregon State University, and the University of Oregon will have to do so. Although each of these campuses limited tuition increases for undergraduate resident students to 4%, they raised other tuition rates by more than 4 percent. All campuses also increased their non-tuition mandatory fees at much greater rate, and most campuses imposed a new Energy Surcharge Fee. As a result, total mandatory enrollment fees increased by an average of 7.2% in the 2001-02 academic year, equal almost in percentage terms to the increase over the prior four years combined.

The adopted budget also includes other enhancements that were not in the Governor's budget. These include $4 million General Fund to establish a four-year independent Doctor of Veterinary Medicine degree program at Oregon State University. Although the program will not expand enrollment until the 2003-05 biennium, the $4 million will be combined with $4 million of Article XI-G bonds in 2001-03 to expand facilities to house the new program.

The budget also adds $100,000 General Fund to establish a Patient Prescription Drug Assistance program at the OSU College of Pharmacy. This program will help low-income patients enroll in prescription discount programs offered by the pharmaceutical industry. Finally, the Legislature established a Higher Education Technology Transfer Fund to support technology transfer programs at OUS campuses, community colleges, and private colleges. This fund will be administered by OUS. Although only $1 of General Fund was appropriated for this fund, the Legislature also redirected any declared earnings on investments in the Oregon Growth Account and the Oregon Resource and Technology Development Subaccount (ORTDS) to this Fund. The Legislature also allowed OUS to acquire stock in exchange for technology transfers, and provided $5 million to re-capitalize the ORTDS. These actions together will promote technology transfer efforts.

The adopted budget also included standard reductions to reflect the lower Public Employees Retirement System (PERS) contribution rate, revised state government service and telecommunications charges, and a 1% out-of-state travel reduction. A one-time shift of $410,000 General Fund for Engineering education was taken. Instead, accumulated interest earnings in the Engineering Education Investment Fund will be used to finance the program.

DHED – Fee Remissions

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	0	60,540,000	76,840,000
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 accommodated $60.5 million of fee remissions. Reported tuition revenue was increased by the same amount. Fee remissions in the 1999-00 academic year totaled $32.1 million, so the figure in the budget appeared to indicate a decline in the level of fee remissions.

Legislatively Adopted Budget

The Legislature increased the Other Funds limitation by $16.3 million to reflect more accurate projections for fee remissions given historic levels and adjustments for increases in enrollments and tuition rates.

DHED – Agricultural Experiment Station

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	41,732,438	52,963,496	46,017,736	56,053,393
Lottery Funds	366,798	0	0	0
Other Funds	10,616,176	14,585,285	15,109,599	15,105,886
Nonlimited	41,082,920	43,137,068	50,225,000	50,218,921
Total	**93,798,332**	**110,685,849**	**111,352,335**	**121,378,200**
Positions (FTE)	635.97	653.56	653.56	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 reduced General Fund support of the Experiment Station by $6.9 million from the 1999-01 level. This was a $9.1 million (or 16.5%) reduction from the current service level. The $9.1 million of General Fund reductions included:

- $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 was 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 was denied. The budget reduction was 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 was to the base budget supported prior to the 1999-01 program expansion. The budget applied 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 was the smallest in percentage terms.

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

Legislatively Adopted Budget

The Legislature restored all of the cuts in the Governor's budget. The adopted budget also adds $979,269 General Fund to cover the full roll-up costs of 1999-01 biennium salary increases. The Governor's budget had only funded roll-up costs to the average level for other state agencies (i.e., a 5.46% increase). These restorations will allow the Agricultural Experiment Station to avoid reductions to its existing programs. The adopted budget includes a standard reduction to reflect the lower PERS contribution rate. This reduction totals $59,375 General Fund, $3,713 Other Funds, and $36,909 Nonlimited Funds.

DHED – Extension Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	30,753,065	36,062,583	33,385,360	38,607,292
Other Funds	16,725,644	21,790,138	22,450,997	22,420,111
Nonlimited	9,428,209	9,899,619	16,256,500	15,850,267
Total	**56,906,918**	**67,752,340**	**72,092,857**	**76,877,670**
Positions (FTE)	438.00	450.12	450.12	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 reduced General Fund support of the Extension Service by $2.7 million from the 1999-01 level. This was a $4.5 million (or 11.8%) reduction from the current service level. The $4.5 million of General Fund reductions included:

- $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 was 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 was denied. The budget reduction was 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 was 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 were no enhancements for the Extension Service in the Governor's budget. Other Funds expenditures were supported at the current service level.

Legislatively Adopted Budget

The Legislature restored all of the cuts in the Governor's budget. The adopted budget also adds $782,653 General Fund to cover the full roll-up costs of 1999-01 biennium salary increases. The Governor's budget had only funded roll-up costs to the average level for other state agencies (i.e., a 5.46% increase). These restorations will allow the Extension Service to avoid any reductions to its existing programs, with one exception. The budget reduces Nonlimited Funds by $402,241 to reflect the phase-out of the Oregon Student Safety on the Move Program. This program had been funded by a portion of fee for driver's licenses. The courts ruled this fee to be unconstitutional. The adopted budget includes a standard reduction to reflect the lower PERS contribution rate. This reduction totals $43,008 General Fund, $30,886 Other Funds, and $12,798 Nonlimited Funds.

DHED – Forest Research Laboratory

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,819,481	5,040,318	3,927,645	5,551,929
Other Funds	6,530,820	10,023,425	8,918,046	8,908,284
Nonlimited	19,293,445	20,258,117	22,902,600	22,886,750
Total	**29,643,746**	**35,321,860**	**35,748,291**	**37,346,963**
Positions (FTE)	180.54	185.55	179.66	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 reduced General Fund support of the Forest Research Laboratory by $1.1 million from the 1999-01 level. This was a $1.5 million (or 28.2%) reduction from the current service level. The $1.5 million of General Fund reductions included:

- $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 was 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 was denied. The budget reduction was 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 was to the base budget supported prior to the 1999-01 program expansion. The budget applied 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 was 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 was even in the budget for services and supplies.

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

Legislatively Adopted Budget

The Legislature restored all of the cuts in the Governor's budget. The adopted budget also adds $91,293 General Fund to cover the full roll-up costs of 1999-01 biennium salary increases. The Governor's budget had only funded roll-up costs to the average level for other state agencies (i.e., a 5.46% increase). These restorations will allow the Laboratory to avoid any reductions to its existing programs. The adopted budget includes a standard reduction to reflect the lower Public Employees Retirement System (PERS) contribution rate. This reduction totals $5,775 General Fund, $9,762 Other Funds, and $19,375 Nonlimited Funds.

DHED – Sports Action Lottery

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	4,546,030	4,886,091	5,340,371	5,408,887
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 was set to equal the projected revenue.

Legislatively Adopted Budget

The Legislature reset the expenditure limitation to equal projected revenue as revised by the May 2001 revenue forecast. This resulted in a $68,516 Lottery Funds expenditure limitation increase.

DHED – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	17,169,605	18,317,636	21,547,547	21,547,547
Lottery Funds	0	0	0	838,570
Nonlimited	62,179,182	69,708,919	68,126,333	68,126,333
Total	**79,348,787**	**88,026,555**	**89,673,880**	**90,512,450**
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.

Legislatively Adopted Budget

The Legislature funded required debt service as was funded in the Governor's budget. An $838,570 Lottery Funds limitation was added to finance debt service on $9 million of Lottery Bonds authorized for an added capital project – the Regional Agricultural, Health and Life Sciences Building at Eastern Oregon University. This is the first time Lottery bonds have been used to finance OUS capital projects. A second capital project financed with Lottery bonds was also approved for the library at Southern Oregon University, but debt service payments on this project will be delayed until the 2003-05 biennium.

DHED – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	16,614,500	15,866,476	12,096,476	12,096,477
Other Funds	281,614,467	244,733,198	196,905,820	387,126,860
Total	**298,228,967**	**260,599,674**	**209,002,296**	**399,223,337**
Positions (FTE)	0.00	0.00	0.00	0.00

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

The budget also approved a total of 39 capital projects priced at $169.8 million. These costs were financed by $152.3 million of Article XI-F(1) bonds and with $17.5 million of gifts, grants, and federal funds. The budget included an increase in the Student Building Fee to support $53.4 million of student auxiliary projects. Nonetheless, the Capital Construction budget continued a recent declining trend, falling 24% from the prior biennium level.

Legislatively Adopted Budget

The Legislature approved significant increases in the Capital Construction budget. Ten additional capital projects were added to the Governor’s budget, as well as $17 million in added Other Funds for systemwide use. Five projects were deleted from the Governor’s budget either because they had already been completed, or because they were to be funded out of the additional systemwide authorizations.

The added projects include the following that will be financed with state-paid bonds (either General Fund paid Article XI-G bonds or Lottery bonds):

- a $60.2 million Northwest Engineering Science Center at Portland State University (includes $26.5 million of Article XI-G bonds);
- a $28.9 million science building at Eastern Oregon University (includes $14.5 million of Article XI-G bonds and $9 million of Lottery bonds);
- a $20 million library addition and remodel at Southern Oregon University (includes $10 million of Article XI-G bonds and $5 million of Lottery bonds); and
- a $15.2 million alteration and addition to the School of Music building at the University of Oregon (includes $7.6 million of Article XI-G bonds).

The budget also provided bond authorization for three projects that may be approved by the Emergency Board. These include $20 million of Article XI-G bond authority to complete a $45 million new Engineering building at Oregon State University, $4 million of Article XI-G bond authority to complete an $8 million facility for the College of Veterinary Medicine at Oregon State University ($4 million of General Fund match was also appropriated to the Emergency Board for this project), and $1.2 million of Article XI-G bond authority for the Native American Center at Portland State University.

In total, $108.8 million of Article XI-G bonds were approved for issuance in the 2001-03 biennium. This amount exceeds the $89.6 million of such bonds currently outstanding. If all of the approved Article XI-G bonds are issued, General Fund biennial debt service costs will increase by an estimated $15.8 million. This budget also represents the first time Lottery Bonds have been used to construct OUS facilities. In both cases where they are used, they are used to provide the constitutionally required match for issuing Article XI-G bonds. The state is therefore able to bond more than half of the cost of the projects. Debt services cost on these Lottery bonds are projected to equal $3.3 million per biennium.

The complete list of approved projects is shown in the following table. Bold type in this table identifies projects that the Legislature added to the Governor's budget or expenditure limitations that the Legislature increased:

PROJECT LIST	General Fund	Article XI-G Bonds	Article XI-F(1) Bonds	Lottery Bonds	Other Revenues	Total
(1) Department of Higher Education System						
(a) Academic modernization and repair	12,096,476	12,096,476	15,000,000			$39,192,952
(b) Small Capital Projects			6,000,000		6,000,000	$12,000,000
(c) Miscellaneous Small Projects (Student Building Fee)			3,000,000			$3,000,000
(d) Land and Building acquisition			1,000,000		1,000,000	$2,000,000
(2) Western Oregon University						
University new housing and childcare center			12,975,000			$12,975,000
(3) Portland State University						
(a) Student Recreation remodel - Peter W. Stott Center			500,000			$500,000
(b) Replacement housing			10,000,000			$10,000,000
(c) Native American Center - adjustment			1,000,000			$1,000,000
(d) Campus childcare center, phase 1			3,500,000			$3,500,000
(e) Walk of the Heroines			200,000		800,000	$1,000,000
(f) Smith Center West, Student Health Center			9,500,000			$9,500,000
(g) Classroom building acquisition and renovation			3,500,000			$3,500,000
(h) Northwest Engineering Science Center, Phase 1		26,500,000	7,200,000		26,500,000	$60,200,000
(4) University of Oregon						
(a) East Campus Children's Center			2,616,000			$2,616,000
(b) Erb Memorial Union HVAC system upgrade			1,350,000			$1,350,000
(c) Many Nations Longhouse replacement					1,500,000	$1,500,000
(d) Lillis Business Complex/Gilbert Hall, phase 2					33,000,000	$33,000,000
(e) Casanova Center & Kilkenny/Pape Fields Additions					2,500,000	$2,500,000
(f) School of Music Additions and Alterations		7,600,000			7,600,000	$15,200,000
(5) Oregon State University						
(a) Residential infrastructure upgrades			4,500,000			$4,500,000
(b) Poling & Cauthorn Halls - seismic upgrades			2,000,000			$2,000,000
(c) Weatherford Hall renovation			14,000,000		3,000,000	$17,000,000
(d) New student residences/apartments, phase 2			10,000,000			$10,000,000
(e) Dining Center renovations			4,600,000		400,000	$5,000,000
(f) Student family housing apartments/childcare			8,500,000			$8,500,000
(g) Parking Services Building			1,600,000			$1,600,000
(h) Dixon Recreation Center completion, phase 3			19,000,000			$19,000,000
(i) Student Services Center (including Snell Demo)			5,650,000			$5,650,000
(j) Alumni Center parking improvements					500,000	$500,000
(k) CH2M Hill Alumni Center expansion					2,500,000	$2,500,000
(l) Gill Coliseum expansion					11,500,000	$11,500,000
(m) Hinsdale Wave Research addition					3,700,000	$3,700,000
(n) College of Veterinary Medicine - New building	1	1			1	$3
(6) Southern Oregon University						
(a) Classroom building (Medford campus)			1,500,000			$1,500,000
(b) Student housing			2,000,000			$2,000,000
(c) Faculty housing			1,250,000			$1,250,000
(d) Center for Media Education/JPR			6,000,000			$6,000,000
(e) JPR equipment			500,000			$500,000
(f) Environmental Partnership facility (purchase/remodel)			2,500,000			$2,500,000
(g) Land acquisition			1,300,000			$1,300,000
(h) Stevenson Union addition/remodel			5,500,000			$5,500,000
(i) Siskiyou Center Addition			2,200,000			$2,200,000
(j) Library Addition/Remodel		10,000,000		5,000,000	5,000,000	$20,000,000
(7) Oregon Institute of Technology						
(a) Residence hall improvements			500,000			$500,000
(b) College Union addition			5,500,000			$5,500,000
(c) CAPITAL Center renovation					1,000,000	$1,000,000
(8) Eastern Oregon University						
(a) New residence hall			10,800,000			$10,800,000
(b) Regional Agricultural Health and Life Science Building		14,470,500		9,000,000	5,470,500	$28,941,000
(9) Project reserve			**2,481,010**		**1,267,372**	**$3,748,382**
GRAND TOTALS	**$12,096,477**	**$70,666,977**	**$189,222,010**	**$14,000,000**	**$113,237,873**	**$399,223,337**
# of Projects using funding source	2	6	36	2	18	48

DHED – Nonlimited (Excluding Debt Service)

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Nonlimited	437,188,426	440,052,580	756,839,813	526,440,086
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 anticipated a Nonlimited expenditures increase of less than 1% over the level in the 1999-01 Legislatively Adopted Budget.

Legislatively Adopted Budget

The legislatively adopted budget includes a $154,557 Nonlimited reduction to reflect the lower PERS contribution rate. The other changes reflect technical adjustments. A total of $140.4 million for the Federal Student Loan Program is transferred to the Education and General program (as Nonlimited Funds). A reduction of $89.8 million was made to reflect a more accurate accounting of activity in the Student Loans and Student Aid-Grants programs.

Oregon Student Assistance Commission (OSAC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	32,409,753	33,480,781	34,273,663	39,364,345
Lottery Funds	0	4,258,088	5,842,185	5,151,298
Other Funds	11,168,902	12,537,708	14,055,009	13,956,740
Federal Funds	983,153	867,253	1,026,970	1,412,084
Nonlimited	51,687,759	42,632,468	50,511,609	50,511,609
Total	**96,249,567**	**93,776,298**	**105,709,436**	**110,396,076**
Positions (FTE)	88.50	91.96	92.21	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 scholarship 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 post-secondary 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, which now finance approximately 15% of the Opportunity Grant program.

Education Endowment Fund earnings for the Opportunity Grant are projected to total $5.15 million in the 2001-03 biennium. Although this represents a healthy 21% 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 57% in the 2001-03 biennium, and earnings distributions will grow 25 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. As this occurs, workload is shifting from the loan processing functions to default prevention and collections functions.

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 increased total Opportunity Grant funding to $39.4 million, a 6.9% increase over the prior biennium. This rate of growth was accomplished by increasing General Fund support at the current service level rate of increase, and by adding a 37% increase in Education Endowment Fund earnings to fund the program. 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 did not do this, however. The result is that Opportunity Grant resources totaled approximately $1.5 million (3.9%) above the current service level. The budget retained 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 contained enhancements and cuts to other Commission programs. These are discussed in the program area discussions that follow.

Legislatively Adopted Budget

The legislatively adopted budget increases Opportunity Grant support above the level in the Governor's budget by 12 percent. The budget also funds a new scholarship for former foster youth. Details of these and other adjustments are discussed in the program area discussions that follow.

OSAC – Administration Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	230,201	242,014	249,508	247,520
Other Funds	1,210,815	1,707,808	1,519,771	1,507,747
Total	**1,441,016**	**1,949,822**	**1,769,279**	**1,755,267**
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 funded the Administration Division at the current service level.

Legislatively Adopted Budget

The adopted budget includes a number of reductions that were applied on a standard basis to all state agencies. These reductions included adjustments for a lower Public Employees Retirement System (PERS) contribution rate, reductions in state government service charges and telecommunication funding, and a 1% reduction in out-of-state travel. Together, these adjustments reduced the budget by $1,988 General Fund and by $12,024 Other Funds.

The budget also requires the Commission to present a report on the impact of student financial aid on student attendance and persistence rates, with recommendations on the level of financial aid sufficient to affect access. This report, which will be presented to the Emergency Board during the interim, will also include recommendations on criteria to use for merit-based financial aid programs.

OSAC – Grant Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	31,736,014	32,816,329	33,542,801	38,638,785
Lottery Funds	0	4,258,088	5,842,185	5,151,298
Other Funds	1,387,603	1,520,563	1,429,974	1,426,182
Federal Funds	983,153	867,253	1,026,970	1,412,084
Nonlimited	4,701,666	14,189,840	17,251,629	17,251,629
Total	**38,808,436**	**53,652,073**	**59,093,559**	**63,879,978**
Positions (FTE)	11.00	11.00	11.00	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 earnings 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 3% 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, which have grown to finance approximately 15% of the current service level 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). 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 disburse 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 increased total Opportunity Grant funding to $39.4 million, a 6.9% increase over the prior biennium. This rate of growth was accomplished by increasing General Fund support at the current service level rate of increase, and by adding the full 37% expected 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 did not do this, however. The result was that Opportunity Grants totaled approximately $1.5 million (3.9%) above the current service level. The agency, however, continued to project explosive growth in Opportunity Grant costs. It estimated 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 was about $17.4 million short of what was 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 retained (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 eliminated General Fund for two programs: the Medical-Dental Loan Program and the Community Service Voucher Program. These eliminations resulted 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 was included in the agency's 2001-03 current service level for this program. The Governor's budget removed 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 contained an enhancement to the Grant Division that would be financed by Other Funds. This involved making the Volunteer Program Manager position, which was established last session as a limited duration position, permanent. This enhancement added 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 approved it to be continued with Other Funds. There was no identified funding source to finance this position after the expiration of the Oregon Community Foundation grant.

Legislatively Adopted Budget

The legislatively adopted budget added $5.1 million of General Fund to support levels in the Governor's recommended budget. The Opportunity Grant received an additional $5 million, and $100,000 was appropriated for a new full-tuition scholarship for former foster children. The $5 million supplement for the Opportunity Grant increased General Fund support by 15.5% over the Governor's level, and allows a total of $44.1 million for Opportunity Grants from all funding sources – approximately 20% more than the prior biennium level. The Commission will combine the basic Opportunity Grant and SGSA grants, and adjust all award levels to an 11% of the cost of education at each school. The Legislative Fiscal Office estimates that the $5 million will allow approximately 4,400 additional students to receive Opportunity Grants during the 2001-03 biennium.

The budget also, at the Governor's request, supports the establishment of a new Nursing Services Program. This program will address nursing shortages in rural areas by repaying student loans of nurses who serve there. The program will replace the Nursing Loan Program, which offered scholarships to Nursing students. That program had not proved successful in addressing the rural nursing shortage. The budget funds the new Nursing Services Program by shifting $315,000 from the budget of the Nursing Loan Program. The $65,000 remaining in the Nursing Loan Program budget will be shifted next biennium as the old program phases out.

The adopted budget also contains adjustments to the Federal and Lottery Funds for the Opportunity Grant. Both adjustments reflect updated revenue forecasts and allow all projected revenue to be spent on the program. To reflect updated revenue projections, Lottery Funds were reduced by $690,887 and Federal Funds were increased by $385,114. The adopted budget also includes a number of reductions that were applied on a standard basis to all state agencies. These reductions included adjustments for a lower Public Employees Retirement System (PERS) contribution rate, reductions in state government service charges and telecommunication funding, and a 1% reduction in out-of-state travel.

Otherwise, the adopted budget includes the program cuts and enhancements that were in the Governor's budget. The budget does, however, establish the Volunteer Program Manager position on a limited-duration basis to expire at the end of the biennium. The Governor had proposed this position on a permanent basis, but the Legislature established it as limited duration because a funding source for it has not yet been identified.

OSAC – Loan Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	7,583,756	8,322,045	10,126,520	10,053,712
Nonlimited	46,986,093	28,442,628	33,259,980	33,259,980
Total	**54,569,849**	**36,764,673**	**43,386,500**	**43,313,692**
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 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 funded the Loan Division at the current service level, except for a $75,000 Other Funds reduction for services and supplies.

Legislatively Adopted Budget

The Legislature approved the funding level in the Governor's budget, and also approved a number of reductions that were applied on a standard basis to all state agencies. These reductions included adjustments for a lower PERS contribution rate, reductions in state government service charges and telecommunication funding, and a 1% reduction in out-of-state travel. The reductions totaled $72,808 Other Funds.

OSAC – Information Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	206,006	238,121	243,266	241,716
Other Funds	917,437	873,299	876,523	868,445
Total	**1,123,443**	**1,111,420**	**1,119,789**	**1,110,161**
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 funded 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.

Legislatively Adopted Budget

The Legislature approved the funding level in the Governor's budget, and also approved a number of reductions that were applied on a standard basis to all state agencies. These reductions included adjustments for a lower PERS contribution rate, reductions in state government service charges and telecommunication funding, and a 1% reduction in out-of-state travel. The reductions totaled $1,550 General Fund and $8,078 Other Funds.

OSAC – Office of Degree Authorization

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	237,532	184,317	238,088	236,324
Other Funds	69,291	113,993	102,221	100,654
Total	**306,823**	**298,310**	**340,309**	**336,978**
Positions (FTE)	2.00	2.00	2.25	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 post-secondary 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 post-secondary 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 post-secondary 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 shifted 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 added a quarter-time Office Specialist position to assist ODA functions.

Legislatively Adopted Budget

The Legislature approved the funding level and position in the Governor's budget, and also approved a number of reductions that were applied on a standard basis to all state agencies. These reductions included adjustments for a lower PERS contribution rate, reductions in state government service charges and telecommunication funding, and a 1% reduction in out-of-state travel. The reductions totaled $1,764 General Fund and $1,567 Other Funds.

Teacher Standards and Practices Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	3,359,506	3,261,115	3,084,052	3,058,334
Positions (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. That 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 were charged $60 and out-of-state applicants or renewals were 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 took effect July 1, 2001.

The 2001-03 Governor's budget was based on an increase from $60 to $75 charged to in-state applicants or renewals, effective January 1, 2002. However, the 2001 Legislature directed the agency to work with the Department of Administrative Services and the Legislative Fiscal Office to determine whether a fee increase actually is necessary to support the 2001-03 budget.

Other fees include $42 for fingerprinting, $50 for registration of certain charter school educators, 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. Currently the beginning teacher assessment program is not in effect, however.

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 in 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. Senate Bill 324 creates the Professional Organizations Certification Fund to help defray costs for teachers and administrators seeking advanced certifications. The TSPC may accept gifts, grants and donations for purposes of the Fund.

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. The 2001 Legislature directed the agency to report to the 2003 Legislative Assembly on the relationship of the agency's workload outputs to relevant statewide benchmarks such as student assessment scores and the dropout rate.

Governor's Budget

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

- 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 as well as increased Attorney General costs associated with more complex cases.

Legislatively Adopted Budget

The legislatively adopted budget is a 6.2% decrease from 1999-01 estimated expenditures. The Legislature reduced the Governor's budget by $3,213 based upon the actual costs of the position reclassifications. It reduced the budget by $3,100 for a revised Public Employees Retirement System contribution rate and by $18,770 for a lower Attorney General hourly rate approved by the Legislature. Minor adjustments also were made for reductions in charges from the Secretary of State's Audits Division ($384) and other interagency assessments ($251).

The Legislature approved the request for additional limitation for Attorney General costs, modified for the lower hourly rates. Although this increase brings the TSPC's budget for legal fees more in line with actual costs over the last two biennia, the Legislature requested the Department of Administrative Services unschedule the additional limitation until the agency demonstrates a need for it.

HUMAN SERVICES

Commission for the Blind – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,319,277	1,416,753	1,304,824	1,302,438
Other Funds	1,866,029	1,969,720	2,042,526	2,185,200
Federal Funds	7,745,277	8,493,796	8,049,789	8,439,052
Total	**10,930,583**	**11,880,269**	**11,397,139**	**11,926,690**
Positions (FTE)	49.50	49.73	45.73	49.73

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 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 teach 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 Estimated	2001-03 Governor's	2001-03 Leg. Adopted
Administration	1,142,941	1,378,496	1,442,019	1,434,803
Rehabilitation Services	6,601,329	7,144,861	6,607,380	7,020,352
Business Enterprises	517,162	582,535	611,035	610,583
Industries for the Blind	1,208,154	1,331,983	1,365,283	1,365,283
Orient. & Career	1,460,997	1,442,394	1,371,422	1,495,669

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 Programs within the Department of Human Services (DHS). DHS manages a rehabilitation 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; DHS 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 was included in the Governor's budget.

The legislatively adopted budget includes Other Funds revenue of $2.2 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 Industries 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 was expected to be about $580,000 at 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 (DAS) 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. Ultimately, both statutory revisions (SB 43 and SB 44) were adopted and signed by the Governor.

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. This reflects, 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 impairment later in life. The JLAC audit, mentioned above, included 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 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 recommended total funds budget of $11.4 million was $0.5 million or 4.3% lower than the $11.9 million necessary to continue current programs. The decrease was the result of two program reductions. The first reduction, in the Rehabilitation Services program, was $0.4 million total funds and it eliminated three positions—two rehabilitation counselors in Salem and one orientation and mobility instructor in Portland. The second reduction of $0.1 million total funds was in the agency's Orientation and Career Center. This reduction would have eliminated one more position—an orientation and mobility instructor in Eastern Oregon. The total funds decrease of $0.5 million included a reduction in General Fund of $145,103.

This reduction in General Fund decreased the funding that would have been used to match all federal Rehabilitation Act funds available to the Commission. The Governor's budget left about $518,000 of Federal Funds unmatched.

Legislatively Adopted Budget

The legislatively adopted budget includes three main changes to the Governor's budget. First, the Legislature reduced the agency's budget to reflect decreases in the Public Employees Retirement System employer contributions, DAS Human Resource Services Division assessments, Secretary of State Audits Division charges, and Attorney General charges. Second, the budget includes reductions to long-distance telecommunication and out-of-state travel allocations. Third, the Legislature's budget for the Commission adds about $143,000 Other Funds limitation and $406,000 Federal Funds limitation. Additional Other Funds revenue - $66,000 of interest earnings from the agency's Bequest and Donation Fund and nearly $43,000 from the Industries Program - was identified and can be matched with $280,000 of Federal Section 110 Funds. DAS will unschedule the remaining $34,000 Other Funds and $126,000 Federal Funds limitation until the Commission identifies an Other Funds revenue source or is appropriated additional General Fund. The Legislature restored the four positions (4.0 FTE) that had been cut in the Governor's budget.

The Legislature adopted a budget note for DHS that has implications for the Commission's budget and program. It directed DHS to "provide funding of $457,863 of Older Americans Act revenue to the Commission for the Blind for the expansion of the Commission's Older Blind program beginning October 1, 2001." DHS is expected to work with Area Agencies on Aging and the Commission to ensure a coordinated service delivery approach. The DHS budget note was adopted after the Commission's budget had already been approved. Thus, the Commission's legislative budget does not include necessary limitation for this program expansion. However, the Commission can request limitation from the Emergency Board, assuming that DHS and the Area Agencies on Aging are able to carry out the legislative directive.

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

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	35,475,758	51,843,792	65,003,608	61,398,701
Other Funds	19,461,033	17,879,335	19,564,884	21,667,206
Federal Funds	2,424,848	1,956,462	466,341	275,501
Total	**57,361,639**	**71,679,589**	**85,034,833**	**83,341,408**
Positions (FTE)	33.54	30.67	31.00	34.50

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. Title XX supports programs for youths aged 11-18 (formerly called Level 7 youth) and relief nurseries in Lane and Multnomah counties. Title IV-B (2) funds are used for grants to counties and for Healthy Start program support.
The Employment Department is expected to 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. An additional $2 million will be earmarked for high quality after school services.
The Commission also uses General Fund to match federal Title XIX Medicaid funds from the Department of Human Services, for qualified services in local Healthy Start programs. About $1.7 million matching funds is expected for 2001-03, creating a total of $3.4 million Other Funds expenditures in the program.

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

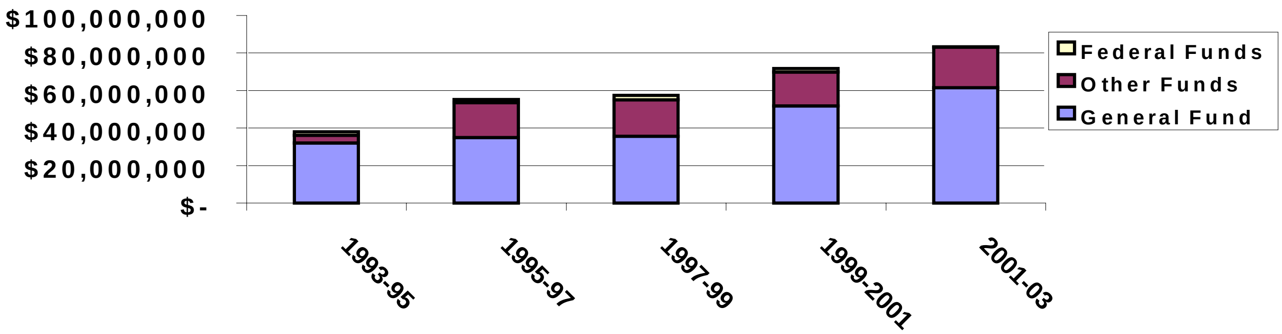
Budget Environment and Performance Measures

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 2001 Legislature passed House Bill 3659, a policy framework for the Oregon Children's Plan, which defines a statewide system of screening, referral, and supports for children ages 0 to 8 and their families. A key element of the plan is a local system of prenatal and at-birth screenings to identify medical or social risk factors and link families to services. Individual participation in the plan is voluntary. The Children's Plan anticipates funding from the State Commission on Children and Families to support home visitation programs and community-based services. Other state partners -- primarily the Department of Education and the Department of Human Services -- are to provide health, mental health and developmental disability services; preschool and special education services; alcohol and other drug treatment services; and child care supports.

As the budget history chart below shows, the state has invested significant resources in the Commission over time, more than doubling the budget over five biennia. This reflects policies that promote community-based services for children and families. The Commission's budget has not been defined or limited by caseload growth, population growth or cost inflation.



Senate Bill 555 (1999) 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 from work being done at the community level.

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.

The Commission has also developed measures of its activities in four focus areas: comprehensive planning, best practices, program and initiatives, and outcome and accountability. Examples include:

- The number of acceptable quality plans submitted timely [28 of 36 counties (78%) in 2000].
- The percentage of higher-risk families that read regularly to their child (71% for a 12-month old and 79% for a child by age 2).
- The percentage of higher-risk families free from child maltreatment (97.6%).
- The number of community programs that meet or exceed expected success levels (ranging from 82% to 99% across a variety of outcomes measured).

Governor’s Budget

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

The Governor added $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 built on existing Healthy Start and home visitation programs. To help fund the new efforts, the budget eliminated or reduced other grants and programs in the Commission. The Commission's existing Great Start funds, now supporting programs for children ages 0 to 6, were to be targeted to research-based programs serving children ages 0 to 8.

In other agency budgets, the Governor added $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 parent education program in the Department of Education ($605,905 General Fund), were eliminated as partial funding for the broader plan.

The Commission's budget included 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 was 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.

Legislatively Adopted Budget

The legislatively adopted budget is 5.5% General Fund and 2.0% total funds less than the Governor's budget, but is 18.4% General Fund and 16.3% total funds higher than the Commission's 1999-01 estimated expenditures.

The Legislature supported the proposed Oregon Children's Plan, but reduced the costs in the Commission's budget by a net $5.4 million General Fund. The statewide expansion of Healthy Start / home visitation programs is delayed until February 2002, and the number of families to be served in 2001-03 has been reduced. Funding was added for staff to support the expansion, for increased early childhood program evaluations, and for local early identification efforts.

The adopted budget restores $800,000 General Fund for existing family resource centers, and adds $568,803 General Fund for existing relief nurseries. The Together for Children pilot projects previously in the Department of Education will receive $600,000 in this budget for parents-as-teachers programs. An additional $2 million Other Funds is expected to be available for local high quality after-school child care.

The Governor's redirection of targeted grants within the Commission was accepted, but modified to also shift General Fund for Juvenile Services and Youth Investment grants into a more flexible grant for children, youth or families. The adopted budget reflects passage of House Bill 2330, which consolidates flexible General Fund grants into two grant streams, one for Great Start grants and one for children, youth or families. Each grant is funded at $8,357,000 for the 2001-03 biennium.

These changes, and other technical adjustments, are discussed in more detail in the program unit narrative below.

SCCF – Community Development and Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	33,562,180	49,532,600	62,219,723	58,472,662
Other Funds	19,454,371	17,610,183	19,550,663	21,654,242
Federal Funds	2,424,848	1,853,070	464,386	273,552
Total	**55,441,399**	**68,995,853**	**82,234,772**	**80,400,456**
Positions (FTE)	17.16	16.17	16.50	19.12

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 had 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 Senate Bill 555 (1999). 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, had inflationary increases only.

The General Fund faced added pressure just to maintain these program levels in 2001-03. The 1999-01 expansion of the early childhood programs was phased in, with $3.8 million more General Fund more needed for a full 24-months' funding. Continued federal Title XX Social Services Block Grant cuts create demand on the General Fund to replace any shortfalls, since these funds have been used interchangeably with General Fund.

Also, even with recent funding increases in the early childhood programs, local commissions and program advocates continued to seek additional resources. Statewide Healthy Start services are a priority for local commissions. The Joint Interim Task Force on Children and Families identified a need for additional resources in home visitation programs. The CASA Planning and Advisory Committee 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 (1999) has helped pinpoint local needs and resources, but many of the identified needs (e.g., transportation) are broader than existing program resources in the Commission's budget.

Governor's Budget

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

As partial payment for the new plan, other grants and programs in this budget were eliminated or reduced:

- 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) were eliminated.
- Family Preservation and Support program grants were cut by 48% ($2.5 million General Fund), leaving $2.7 million in federal funds for these grants.
- Juvenile Services grants were cut by 56% ($5.5 million General Fund); $4.3 million General Fund remained for local grants.
- The First Steps violence prevention program funding was reduced by about 2% ($11,126 General Fund).
- Existing funding for the Commission's Great Start program ($8.4 million General Fund) was to be redirected to local, research-based programs serving children ages 0 to 8.

The grant stream changes effectively reduced local commissions' flexible General Fund grants by about 29% from 1999-01 levels.

The budget continued 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 was 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 anticipated 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. Without a statutory transfer, this funding would need to be restored to continue the existing interagency agreement between DHS and the Commission.

Legislatively Adopted Budget

The Legislature supported the proposed Oregon Children's Plan, but reduced the plan's total costs in the Commission's budget by a net $5.4 million General Fund. Healthy Start / home visitation programs are now funded in about half the state, based on 60% of all first-birth families. The budget expands Healthy Start / home visitation programs to all counties in February 2002, at 70% of first births, and increases funding in January 2003 based on 80% of first births. The budget assumes over $3 million in Other Funds, including $1.6 million in federal Medicaid matching funds generated by the counties, will be used as part of the overall local funding. The Commission was directed to report to the Emergency Board before January 2003 on the status of the statewide roll-out and the amount of federal match expected.

General Fund was added for three new staff positions and related costs to support the Healthy Start / home visitation expansion ($897,897), for increased early childhood program evaluations ($1,801,709), and for local early identification efforts ($1,205,905). The Commission was directed to review its staffing needs for the Healthy Start program, as it moves from program expansion to on-going operations in all counties.

The budget restores funding for eight existing family resource centers ($800,000 General Fund). The three parents-as-teachers programs previously in the Department of Education but eliminated in the Governor's budget are funded in this budget ($600,000 General Fund). The seven existing crisis relief nurseries will receive an additional $568,803 to help expand their services, bringing total General Fund support to $3,625,000.

This budget also restructures General Fund grants to counties in line with House Bill 2330. The Governor's budget included $8,355,631 General Fund for Great Start grants, $4,273,068 General Fund for Juvenile Services grants and $4,175,445 General Fund for Youth Investment grants. The legislatively adopted budget eliminates the latter two General Fund grants and funds two flexible General Fund grants to counties -- the Great Start grant and a new grant for children, youth or families --- at $8,357,000 each. The Youth Investment grant will remain funded with $8,150,534 Other Funds.

Local staffing grants were approved at the Governor's recommended level of $5,472,409 General Fund. A budget note expresses legislative support for funding all local administrative costs from staffing grants rather than from, in part, percentage allocations across flexible or designated program grants. The Commission is to review local responsibilities and needs during the interim, and report on its findings to the 2003 Legislature.

The state expects to receive additional Child Care and Development Fund revenues in the 2001-03 biennium, earmarked for high quality after school child care. The adopted budget adds $2 million to the Commission's Other Funds expenditure limitation for this. The Department of Administrative Services is asked to unschedule the funds pending receipt and a report to the Emergency Board on how the funds will be allocated to counties.

The budget reflects reprojected federal Social Services Block Grant revenues, backfilling an expected $86,454 Other Funds shortfall with General Fund. It adjusts Office Expenses, Publicity / Publications and Facilities Rent line items based on updated expenditure estimates, resulting in a net $25,288 General Fund increase in this program unit. The budget eliminates the cost-of-living increase for the First Steps violence prevention program ($6,374 General Fund), and reduces out-of-state travel by 1% ($51 General Fund, $154 Other Funds, $119 Federal Funds).

Federal Funds expenditure limitation for the Court Appointed Special Advocates program grant was shifted to Other Funds limitation to comply with accounting requirements, since the Commission receives the grant from a national, but not federal government, entity. Other technical adjustments were made for reduced Public Employee Retirement System employer contribution rates and Department of Justice Attorney General charges.

SCCF – Policy and Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,913,578	2,311,192	2,783,885	2,926,039
Other Funds	6,662	269,152	14,221	12,964
Federal Funds	0	103,392	1,955	1,949
Total	**1,920,240**	**2,683,736**	**2,800,061**	**2,940,952**
Positions (FTE)	16.38	14.50	14.50	15.38

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

Legislatively Adopted Budget

The adopted budget adds 1 auditor position and funding to perform county and program site reviews and improve system accountability ($118,764 General Fund). An additional $112,919 General Fund is to be used to support training and technical assistance for local early identification efforts.

The Legislature reduced Office Expenses and Publicity / Publications line items based on 1999-01 estimated expenditures, and reduced out-of-state travel by 1 percent. Technical adjustments were also made for lower Public Employee Retirement System (PERS) rates and Secretary of State Audits Division, Department of Administrative Services Human Resources Services Division and Department of Justice Attorney General charges. The reductions total $89,529 General Fund, $1,257 Other Funds and $6 Federal Funds.

Oregon Disabilities Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	235,466	285,499	290,331	288,741
Other Funds	582,824	606,508	546,797	545,689
Federal Funds	1,297,145	881,778	882,501	814,437
Total	**2,115,435**	**1,773,785**	**1,719,629**	**1,648,867**
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 comprises 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 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 $238,620 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

($439,248), 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 hired 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 took steps to alleviate the situation by significantly reducing expenses and by requesting other state agencies to make their contract payments to the Commission earlier in the 1999-01 biennium than they would have otherwise.

The third challenge had 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 centered 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 will lose about $31,000 of revenue during the 2001-03 biennium 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 indicated that it was pleased with the services but needed to trim its budget and, further, believed it could 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 began work on agency performance measures late in the 1999-01 biennium. During the 1999-01 biennium, the Commission used 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 reflected 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 was removed from the budget. Related FTE and position authority within the DHHAP was also reduced to acknowledge reductions in Other Funds contract revenue from other state agencies as noted above. The Governor's budget provided a $74,520 Other Funds ending balance.

The expenditure level of $1,670,186 to maintain current programs for the 2001-03 biennium was about $104,000 less than the estimated Total Funds expenditure level for 1999-01. The reduction was 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 limitation was removed.

The Governor's budget provided funding to maintain the agency's current programs and made two adjustments. The first adjustment assumed that Congress would continue to fund the TALN program and added $83,000 of Federal Funds expenditure limitation for the final three months of the 2001-03 biennium. The second adjustment reduced Other Funds expenditures by about $34,000. This reduction reflected 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.

Legislatively Adopted Budget

The Legislature's budget for the Disabilities Commission reflects four main adjustments to the Governor's proposed budget:

- reductions for changes in Public Employees Retirement System, Attorney General, Secretary of State Audits Division and Department of Administrative Services Human Resource Services Division charges;
- a 1% reduction ($1,101 General Fund) to the agency's services and supplies budget;
- elimination of $83,000 of TALN Federal Funds limitation in the Governor's budget (if Congress continues funding for the grant, the agency can request additional expenditure limitation from the Emergency Board); and
- an addition of $15,054 in federal CAP revenue based on forecasts made after the Governor's budget was released.

Department of Human Services (DHS) – Agency Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,885,380,708	2,227,033,153	2,638,668,403	2,569,252,411
Lottery Funds	0	5,273,048	6,221,353	7,145,478
Other Funds	666,062,269	828,854,647	855,755,505	987,526,286
Federal Funds	3,302,051,759	4,017,661,935	4,330,887,274	4,355,379,645
Nonlimited	388,969,870	510,367,901	542,659,915	641,994,138
Total	**6,242,464,606**	**7,589,190,684**	**8,374,192,450**	**8,561,297,958**
Positions (FTE)	8,817.36	8,671.76	8,937.31	8,870.48

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

The Department of Human Services (DHS) is the largest agency within the Human Services program area, making up almost 99% of program area expenditures. Overall, DHS comprises about 22% of the state's combined General Fund and Lottery Funds budget. The Department was formerly called the Department of Human Resources. The agency's name was changed by the 1999 Legislative Assembly (Senate Bill 303) effective July 1, 2000. The 2001 Legislative Assembly passed House Bill 2294, which eliminates separate divisions and program offices and realigns program responsibilities within the Department.

For the 2001-03 biennium, the Department's budget is allocated by four organizational "clusters":

- ***Economic Independence and Family Stability Services*** includes Adult and Family Services; Services to Children and Families; Alcohol and Drug Abuse Programs; and Vocational Rehabilitation Programs.
- ***Health Services*** is made up of Public Health programs; Mental Health Services; and Medical Assistance Programs, which include the Oregon Health Plan.
- ***Long Term Care and Developmental Disability Services*** includes Senior and Disabled Services and Developmental Disability Services.
- ***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 30% of DHS expenditures. Approximately 85% of the General Fund appropriation is used to match or meet maintenance-of-effort requirements for receipt of Federal Funds. DHS receives statutorily-dedicated Lottery Funds for gambling addiction prevention and treatment services. Other Funds revenues, which support 12% of DHS 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. Nonlimited Other Funds come from infant formula rebates. Overall, Federal Funds support 58% of DHS expenditures. Federal Funds subject to expenditure limitation are 51% of the DHS budget. Almost two-thirds of the federal revenue comes from the Title XIX Medicaid 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 declining 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 healthy
- People are living as independently as possible
- 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 program analyses that follow this overview.

Governor's Budget

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

Oregon Children's Plan – Overall, the Governor's budget redirected $37 million in existing funds and added $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 were $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 - The Governor's budget included 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 eliminated staff (a total of 210.5 FTE) and services in Senior and Disabled Services (SDS), Adult and Family Services (AFS), and Vocational Rehabilitation Programs (VRP). In SDS, funding was eliminated for services to the least impaired clients (survival priority levels 15-17), as was funding for Oregon Project Independence. For AFS, inflationary cost allowances for Cash Assistance, child care, and JOBS programs were excluded; the JOBS Plus program was eliminated; the Cash Assistance grant was cut $5 per month; and child care services were restricted. The budget eliminated the Sheltered Services program in VRP, along with all General Fund not needed to match Federal Funds.

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

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

Legislatively Adopted Budget

The budget adopted by the Legislature for the Department is 2.2% higher overall than the Governor's budget, and 12.8% above 1999-01 estimated expenditures. The major factors behind the total funds increase are targeted program add-backs and enhancements, and a $99 million Federal Funds increase in Food Stamp caseloads. The General Fund budget is 2.6% below the Governor's recommended funding level, but 15.4% above 1999-01 estimates. The adopted budget uses $124 million in Tobacco Settlement funds to offset an equal amount of General Fund in the Oregon Health Plan Medicaid program. Without this fund shift, the General Fund budget for DHS would have been 2.1% above the Governor's budget. Major changes to the budget are highlighted below.

Oregon Children's Plan – The Legislature supported the Oregon Children's Plan, but reduced funding overall from the Governor's proposed level. The $14 million in the Governor's budget for DHS mental health and substance abuse treatment for families was reduced to $11 million. Funding for the Babies First program was restored, and a new position was funded to maximize federal revenue for activities and services related to the statewide Plan.

Services for the Developmentally Disabled - The proposed system restructuring and service expansion for developmental disability services agreed to in the Staley v. Kitzhaber settlement was approved. Funding was reduced slightly to reflect reprojected cost estimates. In addition, the $19.2 million estimated cost of services for the 2002-03 fiscal year was put in a special purpose appropriation to the Emergency Board for later allocation.

Service Delivery Adjustments – The adopted budget includes a number of program add-backs and enhancements not funded in the Governor's budget. Funding was restored for Medicaid long-term care services to clients in impairment levels 15-17 and for Oregon Project Independence. Additional funding was approved for adult foster home, residential care, assisted living and nursing facilities. The Legislature also approved add-backs and enhancements to AFS Cash Assistance, child care, JOBS and JOBS Plus programs, although the Emergency Assistance Program was reduced. More AFS staffing reductions were made, and $4.3 million from job vacancy savings was redirected to a special purpose appropriation to the Emergency Board for possible caseload growth during the biennium. The Sheltered Services program in VRP was restored, matching funds added for vocational rehabilitation services, and funding enhanced for Oregon's independent living centers. The Legislature also directed $5 million in Tobacco Settlement Funds to expand tobacco prevention and education programs, and added $7.5 million as a special purpose appropriation to the Emergency Board for local mental health planning and services related to House Bill 3024.

Oregon Health Plan - The Legislature approved a budget that maintains current OHP eligibility and benefit levels by implementing client cost sharing, case management, and rate restructuring actions. A total of $15.9 million was allocated as special purpose appropriations to the Emergency Board for caseload and cost issues, safety net clinics, and prescription drug co-payments and subsidies. House Bill 2519 authorizes an extension of the current OHP waiver, subject to federal approval, to expand access by savings from a two-tiered benefit package.

Departmental Reorganization – House Bill 2294 allows the Department to reorganize its previous divisions and program offices to streamline service delivery and better consolidate administrative support. The adopted budget assumes a net $4 million General Fund savings from the reorganization, with $6 million more in savings to be redirected to information systems improvements and other projects needed to effect the organizational changes. The Department's 2003-05 budget is expected to reflect the new operational and program structures that are being put in place during the 2001-03 interim.

A more detailed analysis of the Governor's budget proposals and the Legislatively Adopted Budget for each DHS program follows.

DHS/Adult and Family Services (AFS) – Program Area Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	215,338,657	218,950,414	203,923,787	191,901,252
Other Funds	50,521,160	57,220,421	120,303,826	128,468,126
Federal Funds	515,341,248	535,391,592	438,964,207	442,331,743
Nonlimited	293,763,155	405,367,901	438,109,915	537,444,138
Total	**1,074,964,220**	**1,216,930,328**	**1,201,301,735**	**1,300,145,259**
Positions (FTE)	1793.50	1831.59	1747.67	1662.08

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

Adult and Family Services (AFS) provides temporary financial assistance to families with children to assist them in meeting basic needs. In addition, the program 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. AFS 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, AFS 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.

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 visited other states as well and will 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 January 2000 preliminary report 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.

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. Three of the measures are program-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 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 was $1,201.3 million total funds. This was a $46.4 million total funds ($26.9 million General Fund) reduction to the level necessary to sustain current programs. The Governor's budget reduced or eliminated funding for several programs that are listed below. The budget:

- eliminated cost of living increases for the cash assistance, JOBS training, and child care programs ($11 million General Fund);
- cut the cash assistance grant by $5 per month ($3.1 million General Fund);
- eliminated child care services for children aged 13 ($5.2 million General Fund);
- reduced job retention services by $11.8 million General Fund;
- reduced administrative and program delivery positions by a total of 126.41 FTE ($6.1 million General Fund and $5.0 Federal Funds);
- did not replace lost Unemployment Insurance diversion funding of $25.1 million Other Funds for the JOBS Plus program that came from the Employment Department during the 1999-01 biennium. (The diversion fund was nearly depleted by the end of the 1999-01 biennium.);
- eliminated 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; and
- assumed that $1.6 million total funds ($1.2 million General Fund and $0.4 million Federal Funds) would be saved from DHS reorganization.

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

The Governor's budget made three assumptions that the Legislature needed to consider. First, the cash assistance budget was based upon the assumption that the cash assistance caseload for single parents would 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 Governor's budget anticipated that a renewed coordinated effort among work force agencies such as AFS, community colleges, and the Employment Department would compensate for the reduction of job retention services in the AFS budget. Third, the Governor's state budget did not initially identify sufficient state funds to meet TANF maintenance of effort requirements. The Governor's budget assumed (as it turned out, correctly) that additional maintenance of effort funds would 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. The Departments of Human Services and Administrative Services worked successfully throughout the 2001 Legislative Session to identify adequate levels of TANF maintenance of effort funds.

Legislatively Adopted Budget

The legislatively adopted budget includes all but three of the Governor's proposed reductions. The $5/month cash assistance grant cut was restored with $3.1 million of General Fund. Childcare policy changes that reduced client co-payments were continued at a cost of $9.5 million ($5.3 million General Fund and $4.2 million of additional Child Care and Development Fund resources). The Legislature also used $11.5 million of General

Fund to partially restore reductions to the JOBS and JOBS Plus programs. (The JOBS program will receive $8 million and the JOBS Plus program will receive the remaining $3.5 million.)

In addition to mitigating budgetary reductions in AFS, the Legislature also added $1 million of General Fund beyond the current level of funding for child care for low-income post-secondary students' children.

To finance the $21.5 million of program restorations and one addition noted above, the Legislature used a variety of funding sources. First, it used $6.6 million of General Fund from available state budget resources. Second, it used $4.2 million of additional Child Care Development Fund resources. Third, it redirected $5.3 million of General Fund from a DHS proposal to reconfigure the Governor's budget. DHS proposed to use the funding to add Food Stamp eligibility staff in light of significant caseload increases. Fourth, it reduced Emergency Assistance funding within AFS by $4.0 million General Fund and directed DHS to use these funds for the restorations described above. Fifth, it cut 50 positions (50.0 FTE) and $5.0 million from AFS field services to use the funding to restore the reductions noted above. Finally, it eliminated an additional 43 positions (43 FTE) and $4.3 million from the AFS budget. However, the funding is placed in a special Emergency Fund appropriation for possible caseload growth and included in the agency summary General Fund amount above and cash assistance budget figure below.

As mentioned above, the Legislative budget does not restore all of the reductions made in the Governor's budget nor does it provide funding for inflationary increases that are likely to occur over the next two years. As such, the budget may still pose some risks for the Department. If, for example, the cash assistance caseload grows faster than assumed—because of program reductions or a weakened economy, 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 other work force agencies cannot compensate for job retention service reductions some former cash assistance clients may lose work and return to the welfare rolls.

The Legislature included two budget notes in the DHS budget report relating to AFS. One of them directs the Department of Administrative Services to analyze the administration of the Child Support Enforcement function and is discussed below. The other budget note requires DHS to assess its TANF programs and report to both the Emergency Board and 2003 Legislative Assembly. The assessment is to include a comparative analysis of investing public funds into case management services or programs that enhance family income such as refundable earned income or child care tax credits, subsidized day care programs, wage subsidies, or training programs.

AFS – Cash Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	45,976,100	22,935,379	4,277,619	12,088,466
Other Funds	1,300,575	1,165,391	15,265,391	1,165,391
Federal Funds	132,716,297	127,403,846	130,994,678	144,683,831
Total	**179,992,972**	**151,504,616**	**150,537,688**	**157,937,688**
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 was $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 for the 2001-03 biennium.

Budget Environment and Performance Measures

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 during the 1990's, 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 was $7.1 million or 5% lower than the level necessary to continue current services. The reduction, all General Fund, was 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 a month.

The Governor's budget reflected a $14.1 million fund shift that removed General Fund and added 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 would be paid to AFS and were 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 rectified this situation.

The Governor's budget assumed an increase in cash assistance caseload. AFS expected 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 assumed 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, were expected to lead to a higher Cash Assistance caseload. How much higher is still 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.

Legislatively Adopted Budget

The Legislature restored the $5/month reduction to the Cash Assistance grant by adding $3.1 million to Governor's proposed budget. The Legislature did not add funding to provide a cost-of-living increase to the grant.

In addition, the Legislature made a technical adjustment that exchanged $14.1 million of Other Funds (Child Care and Development Fund resources) in the cash assistance program for a like amount of General Fund from the AFS child care program. Also, the Legislature used $13.7 million of TANF resources to replace a like amount of General Fund within the cash assistance program. The additional TANF revenue was generated primarily from a reallocation of staff time that resulted from a significantly higher Food Stamp caseload. In other words, because AFS staff was devoting more time to the Food Stamp program and less time on TANF-related programs, less TANF revenue was needed and more federal Food Stamp revenue could be used. This dynamic, associated with a 25% increase in Food Stamp caseload beginning in the fall of 2000, is expected to continue for some time into the 2001-03 biennium. The Legislature set aside $4.3 million as a special appropriation for AFS caseload needs in the Emergency Fund. This special appropriation is included in the Cash Assistance General Fund figures above.

AFS – Emergency Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,503,783	3,734,750	7,404,138	3,404,138
Other Funds	4,544	21,131	0	0
Federal Funds	6,838,499	8,854,167	8,924,342	8,924,342
Total	**9,346,826**	**12,610,048**	**16,328,480**	**12,328,480**
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.

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

Legislatively Adopted Budget

The Legislature redirected $4.0 million of Emergency Assistance resources to fund program restorations. The $4.0 million reduction was taken from the regular Emergency Assistance program, rather than the program that serves victims of domestic violence.

AFS – Child Care Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	23,216,088	25,907,165	20,982,363	7,021,427
Other Funds	674,639	0	69,390,932	94,490,932
Federal Funds	68,047,979	74,561,609	5,546,305	5,418,317
Total	**91,938,706**	**100,468,774**	**95,919,600**	**106,930,676**
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 child care 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 $117.4 million of new CCDF during the 2001-03 biennium—a significant increase over the prior biennium. During the 1999-01 biennium, about 80% of Oregon's total CCDF revenue was transferred to AFS for use in the childcare program. The remaining amount was 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 was 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 (DAS) 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 was $9.2 million or 9% lower than the $105.1 million necessary to maintain current services. The $9.2 million overall decrease is the result of three adjustments that are described below:

- The Governor's budget eliminated daycare services for children aged 13—about 500 children. This reduced the budget by $5.2 million General Fund.
- The proposed budget eliminated funding for inflation of $3.8 million General Fund.
- The budget initially eliminated 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 amounted to $2 million. Most ($1.8 million) of the program was restored in the Governor's final budget with Other Funds revenue from the Employment Department. The source of the funds was 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 was reduced from 250 cases to 238 cases. The funds to restore the post-secondary daycare program were included as a policy option package in the Governor's budget for the Employment Department.

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 in the above table reflect this lower caseload. In addition, the ERDC policy changes implemented in March 2000 and discussed above were excluded from the Governor's budget.

Legislatively Adopted Budget

The Legislature's budget for AFS daycare programs of $106.9 million total funds includes four major changes to the Governor's budget. First, the budget includes a technical correction to the Governor's budget—it exchanges $14.1 million of General Fund for a like amount of Child Care and Development Fund resources that were inadvertently included in the AFS cash assistance program. Second, the budget reflects the replacement of $6.3 million of General Fund with like amount of additional Child Care and Development Fund carryover from the 1999-01 biennium.

The third change to the Governor's budget was the continuation of the co-pay policy modifications made in March 2000 and discussed above. The cost of this addition is $9.5 million--$5.3 million of General Fund and $4.2 million of Child Care and Development Fund (CCDF) resources. The $4.2 million was part of an additional $7.4 million of CCDF identified by the Legislative Fiscal Office as a possible additional resource included in the President's 2002 Federal Budget. The President's budget earmarked this increase for after school high quality child care. Whether the increase or earmark will be included in the final federal budget for the 2002 Federal Fiscal Year is unknown. Two million dollars of the remaining $3.2 million of additional CCDF revenue was directed to the State Commission on Services to Children and Families. The Employment Department was directed to work with the Department of Education to ensure that the final $1.2 million is made available for child care costs related to the expansion of federally funded Head Start slots in Oregon.

The fourth important revision to the Governor's budget was the addition of $1.0 million for child care services for the children of low-income post-secondary students.

AFS – Employment and Training Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,397,944	26,889,966	23,749,588	35,249,588
Other Funds	15,844,397	23,178,799	0	623,707
Federal Funds	94,915,563	96,550,239	71,520,037	71,520,037
Total	**136,157,904**	**146,619,004**	**95,269,625**	**107,393,332**
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 were eligible for unemployment insurance benefits were funded with diversion funds. (Other TANF clients can participate in JOBS Plus program but are funded with TANF funds). AFS spent about $24.5 million of diversion funds during the 1999-01 biennium, depleting the fund. About $21.5 million of the diversion funds were used to pay JOBS Plus wages for Unemployment Insurance recipients who are not eligible for TANF or Food Stamps. The remaining $3.0 million were used to pay the wages of persons who were 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. One other significant source of revenue for training programs will not be available during the 2001-03 biennium--the federal Department of Labor Welfare to Work funds. This temporary grant was aimed at clients with multiple barriers to employment. AFS spent about $13.1 million of federal Welfare to Work revenue during the 1999-01 biennium. The Governor's recommended budget replaced the lost Welfare to Work funding with General Fund. The 2001 Legislative Assembly adopted House Bill 3441 that establishes a new JOBS Plus Unemployment Insurance (UI) tax diversion. This diversion is expected to generate about $25.5 million over the 2001-03 and 2003-05 biennia. In addition, the Legislature modified the JOBS Plus UI program by passing SB 874. The duration of the job placement was reduced from six months to three months and the wage subsidy paid to the JOBS Plus employer was reduced from minimum wage to $5/hour.

Budget Environment and Performance Measures

The JOBS programs complement 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.

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 was $51.3 million or 35% below the estimated expenditure level for the 1999-01 biennium of $146.6 million. The reduction was the result of three main changes. The recommended budget:

- did not restore $24.5 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. As noted above, however, the Legislature generated a new UI diversion that will generate $25.5 million for the UI JOBS Plus program for the 2001-03 and 2003-05 biennia;
- eliminated funding for all other JOBS Plus clients—those eligible for TANF cash assistance and Food Stamp benefits. This reduction was $16.4 million total funds--$1.2 million General Fund and $15.2 million Federal Funds. This cut would have eliminated the remaining 550 JOBS Plus slots;
- reduced funding for job retention services by $11.8 million General Fund. The Governor's budget assumed that work force agencies such as AFS, the Employment Department, the Economic and Community Development Department, and community colleges would work more closely 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 was additional funding provided to the other work force agencies to offer new services in the Governor's budget; and
- eliminated funding for inflation that would have cost about $3.3 million.

Under the recommended budget, the number of those using training and job retention services was 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.

Legislatively Adopted Budget

The legislatively adopted budget for job training and retention activities is $107.4 million or $12.1 million higher than the Governor's budget. The budget reflects two changes. First, the Legislature added $11.5 million of General Fund to partially restore the JOBS and JOBS Plus programs. Of the $11.5 million, $3.5 million is earmarked for the non-UI JOBS Plus program. The non-UI JOBS Plus program, for persons ineligible for UI benefits, was not modified as was the UI JOBS Plus program. The second change is the addition of $0.6 million of Other Funds limitation to allow for the expenditure of remaining JOBS Plus UI funds to close out existing contracts with employers. Since the inception of the JOBS Plus program, the Employment Department has transferred JOBS Plus UI diversion funds to AFS, the agency that has taken care of program billing. Whether this arrangement will continue with the new UI JOBS Plus diversion has not yet been determined.

AFS – Other Public Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,385,672	1,327,462	1,478,922	1,478,922
Other Funds	4,495,690	3,787,607	4,260,304	1,000,000
Federal Funds	29,638,295	27,953,421	28,878,555	15,871,022
Nonlimited	293,763,155	405,367,901	438,109,915	537,444,138
Total	**329,282,812**	**438,436,391**	**472,727,696**	**555,794,082**
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 exceeded claim and administrative costs. The beginning balance for the 2001-03 biennium was expected to be about $2.7 million. This balance grew 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 for 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 provided funding to continue the programs at the current service level. The budget anticipated a higher Food Stamp caseload and added Non-Limited Federal Funds to accommodate benefit payments. The 1999-01 average monthly caseload was expected to be about 117,000 cases. The Governor's budget assumed a caseload of 121,650 for the 2001-03 biennium.

In addition to the higher level of Food Stamp benefits the Governor's budget also included inflationary cost increases and a reduction of $4.2 million Federal Funds in the Food Stamp program that accommodated 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.

Legislatively Adopted Budget

The legislatively adopted budget of $555.8 million is $83.1 million higher than the Governor's recommended budget. The increase is primarily the result of significantly higher than expected Food Stamp caseload and the addition of Non-Limited Federal Funds to reflect the expenditure of Food Stamp benefits. The outreach efforts and other changes to the Food Stamp program have apparently worked—the Food Stamp caseload grew from 114,483 in July 2000 to 141,437 in May 2001—already well above the 2001-03 biennial average caseload of 121,650 assumed in the Governor's budget. The Legislature added an estimate of about $81.9 million of Non-Limited Federal Funds to the Governor's proposed budget to account for the increased caseload.

The adopted budget reflects three other changes as well. First, the Department of Justice opined that State Highway funds could not be used to support several programs, including the Motor Vehicle Accident Fund (MVAF). The Legislature did not choose to replace this revenue with General Fund. As a result, the adopted budget eliminates the program and with it, $3.3 million of Other Funds expenditure limitation. (An additional $175,000 of Other Funds limitation used to support the administration of the MVAF program was removed from the AFS administrative budget.) The second change increases the Federal Funds expenditure limitation by $4.5 million to allow for the expenditure of increase employment and training and Food Stamp revenue. The third change reflects a shift of $17.5 million from limited Federal Funds to non-limited Federal Funds. This shift was proposed by the agency in order to move Cash-out funds that are federal Food Stamp benefits from limited expenditure status to Non-Limited. Historically, Cash-out funds have been limited to facilitate accounting procedures.

In an effort to generate more General Fund, the Legislature adopted House Bill 3996, which transferred $2 million from the Law Enforcement Medical Liability Account (LEMLA) ending balance to the General Fund. This transfer will leave approximately $0.9 million for a balance for the LEMLA at the beginning of the 2001-03 biennium. This beginning balance is roughly two times the amount of LEMLA claims and administrative costs during the 1999-01 biennium. No legislation adopted by the 2001 Legislature changed the revenue allocation flowing into the LEMLA.

AFS – Prevention Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	480,933	657,407	657,322
Other Funds	0	448,996	467,352	467,130
Federal Funds	0	1,037,309	1,284,377	1,283,499
Total	**0**	**1,967,238**	**2,409,136**	**2,407,951**
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 Students 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 included $1.3 million of Federal TANF funds and $0.5 million Other Funds. The Other Funds included $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 December 2000 Joint Legislative Audit Committee (JLAC) 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 provided expenditure limitation sufficient to continue current services. This represents a $0.4 million increase above the 1999-01 estimated expenditure level. The increase was 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 indicated that it would make the payments directly to schools during the 2001-03 biennium.

Legislatively Adopted Budget

The Legislative Assembly modified the Governor's budget by making reductions to the Public Employees Retirement System employer contributions and long distance telecommunication charges totaling $1,185.

AFS – Child Support Recovery Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	4,665,675	8,391,070	7,891,070
Other Funds	19,279,751	20,271,352	19,045,203	19,045,203
Federal Funds	48,924,482	60,313,578	62,340,134	61,340,134
Total	**68,204,233**	**85,250,605**	**89,776,407**	**88,276,407**
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 Division of Child Support (DCS) effective October 1, 1998. Prior to the transfer, AFS contracted with DCS 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 DCS 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 DCS and District Attorneys.

DCS 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 (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 DCS 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 was $1.5 million or about 2% higher than the level necessary to sustain current services. The increase resulted from the addition of one policy package ($0.5 million Other Funds and $1 million Federal Funds). This policy package was a companion to one proposed by the Department of Justice, DCS. 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 DCS. The remaining $9.9 million would be paid to county district attorney offices.

The General Fund increase above the 1999-01 estimated level was the result of adding funding for inflationary costs 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 was partially offset by removing personal service and service and supplies costs related to the limited duration positions noted above.

The Governor's budget assumed that the Support Enforcement Division would 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 was asked to change its priorities and to focus more intensive collection efforts on behalf of welfare cases.

Legislatively Adopted Budget

The Legislature's budget for the Child Support Enforcement program is $1.5 million total funds ($0.5 million General Fund and $1.0 million Federal Funds) below the Governor's proposed budget. The decrease results from a similar reduction to the Department of Justice's DCS limitation. The DCS limitation was reduced after a review of the agency's actual 1999-01 expenses indicated that the program did not require all of the limitation or General Fund included in the Governor's budget for 2001-03.

The budget report for the Department's budget bill (SB 5527) included a budget note directing the Department of Administrative Services "to analyze the efficacy of changing the manner in which the state's Child Support Program is organized and administered." Further, "DAS is expected to make recommendations concerning the consolidation of program administration and supervision within the Department of Justice." DAS is directed to report its findings to various legislative committees by November 2002.

AFS – Program Delivery Field Staff

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	73,526,953	90,146,569	94,475,457	81,544,864
Other Funds	1,654,372	2,617,288	5,911,855	5,896,287
Federal Funds	74,251,862	87,611,472	80,084,596	84,100,645
Total	**149,433,187**	**180,375,329**	**180,471,908**	**171,541,796**
Positions (FTE)	1467.50	1538.59	1481.67	1397.08

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 heretofore 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 programs. 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 was $8.8 million total funds or 5% below the level necessary to continue current services. The reduction was the result of cutting 99.41 FTE and decreased General Fund by $5 million. The current service level reflected 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.

Legislatively Adopted Budget

The Legislatively Adopted Budget of $171.5 million is $8.9 million total funds below the Governor’s proposed budget of $180.5 million. The budget reflects four main changes. First, the Legislature adjusted the budget ($0.4 million total funds) for reductions to the Public Employee Retirement System and long distance telecommunication charges. Second, the adopted budget reduced by 93.0 FTE and $9.3 million General Fund. Part of the budgetary reduction ($4.3 million) was appropriated to the Emergency Fund to serve as contingency funding for AFS caseloads. The Legislature made the overall staffing reduction after considerable discussion and a review of agency workload and consideration of historical caseload per FTE.

The third change in the adopted budget is the replacement of $3.8 million General Fund with available federal TANF revenue. Fourth, the Legislature added $0.8 million total funds (half of it General Fund and half federal Medicaid revenue) to support 8.41 FTE of OHP eligibility staff. Health plan caseloads are expected to increase during the 2001-03 biennium.

AFS – Program Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor’s Recommended	2001-03 Legislatively Adopted
General Fund	43,332,117	42,862,515	42,507,223	42,565,455
Other Funds	7,267,192	5,729,857	5,962,789	5,779,476
Federal Funds	60,008,271	51,105,951	49,391,183	49,189,916
Total	**110,607,580**	**99,698,323**	**97,861,195**	**97,534,847**
Positions (FTE)	316.00	290.00	263.00	262.00

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, Food Stamp administrative support revenue, Title XIX Medicaid funds, and Federal Child Support Funds.

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 expected 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.

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 was $4.4 million total funds or 4% below the level necessary to maintain current services. The difference was the result of three reductions. First, the Governor's budget anticipated savings of $1.6 million ($1.2 million General Fund) from a planned DHS reorganization. Second, the Governor's budget cut AFS administration by a total of $2.3 million ($1.1 million General Fund) and 27.0 FTE. Third, a $0.5 million total funds decrease ($0.2 million General Fund) reflected a reduction in the DHS Director's Office Community Partnership Team program.

Legislatively Adopted Budget

The Legislature made three changes to the Governor's budget generating a budget of $97.5 million. First, it reduced the budget to acknowledge decreases in Public Employee Retirement System, Attorney General, DAS Human Resources Services Division, DHS prorate, and long distance telecommunication charges. Second, the Legislature reduced Other Funds expenditure limitation by $175,000 and eliminated one position because the Motor Vehicle Accident Fund program was eliminated. (See the discussion with the Other Public Assistance Programs section above.) Finally, the Legislature added $100,000 of General Fund to further enhance Food Stamp outreach efforts.

DHS/Alcohol and Drug Abuse Programs – Program Area Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	15,222,311	24,155,026	45,201,656	36,986,238
Lottery Funds	0	5,273,048	6,221,353	7,145,478
Other Funds	13,191,810	15,957,796	16,589,156	11,076,558
Federal Funds	50,823,571	54,882,764	56,375,023	57,700,890
Total	**79,237,692**	**100,268,634**	**124,387,188**	**112,909,164**
Positions (FTE)	49.53	61.25	61.00	53.50

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

The Alcohol and Drug Abuse Programs (ADAP) 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, ADAP 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.

ADAP 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; and intensive and conventional outpatient, early intervention, and prevention programs in schools and communities. ADAP 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.

ADAP 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 ADAP, 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.

ADAP 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. Coordinates 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. ADAP 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 ADAP with the transfer of the program services by the 1999 Legislature. By statute, 1% of net lottery proceeds is allocated to ADAP 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, ADAP 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

ADAP 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.

ADAP 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. ADAP developed a plan to equalize the rate at $100 per-day for adult programs and $113 for youth programs. To finance the restructuring, ADAP 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, ADAP 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. ADAP plans to work through 2001-03 to expand and improve this system.

ADAP'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 ADAP, 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, ADAP 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.
- ADAP 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 was 14.5% over 1999-01 estimated expenditures. General Fund expenditures would have increased 80.1 percent. The budget maintained current services and added $10.5 million General Fund and $0.8 million Federal Funds targeted toward families with small children as part of the Governor's Oregon Children's Plan. The budget also added $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 reduced funding for training and provider reviews by $1.1 million General Fund.

Legislatively Adopted Budget

The Legislature approved a budget of $37.0 million General Fund and $112.9 million total funds. The General Fund is a 53.1% increase and the total budget a 12.6% increase from the 1999-01 estimated expenditures. The budget provides funding to continue program enhancements approved by the 1999 Legislative Assembly. ADAP is directed to maintain the residential treatment rates at $100 per day for adults. Within that rate, dollars for housing expenses are to be reduced from $30 per day to $20 per day and, conversely, the dollars for treatment services are to be increased from $70 per day to $80 per day. This adjustment will generate General Fund savings as ADAP receives federal Medicaid matching funds for treatment services. The General Fund savings will be used to restore the 37-bed reduction included in the Governor's recommended budget.

House Bill 5050 decreases $4.1 million Other Funds expenditure limitation for the Intoxicated Driver Education Fund. The Criminal Fine and Assessment Account (CFAA) Public Safety Fund revenues in the Governor's recommended budget funded this program. With new legislation, a portion of the CFAA goes to the General Fund and a portion to the Public Safety Fund. The Intoxicated Driver Education program is now funded through that portion of the General Fund, thus a resulting increase in General Fund appropriation of $4.1 million.

Lottery Funds expenditure limitation is increased to reflect the May 2001 forecast of this resource and account for the 1999-01 carryforward amount.

DHS/Services to Children and Families (SCF) – Program Area Totals

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	185,416,815	200,819,951	227,899,699	231,535,753
Other Funds	29,516,640	32,001,776	32,761,953	26,095,543
Federal Funds	240,396,908	321,371,990	343,870,143	340,006,853
Total	**455,330,363**	**554,193,717**	**604,531,795**	**597,638,149**
Positions (FTE)	1,593.68	1,760.95	1,814.95	1,839.87

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

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 programs for domestic violence and, through December 2001, Child Abuse Multidisciplinary Intervention (CAMI) efforts. 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

General Fund supports 35.7% of SCF's budget. Federal Funds make up 56.9% of the budget. 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. The Governor's budget assumed $15.3 million General Fund savings from increased use of federal Medicaid Targeted Case Management (TCM) funding for in-home services. Based on initial results of its efforts to expand Medicaid Targeted Case Management claims, during the 2001 session SCF reprojected TCM revenues for 2001-03 at about half of the level assumed in the Governor's budget. SCF was able to cover this shortfall by carrying forward into 2001-03 a projected $7.2 million in Social Services Block Grant savings from 1999-01.

Adult and Family Services 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. The 2001-03 budget continues that practice. As noted above, SCF also expects to carry forward $7.2 million of SSBG funds not used in 1999-01 to support its 2001-03 budget.

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, which distributes the funds for local programs.

About 4.4% of SCF's budget comes from 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 CAMI child abuse assessment services. The agency initially estimated $14 million in CFAA revenues for 2001-03. House Bill 5050 reduced this by $6.5 million since the CAMI program will transfer to the Department of Justice effective January 2002.

Budget Environment and Performance Measures

Over the past ten years SCF has experienced caseload growth in all of its services. Younger children are at greater risk of abuse and neglect, 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 large 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. For the year 2000, however, SCF reports a decrease in the number of child abuse and neglect victims, slower growth in foster care, and increased adoptions.

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.

SCF has been working to implement data collection and reporting for required performance under ASFA, which includes both process and outcomes standards. Statewide indicators are measured against high national standards for child protective services, substitute care and adoptions. For example, SCF has exceeded the national standard of 78% of children reunified in less than 12 months from removal from the home, reporting a 79.2% rate at September 2000. However, SCF has not met the national standard measuring re-entry into foster care within 12 months of a prior foster care episode. The national standard has been set at 6% or less, while SCF reported an 18.6% re-entry rate at September 2000. Other measures address recurrence of maltreatment, incidence of abuse or neglect while in foster care, stability of foster care placements, and length of time to finalize adoptions. Although many of these measures are in line with SCF's previous performance measures, changed data definitions and the imposition of the national standard make the new measures more challenging.

The agency also continues 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 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 use the System of Care approach in 1995. 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 was 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 were higher caseloads and costs. The budget used "no flex" foster care and special rate foster care caseload projections, based on recent signs that caseload growth was slowing. Although this reduced the overall amount of budget growth in 2001-03, funding shortfalls could occur if the slower growth rate is not maintained. Phased-in costs for the System of Care expansion, and continued growth in both the number and negotiated costs of adoption assistance payments, were other major factors in the overall budget increase. The Governor's budget funded the phase-in of System of Care services in the final 10 counties, to start in April 2002 and be completed by June 2003.

Although higher than 1999-01 projected expenditures, the Governor's budget was 10.4% General Fund and 2.6% total funds lower than current service level estimates. General Fund reductions included 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).

Legislatively Adopted Budget

The adopted budget is 1.6% General Fund higher and 1.1% total funds lower than the Governor's budget. It is 9.7% General Fund and 3.4% total funds below the current service level estimate. It includes most of the Governor's recommended actions, but:

- Adds back $2.1 million General Fund and $2.3 million total funds to begin the final System of Care phase-in in Marion County in September 2001, and restore some System of Care flexible funding statewide.
- Restores $34,769 General Fund for continued operations of the Father Taaffe Foundation.
- Adds funding and position authority to implement House Bill 3330, which requires licensing for outdoor youth programs ($47,428 General Fund, 1 position, 0.50 FTE).
- Reduces SCF's Other Funds expenditure limitation and staffing by $6.5 million and 1.50 FTE to reflect the transfer of the CAMI program to the Department of Justice effective January 2002.

The budget also reflects revenue and caseload reprojections based on the Department of Human Services May 2001 budget rebalance plan, rate and assessment reductions resulting from legislative actions on other budgets, and technical corrections as described in the program unit discussions below.

SCF – Field Operations/Direct Services Staff

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	75,779,986	91,717,202	85,466,576	85,584,990
Other Funds	989,640	1,883,341	4,121,924	4,121,924
Federal Funds	98,301,327	125,914,039	140,364,772	139,438,852
Total	**175,070,953**	**219,514,582**	**229,953,272**	**229,145,766**
Positions (FTE)	1,477.11	1,629.82	1,680.65	1,705.57

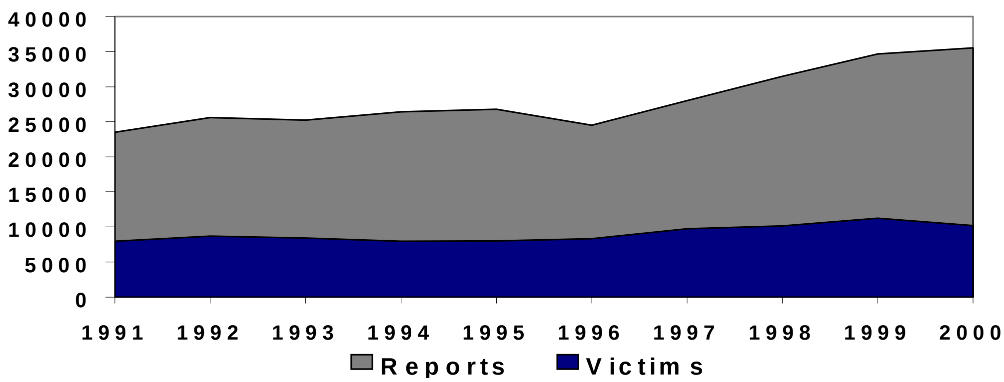
Program Description

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 and neglect victims have grown significantly over the past decade, although the number of victims declined in 2000 from a historical peak in the previous year. In 2000, 35,552 reports were received; 10,186 victims were found.

The following table shows the increasing number of reports and abuse victims since 1991. Total abuse and neglect reports increased by more than 50% over that 10-year period. The number of victims increased 28% over the same time. By comparison, there was a 10% increase in the number of children in the state.



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 increased more than 80%, from 3,670 incidents in 1995 to 6,644 incidents in 2000. Over the same period, actual incidents of abuse and neglect have declined almost 17%, from 7,344 in 1995 to 6,104 in 2000.

The service delivery system continues 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 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 was 2% General Fund and 7.9% total funds higher than in 1999-01. It was 14.2% General Fund and 1.5% total funds lower than current service level estimates. The budget added 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 10 counties was to begin in April 2002, with statewide expansion by June 30, 2003.

The budget made a significant fund shift and other reductions from current service level estimates. The fund shift assumed General Fund savings from increased use of federal Medicaid Targeted Case Management (TCM) funding for in-home services. SCF began expanding its TCM claims in early 2001. It projected the 2001-03 savings based on preliminary estimates of eligible costs and the number of eligible children.

To reduce other costs, SCF was to 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, were to be eliminated. This action was projected to save $967,291 General Fund and $558,086 Federal Funds.

Additional savings were 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. DHS presented its reorganization plan and savings estimates to the Legislature during the 2001 legislative session.

Legislatively Adopted Budget

The adopted budget increased the Governor's recommended General Fund budget by $118,414 but reduced recommended Federal Funds expenditure limitation by $925,920.

The Legislature added funding to bring Marion County into the System of Care phase-in beginning in September 2001. This restored $350,549 General Fund, $220,378 Federal Funds and 6.24 FTE to the budget.

Based on its initial results in expanding Medicaid Targeted Case Management claims, SCF reprojected TCM revenues for 2001-03 at about half of the level assumed in the Governor's budget. SCF was able to cover this shortfall with projected Social Services Block Grant savings from 1999-01, carried forward into 2001-03. As a result, General Fund in this program unit decreased $150,234 and Federal Funds increased $150,234. Lower federal Medicaid match rate projections required an additional $460,960 General Fund backfill. General Fund was also added to cover a projected $257,907 shortfall in federal Social Services Block Grant revenues.

The budget reflects a 1% out-of-state travel reduction ($381 General Fund, $244 Federal Funds). Reductions were also made for lower Public Employees Retirement System rates ($197,618 General Fund, $126,520 Federal Funds) and long-distance telecommunications rates ($190,908 General Fund, $122,210 Federal Funds).

This program unit had two technical adjustments. The first cut $933,666 General Fund and $596,108 Federal Funds but added back 19.68 FTE in the System of Care reductions. The second added $521,805 General Fund, $267,417 Federal Funds but cut 1 position (1.00 FTE) for restructuring the non-case carrying staff.

SCF – Field Operations/Purchase of Care

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	46,907,913	40,286,248	52,966,867	55,559,214
Other Funds	11,339,629	9,195,592	10,822,527	10,882,229
Federal Funds	50,666,112	81,584,540	78,479,953	79,054,616
Total	**108,913,654**	**131,066,380**	**142,269,347**	**145,496,059**
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.

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% per year. The projected costs for regular and special rate foster care for 2001-03 are over $100 million total funds.

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.

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 for by General Fund.

Governor's Budget

The Governor's budget represented 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 contributed to the higher budget. However, the funding level was 8.1% General Fund and 3.7% total funds below current service level estimates because of selective reductions:

- Foster care providers were to receive annual cost of living increases, but other contracted programs would 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 was 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 was to cut in half the number of foster care placements in "threat of harm" cases, instead providing in-home services where possible ($544,890 General Fund, $113,335 Other Funds, and $363,573 Federal Funds).
- Flexible funding for the multi-disciplinary Family Support Teams was cut in half ($379,211 General Fund).
- SCF's contribution to the Multnomah County Mental Health Partners Project was eliminated ($314,102 General Fund).

Legislatively Adopted Budget

The adopted budget for this program unit is a 4.9% General Fund and 2.3% total funds increase above the Governor's recommended budget. The Legislature added $1,714,682 General Fund and $65,332 Other Funds for flexible funding for System of Care services. Of this amount, $567,931 General Fund and $22,507 Other Funds is expected to be available statewide, while $1,146,751 General Fund and $42,825 Other Funds will support Marion County's phase-in beginning September 2001.

The adopted budget reflects slightly lower foster care and special rates foster care caseload projections, saving $56,001 General Fund, $5,630 Other Funds, and $21,445 Federal Funds.

A technical adjustment added $933,666 General Fund and $596,108 Federal Funds related to the System of Care reductions in the Governor's budget. The reduction shifted to the Field Operations / Direct Services Staff unit.

SCF – Program Operations/Direct Services Staff

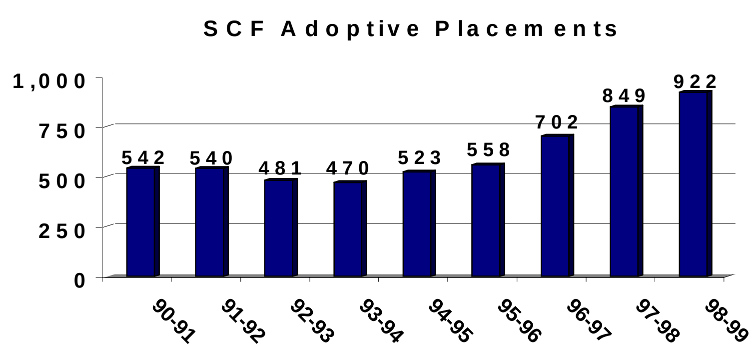
	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,709,210	7,016,695	15,034,288	14,497,045
Other Funds	3,445,107	1,394,942	684,164	173,796
Federal Funds	14,004,047	17,813,542	18,368,412	17,912,337
Total	**25,158,364**	**26,225,179**	**34,086,864**	**32,583,178**
Positions (FTE)	81.04	94.13	95.80	98.80

Program Description

The Program Operations section provides policies and guidelines for consistent service delivery by field staff. It also manages statewide programs, such as monitoring residential treatment facilities. Staff provides field consultation services to branches for individual cases or training for best case practices, and participates in branch reviews. 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. The 922 placements in state fiscal year 1999 are 8.6% more than in fiscal year 1998, and 72% more than in fiscal year 1991.



SCF is now required to report finalized adoptions, not placements, to the U.S. Department of Health and Human Services. There were 831 finalized adoptions in federal fiscal year 2000, up 94.6% from the 427 finalized adoptions in federal fiscal year 1995.

Most children (over 60%) were adopted by relatives or foster parents. However, the need for adoptive homes continues. At December 2000, there were 470 children legally free for adoption for which a family had not yet been found. SCF 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 was 32.9% General Fund higher and 2.2% total funds lower than projected 1999-01 expenditures. It represented 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 was expected to save $1.1 million General Fund and add that amount of Federal Funds support for current activites. The budget anticipated cutting 12 positions, about 11% of the unit's total, as SCF restructured non-case carrying staff ($455,196 General Fund, $262,629 Federal Funds) . The budget also reduced a contract with Portland State University for research and training by 10%, saving $308,222 General Fund and $551,794 Federal Funds.

Legislatively Adopted Budget

The Program Operations / Direct Services Staff budget is 3.6% General Fund and 4.4% total funds below the Governor's budget.

The budget includes $47,428 General Fund and 1 position (0.50 FTE) to support the Outdoor Youth Program Advisory Board and license youth outdoor programs as directed in House Bill 3330.

Effective January 2002, the operations of the CAMI program will transfer to the Department of Justice. The budget for this program unit was reduced by $315,368 Other Funds and 1.50 FTE as a result. Expenditure limitation in the Program Operations / Purchase of Care program unit was also reduced.

The action to replace the projected 2001-03 shortfall in federal Medicaid Targeted Case Management revenues with Social Services Block Grant funds carried forward from 1999-01 added $3,964 General Fund and decreased Federal Funds by $3,964 in this program unit.

SCF's expenditure limitation was reduced by $195,000 Other Funds and $130,000 Federal Funds, removing limitation used in matching Federal Funds for the statewide Child Fataility Review Team. The General Fund to support that team was eliminated in the Governor's budget for the Health Division.

The 1% out-of-state travel reduction saved $774 General Fund and $495 Federal Funds in this program unit. Reductions were also made for lower Public Employees Retirement System rates ($13,127 General Fund, $8,404 Federal Funds), Attorney General rates ($317,648 General Fund, $186,203 Federal Funds) and long-distance telecommunications rates ($8,552 General Fund, $5,475 Federal Funds).

A technical adjustment was made for the non-case carrying staff restructuring plan, reducing General Fund by $248,534 and Federal Funds by $121,534, but adding four positions (4.00 FTE).

SCF – Program Operations/Purchase of Care

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	39,494,109	49,044,406	62,730,109	64,664,300
Other Funds	13,738,580	17,571,684	15,579,556	9,364,832
Federal Funds	59,094,441	73,930,083	83,847,078	81,293,905
Total	**112,327,130**	**140,546,173**	**162,156,743**	**155,323,037**
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 until 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 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 was 26.5% General Fund and 16.2% total funds higher than the 1999-01 estimates for these programs. This reflected significant growth in adoption assistance, and workload increases in the Target Children program. However, the funding level was 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 would 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 were cut 5% ($645,170 General Fund, $1,535 Other Funds).
- General Fund support was 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).

Legislatively Adopted Budget

The adopted budget for these programs is a 3.1% General Fund increase but a 4.2% overall decrease from the Governor's recommended budget.

The Legislature restored $2,802,943 General Fund left out of the Governor's budget to replace projected federal Social Services Block Grant reductions. SCF's Federal Funds expenditure limitation was reduced by $2,889,397 to reflect this backfill plus action taken in the State Commission on Children and Families' budget to backfill a further $86,454 shortfall. Since that General Fund backfill was appropriated directly to the Commission, SCF will not need to transfer funding for that shortfall.

The budget reflects higher costs in adoption assistance and statewide residential treatment services, but savings in the Target Children program. The net impact is a savings of $373,504 General Fund and $39,306 Other Funds, and an increase of $336,224 Federal Funds. The budget was also corrected to reflect the $530,017 General Fund, $4,005 Other Funds savings from withholding the cost of living adjustment for contracted family treatment and support services.

An additional $34,769 General Fund was approved to continue funding for the Father Taaffe Foundation's services to teen mothers.

The Legislature approved the transfer of CAMI program operations from SCF to the Department of Justice effective January 2002. The CAMI program funds in SCF's budget were therefore reduced by $6,171,413 Other Funds. Administrative expenditures in the Program Operations / Direct Service Staff program unit were also reduced.

SCF – Administration

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	15,525,597	12,755,400	11,701,859	11,230,204
Other Funds	3,684	1,956,217	1,553,782	1,552,762
Federal Funds	18,330,981	22,129,786	22,809,928	22,307,143
Total	**33,860,262**	**36,841,403**	**36,065,569**	**35,090,109**
Positions (FTE)	35.53	37.00	38.50	35.50

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 costs for centralized DHS services, such as accounting, personnel and information systems.

Governor's Budget

The Governor's budget for administrative services maintained total funding just slightly below the 1999-01 level. The budget anticipated a $2.3 million fund shift from General Fund to Federal Funds. This assumed 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 reduced 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 added $80,160 General Fund and $50,344 Federal Funds to this unit's budget to cover transition costs like relocation expenses and unemployment benefits.

Legislatively Adopted Budget

The central administrative budget adopted by the Legislature is 4% General Fund and 2.7% total funds below the Governor's budget level.

The action to replace the projected 2001-03 shortfall in federal Medicaid Targeted Case Management revenues with Social Services Block Grant funds carried forward from 1999-01 added $145,746 General Fund and reduced Federal Funds by $145,746 in this program unit.

The 1% out-of-state travel reduction saved $121 General Fund and $71 Federal Funds in this program unit. Reductions were made for lower Public Employees Retirement System rates ($5,826 General Fund, $3,415 Federal Funds), Attorney General rates ($260,277 General Fund, $152,572 Federal Funds), Secretary of State Audits Division assessment ($14,705 General Fund, $8,620 Federal Funds), and Department of Administrative Services Human Resources Services Division assessment ($15,467 General Fund, $9,066 Federal Funds). The budget also reflects cost savings for long-distance telecommunications rates ($11,148 General Fund, $6,536 Federal Funds).

Actions taken on the DHS Director's Office budget resulted in a net savings for SCF of $36,586 General Fund, $1,020 Other Funds and $31,896 Federal Funds.

A technical adjustment was made for the non-case carrying staff restructuring plan, reducing the budget by $273,271 General Fund, $145,883 Federal Funds and three positions (3.00 FTE).

DHS/Developmental Disability Services (DDS) – Program Area Totals

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	277,980,758	307,322,635	394,474,845	388,121,693
Other Funds	15,581,825	45,786,566	30,293,459	43,625,290
Federal Funds	295,553,988	368,139,709	433,435,121	412,857,158
Total	**589,116,571**	**721,248,910**	**858,203,425**	**844,604,141**
Positions (FTE)	1,878.98	1,226.28	1,200.54	1,150.45

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

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

This budget includes expenditures for DD community programs, DD state-operated facilities and DD program administration. It also covers central administrative support and local administration payments for both DD and mental health programs, and capital improvement expenditures for the Eastern Oregon Training Center, the Oregon State Hospital and the Eastern Oregon Psychiatric Center.

Revenue Sources and Relationships

Funding for Developmental Disability Services is about 46% General Fund, 5% Other Funds and 49% Federal Funds. Most of the General Fund is used as match for federal Title XIX Medicaid funds, which are the predominant source of federal funding in this budget. Medicaid supports case management and Personal Care services and some residential and vocational services offered through a home and community-based waiver. The federal Medicaid 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. The Developmentally Disabled Services Act grant ($2.1 million) is another federal resource.

This budget includes $10 million Other Funds revenues from the Medicaid Upper Payment Limit plan. Under this plan, the Senior and Disabled Services program uses a total of $27.8 million General Fund from Mental Health Services and Developmental Disability Services 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. The Senior and Disabled Services program will transfer $10 million Other Funds to the Developmental Disability Services budget to replace the General Fund initially transferred for the match.

The adopted budget also anticipates a transfer of $9.5 million General Fund to the Developmental Disability Housing Fund, to be paid out as Other Funds from that account.

Other Funds revenues include patient resources, such as Social Security benefits or private insurance, for persons at the Eastern Oregon Training Center. Seven counties leverage federal Medicaid for case management services, and three for transportation services, which is paid to them as Other Funds when reimbursed. The budget anticipates $9 million in indirect costs paid by the federal government for 2001-03. The budget also reflects $3.3 million in Other Funds received from DHS to match Federal Funds for sheltered workshop services. This is the last biennium of payments approved in Senate Bill 288 (1999) to help providers after workers' compensation rebates were eliminated by that bill.

Budget Environment and Performance Measures

Over time, Oregon has shifted from a service system based on state-owned institutions to local, community-based care and services. 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 persons with developmental disabilities 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 and legal rulings concerning services are other factors that significantly affect this budget. Resources have not been tied directly to Oregon's growing population, although population growth means more persons are likely to need developmental disability services. DD services have historically not been provided on an entitlement basis. However, 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 universal access to developmental disability services, with an initial cost estimate of $350 million total funds for the six-year plan.

Performance measures for developmental disability services are primarily client-based. The measures focus on in-home services, community-based housing, employment, and earnings. In fiscal year 2000, 25% of families with a member with developmental disabilities received in-home supports. 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 $191 in 2000, up from $124 in 1998. High school to work transition is also measured: 28% of developmentally disabled high school students moved from school to competitive employment in fiscal year 2000. The agency also tracks residential providers' compliance as a measure of its regulatory effectiveness.

The Staley v. Kitzhaber settlement agreement establishes additional outcomes for DD services. The broader goals are to eliminate the current wait list for individuals eligible for, but not receiving, services and to reduce the number of situations requiring a crisis response. In the 2001-03 biennium, 1,895 more persons are to receive support services, 100 more persons are to receive non-crisis services, and 257 more persons are to receive crisis services. Local case managers are to reduce average caseloads from 90 to 45 cases per case manager. Biennial reports are required to provide enrollee numbers, expenditure tracking, average cost information and customer satisfaction data in addition to the agency's performance measures discussed above.

Governor's Budget

The Governor's recommended budget for DDS was 28% General Fund and 19% total funds higher than 1999-01 estimated expenditures. The major factors in the increase were the full phase-in of community programs developed in 1999-01 as part of the Fairview Training Center closure and costs to implement the provisions of the Staley v. Kitzhaber settlement agreement on services for the developmentally disabled. The budget included $43.3 million General Fund, $40.9 million Federal Funds, 34 positions and 28.46 FTE for the 2001-03 costs of the agreement. The budget also reflected cost savings from 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).

Legislatively Adopted Budget

The adopted budget is 26.3% General Fund and 17.1% total funds higher than 1999-01 estimated expenditures, but reduced from the Governor's budget by 1.6% General Fund and total funds. The Legislature established two special purpose appropriations to the Emergency Board, discussed below, which are included in the budget totals for this analysis.

The Legislature approved the six-year plan to expand services to persons with developmental disabilities as outlined in the Staley v. Kitzhaber agreement. It reduced the budget to reflect updated, slower phase-in expectations and made reductions in investigation, criminal history checks and payment processing staff and costs. A $19.2 million special purpose appropriation is available for second-year costs, subject to satisfactory progress on implementing the plan and updated expenditure estimates. With that special purpose appropriation, the adopted budget appropriates $39.4 million General Fund for the plan in 2001-03, a 9% reduction from the Governor's recommended level.

Funding was added to continue community services for developmentally disabled children turning 18, developmentally disabled youth turning 21, and medically fragile children turning 18 ($3.5 million General Fund and $3.5 million Federal Funds).

The budget reflects savings in state-operated group homes in three areas: 1) the delayed start-up of two children's crisis homes, 2) elimination of funding for an adult crisis home, and 3) reduced temporary and overtime costs for all state-operated group homes. The total reduction is $1.1 million General Fund, $37,119 Other Funds, $1.3 million Federal Funds and 23 positions (23.63 FTE). A special purpose appropriation of $317,124 is available to support adult crisis services during 2002-03 pending a review of state-operated group home costs and potential service alternatives.

The costs to maintain the Fairview Training Center property until its sale were reduced by $2.4 million General Fund.

The budget also reflects revenue and caseload reprojections based on the Department of Human Services May 2001 budget rebalance plan, rate and assessment reductions resulting from legislative actions on other budgets, and technical adjustments as described in the program unit discussions below.

DDS – Developmental Disability Community Programs

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	177,180,929	239,227,699	315,736,626	317,264,142
Other Funds	5,613,034	22,345,539	12,709,894	22,209,890
Federal Funds	191,235,045	281,111,373	349,167,118	330,871,282
Total	**374,029,008**	**542,684,611**	**677,613,638**	**670,345,314**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Community services for developmentally disabled persons are the predominant share of total state Developmental Disability (DD) expenditures. Services include case management, residential care, vocational and employment services, family support, and crisis/diversion. The state contracts with county governments, which 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. DDS 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. DDS 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 phase-out to expand community services for many of the people on waiting lists. 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 was initially estimated at $350 million, with federal Medicaid funds expected to cover about 60% of this amount.

Governor's Budget

The Governor's recommended budget was 27.4% General Fund and 24.9% total funds higher than estimated expenditures for 1999-01. It was 13.4% General Fund and 12.4% total funds higher than current service level. The budget funded the first phase of universal access to 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, DDS is to add residential services for 100 adults in 2001-03, and support services for almost 1,900 adults and children. The plan also calls for the regional administrative system to be restructured and caseloads for local case managers to be reduced by half, resulting in one case manager per 45 clients.

Legislatively Adopted Budget

The Legislature adjusted the Governor's budget for a slower-than-expected start up of case management, adult support services, and Oregon Health Plan costs under the DD universal access plan ($3.2 million General Fund, $3.1 million Federal Fund). It also appropriated $19.2 million General Fund to the Emergency Board for second year costs, pending a report on progress in implementing the plan and updated cost estimates.

Funding was approved to continue community services for developmentally children turning 18, developmentally disabled youth turning 21, and medically fragile children turning 18 ($3.5 million General Fund, $3.5 million Federal Funds). These services were not funded in the Governor's budget.

The Legislature added $9.5 million Other Funds expenditure limitation for the Developmental Disability housing fund established in 1999. The agency will deposit General Fund appropriated for payments to the Housing and Community Services Department and for housing maintenance and development in to this account, allowing interest to be earned until the payments are made from the account.

The budget was increased by $926,371 General Fund and decreased by the same amount of Federal Funds to reflect updated federal match rates. Continued funding for cases transferred from the Senior and Disabled Services program in the May 2001 rebalance plan added $286,627 General Fund and $429,941 Federal Funds to the budget. A 1% reduction was made in out-of-state travel.

DDS – Developmental Disability State-Operated Facilities

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	69,276,045	41,778,740	44,073,337	40,968,661
Other Funds	4,310,845	2,227,071	1,904,945	1,867,154
Federal Funds	91,955,391	68,419,448	58,392,873	56,857,916
Total	**165,542,281**	**112,425,259**	**104,371,155**	**99,693,731**
Positions (FTE)	1,723.13	1,026.89	970.63	938.00

Program Description

The state 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 overall have been declining as state policy has shifted services for developmentally disabled persons from state institutions to communities. 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 was 5.6% General Fund higher but 7.1% total funds less than 1999-01 estimated expenditures. The current service level budget reflected 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 included $3.3 million General Fund to maintain the physical plant at Fairview until it is sold.

Legislatively Adopted Budget

The legislatively adopted budget for DD state-operated facilities is 7.0% General Fund and 4.5% total funds lower than the Governor's proposed funding level. The budget reflects reductions of $1,097,603 General Fund, $37,119 Other Funds, $1,274,137 Federal Funds and 23 positions (23.63 FTE) in state-operated group home costs. The savings come from three actions: 1) delaying the start-up of two children's crisis homes until September 2001; 2) eliminating funding for one new adult crisis home; and 3) reducing temporary and overtime costs for all state-operated group homes. The Legislature made a special purpose appropriation of $317,124 to the Emergency Board to support adult crisis services during 2002-03 if needed. The agency is to review and report to the Emergency Board on its group home staffing levels and operating costs, and alternatives for delivering crisis services.

The Legislature eliminated $2.4 million General Fund and nine positions (9.00 FTE) from the costs budgeted to maintain the Fairview Training Center property. Since it is unlikely a buyer or developer would retain the existing buildings, the property will receive minimal maintenance until it is sold.

General Fund was added in this program to replace funding reductions due to lower federal Medicaid match rates and to fund nurse reclassifications under union contract agreements. Reductions were made for lower Public Employees Retirement System (PERS), Department of Administrative Services Human Resource Services Division and long distance telecommunication rates. A 1% reduction was taken in out-of- state travel.

DDS – Developmental Disability Administration

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,604,704	7,483,714	8,945,670	8,722,666
Other Funds	91,738	216,165	221,568	221,551
Federal Funds	3,873,079	6,861,504	8,415,940	8,194,226
Total	**8,569,521**	**14,561,383**	**17,583,178**	**17,138,443**
Positions (FTE)	80.57	114.91	135.66	125.37

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 was 19.5% General Fund and 20.8% total funds higher than estimated expenditures for the 1999-01 biennium. It was 8.4% General Fund and 9.1% total funds higher than current service level estimates. The budget included $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 added 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 was made for savings expected from the DHS reorganization plan.

Legislatively Adopted Budget

The DD administration budget approved by the Legislature is 2.5% General Fund and total funds below the Governor's budget. The Governor's proposal to increase support staff for the Staley v. Kitzhaber settlement agreement was scaled back about 26 percent. Updated timelines for the phase-in of new services reduced the cost by $72,261 General Fund, $72,293 Federal Funds and 2.08 FTE. The Legislature approved additional reductions for criminal history checks and data processing support ($130,905 General Fund, $130,902 Federal Funds, seven positions, 6.21 FTE). A budget note directs the agency to work with the Department of Administrative Services to review and reduce administrative staffing levels for the 2003-05 biennium.

Other reductions were made for lower PERS and long-distance telecommunication rates. A 1% reduction in out-of-state travel was also approved.

DDS/MHS – Central Administration

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	18,332,478	8,486,453	9,545,925	5,138,600
Other Funds	5,566,208	20,997,791	15,457,052	19,326,695
Federal Funds	4,524,298	7,394,272	10,406,396	10,019,535
Total	**28,422,984**	**36,878,516**	**35,409,373**	**34,484,830**
Positions (FTE)	75.28	84.48	94.25	87.08

Program Description

This program unit is responsible for program planning, resource development, technical assistance, and monitoring and evaluating state-funded programs for both DD and mental health clients. It includes support staff for the State Developmental Disabilities Council. The Office of the Administrator directs and supervises all DD and mental health programs to assure attainment of program 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.

Like Local Administration and Capital Improvements described below, this program unit serves both DDS and Mental Health Services, but has been budgeted with DDS for convenience. These budgets will be allocated during the biennium to the appropriate program and policy unit in the Department of Human Services reorganization.

Revenue Sources and Relationships

The Medicaid Upper Payment 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 Medicaid Upper Payment 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 was 13.8% General Fund more, but 3.6% total funds less, than 1999-01 estimated expenditures. The budget was 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 were projected to save $293,783 General Fund and $71,159 Federal Funds in costs for this program unit. Funding and staff were added for increased licensing and complaint investigation activity ($510,882 General Fund, $509,175 Federal Funds, 13 positions, 9.96 FTE). These enhancements were to support expanded services under the Staley v. Kitzhaber settlement agreement.

Legislatively Adopted Budget

The budget adopted for Central Administration is 46.2% General Fund and 2.6% total funds below the Governor's recommended budget. The large General Fund reduction reflects a projected $3.9 million Other Funds revenue increase from indirect cost recoveries, which is used to offset $3.9 million General Fund.

The Legislature reduced the Governor's proposed increase in licensing and complaint investigation staff by almost half to better reflect the phase-in of new providers and persons expected to receive services in 2001-03. This reduced the budget by $229,796 General Fund, $229,799 Federal Funds, six positions and 4.50 FTE.

Four long-term vacant positions were also eliminated, saving $83,972 General Fund, $82,743 Other Funds, $133,522 Federal Funds, four positions and 4.00 FTE.

Additional reductions were made for lower PERS, Secretary of State Audits Division, Department of Administrative Services Human Resource Services Division, Attorney General and long-distance telecommunication rates and assessments. The DHS Director's Office budget was also adjusted for changes in the May 2001 rebalance plan. A 1% reduction in out-of-state travel was made.

DDS/MHS – Local Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,441,407	9,211,085	15,009,969	14,864,306
Other Funds	0	0	0	0
Federal Funds	3,966,175	4,353,112	7,052,794	6,914,199
Total	**11,407,582**	**13,564,197**	**22,062,763**	**21,778,505**
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. The state payments 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 was 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 reflected caseload growth for Oregon Health Plan mental health services and community services for developmentally disabled children. The most significant increase, however, came from $4.8 million General Fund and $2.2 million Federal Funds to support expanded local workload for the Staley v. Kitzhaber settlement agreement.

Legislatively Adopted Budget

The adopted budget is 1% General Fund and 1.3% total funds less than the Governor's budget. The budget was reduced by $218,260 General Fund and $198,287 Federal Funds for regional services under the Staley v. Kitzhaber settlement agreement. This reflects updated estimates of when the new services will be phased in. An additional $72,597 General Fund and $59,692 Federal Funds was approved for local administration of new community mental health resources that will be developed as part of the legislatively adopted budget for mental health services.

DDS/MHS – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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

The state 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, the budget has not reflected the real costs of operating and maintaining these 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 the agency 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.

The state 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 the budget has included slightly over $1 million General Fund for only the most critical needs. For 2001-03, identified priority needs include water systems, sidewalks, sanitary and storm sewers, and ward remodeling projects. Another $2.6 million would be needed to address security and safety issues, compliance with federal Americans with Disabilities Act standards, space issues and yard improvements. The state 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, the law directs proceeds from the sales of Dammasch and Fairview to go into trust funds to support services for mentally ill and developmentally disabled persons.

Governor's Budget

The Governor's budget continued funding for capital improvements at the 1999-01 level plus 2.5% biennial inflation.

Legislatively Adopted Budget

The Legislature approved the Governor's budget for capital improvements.

DHS/Director's Office: Central Administration & Support Services – Program Area Totals

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,550,000	2,101,932	6,670,214	6,871,957
Other Funds	130,688,130	128,783,892	120,004,024	119,746,424
Federal Funds	2,083,257	5,389,549	23,769,107	23,233,261
Total	**136,321,387**	**136,275,373**	**150,443,345**	**149,851,642**
Positions (FTE)	530.04	600.34	651.85	648.60

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

The Director's Office provides leadership and centralized business services for the programs 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 two units: Community Development and Volunteer Services. The purpose of the Team is to coordinate efforts of DHS, individuals and community partners. The Community Development unit works with counties and local providers to design and facilitate the delivery of community based services and the Volunteer Services program coordinates and oversees the activities of volunteers serving clients and staff of DHS programs. In 1999, volunteers donated nearly 900,000 hours of their time to provide services. A separate Communications Services unit is responsible for external and internal DHS communications.

Also included in this program is the Governor's Advocacy Office, which serves as the ombudsman for human services 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 programs. These 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; and
- 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 reflected a 15.4% increase over current service level and 8% above 1999-01 estimated expenditures. Program reductions included elimination of the Albina Emergency Services Program, elimination of the Klamath Adolescent Program, reduced funding and positions in the Volunteer Services program, and reduced funding and positions in the Community Development program. These reductions totaled $2,006,461 All Funds and $273,675 General Fund.

The budget provided continued funding ($3.5 million General Fund and $13.3 million Federal Funds) for the development of the MMIS project and development costs for a contracts and payment system in Mental Health and Developmental Disability Services. Forty-seven additional positions were included for these projects.

Legislatively Adopted Budget

The Legislature essentially approved the Governor's recommended budget with some modifications that reduce total funds by $591,703. In addition to reductions for Public Employees Retirement System employer contributions, Attorney General charges, telecommunications rates, state government services charges, and out-of-state travel, the following adjustments were made:

- transfer of two forecasting positions from Senior and Disabled Services and Medical Assistance Programs to the Director's Office ($242,765 Other Funds);
- elimination of twelve positions for the MMIS and Mental Health payment processing projects (these positions were previously approved and included in the current service level budget) with the remaining thirty-five positions made limited duration;
- reestablishment of 5.50 FTE limited duration positions for a Health Care Financing Administration grant approved at the January 2001 Emergency Board;
- restoration of funding for the Klamath Adolescent Program ($275,000 General Fund) in House Bill 5014; and
- direction to DHS to reserve $1.1 million of the remaining funds transferred to the Workers' Benefit Fund by Senate Bill 288 (1999) for the establishment of a self-insurance pool and distribute the remaining funds in the same proportion and to the same providers as distributed in 1999-01.

The Legislative Assembly required the Department to report to each Emergency Board meeting during the interim on the status of the DHS reorganization efforts. Budget notes direct DHS to: 1) enter into performance-based contracts with providers; 2) request the Department of Administrative Services to unschedule $6 million General Fund (savings DHS has indicated will be realized from the reorganization) until specific projects and uses are identified; and 3) report to the Joint Legislative Committee on Information Management and Technology on the progress toward meeting projected timelines related to the MMIS and Mental Health payment processing system projects.

DHS/Medical Assistance Programs (OMAP) – Program Area Totals

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	589,511,598	639,009,992	869,856,840	765,433,741
Other Funds	276,830,711	331,315,969	324,182,447	450,386,037
Federal Funds	1,340,653,795	1,502,350,563	1,767,036,191	1,762,223,336
Total	**2,206,996,104**	**2,472,676,524**	**2,961,075,478**	**2,978,043,114**
Positions (FTE)	176.55	185.68	202.03	205.63

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

Medical Assistance Programs (OMAP) administers the medical components of the Oregon Health Plan (OHP) and non-OHP medical programs. For the past several biennia, its budget has been organized into four units: the OHP-Medicaid Program; the OHP Children's Health Insurance Program (CHIP); Non-OHP Medical Programs; and OMAP Administration. The 2001 Legislative Assembly created the Senior Prescription Drug Assistance Program (Senate Bill 9), which is also to be administered by OMAP.

Legislatively Adopted Budget

Overall, the budget for OMAP increases 20% compared to 1999-01 estimated expenditures. The General Fund appropriation is 19.8% more than for 1999-01 and 12% less than recommended by the Governor. The reduction from the Governor's recommendation is due to shifting $124 million in Oregon Health Plan expenditures from General Fund to Other Funds supported with Tobacco Settlement revenue. Had this shift not occurred, the General Fund budget would have exceeded the Governor's recommendation by $19.6 million.

Following is program and budget information about each of OMAP's units, along with a description of special appropriations to the Emergency Board that are yet to be distributed among units of the program.

OMAP – Oregon Health Plan (OHP) - Medicaid

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	533,231,610	565,121,790	773,094,603	639,262,826
Other Funds	263,197,831	306,165,566	297,129,415	421,018,749
Federal Funds	1,241,158,726	1,349,005,902	1,583,757,687	1,571,386,003
Total	**2,037,588,167**	**2,220,293,258**	**2,653,981,705**	**2,631,667,578**
Positions (FTE)	0.00	0.00	0.00	0.00

** Estimated amounts have been adjusted to reflect effects of DHS rebalance plans for 1999-01. OMAP's budget does not include costs for OHP mental health services, which appear in the budget of the Mental Health Services program.*

Program Description

The OHP-Medicaid program is the largest medical services part of the Oregon Health Plan. Other components of the Health Plan are Medicaid Mental Health Services; the federal Title XXI Children's Health Insurance Program (CHIP), described below; the insurance subsidies offered through the Insurance Pool Governing Board's Family Health Insurance Assistance Program; 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), now called the Centers for Medicare and Medicaid Services (CMS), as a waiver of traditional Medicaid rules. The initial five-year waiver was set to expire in January 1999, but was extended for three years. The waiver is 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 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 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 in households with incomes 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.
- 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 Mental Health Services (MHS) and Alcohol and Drug Abuse Programs (ADAP). Policy and support staff costs for the OHP are included in the OMAP Administration, MHS and ADAP budgets. Eligibility is determined by employees in the Adult and Family Services (AFS) and Senior and Disabled Services (SDS) programs.

Legislation passed during the 2001 legislative session (House Bill 2519) directs the Department of Human Services (DHS) to submit a waiver to the federal government that would constitute a major restructuring of the Oregon Health Plan. In summary, it would use savings from creating a two-tiered benefit structure (OHP Plus, with essentially the same benefits as now, and OHP Standard, with fewer benefits) to expand health coverage to people with incomes up to 185% of the federal poverty level. The Waiver Application Steering Committee was established to advise and assist in the waiver application process, and the Leadership Commission on Health Care Costs and Trends is to develop an index of health costs and review the OHP waiver application. The waiver application will be presented to the Emergency Board for review prior to submittal.

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. For 2001-03, $124 million in Tobacco Settlement funds are used to reduce the level of General Fund expenditures. 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 constituted 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. The Governor's proposed budget for 2001-03 assumed passage of legislation to continue the 10-cent-per-pack tax, which was projected to generate $36.1 million in revenue. Within that amount, $26.3 million was to be used to maintain existing OHP Medicaid services that would otherwise be in jeopardy of elimination due to budget constraints.

The remaining $9.8 was to be used to maintain the OHP-CHIP program. The 2001 Legislative Assembly extended the temporary 10-cent tax until January 2004 (House Bill 3433).

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 rate change is unfavorable to the state.

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. In collaboration with Willamette University, DHS has developed a new method of forecasting OHP caseloads that shows promise of being more accurate and providing better data for management planning. It is doubtful, however, that the new methodology 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 a 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. More 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 DHS to fund a 2% rate increase for OHP managed care providers. This increase was in effect until October 2001, when the new contract period began. The OMAP actuary established rates for the 2001-03 biennium that are over 20% higher than for the original 1999-01 contract period.

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 government 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 contracts are administered by the Mental Health Services program. 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.

OMAP identified links to several Oregon Benchmarks. Among them were:

- Benchmark 44 – Percentage of Oregonians 18 and older who smoke cigarettes. OMAP measured the percentage of adult (older than 16) smokers who had been advised to quit smoking by an OHP practitioner within a specified six month period. No target was identified. The 1999 rate was 70.4%, which was in the top 10% based on a national comparison by the National Commission for Quality Assurance. No data were presented during the 2001 budget hearings to show the number or percentage of OHP clients who actually quit smoking.

- Benchmark 54 – Percent of Oregonians without health insurance. OMAP reported on several measures related to this benchmark. To measure the increase in the number of low-income pregnant women participating in the OHP, OMAP received data from the Public Health Programs that show the percent of women giving birth who were either enrolled in the OHP, covered by private insurance, or were uninsured. Although the measure focused on the number covered by the OHP, the more relevant measure would be the percent of women who were uninsured. Data indicated 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 used Public Health Programs data to measure the decrease in the percentage of low birth weight 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 was the percentage of Medicaid women receiving prenatal care in the first trimester of pregnancy. The 1995 rate was 65% followed by fairly steady growth to the 1999 rate of 69.8 percent. Again, no specific targets were identified.

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

Biennially, OMAP 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 recommended budget maintained most OHP services by adjusting factors that determine current service costs and assuming continuation of the temporary tobacco tax. The budget document understated 1999-01 estimated expenditures and the 2001-03 current service level, because it did not include all of the adjustments made by the November 2000 departmental rebalance plan. Specifically, it did 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 did not include adjustments to Other Funds and Federal Funds for Public Health Programs pass-through adjustments. The following comparisons include these adjustments.

Overall, the budget would have increased $442.9 million (20%) over estimated 1999-01 expenditures, but was $47.8 million (1.8%) below the adjusted 2001-03 current service level. Although the proposed General Fund budget was $207.7 million (36.7%) more than estimated 1999-01 expenditures, it was $19 million (3.3%) below the cost of maintaining current services. Within the current service level, the largest increases were for medical inflation and the actuarial projection of cost increases based on utilization trends. The budget continued a 2% increase in capitation rates for managed care providers approved by the Emergency Board in November 2000 and phased in another 19% effective October 1, 2001. These factors, combined with changes in caseload and enrollment patterns, increased total costs by $574 million and the General Fund by $231 million. Although large, these increases were 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 initial caseload projections. Other proposed reductions to the budget were as follows:

- The CPI for fee-for-service providers was reduced by half, saving a total of $5.7 million ($2.2 million General Fund).
- Three drug management actions were planned to generate savings of $18.7 million ($7.1 million General Fund). They included 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 was 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 proposal assumed that only hospitals that would remain financially solvent would be affected.
- OHP costs were 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 Senior and Disabled Services.
- OHP costs were reduced a total of $423,184 ($160,556 General Fund) related to the reduction of services in Services to Children and Families.

Changes in the reimbursement rates for Type B hospitals and some of the drug management actions would have required statutory changes to Oregon law. The ability to implement the drug management actions also depends upon federal approval. The Governor 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 was 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 Services program. The following table shows the combined budgets for a more complete picture of the Governor's recommended budget for the OHP-Medicaid program.

Governor's Recommended Budget
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
MHS 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 would have increased $226.1 million (32.6%) over 1999-01 estimated expenditures of $692.9 million. The cost of prescription drugs, which was projected to increase over 60%, accounted for more than half of the increase ($126 million). The total amount in the budget for prescription drugs in the OHP was $885.3 million, including $324.2 million General Fund. Considering all fund sources, the combined budget increased $480.5 million, which would be an increase of 18.8% over the total 1999-01 cost of $2.554 billion.

The Governor's budget posed several risks for the 2001 Legislative Assembly to consider. Most notable was the assumption of savings from actions that require state and federal approvals prior to implementation. If not approved, action would need to be taken to reduce costs by some other means. Another significant risk was 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.

Legislatively Adopted Budget

Overall, the OHP Medicaid program increases 18.5% compared to 1999-01 estimated expenditures. The General Fund appropriation of $765.4 million increases 13 percent. However, when $124 million in Tobacco Settlement funds that were used to offset General Fund are taken into consideration, the increase is 35 percent over comparable 1999-01 General Fund expenditures. Combined state expenditures from the General Fund, Tobacco Settlement funds, and dedicated tobacco taxes increase 39 percent. As noted in the analysis of the Governor's recommended budget, the major reasons for the increase are caseload growth, utilization trends, and medical inflation.

The Legislature made several adjustments to the Governor's recommended budget. Most were to reflect caseload and revenue forecasting adjustments following the Department's May 2001 budget rebalance plan and for anticipated savings related to prescription drug cost containment measures. Major elements of the budget follow:

- Cost-based reimbursement is maintained for both Type A and Type B hospitals.
- Presumptive eligibility for OHP clients is maintained.

- Combined state and Federal Funds for Federally Qualified Health Centers and rural health clinics are increased by almost $38 million ($15.3 million General Fund). This is in addition to the $2.2 million appropriated to the Emergency Board for safety net clinics.
- Other Funds revenues are increased $1.4 million for implementation of a $5 outpatient co-payment for certain OHP clients. The revenue amount assumes provider rates will be adjusted in the event of non-payment.
- The General Fund is reduced by $7 million for anticipated savings from the practitioner-managed prescription drug plan authorized in Senate Bill 819.
- The General Fund is increased $5.6 million to backfill the loss of Other Funds revenue from the Motor Vehicle Accident Fund, following the Attorney General's opinion that the funds could no longer be used to pay OHP costs for indigent persons injured in automobile accidents.
- Rates were increased for ambulance services for OHP clients at a cost of $630,813 General Fund.
- The General Fund is reduced by $18.1 million for anticipated savings from a variety of prescription drug cost reduction measures. When the administrative cost of implementing the measures is taken into consideration, the net General Fund savings are $11 million. The measures include:
  - prescription drug co-payments of $2 for generic and $3 for brand name drugs;
  - encouraging mail order delivery for chronic medications;
  - implementing fee-for-service pharmacy lock-in;
  - requiring diagnosis codes on prescriptions;
  - implementing State Maximum Allowable Cost for prescriptions;
  - limiting initial chronic medication prescriptions to 15 days;
  - case managing high cost drug cases;
  - implementing disease management practices; and
  - drug utilization review and approval for more than 15 drugs within a six-month period.

Most of these prescription drug cost containment actions were mandated in House Bill 2497, which the Governor vetoed. The veto message focused particularly on the Governor's opposition to using diagnosis codes on prescriptions. Presumably, that action, which accounted for $1.5 million of the General Fund savings, will not be implemented. The other measures can be implemented without statutory authority, although some require approval from the federal government. Since the budget was reduced in anticipation of these savings, OMAP will need to identify other methods of achieving the savings and will likely implement most of the measures described above regardless of the veto of House Bill 2497.

As noted earlier in this analysis, the 2001 Legislative Assembly passed legislation (House Bill 2519) establishing policies to guide the Department when it seeks extension and revision of the state's Medicaid waiver. The legislatively adopted budget for 2001-03 was not adjusted for added costs or savings associated with the waiver, which is supposed to be cost neutral.

OMAP/OHP – Children's Health Insurance Program

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	2,017,519	8,245,901	10,855,517	10,736,944
Federal Funds	5,323,004	21,619,731	27,053,227	26,543,300
Total	**7,340,523**	**29,865,632**	**37,908,744**	**37,280,244**
Positions (FTE)	0.00	0.00	0.00	0.00

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. Oregon's CHIP program received federal approval 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 have 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 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 approximately a 28% state to 72% federal basis. For 2001-03, the program is funded due to continuation of the 10-cent-per-pack temporary tax on cigarettes, which expires January 2004. Availability of state matching funds determines how much federal 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. At the point when the Governor's budget was prepared, the unspent balance of available federal CHIP funds was $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 children through age five and 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 age 18 and 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 and the cost of benefits. Originally, it was thought that the 1999-01 budget would support a CHIP caseload of 16,800 children. Subsequent projections put the caseload that could 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. Under CHIP, Oregon is required to conduct an 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 who can be enrolled.

Governor's Budget

The Governor's budget used continuation of the temporary 10-cent tobacco tax to maintain CHIP. The budget was 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 phased in the full biennium cost of a caseload that grew more slowly than anticipated in the 1999-01 biennium. Inflation and utilization increases were based on actuarial projections, which exceeded 20% for the biennium. The reduction from current service level was due to two actions. The CPI increase for fee-for-service providers was reduced by half, for potential savings of $130,610 ($37,028 from tobacco taxes), and funding for changes in caseload and managed care enrollment was adjusted to a "no-flexibility" level that would not accommodate any potential variance from projections. The second action reduced the budget a total of $670,731 ($190,152 from tobacco taxes).

Legislatively Adopted Budget

The adopted budget of $37.3 million total funds is a 25% increase over 1999-01 estimated expenditures. State funded expenditures, supported from extension of the temporary tobacco tax, increase 30% compared to the prior biennium. The program is expected to serve an enrollment average of over 19, 000 children. As noted above, the increase is due primarily to medical inflation and utilization trend costs, along with the phase-in effect of an increasing caseload.

The Governor's recommended budget was adjusted to reflect changes to the current service level calculation, including a revision in the projected federal match rate and caseload forecast. The state funded portion of the budget was reduced by $15,801 for savings anticipated from prescription drug cost containment actions described in the OHP-Medicaid section of this analysis. The budget was increased by $394,237 Other Funds (tobacco tax) to reflect expected increases in caseload related to the anticipated OHP waiver request mandated in House Bill 2519.

OMAP – Non-OHP Medical Programs

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	41,069,988	55,438,011	77,980,268	86,840,630
Other Funds	973,680	2,027,897	2,195,465	2,195,465
Federal Funds	58,668,593	83,257,449	109,031,716	104,400,926
Total	**100,712,261**	**140,723,357**	**189,207,449**	**193,437,021**
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 the following eligibility groups:

- The *Medically Needy Oregon Supplemental Income Program (MN-OSIP)* provides reimbursement for 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.
- *Persons qualifying for the Breast and Cervical Cancer Prevention and Treatment Program*. Under this new Medicaid option, women who are found through the Public Health Programs screening system to have breast or cervical cancer are eligible for Medicaid services if they are under age 65 and otherwise uninsured. To be eligible for Public Health Program screenings, women must be over 40, uninsured or under-insured, ineligible for Medicare Part B, and have incomes below 250 percent of the federal poverty level. The federal Breast and Cervical Cancer Prevention and Treatment Act was signed into law in October 2000. The 2001 Legislative Assembly provided funding in House Bill 3214 to implement the program in Oregon.
- *Children qualifying for mental health and alcohol and drug treatment services under the Oregon Children's Plan*. Children needing the services would be identified through the Healthy Start / home visitation programs or other early identification activities of the Oregon Children's Plan, which was approved by the 2001 Legislative Assembly. The purpose is to assure access to these services when private insurance or other public services are not available.

Revenue Sources and Relationships

The General Fund appropriation and Other Funds revenue from drug rebates for the MN-OSIP, QMB and SLMB programs 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 included $1.6 million General Fund and $0.2 million Other Funds to offset a reduction in the Medicaid match rate, which was projected to go 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 biennia and is projected to grow 13% in 2001-03. In 1999-01, Non-OHP caseloads 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.

Governor's Budget

The Governor's budget added $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 Senior and Disabled Services. The SDS reduction would have resulted in $2.9 million General Fund savings to that program, for a net savings of $2.3 million.

Legislatively Adopted Budget

The Legislature adjusted the Governor's proposed budget for the MN-OSIP, QMB and SLMB programs to reflect revised projections about the federal match rate and the level of savings that could be achieved through the drug management actions included in the recommended budget. These factors resulted in a net reduction of $211,740. The budget was reduced another $2.3 million for savings anticipated from prescription drug management actions authorized in House Bill 2497. As noted earlier, the Governor vetoed House Bill 2497, but several of the management actions do not require statutory authority and are likely to be implemented anyway-- at least in some form or degree.

The budget was increased by $323,736 for the Breast and Cervical Cancer program described above. The new program provides an enhanced federal Medicaid match rate of 72% compared to traditional Medicaid's rate of about 60 percent. The agency is expected to seek additional Federal Funds expenditure limitation from the Emergency Board once the program is underway. The Department estimates about 70 women will receive services under the program during the 2001-03 biennium.

The Legislature appropriated $11 million General Fund for mental health and drug and alcohol services for children identified through activities of the Oregon Children's Plan. A budget note requires that OMAP collect specific service utilization and client outcome data. It is estimated that about 3,600 families will be served during the 2001-03 biennium.

Even though the General Fund budget for the MN-OSIP, QMB, and SLMB programs was reduced for the prescription drug savings mentioned earlier, the legislatively adopted budget is a 36% increase compared to estimated 1999-01 expenditures. The increase for these programs is a result of utilization trends, medical inflation, and caseload growth. Overall, the Non-OHP Programs budget increases 57% due to implementation of the new women's cancer and children's mental health / alcohol and drug programs.

OMAP – Senior Prescription Drug Assistance Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	0	0	1
Total	**0**	**0**	**0**	**1**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The 2001-03 Legislative Assembly established the Senior Prescription Drug Assistance Program (Senate Bill 9). The program is designed to subsidize prescription purchases for low-income persons over the age of 65. Enrollees in the program should be able to purchase prescriptions at between 50% and 100% of the Medicaid price. To qualify, a person must have income no greater than 185% of the federal poverty level; have assets (excluding homes and cars) of no more than $2,000; and not have been covered under a public or private prescription drug benefit program for at least six months. The ultimate price paid by the patient will depend upon the level of funding for the program and the patient's income and assets. The benefits to each enrollee are limited to no more than $2,000 per year. Enrollees must reapply annually to determine if they continue to meet income and resource eligibility requirements.

Revenue Sources and Relationships

The new program is to be supported by cigarette tax collections in excess of the close of session forecast for distributions to the Oregon Health Plan (OHP). For 2001-03, if cigarette tax revenues otherwise dedicated to the OHP exceed $175 million, the excess will be credited to the newly created Senior Prescription Drug Assistance Fund. Money in the Fund will be used to reimburse retail pharmacies for subsidized prescriptions and to reimburse OMAP for administrative expenses. Enrollees will pay $50 per year to participate, which will go toward covering operating costs of the program.

Legislatively Adopted Budget

The Legislature provided a $1 Other Funds expenditure limitation pending the time when revenues are sufficient to initiate the program. A special purpose appropriation to the Emergency Board, discussed later in this analysis, could provide General Fund support for the program. In either case, the program can not be initiated until DHS has reported to the Emergency Board to obtain release of the General Fund appropriation or an increase in Other Funds expenditure limitation.

OMAP – Program Support and Administration

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	15,210,000	18,450,191	18,781,969	23,413,657
Other Funds	10,641,681	14,876,605	14,002,050	16,434,878
Federal Funds	35,503,472	48,467,481	47,193,561	59,893,107
Total	**61,355,153**	**81,794,277**	**79,977,580**	**99,741,642**
Positions (FTE)	176.55	185.68	202.03	205.63

Program Description

This unit provides the program support and administration for the Medicaid and CHIP components of the Oregon Health Plan (OHP) and the non-OHP medical services. OMAP is the lead agency for implementing the OHP, although other DHS programs share administrative responsibility, and the Office of Oregon Health 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 care 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 constituted 18% of OMAP Administration's estimated expenditures for 1999-01 and 16% in the legislatively adopted 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 programs, and the Office for Oregon Health 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 MMIS 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 60% 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 1999-01 biennium, OMAP expects to process approximately 48.5 million claims, managed care payments and related transactions with a permanent staff of 187 FTE. 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 moved out of rural areas, OMAP 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, 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 support 90% of most replacement costs. Funding for the replacement project is in the DHS Director's Office budget.

Governor's Budget

The Governor's General Fund budget of $18.8 million was 3.2% higher than 1999-01 estimated expenditures and 2.1% more than the current service level. The increase above current service level was a combination of reducing the General Fund by $108,567 and funding a policy option package that would add 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 totaled $1.6 million ($506,170 General Fund and $1,049,358 Federal Funds)

Legislatively Adopted Budget

The legislatively adopted budget of $99.7 million is a 22% increase compared to 1999-01 costs for administering OMAP. The General Fund budget increases $4.9 million, or 26 percent. Most of the increase ($4.7 million) relates to the administrative cost of implementing several prescription drug cost containment actions recommended by an independent contractor (Muse and Associates). The actions are described in the OHP-Medicaid section of this analysis. The costs are offset with anticipated savings in other OMAP units. As noted earlier, most of the actions designed to generate the savings were contained in House Bill 2497, which the Governor vetoed. To the extent that actions not requiring statutory changes are carried out, the unit will incur related administrative costs. For those actions not implemented, there should be administrative savings that OMAP should identify in future budget rebalance plans.

Aside from the increases for administering new cost containment actions, the budget is approximately $72,000 less than 1999-01 estimated expenditures.

OMAP – Special Purpose Appropriations to the Emergency Board

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	0	15,916,628
Total	**0**	**0**	**0**	**15,916,628**
Positions (FTE)	0.00	0.00	0.00	0.00

Legislatively Adopted Budget

The legislatively adopted budget for Medical Assistance Programs included three special appropriations to the Emergency Board. The funds will not be distributed among OMAP budget units until the Department presents an allocation plan to the Emergency Board, and the Board agrees to release the funds.

House Bill 5014 provided $7 million for the Senior Drug Assistance Program established in Senate Bill 9 and to resolve caseload and cost issues related to the imposition of prescription drug co-payments for Oregon Health Plan participants. Based on initial cost estimates related to the co-payment issue, approximately $2 million of the funds would go to hold pharmacists harmless from revenue losses in situations where the drug co-payment is not paid. If allocated by the Emergency Board, the co-payment funds would be spread among applicable

OMAP units based on affected caseloads. The remainder of the special appropriation, approximately $5 million, would go to initiate the Senior Prescription Drug Assistance Program.

Senate Bill 5527 contained two special appropriations—one to address OMAP caseload and cost issues ($6.7 million) and one for distribution to safety net clinics ($2.2 million). The funds for addressing caseload and cost issues would be allocated among OMAP units as needed. A budget note requires the agency to return to the Emergency Board with a plan for distribution of the safety net clinic funds.

DHS/Mental Health Services (MHS) – Program Area Totals

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	196,068,196	334,828,641	380,246,435	383,546,880
Other Funds	35,633,865	64,755,493	59,727,398	59,640,181
Federal Funds	115,126,237	280,822,172	300,847,842	304,491,311
Total	**346,828,298**	**680,406,306**	**740,821,675**	**747,678,372**
Positions (FTE)	1,198.53	1,265.46	1,363.75	1,341.29

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

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.

Revenue Sources and Relationships

Funding for MHS programs is about 51% General Fund, 8% Other Funds and 41% Federal Funds. Nearly all of the federal funding comes from Title XIX Medicaid, which supports 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), such as the Oregon State Hospital, that serve a greater number of indigent patients. DSH funds are projected to be $15.8 million in 2001-03, decreasing $6.4 million from 1999-01 because of limits placed by the federal Medicaid program on the amounts that states can claim for costs of operating such hospitals.

This budget includes $17.8 million Other Funds revenues from the Medicaid Upper Payment Limit plan. Under this plan, the Senior and Disabled Services program uses a total of $27.8 million General Fund from Mental Health Services and Developmental Disability Services 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. The Senior and Disabled Services program will transfer $17.8 million Other Funds to the Mental Health Services budget to replace the General Fund initially transferred for the match.

Other Funds revenues are also received from patient resources, payments from other state agencies, and earnings for patient work. Patient resources include Social Security benefits and private insurance, as well as personal assets. About $2 million will be received from Medicare for eligible patients who receive care in institutions. The Oregon Youth Authority and 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 Mental Health Services. The Salem Rehabilitation Facility at Oregon State Hospital, which provides work training, generates about $2.2 million each biennium through the sale of wood products.

Budget Environment and Performance Measures

Over time, the state has shifted significant resources from large, state-owned institutional settings to local, community-based care and treatment for mental health services. 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. New community acute care beds, intensive community and residential programs, and extended care community placements for persons under the jurisdiction of the Psychiatric Security Review Board have been funded. Mental health services for Medicaid-eligible persons are delivered under the Oregon Health Plan.

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 as institutional costs are predominately General Fund.

Population growth, legal rulings and federal policies concerning treatment and funding are other factors that significantly affect this budget. Funding for mental health services has not been tied directly to Oregon's growing population; however, population growth means more persons are expected to need mental health services. Recent court rulings across the nation, most notably the Olmstead case, have supported individuals rights to receive timely services in the least restrictive and most appropriate setting. Community-based services are most limited for persons who are not covered by the Oregon Health Plan.

MHS 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, MHS 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, MHS 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.

Governor's Budget

The Governor's recommended budget for Mental Health Services was 13.6% General Fund and 8.9% total funds higher than 1999-01 estimated expenditures. The major factors in the increase were caseload growth and new mental health resources. Key budget elements included:

- 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, two positions, 1.76 FTE);
- elimination of inflation increases for non-OHP community programs ($4.2 million General Fund, $67,416 Other Funds, $1.2 million Federal Funds) ; and
- reduced OHP funding to reflect cuts for long-term care services to some seniors in the Senior and Disabled Services program, and for reductions in "threat of harm" foster care cases in Services to Children and Families ($279,491 General Fund, $410,608 Federal Funds).

Legislatively Adopted Budget

The Mental Health Services budget is 14.6% General Fund and 9.9% total funds more than the 1999-01 estimated expenditures, slightly higher than recommended by the Governor. It includes a $7.5 million special purpose appropriation to the Emergency Board for local mental health planning and services in connection with House Bill 3024. Up to $1 million of this amount is available to help counties develop local plans in 2001-02, and the $6.5 million balance is to be allocated in 2002-03 for local services.

Other significant legislative budget actions include:

- elimination of funding in this budget for the Oregon Children's Plan mental health services ($3.5 million General Fund). (The Department of Human Services budget includes a total of $11.0 million General Fund for mental health and alcohol and drug treatment services related to the Children's Plan. This is to be administered through the Office of Medical Assistance Programs.);
- addition of $4.3 million Federal Funds match for the children's alternative community treatment beds proposed in the Governor's budget;

- addition of $1.3 million Federal Funds for 130 additional community slots to be developed for handling growth in civil and criminal commitments;
- continuation of funding for Intensive Treatment services omitted from the budget in error ($1.5 million General Fund, $2.2 million Federal Funds);
- increase in children's psychiatric day treatment capacity in Southern Oregon ($100,000 General Fund); and
- additional expenditure limitation for a projected increase in federal Community Mental Health Services block grant revenues ($355,846 Federal Funds).

The budget also was adjusted for revenue and caseload reprojections based on the Department of Human Services May 2001 budget rebalance plan, rate and assessment reductions resulting from legislative action on other budgets, and technical adjustments as described in the program unit discussions below.

MHS – Mental Health Community Programs

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	113,813,583	245,293,513	266,136,940	272,152,783
Other Funds	13,220,268	11,750,798	9,561,024	9,561,024
Federal Funds	69,542,412	245,601,596	270,837,579	274,609,387
Total	**196,576,263**	**502,645,907**	**546,535,543**	**556,323,194**
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. Individual counties, groups of counties or fully capitated health plans provide mental health services under the OHP. For individuals and services not covered under the OHP, MHS 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 Mental Health Services Block Grant provides funding for adult community support services and for local services for severely emotionally disturbed children and adolescents. Additional federal funding comes from a Projects for Assistance in the Transition from Homelessness grant ($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, the agency undertook a $1.9 million General Fund pilot program to provide atypical anti-psychotic medications to individuals not otherwise able to access those medications. Funding for this program was 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, more people with severe mental illness will likely require extended treatment. When appropriate care beds are not available, placements may occur that are inappropriate from both economic and treatment perspectives. The agency 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 added 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 forensic caseload is expected to increase 10% in 2001-03, and more community placement resources will be needed. The Department of Human Services' Mental Health Services and 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.

Governor's Budget

The Mental Health Community Programs budget was 10.3% General Fund and 10.9% total funds higher than 1999-01 estimated expenditures. It was 1.1% General Fund and 0.3% total funds higher than current service level estimates. The increases from 1999-01 expenditures were primarily from higher caseloads in PSRB clients and civil commitments, as well as Oregon Health Plan caseload and cost increases. The budget included $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 were:

- 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, $1.2 million Federal Funds); and
- reduced OHP funding to reflect cuts for long-term care services to some seniors in the Senior and Disabled Services program, and for reductions in Services to Children and Families' "threat of harm" foster care cases ($279,491 General Fund, $410,608 Federal Funds).

Legislatively Adopted Budget

The community programs budget is 2.3% General Fund and 1.8% total funds more than the Governor's budget. This includes a $7.5 million special purpose appropriation to the Emergency Board for local mental health planning and services in connection with House Bill 3024. Up to $1 million is to be available to help counties develop local plans in 2001-02, and the $6.5 million balance is to be allocated in 2002-03 for local services.

The Legislature eliminated funding in this budget for the Oregon Children's Plan mental health services ($3.5 million General Fund). The Department of Human Services budget includes a total of $11.0 million General Fund for mental health and alcohol and drug treatment services related to the Children's Plan. This is to be administered through the Office of Medical Assistance Programs.

The budget shifts $107,000 General Fund to the Mental Health administration budget for staff to support the new children's alternative community treatment beds and adds $4.3 million in expected Federal Funds match. The budget also reflects the agency's revised plan for handling civil and criminal commitments during 2001-03, adding $2.6 million General Fund and $1.5 million Federal Funds in this program for the 130 additional community slots that will be developed as part of that plan.

Funding was added to continue Intensive Treatment services omitted from the budget in error ($1.5 million General Fund, $2.2 million Federal Funds). An additional $100,000 General Fund was designated to increase children's psychiatric day treatment capacity in Southern Oregon.

The budget was reduced by $2.8 million General Fund, $4.0 million Federal Funds based on revised OHP caseload estimates. Additional expenditure limitation was approved based on re-projected Community Mental Health Services block grant revenues ($355,846 Federal Funds). Adjustments were also made for revised federal Medicaid match rates, which added $687,038 General Fund and reduced Federal Funds by the same amount.

MHS – Mental Health State-Operated Programs

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	77,445,455	83,515,276	107,886,892	105,078,281
Other Funds	22,331,108	52,938,623	50,095,948	50,008,847
Federal Funds	43,586,723	32,211,098	26,833,551	26,602,173
Total	**143,363,286**	**168,664,997**	**184,816,391**	**181,689,301**
Positions (FTE)	1,149.86	1,213.25	1,311.42	1,286.53

Program Description

The state operates institutional 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 was budgeted for 672 beds:

- adult treatment services are provided in two wards on the Salem campus and three 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 through 17 in three wards at OSH;
- geropsychiatric services for elderly persons include 114 beds, with elderly persons in three wards and specialty services for neurologically impaired patients of all ages in a fourth ward; and
- forensic services are provided through 269 beds on eight wards, 96 residential beds on two 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 Medicaid, 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 revenues, and a variety of other sources. This program unit includes $17.8 million Other Funds from the Senior and Disabled Services program as part of the Medicaid Upper Payment 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 this program transfers to the Senior and Disabled Services program.

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, an estimated 3,037 individuals were 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 growth in involuntary or forensics admissions. For 2001-03, two new wards are funded to manage the higher number of commitments.

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. The agency added some resources during the 1999-01 biennium to begin to implement recent rule changes by the federal Health Care Financing Administration requiring more oversight when patients are secluded or restrained.

Governor's Budget

The Governor's budget was 27.3% General Fund and 10.9% total funds higher than 1999-01 estimated expenditures. It was 4.5% General Fund and 2.7% total funds higher than current service level estimates. The current service level budget included General Fund to replace federal Medicaid and DSH revenue reductions from 1999-01. It also added $7.4 million General Fund and 74 positions (63.94 FTE) for two new wards at OSH to serve persons committed to the state hospital.

The budget funded 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); and
- new staff and other resources to track patient and staff infections at Oregon State Hospital, and treat 35 patients for Hepatitis C ($2.4 million General Fund, $191,917 Federal Funds, two positions, 1.76 FTE)

Legislatively Adopted Budget

The Legislature reduced the state-operated programs budget by 2.6% General Fund and 1.7% total funds below the Governor's budget. Almost all of this reduction is a result of the agency's revised plan for the new wards at OSH. The revised plan eliminates a new civil commitment ward, opens one new forensic ward earlier and delays a second forensic ward until late in the biennium. The resulting $2.7 million General Fund savings in the state-operated programs is shifted to fund 130 additional community slots during the biennium.

The budget funds improvements to meet seclusion and restraint requirements and to improve infectious disease tracking and treatment, although new staff hire dates were delayed to October 1, 2001.

General Fund was added in this program to replace funding reductions due to lower federal Medicaid match rates and to fund nurse reclassifications under union contract agreements. Reductions were made to reflect lower Public Employees Retirement System (PERS), Department of Administrative Services Human Resource Services Division, and long-distance telecommunication rates. A 1% reduction was taken in out-of-state travel.

MHS – Mental Health Administration

	1997-99 Actual	1999-01 Estimated*	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,809,158	6,019,852	6,222,603	6,315,816
Other Funds	82,489	66,072	70,426	70,310
Federal Funds	1,997,102	3,009,478	3,176,712	3,279,751
Total	**6,888,749**	**9,095,402**	**9,469,741**	**9,665,877**
Positions (FTE)	43.14	52.21	52.33	54.76

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 the agency 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 a 269% increase in the number of licensed residential beds in the mental health system.

Governor’s Budget

This budget was 3.6% General Fund and 4.3% total funds higher than estimated expenditures for 1999-01. The Governor’s budget funded 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.

Legislatively Adopted Budget

The adopted budget is 1.5% General Fund and 2.1% total funds higher than the Governor's recommended budget. The Legislature added $107,000 General Fund, $107,000 Federal Funds, and two positions (1.76 FTE) to develop and manage the additional children's community treatment beds funded in the Mental Health Community Programs. The budget was reduced for lower PERS and long-distance telecommunication rates and for a 1% reduction in out-of-state travel. Internal position transfers added 0.67 FTE in this program unit.

DHS/Public Health Programs (PH) – Program Area Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	28,199,845	29,857,821	25,482,405	32,087,610
Other Funds	52,768,440	59,977,139	64,380,594	61,346,755
Federal Funds	84,000,289	125,208,401	128,790,423	131,951,932
Nonlimited	95,206,715	105,000,000	104,550,000	104,550,000
Total	**260,175,289**	**320,043,361**	**323,203,422**	**329,936,297**
Positions (FTE)	456.67	482.67	485.74	499.37

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

The Public Health program area 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 program 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 program provides technical assistance, consultations with health care providers, and targeted health education programs. Due to the passage of House Bill 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 program'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 program'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 program'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 Oregon Health Plan 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 program 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 Program is primarily funded from Other and Federal Funds, the sources of these revenues tend to drive policy direction and determination of need.

The Program 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 Public Health Program 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 included several General Fund program reductions and, in some cases, relied on fee increases to support programs at their current service levels. Total expenditures would have increased 1% over 1999-01 estimated expenditures, with the General Fund decreasing by 14.7 percent.

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

Legislatively Adopted Budget

The adopted budget of $329.9 million is a 3.1% increase over the 1999-01 estimated expenditures. The General Fund appropriation increases 7.5 percent. The budget for the Public Health Programs, across all centers, is adjusted to reflect reductions in the PERS employer contribution rate, Attorney General hourly charge rates, telecommunications rates, state government service charges and out-of-state travel. Specific modifications to the Governor's recommended budget are detailed below by program center.

PH – Center for Disease Prevention and Epidemiology

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,561,124	6,553,552	6,364,417	6,443,685
Other Funds	25,145,353	26,756,088	32,608,782	30,568,377
Federal Funds	25,631,090	33,459,649	38,887,922	39,630,326
Nonlimited	0	3,000,000	0	0
Total	**56,337,567**	**69,769,289**	**77,861,121**	**76,642,388**
Positions (FTE)	154.18	170.40	177.14	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 ballot measure increased the tax on tobacco products and dedicated 3% of receipts to tobacco prevention activities. This program area 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 support 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 was 11.6% above the 1999-01 estimated expenditures and 11.2% above the current service level. The budget included 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 included 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 came from Other Funds ($188,798) and Federal Funds ($638,775); and
- Reclassification of two positions to better fit current duties and responsibilities and corrects the funding of one position from Other Funds to Federal Funds.

Legislatively Adopted Budget

The Legislature essentially adopted the Governor's recommended budget with adjustments in those areas noted above. The adopted budget reduces the amount of funding distributed from the Master Tobacco Settlement Agreement from $7 million as proposed by the Governor to $5 million with specific instructions as to how the agency may use these funds as well as the tobacco tax revenue.

PH – Public Health Laboratory

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,642,858	2,162,353	2,320,734	2,309,774
Other Funds	7,229,092	7,045,215	6,508,100	6,483,960
Federal Funds	2,109,055	3,173,427	3,453,038	3,942,377
Total	**10,981,005**	**12,380,995**	**12,281,872**	**12,736,111**
Positions (FTE)	70.78	71.09	69.35	72.35

Program Description

The Public Health Laboratory supports 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 Public Health program area'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 was essentially the same as 1999-01 estimated expenditures and maintained the current level of services. No enhancements for the Public Health Laboratory were included in the budget. A small reduction was made to phase out the state-operated Clinical Laboratory Licensing program that is now done under the CLIA contract.

Legislatively Adopted Budget

In addition to the adjustments made in the Governor's recommended budget, the adopted budget includes federal grant funds for the Electronic Laboratory Capacity and the Universal Newborn Hearing Screening grants received by the Department. The Federal Funds limitation is increased by $498,728 and the Legislature approved 3.00 FTE for these two grants.

PH – Center for Environment and Health Systems

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,935,007	3,147,604	2,193,842	4,920,256
Other Funds	6,555,193	8,955,078	10,629,881	8,362,893
Federal Funds	5,757,817	7,835,507	7,551,550	7,757,718
Total	**15,248,017**	**19,938,189**	**20,375,273**	**21,040,867**
Positions (FTE)	105.98	105.78	109.00	112.13

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 was 2.2% above 1999-01 estimated expenditures and 4.3% more than the current service level. The budget eliminated the General Fund ($1,150,000) from the Drinking Water program and replaced them with Other Funds provided by the Oregon Economic and Community Development Department. The budget also included 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.

Legislatively Adopted Budget

The adopted budget restores the General Fund for the Safe Drinking Water program ($1,152,981 General Fund). The Governor's budget replaced these funds with Other Funds from the Oregon Economic and Community Development Department, but when the Other Funds did not materialize the General Fund appropriation was restored. The Food Inspection program and the Hemodialysis Facility Licensure packages were adopted pending passage of the substantive legislation relating to the programs.

A recent Attorney General opinion indicated the Public Health program's use of the Motor Vehicle Accident Fund to partially fund the Emergency Medical Services program was an inappropriate use of state highway funds. Consequently, the adopted budget replaces the Motor Vehicle Accident Fund with $891,450 General Fund. The budget also includes $500,000 General Fund for a fluoride program.

PH – Center for Child and Family Health

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	11,238,942	11,098,735	7,642,775	11,453,706
Other Funds	5,438,012	8,592,043	5,847,656	7,233,008
Federal Funds	48,344,733	73,309,423	74,697,507	76,431,525
Nonlimited	95,206,715	102,000,000	104,550,000	104,550,000
Total	**160,228,402**	**195,000,201**	**192,737,938**	**199,668,239**
Positions (FTE)	92.98	93.01	91.50	99.00

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 Center 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 programs ($3.6 million) and vaccine reimbursements ($0.8 million).

Governor's Budget

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

- Eliminated state funding ($2,519,419 General Fund) for 20 school-based health clinics in 11 counties that provide primary health care and referral services;
- Redirected the Babies First funding ($1,375,573 General Fund) to the Governor's Oregon Children's Plan;
- Eliminated the Perinatal Project and reduced 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 would be reduced resulting in fewer services being provided in the prenatal program; and
- Eliminated the "Teen Info Line" in Multnomah County ($96,986 General Fund) that answers calls on a variety of health issues.

The budget included 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.

Legislatively Adopted Budget

The adopted budget of $199.7 million total funds is $6.9 million or 3.6% higher than the Governor's budget. The increase is due primarily to the following three actions:

- Restores $2.5 million General Fund for the school-based health clinics that were eliminated in the Governor's budget.
- Restores $1.3 million General Fund for the Babies First program in support of the Oregon Children Plan.

- Restores the ALERT Immunization Registry. Since the Governor's budget was compiled, private funding of $700,000 was obtained to match with a like amount of Federal Funds for this program to continue through the 2001-03 biennium.
- Increases Federal Funds limitation for the Senior's Farmer's Market grant ($1.3 million), the Pregnancy Risk Assessment Monitoring grant ($275,600), and the Universal Newborn Hearing Screening grant ($322,765 and 0.50 limited duration position).

PH – Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,246,965	1,504,929	2,041,518	2,041,729
Other Funds	7,167,119	7,425,890	7,155,273	7,076,502
Federal Funds	0	0	0	(3,213)
Total	**9,414,084**	**8,930,819**	**9,196,791**	**9,115,018**
Positions (FTE)	15.77	17.25	16.50	16.50

Program Description

The Office of the Administrator provides public health policy and management of the Public Health Programs. 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, the Office of the Administrator is responsible for budget preparation and liaison with the Director's Office for administrative activities related to the Public Health Programs.

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 Administration program from other Centers. The remaining federal income is from transfers from other programs within the Public Health program area for business, mailroom and information systems services.

Governor's Budget

The Governor's budget was 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 included $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 was 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 was realized through a reduction in the Department-wide Support Services prorate due to the elimination of the Albina program and reductions in the Community Development program.

Legislatively Adopted Budget

With the exception of the adjustments for PERS, Attorney General, state government services charges, telecommunications, and out-of-state travel the budget was adopted at essentially the Governor's recommended level. The Legislature reduced the Governor's budget by $81,773 total funds.

PH – Cross-Agency and Special Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,574,949	4,775,455	4,919,119	4,918,460
Other Funds	1,233,671	1,662,579	1,630,902	1,622,015
Federal Funds	2,157,594	4,001,824	4,200,406	4,193,199
Total	**7,966,214**	**10,439,858**	**10,750,427**	**10,733,674**
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 Public Health Program'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 program area and the county health departments. Health Education and Information furthers the program area'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 maintained the current level of services. Additionally, the budget included 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 shifted funding from Other Funds to Federal Funds.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget for this program with a small General Fund reduction of $659. This reduction combined with the Other Funds reduction of $8,887 and Federal Funds reduction of $7,207 were a result of reduced PERS rate, Attorney General charges, telecommunications rates, state government service charges, and out-of-state travel reductions.

DHS/Senior and Disabled Services (SDS) – Program Area Totals

	1997-99 Actual	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	361,464,081	455,719,643	472,265,494	517,639,315
Other Funds	59,187,474	90,307,825	84,604,156	84,233,391
Federal Funds	572,948,441	726,505,615	733,903,753	778,555,837
Total	**993,599,996**	**1,272,533,083**	**1,290,773,403**	**1,380,428,543**
Positions (FTE) [2]	740.98	843.72	988.94	1046.85

[1] Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).

[2] The FTE position count does not include the non-state employees in the Area Agencies on Aging (AAA) for which SDS provides funding. The legislatively adopted budget supports 780.11 FTE AAA positions.

Summary Description

The Senior and Disabled Services (SDS) 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, SDS plans, coordinates, and monitors programs that meet the health, social and protective services needs of elderly and disabled persons.

SDS 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 agency 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).

Revenue Sources and Relationships

Other Funds revenues include estate recoveries ($24.7 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).

Client contributions are another source of Other Funds revenue ($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 SDS, 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 agency also receives federal Older Americans Act funding ($22.9 million) and Food Stamp administration funds ($4.6 million) for determining eligibility for SDS clients. Food Stamp benefits are included within the Adult and Family Services budget.

Budget Environment and Performance Measures

The primary budget driver for SDS 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 this program area 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, SDS 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 SDS's 1999-01 estimated expenditures of $1.3 billion total funds, better than $100 million allowed for the implementation of a plan to convert federal Medicaid funds to state funds. This plan, known as the Medicaid Upper Payment Limit (MUPL) plan generated more than $113 million of additional state resources for the 1997-99 and 1999-01 biennia. MUPL is expected to continue during the 2001-03 biennium and is described below.

The MUPL plan requires SDS 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 (maximum Medicare rate levels for nursing facility clients) and Oregon's Medicaid rate for nursing facilities as well as 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 General Fund and $60 million Federal Funds. However, the actual payments totaled nearly $139.7 million ($55.9 million General Fund and $83.8 million Federal Funds). The health districts transferred 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 SDS 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 MUPL payment as of July 2000.

During 2000, the Health Care Financing Administration (HCFA) 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 phases the practice out over three years beginning during Oregon's 2002 fiscal year. The proposed rule would reduce the payment by 25% during that fiscal year. The Governor's budget included a payment of $112.9 million--$45.8 million of state funds and $67.1 million Federal Funds to the health districts. While the legislatively adopted budget includes the $112.9 million of expenditure limitation proposed by the Governor, the Department of Administrative Services (DAS), the Legislative Fiscal Office (LFO), and DHS expect the payments to be significantly higher—generating substantially more funds that can be used for state budgetary purposes. The expectations concerning the 2001-03 MUPL payment mechanism are discussed further in the *Legislatively Adopted Budget* section.

Performance measures are discussed within each program section of this analysis.

Governor's Budget

The Governor's budget of $1,290.8 million was about $69 million total funds or 5% lower than the level necessary to continue current services. The Governor's budget included program reductions that eliminated 51.17 state FTE and approximately 32.94 Area Agency on Aging FTE. The budget eliminated Medicaid Long Term Care services for clients in impairment ("survival priority") levels 15-17. The budget assumed a restructuring of community-based care rates that would have linked 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), reduced the budget by $17.9 million total funds. The Governor's proposed budget eliminated funding for Oregon Project Independence ($13.7 million total and General Fund). The budget eliminated funding for work on SDS'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 assumed savings from the reorganization of DHS of $2.1 million total funds.

The Governor's budget included a MUPL payment to nine public health districts of $112.9 million total funds ($45.8 million General Fund and $67.1 million Federal Funds). As noted above, the health districts would transfer the entire payment back to DHS. In the Governor's budget the $45.8 million would be used as Other Funds for program expenditures and the remaining $67.1 million would be sent to the General Fund.

Legislatively Adopted Budget

The Legislature made restorations for programs to assist seniors a high priority during the 2001 Session. As a consequence, the adopted budget of $1,380.1 million is $89.3 million total funds ($45 million General Fund) higher than the Governor's proposed budget. The Legislature made four primary additions to the Governor's budget outlined below:

- Restored Oregon Project Independence ($13.7 million General Fund and total funds).
- Restored Medicaid long-term care services to clients in impairment ("survival priority") levels 15-17 ($9.3 million General Fund and $23.3 million total funds).
- Increased Adult Foster Home and Residential Care Facility rates but did not concur with the Governor's proposal to restructure community-based care rates, which would have phased in a significant reduction to assisted living facility rates. Instead, the Legislature's budget maintains assisted living facility rates at current rate levels. This will cost approximately $7.6 million General Fund ($18.6 million total funds) above the Governor's proposal.
- Provided funding of $13.4 million General Fund ($32.9 million total funds) to increase nursing facility rates based upon audited cost information.

The Legislature maintained the Governor's proposed expenditure limitation for the MUPL mechanism of $112.9 million ($45.8 million of state funds and $67.1 million Federal Funds). As noted above, however, DAS, LFO, and DHS believe the actual payments will be significantly higher, generating more fungible resources than the $67.1 million included in the legislatively adopted budget. The current expectation is that the MUPL mechanism will produce $221.2 million of funds—clearly much higher than the $67.1 million anticipated in the Governor's budget and included in the legislatively adopted budget. DHS is expected to seek more expenditure limitation from the Emergency Board during the 2001-03 biennium in order to be able to make the payments. The MUPL mechanism is expected to be higher primarily because of using a different method for calculating the Medicare Upper Limit. The different method takes into account changes in Medicare law that requires the use of client impairment data and regional wage differences across the country to calculate nursing facility Medicare reimbursement. DHS, DAS, and LFO believe this different method will be allowed by the Health Care Financing Administration.

The Legislature passed Senate Bill 963 during the 2001 Legislative Session. This bill transferred nearly $113.3 million of MUPL resources (already collected during the 1997-99 and 1999-01 biennia) that would have otherwise gone into the General Fund, into a separate account called the Medicaid Upper Payment Limit Account. The transfer took place prior to the end of the 1999-2001 biennium. Had these resources remained in the General Fund, they would have been part of Oregon's tax "kicker"—a refund of certain tax receipts in excess of a tax revenue forecast made after the close of the 1999 Legislative Session.

Together, the MUPL funds transferred in Senate Bill 963 and those expected to be generated in the 2001-03 biennium total nearly $333.6 million. This amount is net of a $6.9 million payment during the 2001-03 biennium to the nine hospital districts that facilitate the MUPL mechanism. The 2001-03 state budget adopted by the Legislature uses approximately $200.5 million of these funds directly—$99.2 million in the State School Fund, and $101.3 million in the Oregon Health and Science University budget. After these two budgetary commitments are met, the Legislature's budget allocates 11.2% of the remaining amount or approximately $15 million to establish a Rural Health Association to increase access to, and improve health care services in rural

Oregon. If current MUPL revenue forecasts are correct, the MUPL account should have a 2001-03 ending balance of approximately $118.1 million.

The legislatively adopted budget report included five budget notes that are discussed below in appropriate sections.

SDS – Medicaid Long Term Care Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	251,620,887	366,321,076	370,198,664	399,417,341
Other Funds	41,170,641	31,114,328	40,182,916	39,569,247
Federal Funds	435,593,134	569,729,275	573,896,654	609,381,958
Total	**728,384,662**	**967,164,679**	**984,278,234**	**1,048,368,546**
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 5,737 average cases during the 2001-03 biennium. During the same time, home and community-based care caseloads increased from 3,000 cases to an expected 33,825 average cases during the upcoming biennium. The average cost per case in home and community-based care is much less than the average nursing facility case. For example, SDS 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 SDS pays the difference between client resources and the service rates.

SDS 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.

The rates SDS pays nursing facilities for services are based on audited financial cost 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. This practice of basing nursing facility rates upon costs is known as "rebasing". 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 tiered (based upon client impairment) and adjusted over time using cost indexes.

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 76% of the agency'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 2001-03 biennium to 39,562. While nursing facility caseloads are expected to continue declining, community-based care caseloads are expected to increase significantly. 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, SDS 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 were 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 Medicaid nursing facility occupancy rates have dropped. Consequently, nursing facilities have had less revenue to cover their 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 SDS 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 SDS 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 may be more inclined to accept and encourage Medicaid clients.

SDS 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. SDS 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. SDS 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 was $34 million or 3% lower than the $1,018.3 million necessary to maintain current services. The difference was primarily the result of three programmatic reductions totaling $42.7 million and an increase in the estimated 2001-03 biennial MUPL payment of $8.6 million above the current service level. The reductions are described below.

- The budget eliminated services for clients who are in client impairment (survival priority) levels 15-17. These clients are the least impaired of SDS'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 was $22.3 million ($8.5 million General Fund). It assumed that the program cut would occur on October 1, 2001 and that 65% of the persons in priority levels 15-17 would return to the SDS caseload by the end of the biennium, having greater care needs that before. This service cut was assumed to reduce SDS's Medicaid expected caseload by about 1,836 average monthly cases.
- The Governor's budget included a restructuring of community-based rates that decreased the budget by $15.8 million ($6.4 million General Fund). The rate-restructuring concept underlying the budget proposal was that community-based care providers should be paid based upon client impairment level and the care they provide clients, rather than upon the type of facility they operate. The proposal in the Governor's budget would have reduced payments to assisted living facilities, residential care facilities, and client employed (in-home) providers. It would have increased 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 have been lowered from approximately 72 hours each month to 68 hours. Providers would be paid to provide more hours of care for more impaired clients.
- The proposed budget eliminated inflationary cost increases for long term care substitute homes—adult foster homes, residential care facilities, and assisted living facilities. This reduction was $4.7 million ($1.9 million General Fund).
- The Governor's budget did not include funding to rebase nursing facility rates. That is, it did not include resources to support higher nursing facility rates based on audited cost information. Instead, the Governor's budget allowed a cost of living rate adjustment equal to the projected medical services inflation rate of 4.6% for the 2001-03 biennium.

The Governor's budget included three other smaller adjustments, as well. All three adjustments required statutory changes. The first would have added $0.1 million to the budget ($41,000 General Fund and $62,000 Federal Funds). The underlying statutory revision proposed 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 was state and Medicaid reimbursement to facilities to cover the licensing fee increase for their Medicaid beds. Offsetting the General Fund increase of $41,000 was a $0.3 million General Fund decrease that was replaced with the same amount of Other Funds in the Program Delivery budget. The Other Funds represented the higher licensing fees paid by facilities and received as Other Funds revenue by SDS.

The second and third adjustments would have increased SDS's ability to collect funds from the estates of deceased clients. One change removed the time limit for SDS to collect from estates. This generated $1.2 million of Other Funds revenue used in the Governor's budget to replace General Fund. The other change would allow SDS to collect from the estates of clients under 55 years old. This change was expected to produce $0.3 million of Other Funds revenue that could replace General Fund.

The Governor's budget was based upon a low caseload forecast derived by SDS, DHS Director's Office, and DAS staff. This budget was about $13.7 million ($5.6 million General Fund) less than an earlier preliminary budget based upon a higher caseload estimate. In other words, the Governor's budget was based on a caseload forecast that allowed for very little upward deviation.

Legislatively Adopted Budget

The adopted budget of $1,048.4 million total funds is $64.1 million or 6.5% higher than the Governor's budget. The Legislature made five significant changes to the Medicaid Long Term Care budget proposed by the Governor. First, the Legislature allowed changes resulting from new caseload forecasts completed after the Governor's printed budget was submitted. The revised forecast predicts that the recent trends in caseload growth and decline will be even more pronounced than the forecast used in the Governor's printed budget. The in-home and assisted living caseloads are even higher, and nursing facility caseloads are expected to decrease more rapidly than assumed in the Governor's budget. The budgetary savings from the more rapid nursing facility caseload decline more than offset the cost of the higher in-home and assisted living caseloads. Overall, the legislatively adopted budget includes a $6.2 million total funds ($1.2 million General Fund) reduction resulting from the newer caseload forecast.

The second change added $1.9 million General Fund to replace a like amount of estate recovery (Other Funds) revenue. Like the revised caseload forecast, the forecast of estate recovery revenue anticipates that the trend of lower recoveries will deepen. DHS believes that the primary cause is the increasing client use of legal mechanisms to effectively transfer assets to a spouse or care-giving child while the Medicaid client is alive, or to shelter estate assets after the Medicaid client has died.

The third modification was the addition of $32.9 million total funds ($13.4 million General Fund) to allow for nursing facility rebasing (i.e. basing rates on cost information submitted to SDS and audited). The fourth change restored Medicaid long-term care services to clients in impairment ("survival priority") levels 15-17. This restoration required $20.3 million total funds ($7.9 million General Fund) in the Medicaid program area and another $3.0 million total funds ($1.4 million General Fund) in the program delivery area for additional case managers.

The fifth change relates to the community-based care rate restructuring proposal. As noted above, the Governor proposed to link community-based care reimbursement to client impairment rather than to the type of facility operated by a care provider. Part of the proposal called for an increase in adult foster home rates and a phased-in decrease of assisted living facility rates.

After the Governor's budget had been released, it came to light that the proposed assisted living rates could have detrimental effects on the ability of many providers to pay their mortgages. Oregon's Department of Housing and Community Development holds some of these mortgages and expressed concern that a number of providers would default on loans if the new rates were implemented. In response, in June 2001, the Governor offered a different rate structure that still lowered assisted living facility rates, but not nearly as much as in his original budget proposal. Adult Foster Home (AFH) and most Residential Care Facility (RCF) rates would increase. After significant deliberation, the Legislature decided to adopt the higher AFH and RCF rates, but to maintain the final 1999-2001 assisted living rates—no decrease. The cost of the Legislature's final decision was $18.6 million total funds ($7.6 million General Fund) above the Governor's original budget.

In an attempt to mitigate the rapid growth of assisted living facilities, the Legislature adopted House Bill 3212, which established a two-year licensing moratorium for residential care facilities and assisted living facilities. The bill allows SDS to license facilities if building plans are submitted prior July 1, 2001.

The Legislature passed two other bills related to this program area. It approved House Bill 2243 that increases SDS's ability to pursue estate recoveries from deceased Medicaid clients. The Legislature also adopted Senate Bill 512 that allows for a more cooperative form of nursing facility inspections to be implemented on a pilot basis, pending a waiver approval by the Health Care Financing Administration (HCFA). The Legislature did not approve House Bill 2468 that would have equalized facility licensing fees and produced Other Funds revenue to offset about $250,000 General Fund.

The Legislature included two budget notes related to this program area. The first requires any proposed changes to community-based care rates to be reviewed at the earliest possible time by an appropriate interim legislative policy committee. The second directs DHS to implement a one-year County Veterans Services pilot project in Multnomah and Washington Counties. The purpose of the project is to use federal Veteran's benefits to pay for eligible clients' long-term care in place of state and federal Medicaid funds. The project cost is capped at $370,000 and DHS is directed to evaluate the project and make a recommendation to the Emergency Board by May 2002 concerning the continuation of the project for an additional year.

SDS – Oregon Project Independence

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,049,891	948,559	0	13,729,086
Other Funds	0	12,066,176	0	0
Total	**12,049,891**	**13,014,735**	**0**	**13,729,086**
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 SDS. 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. Examples of care include meal preparation, grocery shopping, housecleaning, assistance with personal hygiene, and help with medications.

SDS'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

During 1999-01, the agency expected 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.

The growth of the OPI program is limited by the availability of General Fund resources. During the 1999-01 biennium, $12.1 million of OPI General Fund was used to make an additional MUPL payment. The General Fund was returned to SDS as Other Funds for use in the OPI program.

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 eliminated all funding for OPI. The current service level of $13.7 million reflected a funding level to accommodate about 3,738 average monthly cases. The 1999-01 estimated expenditure level includes $0.9 million General Fund and $12.1 million Other Funds. The $12.1 million Other Funds was initially included in the SDS budget as General Fund, but was used to facilitate the MUPL (MUPL) mechanism. After the payment was returned from the Health Districts to DHS, the General Fund was also returned to the OPI program for expenditure as Other Funds.

Legislatively Adopted Budget

The Legislature restored OPI to a level necessary to maintain the current level of services with $13.7 million General Fund. A budget note directs DHS to work with AAAs to implement a standard system of collecting and reporting on OPI fees. The budget note requires the Department to routinely compile OPI data by county and report to the Emergency Board on the fee system by May 31, 2002.

SDS – General Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,585,034	2,808,830	0	0
Other Funds	9,260,411	19,440,266	21,991,773	21,518,535
Total	**21,845,445**	**22,249,096**	**21,991,773**	**21,518,535**
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 program to develop an employment plan, when advisable.

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. SDS does not receive reimbursement for clients who are determined eligible for Social Security Disability Insurance (SSDI) benefits. SDS 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 General Fund and SSI reimbursement. As a result, since 1997 the caseload has been about 2,900. No significant change is expected. 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. The second group's cases are call "service cases."

SDS 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 funded the current service level of $22 million. It initially shifted $9.7 million General Fund from the General Assistance budget to the Medicaid Long Term Care program budget. The Governor's budget used the $9.7 million as part of the state funds used to make the 2001-03 MUPL payment. After the payment was transferred back to DHS from the health districts, $9.7 million Other Funds would be shifted back to the General Assistance budget for client payments as Other Funds.

The Governor's budget reflected caseload forecast changes and an allowance for inflation. The Governor's budget provided funding for 2,833 average monthly cases.

Legislatively Adopted Budget

The adopted budget is $21.5 million—about $0.5 million less than the Governor's proposal. The Legislature's budget for General Assistance, however, is entirely based on three changes recommended by DHS in its repricing or "reshoot" of the Governor's budget. The first change reflects a higher forecast of the General Assistance caseload based upon the demand for services experienced in the latter part of the 1999-01 biennium. This higher caseload would cost about $2.6 million--$1.7 million General Fund and $0.9 million Other Funds (SSI recoveries). The second change in the "reshoot," however, eliminates the need for the $1.7 million General Fund by implementing several management actions. These management actions include more training for staff to better screen applicants, implementation of medical and financial reviews of clients at least once every 12 months, termination of benefits after SSI appeals have been exhausted, and improving the percentage of SSI recoveries.

The third change included in the "reshoot" and adopted by the Legislature, was a reduction of General Assistance "service cases" that resulted from an administrative rule change. "Service cases" are those that use the General Assistance grant to pay for the room and board costs of Medicaid long-term care. The rule change (effective January 1, 2001) requires all General Assistance grant recipients (except those in Nursing Facilities and Mental Health and Developmental Disability Services' group homes) to meet General Assistance impairment criteria in order to receive General Assistance benefits. Prior to the rule change, persons who qualified for services under the Medicaid home and community-based care waiver were provided General Assistance if they were not already receiving SSI. This change is expected to reduce General Assistance cases and costs, and with them, Medicaid community-based care costs. The effect on the General Assistance program is a $1.2 million Other Funds expenditure limitation decrease.

SDS – Oregon Supplemental Income Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	6,439,434	13,072	147,258	446,394
Other Funds	0	7,762,776	8,309,373	8,309,373
Federal Funds	507,463	733	0	0
Total	**6,946,897**	**7,776,581**	**8,456,631**	**8,755,767**
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.

Revenue Sources and Relationships

The Oregon Supplemental Income Program is funded exclusively with General Fund revenue. Other Fund expenditure limitation is necessary because a significant portion (or all) of the General Fund is used to facilitate the state's MUPL payment to the state's nine health districts. After the payment is transferred back to DHS, $8.3 million Other Funds are shifted back to the OSIP budget and spent for client payments as Other Funds.

Budget Environment and Performance Measures

Management projects OSIP payments will be made to nearly 45,243 clients during 2001-03, an increase of about 9% over the 1999-01 biennium. SDS 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 funded the current service level of $8.5 million. The Governor's budget did 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 Governor's budget.

Legislatively Adopted Budget

The adopted budget reflects an agency forecast of higher costs per case and a concurrent budgetary increase of $299,136 General Fund.

SDS – Employment Initiative

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 program and matched with Federal Rehabilitation Act Funds. Vocational Rehabilitation's funds were used to hire case managers and to purchase case management services from SDS. SDS matched $1.2 million 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 SDS's budget as well as in the Vocational Rehabilitation budget.

The goal of the program is to serve severely disabled clients who need assistance with health care, transportation, housing, or 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 served 1,300 mutual SDS and VRP clients. Two hundred of these mutual clients worked and earned wages during the first quarter of 2000. Where the program has worked well, SDS 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.

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 programs and the availability of General Fund resources committed to this initiative. SDS and the Vocational Rehabilitation program area did not establish performance measures at the onset of this program.

Governor's Budget

The Governor's budget funded the current service level of $205,000 General Fund. The $5,000 increase in the current service level above the 1999-01 estimated expenditures provided funding for inflationary costs.

Legislatively Adopted Budget

The Legislature adopted the Governor's proposed budget for the Employment Initiative program.

SDS – Older Americans Act

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Federal Funds	23,891,967	22,916,763	22,916,763	26,813,763
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

SDS is the state administrator of the Older Americans Act (OAA), a federal program targeted to persons 60 years old and older. SDS 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.

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 Americans Act of 1965 was recently re-authorized by Congress after more 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 care-giving. Although an increase in Oregon's OAA was not included in the Governor's budget, the grant is expected to increase by about $3.9 million for the 2001-03 biennium. This represents Oregon's share of the additional $125 million appropriation for the Family Caregiver Support Program.

SDS 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 funded the current service level. As noted above, it did not include limitation to accommodate any increase in Older Americans Act revenue resulting from an additional $125 million federal appropriation for the Family Caregiver Support Program. Oregon's share of this appropriation is estimated to be about $3.9 million for the 2001-03 biennium.

The Governor's budget eliminated Oregon Project Independence. As a result, additional state or local matching funds would have been needed to be identified or added to the budget in order to receive Oregon's full allocation of Older Americans Act funds.

Legislatively Adopted Budget

The Legislature added $3.9 million Federal Funds expenditure limitation to allow the agency to use additional federal Family Caregiver Support Program revenue. A budget note directs DHS to provide funding of $457,863 of Older Americans Act revenue to the Commission for the Blind for the expansion of the Commission's Older Blind program. The Department is required to work with AAAs and the Commission to ensure a coordinated service delivery approach and report on the project to the 2003 Legislative Assembly.

SDS – Program Staff

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	66,301,520	77,053,309	88,830,033	90,488,417
Other Funds	8,556,431	15,490,768	13,277,963	13,995,711
Federal Funds	99,203,385	118,381,250	122,809,838	128,161,771
Total	**174,061,336**	**210,925,327**	**224,917,834**	**232,645,899**
Positions (FTE)	628.25	731.91	876.90	935.81

Program Description

To deliver its programs, SDS expects to fund nearly 1,715.92 FTE during the 2001-03 biennium. About 55% of this staff (935.81 FTE) are state employees and work in SDS 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 SDS'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 SDS's services includes:

- *Field staff* located in the various SDS 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.

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 SDS. 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 SDS 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 and Legislatively adopted budget eliminated 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 Legislature added $2 million to the SDS 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 SDS offices. The report described several advantages and disadvantages of AAA management of the long-term care Medicaid program. The report noted, however, that SDS 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, SDS 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, SDS agreed to develop a comprehensive field office monitoring system that would involve both statistical reporting and regular field reviews.

Governor's Budget

The Governor's budget of $224.9 million total funds was $18.9 million or 8% lower than the current service level. The reduction was primarily the result of seven cuts that are listed below. The General Fund reduction to the current service level was $7.6 million.

- The budget cut 21.64 FTE of state office staff and approximately 30.0 FTE of AAA staff. The budgetary reduction was $8.2 million ($4.1 million General Fund).
- As noted above, the Governor's budget eliminated Medicaid long-term care services for persons in survival priority levels 15-17. Because this reduction lowered expected caseloads, it also eliminated 17.68 FTE and 2.94 AAA FTE. The budgetary decrease was $2.2 million ($1 million General Fund).
- DHS reorganization changes were expected to generate savings of $2 million ($1 million General Fund).
- The Governor's budget eliminated the third phase of ACCESS computer software development that was scheduled to begin in November 2001. This created 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 was 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 would be used to make the changes necessary to the existing client payment software program.
- The budget eliminated several regional pilot programs SDS had been supporting. This reduction amounted to $0.6 million ($0.4 million General Fund). The projects included 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 included an adjustment to replace $0.3 million General Fund with a like amount of Other Funds. This change was the result of a proposal to equalize licensing fees for all long-term care facilities and was discussed above in the Medicaid Long Term Care Programs section above.

The Governor's budget included increases for anticipated staff merit raises, inflationary costs, and more staffing resulting from higher Medicaid Long Term Care caseloads.

Legislatively Adopted Budget

The adopted budget incorporated the reductions proposed by the Governor with the exception of providing restorative funding for the Retired Senior Volunteer Program (RSVP). The Legislature made six other changes to the Governor's budget described below:

- The budget reflects lower Public Employee Retirement System costs.
- The Legislature added three positions and FTE to accommodate Senate Bill 512. This bill allows for a more cooperative form of nursing facility inspections to be implemented on a pilot basis, pending a waiver approval by the Health Care Financing Administration (HCFA). The positions require about $0.5 million of funding. The state share of the project cost ($126,938) will be generated through a fee imposed upon nursing facilities. The remaining cost will be funded with federal Medicaid revenue.
- The budget includes $2.3 million total funds to fund 16.41 state office FTE to support caseload growth that is expected to exceed the growth level assumed in the Governor's proposed budget.
- The Legislature concurred with a DHS "reshoot" proposal to respond to a HCFA requirement to add more facility survey staff (15.0 FTE). The state share of this cost is about $0.3 million and is being funded with Other Funds carryover from the 1999-01 biennium. The remaining cost of $2 million will be supported with federal Medicaid revenue.
- As mentioned above, the Legislature restored Medicaid funding for clients in survival priority levels 15-17. This increased the average long-term care caseload and with it, agency staffing (24.50 FTE). The total funds cost is $3 million ($1.4 million General Fund and $1.6 million Federal Funds).
- Finally, the budget reflects an AAA loan repayment that allows $0.3 million Other Funds (the repayment) to replace a like amount of General Fund. In addition, a study of how AAA staff use their time showed that more of their cost ($0.5 million) could be charged to the federally funded Medicaid program rather than to General Fund.

The Legislature included a budget note that directed DHS to continue its work to implement a program monitoring system as described in the agency's budget presentation to assess the performance of AAA and SDS field offices.

SDS – Program Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,267,315	8,374,797	12,884,540	13,353,077
Other Funds	199,991	4,433,511	842,131	840,525
Federal Funds	13,752,492	15,477,594	14,280,498	14,198,345
Total	**26,219,798**	**28,285,902**	**28,007,169**	**28,391,947**
Positions (FTE)	112.73	111.81	112.04	111.04

Program Description

This program provides administrative support and policy direction for SDS. 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.

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.

SDS 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 in 2000. Perhaps the study's most significant finding was that SDS did not have a monitoring system to assess AAA or SDS field office performance, although it had some of the components to implement such a system. In response, SDS is developing a system of regular field reviews and statistical reporting. SDS 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 SDS's overall performance measures.

Early during the 1999-01 biennium, program staff intensified its review of AAA plans. The plans serve as the basis for the contracts of work between AAAs and SDS. 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 SDS 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 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 program 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 program 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 was $2.8 million or 8% less than the level necessary to continue current programs—about $30.3 million. The $2.8 million decrease was the result of three programmatic reductions as follows:

- The budget included a reduction of staff (12.73 FTE) and $0.9 million General Fund and $0.9 million Federal Funds. Total funds reduction was $1.8 million.
- The Governor's budget within this program assumed total funds savings of $142,782 from DHS reorganization efforts ($71,391 from both General and Federal Funds).
- The budget reduced SDS'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.

Legislatively Adopted Budget

The Legislature made three changes to the Governor's proposed budget. First, the budget was reduced to reflect lower Public Employees Retirement System, Attorney General, and DHS prorate charges. Second, the

Legislature added General Fund to the administrative (and field staff) program areas to restore the Retired Senior Volunteer Program (RSVP). Finally, the Legislature adopted a DHS "reshoot" proposal to transfer one budget and forecasting position (1.0 FTE) from SDS to the DHS Director's Office.

In addition to the changes mentioned above, the Legislature made a special purpose appropriation of $300,000 to the Emergency Board for the Department of Human Services to help facilitate the Home Care Commission, established by section 11, Article XV of the Oregon Constitution.

DHS/Vocational Rehabilitation Programs – Program Area Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,628,447	14,267,098	12,647,028	15,127,972
Other Funds	2,142,214	2,747,770	2,908,492	2,907,981
Federal Funds	85,124,025	97,599,580	103,895,464	102,027,324
Total	**99,894,686**	**114,614,448**	**119,450,984**	**120,063,277**
Positions (FTE)	398.90	413.82	420.84	422.84

** Based on the 1999-01DHS budget rebalance plan approved by the Legislative Assembly in House Bill 5046 (2001).*

Summary Description

The mission of the Department's Vocational Rehabilitation Programs is to assist Oregonians with disabilities to achieve and maintain employment and independence. This program area has three components:

- ***Rehabilitation Services*** 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 about $1.0 million during the 2001-03 biennium, and would provide services for about 165 persons. Federal Rehabilitation Act Funds cannot be used for sheltered workshop programs.
- ***Disability Determination Services*** (DDS) 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 Department of Human Services (DHS) 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 programs within DHS.

Program Budget History

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's	2001-03 Leg. Adopted
Administration	6,641,731	8,326,881	8,130,655	8,153,942
Rehabilitation Services	60,787,419	69,444,724	69,118,649	71,507,160
Disability Determination	32,465,536	36,842,843	42,201,680	40,402,175

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. DHS's share of Oregon's Section 110 allocation is expected to be $56.1 million for the 2001-03 biennium.

DHS 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 (DAS) to study the current allocation of federal "110" funding between DHS 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." The 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 rehabilitation services. DHS 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. DHS 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 sometime in 2001.

Fourth, the 1999-01 Vocational Rehabilitation budget included $670,000 General Fund that was transferred from the Senior and Disabled Services (SDS) 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. The Vocational Rehabilitation program area expected to spend about $1.34 million of these funds to purchase case management services from SDS during the 1999-01 biennium. The goal of the initiative is to serve very severely disabled persons who need both vocational assistance and case management support. Where the program has worked well, SDS and Area Agency on Aging (AAA) 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 SDS and AAA staffs have developed close ties with their Vocational Rehabilitation program 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 the two program areas.

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.

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. DDS management believes SSA's starting date will be delayed, and the budget does not include the significant fiscal or FTE impact that would likely result from implementing the redesign process in Oregon's DDS unit.

At the October 1999 Emergency Board, DHS was given approval to begin a joint program with the State Police to combat Social Security fraud. 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, DHS was given approval by the Emergency Board for two permanent positions to work within the fraud unit. At that time, DDS indicated the anti-fraud team had a caseload of 159 claims and accumulated $3.7 million of total savings.

The DDS unit expects to process more than 80,000 disability claims during the 2001-03 biennium.

Currently, this program area uses five measures to gauge performance—two measures for the Rehabilitation Services program, two for the DDS unit, and one measure for program administration. Program staff 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 program workforce diversity. The measure compares the percentage of persons of color, women, and persons with disabilities working within the vocational rehabilitation program area with the percentages in the state employee labor force. Currently, the percentage of each group within the program 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 program 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.

Governor's Budget

The Governor's total funds budget of $119.5 million was $4.2 million or 3.4% less than the $123.7 million necessary to maintain the current service level. The $4.2 million difference reflected four reductions totaling $5.4 million and three additions (policy option packages) totaling $1.2 million.

The Governor’s budget incorporated the following $5.4 million total funds reductions:

- The proposed budget eliminated 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. When the Governor’s budget was submitted, DHS believed it could place some of the clients in other vocational programs for developmentally disabled or mentally ill persons.
- A $0.2 million General Fund reduction reflected the program area’s share of DHS reorganization efficiencies.
- The Governor’s budget removed $0.7 million General Fund and $2.8 million Federal Funds to eliminate any General Fund not used to match Federal Rehabilitation Act Funds and Federal expenditure limitation not funded with actual revenue. However, this reduction along with the $0.2 million reduction mentioned immediately above drove 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, DHS would have been unable to match approximately $491,000 of available Federal Funds.
- Finally, the budget included a reduction of $0.1 million total funds reflecting cuts in the DHS Director’s Office community partnership team budget. Each DHS program supports the Director’s Office through budgetary assessments or “prorates.” Thus, when the Director’s Office budget is decreased, program assessments are also reduced.

The Governor’s proposed budget included $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 added $0.8 million Federal Funds expenditure limitation to the Rehabilitation Services program to allow the DHS to use U.S. Department of Labor grant funds to improve access to workforce One-Stop services for persons with disabilities. The package added five limited duration positions. DHS would use 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 added $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 increased the Federal Funds expenditure limitation by $0.1 million and added three permanent positions to allow DDS to comply with state temporary appointment rules. Heretofore, DDS used ongoing temporary positions to hire doctors who provide consultative services to disability analysts. 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, DDS must end its practice of using temporary positions for the doctors. The package added the costs—primarily employee benefit expenses—of complying with ERB rulings by converting temporary positions to permanent positions.

Legislatively Adopted Budget

In addition to including the three policy packages described above, the Legislative Assembly made six adjustments to the Governor’s proposed budget:

- It reduced the Vocational Rehabilitation Programs by $163,000 total funds to incorporate reductions in the Public Employees Retirement System, Attorney General, and DAS Human Resource Services Division charges. This amount also includes a 1% reduction in out-of-state travel and a decrease in the Department-wide support services prorate.
- The Legislature added two DDS analyst positions and $253,000 Federal Funds limitation for the anti-fraud unit. The positions and funding had been inadvertently omitted from the Governor’s budget.
- The adopted budget includes a reduction of $2 million Federal Funds limitation in the DDS program. After reviewing actual expenditures for the 1999-01 biennium and the revenue forecast for the 2001-03 biennium, the Ways and Means Committee concluded that the DDS program did not need all of the limitation included in the Governor’s budget. If the reduction is too great, DHS may request additional limitation from the Emergency Board for its DDS program.
- The Legislature added $183,000 General Fund to fully match available Rehabilitation Act federal revenue.
- The Legislature restored $1 million for the Sheltered Services program for 165 clients who do not qualify for vocational programs for developmentally disabled or mentally ill persons.
- The Legislature added $1.3 million General Fund for enhanced support of the state’s independent living centers.

Insurance Pool Governing Board (IPGB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	427,030	500,329	530,031	525,529
Other Funds	7,221,657	20,671,831	22,032,018	20,032,018
Total	**7,648,687**	**21,172,160**	**22,562,049**	**20,557,547**
Positions (FTE)	11.67	16.12	11.50	11.50

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. In addition, the 2001 Legislative Assembly (House Bill 3126) restored the program's responsibility for developing health benefit packages for small employers. 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	427,030	500,329	530,031	525,529
Other Funds	0	38,901	51,731	51,731
Total	**427,030**	**539,230**	**581,762**	**577,260**
Positions (FTE)	2.00	2.00	2.00	2.00

Program Description

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. The 1999 Legislative Assembly passed legislation (SB 414) to phase out the certification program. The phase-out was completed in July 2000, leaving the program to focus entirely on serving as a central source of information about health benefits plans for individuals, employers and the self-employed. The 2001 Legislative Assembly restored IPGB's responsibility for offering health insurance plans for small employers (House Bill 3126). The Board also 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 growth 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. This circumstance is the basis for restoring IPGB's roll in the development of small employer benefit plans.

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 reported no specific performance measure targets, but pointed to data showing that since its establishment employer-based coverage has increased from 56% to 72%, and the overall rate of uninsured in Oregon 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.

Governor's Budget

The Governor's recommended General Fund budget proposed funding this program at the current service level, which would be a 5.9% increase over 1999-01 estimated expenditures. The budget included 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 would increase 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.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended General Fund budget by $4,502. Most of the reduction ($3,047) is due to a 1% reduction in out-of-state travel and other operating costs. The remaining amount reflects reduced charges for various state government services, a lower retirement system assessment, and reduced long distance telephone charges.

The resulting General Fund budget is a 5% increase compared to 1999-01 estimated expenditures and less than one percent (0.6%) below the current service level. No additional funding was provided to implement the Small Employer Benefits program called for in House Bill 3126.

IPGB – Family Health Insurance Assistance Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	7,221,657	20,632,930	21,980,287	19,980,287
Total	**7,221,657**	**20,632,930**	**21,980,287**	**19,980,287**
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 federal poverty level (FPL). 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.

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 served 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 had $4.5 million from a 10-cent per pack cigarette tax surcharge.

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 was 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 shifted 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. Legislation (House Bill 2519) passed by the 2001 Legislative Assembly for restructuring the Oregon Health Plan allows for significant expansion of the program.

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 limited the number who could be served in 1999-01 to about 5,250 people. The rising cost of medical services will further reduce the number who can be served in 2001-03. 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.

Governor’s Budget

The Governor’s recommended budget for FHIAP was a 6.6% increase compared to 1999-01 estimated expenditures and would have funded the program at the current service level. Standard inflation factors were used for Services and Supplies (2.5%) and Professional Services (3.5%). The Special Payments budget, which reflected premium subsidy payments to insurers, was 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 shifted the source of funding for FHIAP from tobacco tax revenues to Tobacco Settlement funds.

The Governor’s budget presented two significant policy choices for Legislative consideration. The first choice was whether to use Tobacco Settlement funds at all; and the second choice, assuming the first choice was answered affirmatively, was whether to use them to maintain this program.

Legislatively Adopted Budget

The Legislature approved funding the program with Tobacco Settlement funds but reduced the Governor’s recommended amount by $2 million to help balance the state budget. The approved budget of just under $20 million is 3% below estimated 1999-01 expenditures and 9% below the cost of maintaining services at the 1999-01 level.

At the approved level, the program is expected to serve approximately 4,000 to 4,500 people. The number served could be greater if the agency is successful at shifting coverage more toward employer-based rather than individual coverage. Currently, approximately 90% of those covered through the program are in individual plans. Employer-based coverage is less expensive because the employer provides a subsidy, and the coverage is more likely to be under a managed care program.

Long Term Care Ombudsman – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	577,310	544,541	637,661	611,153
Other Funds	933,018	1,259,859	1,233,350	1,279,938
Total	**1,510,328**	**1,804,400**	**1,871,011**	**1,891,091**
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 Care 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 provide training to the volunteers and deal 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 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 dollars as Other Funds. It uses these and its unmatched General Fund 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 was 15,500, and agency staff and volunteers made 19,500 visits.
- Responding to all long-term care facility complaints - The 1999-01 goal was 10,000, and agency staff and volunteers responded to 12,000 complaints.
- Percentage of fully or partially resolved complaints - The biennial goal was 80 percent. The agency fully or partially resolved 86% of all complaints.
- Percentage of nursing facilities visited at least annually by a program representative - The 1999-01 goal was 90 percent. The agency visited 80% of the state's nursing facilities.
- Percentage of adult foster homes visited at least annually by a program representative - The 1999-01 target was 35 percent. Agency staff and volunteers visited about 29% of adult foster homes.
- Percentage of residential care facilities visited at least annually by a program representative - The 1999-01 goal was 55 percent. Staff and volunteers met this goal.
- Percentage of assisted living facilities visited at least annually by a program representative - The biennial goal was 60 percent. The agency exceeded the goal by visiting 70% of the state's assisted living facilities.

Governor's Budget

The Governor's budget funded the agency at the level necessary to maintain current services. The Governor's proposed budget included a $93,000 or 17.1% increase in General Fund above the estimated level for the 1999-01 biennium. The increase was the result of having limited alternative Federal and Other Funds revenue. The Governor's budget assumed, for example, that Older Americans Act funding would not increase for the 2001-03 biennium. In another instance, the Governor's budget retained better than $26,000 of Other Funds ending balance—the amount remaining from a donation and lawsuit settlement. Therefore, inflationary or salary increases were funded with General Fund to maintain an expenditure level to continue current services.

Legislatively Adopted Budget

The Legislative Assembly increased the agency's budget by about $20,000 or about 1% above the Governor's budget. In so doing, the Legislature made three changes to the Governor's proposed budget. First, it reduced the budget to reflect lower Public Employees Retirement System, Secretary of State Audits Division, Department of Administrative Services Human Resource Services Division, and Attorney General charges. Second, the Legislature used $25,000 of Other Funds ending balance to replace a like amount of General Fund. This leaves the agency with an Other Funds ending balance of $1,589 at the end of the 2001-03 biennium. Third, the Legislature added $23,685 Other Funds expenditure limitation to allow the agency to use additional Older Americans Act revenue that was identified after the Governor's budget was finalized.

The Legislature expressed satisfaction with the agency's current performance measures but directed it to develop more measures that focus on program outcomes.

Psychiatric Security Review Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	595,513	699,859	732,079	722,271
Other Funds	441	2,000	6,150	2,000
Total	**595,954**	**701,859**	**738,229**	**724,271**
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, present a substantial danger to others and have been found guilty except for insanity of committing a crime. Sentencing guidelines do not apply: the length of jurisdiction is for the maximum statutory sentence possible if convicted.

The Board has two major functions: hold administrative law hearings to determine suitable placements for persons in its custody, and monitor persons on conditional release in the community. The Board can commit a person to a state hospital, conditionally release a person in the state hospital to a community-based program, revoke a conditional release, or discharge a person from its jurisdiction. The Board coordinates treatment and case management for those on conditional release. 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.

The costs for mental health treatment and supervision of the Board's clients at the Oregon State Hospital (OSH) or in the community is not included in the Board's budget, but in the budget for the Department of Human Services Mental Health Services. These costs are more than $50 million total funds for 2001-03.

Budget Environment and Performance Measures

The Board now has jurisdiction over about 560 persons, more than 10% above the expected 1999-01 level. This continues an upward trend. As the population grows, there is more demand on limited community mental health services, regional acute care services and longer-term treatment at OSH. Without 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 Measure 11's (1994) longer mandatory sentences. Unless mental health resources are expanded, or criminal sentencing laws changed, the caseload is expected to continue growing.

About 330 of the persons under the Board's jurisdiction are in OSH. The Board projects more than 230 clients will be on conditional release in the community in the 2001-03 biennium. This is 12% more than in the 1999-01 biennium. The number of conditional releases is constrained by the availability of community housing and appropriate supports. Without these resources, patients stay longer at OSH's more restrictive forensics ward.

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. It is currently meeting statutory time limits for hearings about 86% of the time, up from 80 to 85% in 1998.

Governor's Budget

The Governor's budget continued the Board's operations at the current service level. The overall budget was about 5% more than in 1999-01 to cover inflation and other cost increases.

Legislatively Adopted Budget

The legislatively adopted budget is 1.9% less than the Governor's budget but 3.2% more than 1999-01 estimated expenditures. The budget was reduced for revised expenditure projections in services and supplies ($4,537 General Fund) and training ($4,150 Other Funds). The budget also reflects $5,271 General Fund savings from lower Public Employees Retirement System, Department of Administrative Services, Attorney General and Secretary of State Audits Division rates and assessments.

PUBLIC SAFETY

Department of Corrections (DOC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	642,457,908	762,994,011	863,315,726	862,023,140
Other Funds	162,518,912	227,834,133	143,280,690	144,492,504
Federal Funds	7,541,851	8,041,851	10,323,316	6,823,316
Nonlimited	3,400,614	5,200,000	0	0
Total	**815,919,285**	**1,004,069,995**	**1,016,919,732**	**1,013,338,960**
Positions (FTE)	3092.30	3439.78	3832.17	3812.44

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.

Legislatively Adopted Budget

The Legislature adopted a total funds budget of $1.013 billion, which is 1% above 1999-01 estimated expenditures. The primary reason that the overall budget for 2001-03 increases by only 1% is that Other Funds for Capital Construction projects are only budgeted for the biennium in which the projects are initially authorized. In 2001-03 there are $92.3 million in new Capital Construction projects compared to $187.9 million in 1999-01 (a $95.6 million decrease). The General Fund budget of $862 million is a 13% increase ($99 million). The primary reasons for the General Fund increase are the start-up and phase-in of new beds at the Coffee Creek Correctional Facility (Women's Prison and Intake Center) in Wilsonville and the final phase-in of new beds at the Two Rivers Correctional Institution in Umatilla. The phase-in of these new prison beds is needed to accommodate a projected 7.4% growth in adult inmates by July 2003, to allow Clackamas County to utilize the existing intake center to fulfill its responsibilities under SB 1145, and to allow women offenders to be incarcerated and provided with comparable programs in a single facility.

General Fund in the legislatively adopted budget is $1.3 million below the level in the Governor's recommended budget. The Legislature reduced the Governor's recommended General Fund budget by $16.7 million based on slower 2001-03 offender population growth reflected in the April 2001 prison and community corrections forecasts; savings created by debt service refinancing or delayed sales of certificates of participation; delayed occupancy of Snake River Correctional Institution Intensive Management Unit; and management staff reductions. The Legislature then reinvested $15.4 million of these savings to restore funding holes and unacceptable reductions proposed in the Governor's recommended budget. The savings were used to correct for an overestimation of federal criminal alien assistance funds; to support community corrections caseload costs left out of the Governor's budget; and to restore cuts made by the Governor to inmate activities, morning exercise yards, educational programs, health care programs, and security staff positions.

The Legislature adjusted the Governor's printed budget based on the April 2001 corrections population forecast, which projected a slightly slower inmate growth rate compared to the October 2000 forecast. The April forecast projects the Department's prison bed need by July 1, 2003 will be 11,506 (a 195-bed decrease from the October 2000 forecast), and that SB 1145 local control populations will grow to 2,038 (a 48-bed increase from the October 2000 forecast).

The legislatively adopted 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;
- establishes a new capital construction limitation to: 1) construct a minimum custody work camp in Lakeview; 2) complete on-site development, off-site infrastructure, and construct a minimum custody facility in Madras; and 3) construct minimum custody expansion beds at the Shutter Creek Correctional Institution;
- provides funding necessary to cover debt service costs on all approved construction projects;
- provides funding to continue planning and implementation of transitional services programs; and
- provides a special purpose appropriation to the Emergency Board to address potential population management issues resulting from prison-forecast changes and newly passed crime legislation.

DOC – Institutions

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	275,337,862	346,751,791	403,534,129	405,521,866
Other Funds	7,788,254	4,218,892	12,881,348	12,925,580
Federal Funds	7,541,851	8,041,851	10,323,316	6,823,316
Total	**290,667,967**	**359,012,534**	**426,738,793**	**425,270,762**
Positions (FTE)	2193.34	2600.43	2977.97	2979.54

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 central administration.

Revenue Sources and Relationships

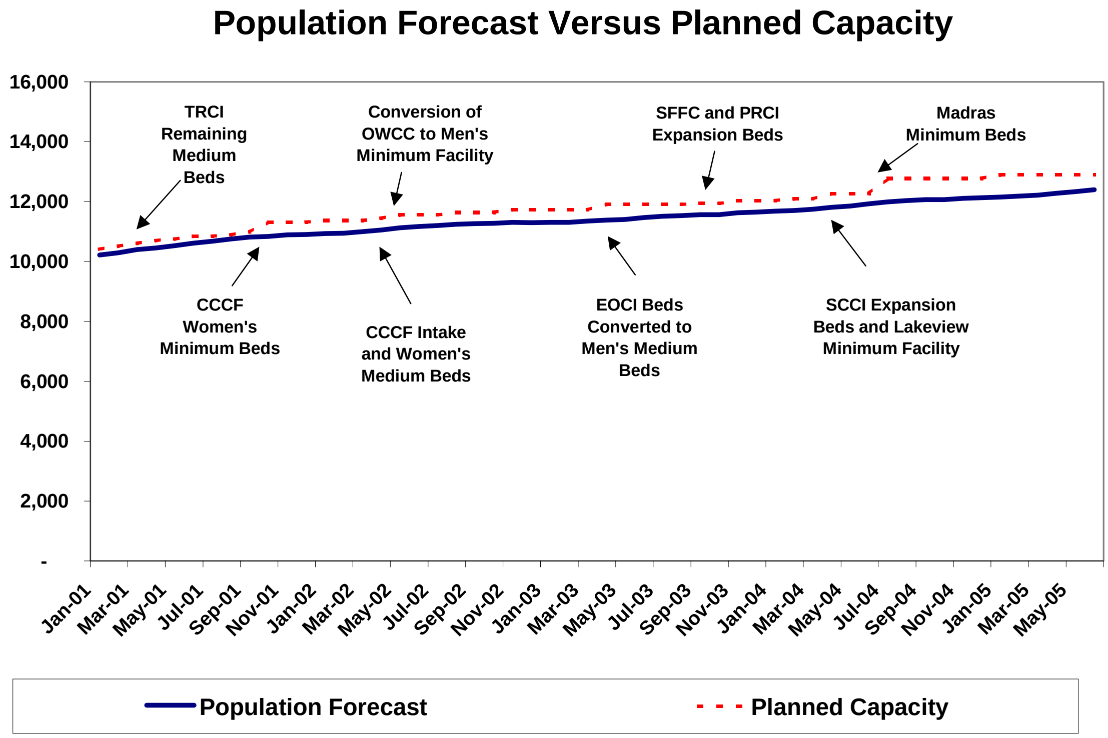
The Other Funds include revenue from a variety of sources including services provided by inmate work crews, sale of medical prosthetics, meal tickets, witness fees, canteen sales, and inmate room and board reimbursements ($9.4 million); the sale of items produced by inmate work and training programs ($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 assumed that $10.3 million in Federal Funds would 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 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 indicated a need for 10,757 beds by July 2001 and 11,703 beds by July 2003. The long-range forecast indicated 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 290 men's temporary beds (beds that are beyond facility design capacity and generally occupy dayroom spaces) until March 2004. At that time, the Lakeview 400-bed minimum custody facility should be finished, creating a 434 male bed surplus. During the 2001-03 biennium, the male bed surplus is projected to reach a high of 190 beds as of April 2003 when 180 men's beds are re-opened at Eastern Oregon. In April 2002, when the medium beds are available at the new Coffee Creek women's prison, the Department will have a surplus of 213 women's beds that will diminish slowly allowing the total women's capacity of 833 to meet projected need through at least 2011. 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 has minimum custody beds; 900 to 1,100 fewer medium custody male inmates that it has medium capacity; and 300-400 fewer maximum custody male inmates than it has 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 captains 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 report was 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 rate 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 reflected an 18.9% ($67.7 million) increase to the 1999-01 estimated expenditures and was based on the October 2000 prison population forecast, which revised the growth rate upward during 2001-03 from the prior forecast. The recommended budget was 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 relied 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 was 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 reduced General Fund by:

- $11,103,984 and postponed 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) could 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 would 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 would 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 could 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; and
- $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 included:

- $37,044,171 and 326 positions (260.01 FTE) to phase-in staff at the newly constructed women's prison and intake center, including $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, including 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, including 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 Department of Administrative Services (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, including 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.); and
- $100,000 for costs associated with implementation of the AFSCME contract pay differential for non-security positions.

Legislatively Adopted Budget

The Legislature approved a budget of $405.5 million General Fund, $425.3 million total funds, and 2,979.54 FTE. The General Fund support is 17% above the 1999-01 estimated expenditure levels and the overall program funding is increased by 18 percent. The Legislature generally approved changes recommended by the Governor; however, the Legislature utilized savings from forecast changes, delayed COP sales, management staff reductions, and various other management actions to restore funding holes and unacceptable reductions to inmate programs and activities. The Legislature also considered the April 2001 forecast, which did not change significantly in comparison to the October 2000 forecast. Specifically, the April 2001 forecast indicated the Department's prison bed need by July 1, 2003 would be 11,506, a decrease of 195 beds from the October 2000 forecast.

The legislative budget modifies the Governor's budget as follows:

- Adds $3,500,000 General Fund to backfill for overestimated Federal Funds available from the State Criminal Alien Assistance program, with a corresponding reduction in Federal Funds limitation.
- Adds $3,273,827 General Fund and 29 positions (29 FTE) to restore inmate activities that were reduced or eliminated in the Governor's budget. Three management positions were not restored.
- Adds $956,088 General Fund and nine positions (9.82 FTE) to restore morning exercise yards at all maximum and medium custody institutions.
- Adds $188,640 General Fund and $73,360 Other Funds from federal grants obtained by the State Police to start a pilot program to test knife-resistant security vests.
- Adds $115,34 General Fund and two positions (1.20 FTE) to establish a new five-day post at SFFC due to a staffing shortfall.
- Adds $69,633 General Fund to supplement the amount budgeted for shift differential and all other differentials.
- Reduces $1,979,566 General Fund and 23 positions (20.68 FTE) based on plans to postpone operation of 48 intensive management unit beds at the SRCI until 2003-05.
- Reduces $1,524,871 General Fund and nine positions (11.36 FTE) based on April 2001 prison population forecast changes, delaying the opening of 108 beds at CCCF until 2003-05 and modifying conversion dates for beds at OWCC and EOCI.
- Reduces $820,022 General Fund since Public Employees Retirement System (PERS) employer contributions are not required for the first six months on all new positions.
- Reduces $602,264 General Fund, $16,261 Other Funds, and two positions (5.10 FTE) based on delayed hiring of staff at CCCF and re-pricing of computers.
- Reduces $595,160 General Fund and $12,812 Other Funds based on PERS employer contribution rate adjustments.
- Reduces $469,907 General Fund and eight positions (4.08 FTE) based on management reductions that eliminate an assistant superintendent, three captains, and four lieutenants.
- Reduces $122,877 General Fund based on reduced need to rent beds from Deschutes County, leaving the Department with $311,160 for this purpose.
- Reduces $1,128 General Fund and $65 Other Funds based on a 1% cut to out-of-state travel.

DOC – Community Corrections Grants

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	165,298,160	174,733,290	194,409,482	195,762,214
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

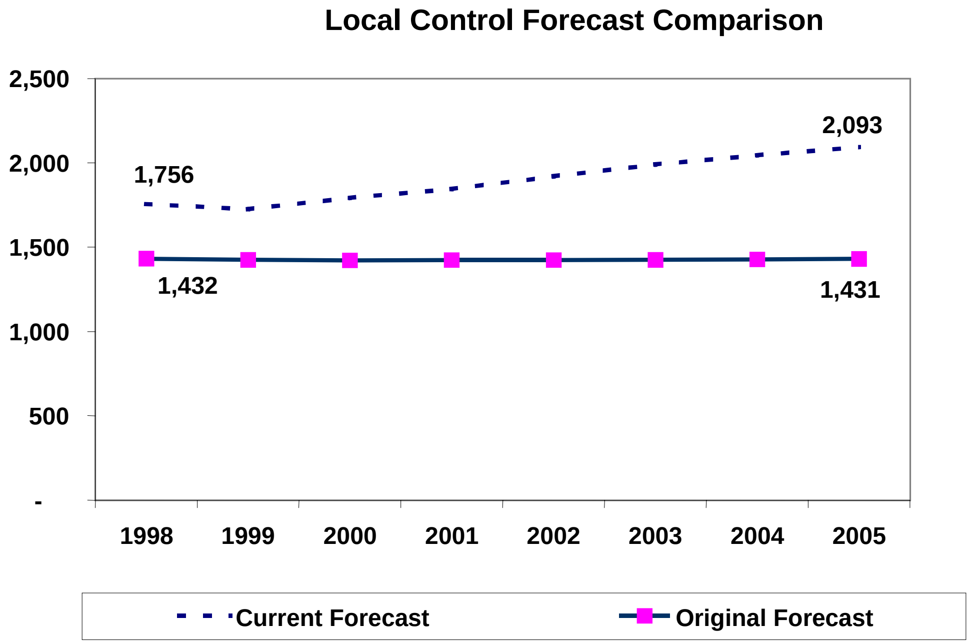
This program provides Grant-in-Aid funding to counties pursuant to the provisions of SB 1145. Based on SB 1145, the community corrections program was restructured to establish state/local partnerships and shift resources and control for community corrections to the counties. The state provides oversight 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 Legislature. 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 intensive supervision of sexually violent offenders. 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 was 11.3% ($19.7 million) above 1999-01 estimated expenditures and was intended to maintain the current service level for the program. The budget was 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 were adjusted for inflation. The budget grew 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 was 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.

Legislatively Adopted Budget

The Legislature approved a budget of $195.8 million General Fund. The General Fund support is 12% above the 1999-01 estimated expenditure levels. The Legislature approved the changes recommended by the Governor, however, it increased funding to correct for errors, to adjust for the April 2001 community corrections supervision forecast, and to address the anticipated fiscal impacts of new crime-related legislation. Specifically, the adopted budget:

- Adds $1,145,804 General Fund based on the revised forecast and to include funds for compact out population and intensive supervision of sexually violent dangerous offenders, which were omitted from the Governor's recommended budget.
- Directs the Department by budget note to take several steps as part of its on-going efforts to evaluate and monitor the effectiveness of community corrections programs. Specifically, the Department was directed to identify alternative community-based sanctions that achieve the outcomes envisioned when SB 1145 was adopted; share the information with counties; assist counties to implement the best practice alternatives; develop performance measures related to best practices to successfully and cost-effectively increase the use of alternative community–based sanctions; incorporate the performance measures and targets into the inter-governmental agreements; review the allocation formula and identify possible incentives that could be provided to counties that exceed performance targets; and provide a progress report to the Emergency Board by September 2002.

DOC – Correctional Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	67,197,884	84,679,552	100,202,321	101,931,487
Other Funds	5,537,960	6,789,490	8,568,376	8,568,376
Total	**72,735,844**	**91,469,042**	**108,770,697**	**110,499,863**
Positions (FTE)	325.15	371.24	430.79	413.66

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 legislatively adopted budget funds the programs at the levels indicated in the following table:

Program Areas	1999-01 Leg. Approved Total	2001-03 Legislatively Adopted Budget GF	OF	Total
Health Services	48,737,689	58,102,468	235,694	58,338,162
Education Programs	20,791,473	20,518,080	3,300,685	23,818,765
Mental Health	9,105,348	11,913,592		11,913,592
Alcohol and Drug Programs	7,588,313	2,574,021	5,031,997	7,606,018
Religious Services	2,479,221	3,539,577		3,539,577
Intake & Assessment	1,978,145	2,719,075		2,719,075
Administration	788,853	2,564,674		2,564,674
Totals	91,469,042	101,931,487	8,568,376	110,499,863

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 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 inmates' 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 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 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 1,000 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 use 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 was 18.9% ($17.3 million) higher than the 1999-01 estimated expenditures and was 12.3% ($15.2 million) below the amount necessary to continue current services. The primary reasons for the increase above 1999-01 estimated expenditures were 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 were made based on plans to change the manner in which correctional programs were 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 reduced 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 postponement of 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, thereby reducing 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.); and
- $316,990 and one position (1 FTE) to reduce religious services at various institutions.

General Fund additions to the budget included:
- $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, but not including 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, with most of these expenses 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, specifically for the purchase of data processing software/hardware, 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, not including funding for alcohol/drug treatment or mental health services (At this level of funding, inmates requiring these services would need to be relocated to other institutions.);
- $1,468,071 and $226,020 Other Funds for inflationary increases and DAS price list changes; and
- $116,751 to cover the costs of implementing a security differential plan for employees in AFSCME.

The budget included $1.16 million Other Funds that is transferred from Inmate Work Programs. This was 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).

Legislatively Adopted Budget

The Legislature approved a budget of $101.9 million General Fund, $110.5 million total funds, and 413.66 FTE. The General Fund support is 20% above the 1999-01 estimated expenditure levels and the overall program funding is also increased by 20 percent. The Legislature significantly modified the Governor's recommended budget. It redirected funds derived from forecast savings, management reductions, and reduced debt service costs, to restore cuts to inmate activities, morning exercise yards, educational programs, and health care programs. Specifically, the adopted budget:

- Reduces $1,637,760 General Fund based on per diem cost reductions for alcohol and drug treatment, health and mental health services, education, and religious programs due to slower population growth projected in the April 2001 prison population forecast.
- Reduces $509,172 General Fund based on PERS employer contribution rate changes.
- Reduces $350,000 General Fund based on revised estimates on the cost to upgrade the Incarceration / Transition information system.
- Reduces $274,354 General Fund for unnecessary PERS payments budgeted for the first six months on new hires.
- Reduces $129,220 General Fund based on updated computer pricing information.
- Adds $2,400,000 General Fund enabling the Department to implement the Inmate Activities Tracking System (IMATS) and to increase mental health and education program services at TRCI, SRCI, and OSP;
- Adds $1,826,551 General Fund to address health care cost expenditure patterns and to offset unrealistic reductions taken in the Governor's recommended budget.
- Shifts $2,216,112 General Fund from Personal Services based on elimination of 25 new and vacant healthcare positions (20.97 FTE) to Services and Supplies to be spent on underfunded areas of inmate health care.

DOC – Inmate Work Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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. HB 2488 (1999) and Ballot Measure 68 (1999) created a semi-independent agency 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.

Legislatively Adopted Budget

The Legislature approved actions in the current service level budget to transfer positions and funding to the Institutions Division for work crews and to Correctional Programs for workforce development. The Legislature did direct the Department, through a budget note, to determine the extent to which General Fund resources within its approved budget are used to support Oregon Correctional Enterprises' (OCE) businesses that compete for profit in the market place. The budget note also directed the Department to develop a method of recovering appropriate costs from OCE for use of such resources.

DOC – Central Support/Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	42,092,781	41,784,761	46,979,158	47,511,155
Other Funds	4,664,158	8,922,558	8,338,593	7,881,328
Total	**46,756,939**	**50,707,319**	**55,317,751**	**55,392,483**
Positions (FTE)	263.47	316.36	339.41	336.24

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 legislatively adopted budget out by program area.

Program Area	GF	OF	Total	Positions (FTE)
Business & Finance	14,703,044	7,881,328	22,584,372	139.06
Information Systems	24,973,131		24,973,131	143.06
Human Resources	7,834,980		7,834,980	54.12
Total	47,511,155	7,881,328	55,392,483	336.24

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 two agencies 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 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 was 9.1% ($4.6 million) higher than the 1999-01 estimated expenditures. However, the budget was 8.8% ($5.3 million) below the amount needed to continue current service levels. Specifically, the recommended budget reduced General Fund by:

- $1.6 million to eliminate funding for software, hardware, and information system projects;
- $1,238,671 and postponement in hiring 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; and
- $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.

Legislatively Adopted Budget

The Legislature approved a budget of $47.5 million General Fund, $55.4 million total funds, and 336.24 FTE. The General Fund support is 13.7% above the 1999-01 estimated expenditure levels and the overall program funding is increased by nine percent. The Legislature generally approved the changes recommended by the Governor. However, the adopted budget:
- Reduces $334,602 Other Funds and two positions (2 FTE) based on elimination of vacant construction management positions.
- Reduces $113,736 Other Funds and 0.75 FTE based on the January 2002 phase-out of a community development position.
- Reduces $113,001 General Fund and 1 FTE based on delayed hiring of three information systems positions at CCCF by eight months.
- Reduces $64,262 General Fund and $8,927 Federal Funds based on changes to PERS employer contribution rates.
- Reduces $58,341 General Fund based on unnecessary PERS payments budgeted for the first six months on new hires.
- Reduces $3,955 General Fund based on updated computer pricing information.
- Adds $724,000 General Fund to replace an AS 400 computer.
- Adds $47,556 General Fund and one position (0.58 FTE) to restore a property specialist at the distribution center.

DOC – Administration and Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	74,470,263	109,901,512	112,308,364	106,663,998
Other Funds	104,240,211	6,570,715	22,815,335	22,815,182
Total	**178,710,474**	**116,472,227**	**135,123,699**	**129,479,180**
Positions (FTE)	76.88	90.20	84.00	83.00

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 (COPs) that have been issued ($100 million). The projects for which COPs 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 was approximately 16% higher ($18.6 million) than 1999-01 estimated expenditures but only $4.8 million above the current service level. It reflected a one-time shift of excess interest earnings, funded roll-up costs for debt service on previously approved projects, and provided additional debt service funds to address planned construction projects. It did 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 would not open until 2003-05.

Specifically, the budget reduced the General Fund by:

- $19,118,136, shifting this amount of debt service to Other Funds derived from excess earnings and TRCI construction project management savings (This was a one-time fund shift that would 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 elimination of 10 inspection positions (7.80 FTE) at the new intake center and women's prison;
- $1,129,313 and elimination of eight 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 elimination of seven 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 postponement of the need for eight positions (1.36 FTE) based on the assumption that the Lakeview 400-bed work camp would 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 postponement of the need for four positions (0.76 FTE) based on the assumption that the 250 minimum custody expansion beds at SCCI, PRCI, and SFFC would not operate until 2003-05; and
- $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 included:
- $2,552,824 for debt service on new projects that would be financed for the 2001-03 biennium;
- $154,159 and one position (1 FTE) to establish a correctional counselor that would provide transition and release coordination services at SRCI; and
- $153,998 and one position (1 FTE) to establish a correctional counselor that would provide transition and release coordination services at the new women's prison.

The recommended budget included $2,391,588 Other Funds for financing costs on $110,145,000 in sales of certificates of participation.

Legislatively Adopted Budget

The Legislature approved a budget of $106.7 million General Fund, $129.5 million total funds, and 83 FTE. The General Fund support is nearly reduced 3% when compared to 1999-01 estimated expenditures, but the overall program funding is increased by 11 percent. Although the Legislature generally approved the changes recommended by the Governor, the adopted budget reduced the Governor's printed budget for this unit by approximately $5.6 million General Fund.

Specifically, the adopted budget:
- Reduces $3,257,957 General Fund based on refinancing COPs sold to construct the CCCF.
- Reduces $1,834,808 General Fund based on delayed sale of a portion of the COPs for the Madras facility.
- Reduces $312,092 General Fund based on delayed and reduced sale of COPs for the SFFC, PRCI, and Lincoln County projects.
- Reduces $124,090 General Fund and 1 FTE based on a one-year delay in the hiring of two inspection positions.
- Reduces $153,685 General Fund and $153 Other Funds based on rate adjustments to PERS, DAS, and Secretary of State Audits Division charges.
- Reduces $69,580 General Fund based on increased use of Violent Offender / Truth-in-Sentencing grant funds.
- Reduces $6,489 General Fund for budgeted PERS payments for the first six months of employment for new positions.
- Adds $285,492 General Fund based on use of COPs to finance OWCC conversion to a men's facility. This action reduced 2001-03 General Fund capital construction costs by $1,339,508.
- Adds $188,295 General Fund to correct for a double deduction made during development of the Governor's recommended budget.
- Shifts $300,000 General Fund from other Services and Supplies areas to Telecommunications to address underfunding issues.
- Directs the Department, through a budget note, to centralize management of telephone and telecommunications resources and expenditures.

DOC – Capital Improvement

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,088,216	1,297,826	2,030,272	2,030,272
Other Funds	569,988	1,370,875	0	0
Total	**2,658,204**	**2,668,701**	**2,030,272**	**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 fees. The consultant's report has been updated to include these fees, plus 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 reflected a 23% decrease ($638,429) overall from 1999-01 estimated expenditures, but $700,000 more than necessary to continue current service levels. It provided approximately $2 million General Fund that would be used to fund priority life, health, and safety needs in the Department's existing institutions.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget for this unit.

DOC – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,083,550	0	3,852,000	2,227,000
Other Funds	8,209,902	187,930,514	90,677,038	92,302,038
Total	**15,293,452**	**187,930,514**	**94,529,038**	**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; and improvements or additions to an existing structure, which are 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 by 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 provided $3.8 million General Fund and $90.7 million Other Funds expenditure limitation. Under the recommended budget, the Department planned to finance approximately $114.4 million in proposed projects. The projects included 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 $3.9 million that would be financed through the use of General Fund resources.

Capital construction expenditure authority was needed for only $94.6 million of the projects. The $90.7 million Capital Construction Other Funds expenditure limitation covered 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 $3.9 million General Fund covered 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 related to projects that already have established capital construction authority or to projects where such authority was not necessary. Specifically, it corresponded with two SB 1145 county projects ($11.5 million) and construction-related operational expenses ($8.3 million).

Legislatively Adopted Budget

The Legislature approved a Capital Construction budget of $2.2 million General Fund and $92.3 million Other Funds for new projects. The Legislature generally approved the changes recommended by the Governor; however, the adopted budget:

- Reduces $1,625,000 General Fund budgeted for conversion of OWCC to a men's facility. This conversion is financed with funds derived from the sale of COPs and resulted in $1.3 million in debt service savings. This action required the Legislature to increase the Other Funds Capital Construction limitation by $1.625 million.
- Establishes a $106.8 million supplemental 1999-01 Capital Construction expenditure limitation to allow DAS to complete refinancing of COPs sold for construction of the CCCF. This refinancing generated $3.3 million in debt service savings.
- Extends the expiration date of two previously approved SB 1145 projects to June 30, 2004.

- Combines expenditure limitations for pre-construction activities at Lakeview, Madras, Junction City, and White City to provide necessary management flexibility.

The following table summarizes projects authorized as of 1999-01 and projects approved for 2001-03:

Projects	Number of Beds	Total COP Cost	2001-03 Debt Service
1999-01 & Prior Authorized			
Womens Prison / Intake Center (Wilsonville)	1,304	159,270,000	24,295,103
Snake River Expansion	2,348	168,245,000	25,585,388
SB 1145 Projects (20)	1,301	97,535,000	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	150	6,945,000	1,328,962
SB 1145 Projects - Columbia & Klamath	55	3,440,000	637,280
Sub-Total (Base Debt Service)	**6,794**	**635,157,000**	**94,120,883**
2001-03 Approved			
Madras Men's Medium/Minimum Security Facility	400	58,958,287	708,810
Lakeview Men's Minimum Custody Work Camp	400	27,153,180	1,172,825
SB 1145 Project (Multnomah #2)	150	9,805,861	408,982
Construction, Fiscal Management Staff		8,338,720	582,947
Conversion of OWCC to Men's Facility		1,625,000	285,492
Shutter Creek Expansion - $4,565,571 VOI/TIS Grant	100	-	-
Capital Projects (2) - $2,227,000 General Fund		-	-
Sub-Total (Packages Construction & Debt Service)	**1,050**	**105,881,048**	**3,159,056**
Total	**7,844**	**741,038,048**	**97,279,939**

DOC – Emergency Fund Appropriations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	0	375,148
Total	**0**	**0**	**0**	**375,148**
FTE	0.00	0.00	0.00	0.00

Legislatively Adopted Budget

The Legislature approved a $375,148 appropriation to the Emergency Board for allocation to the Department after the April 2002 prison population forecast, if necessary, for population management issues. These funds were identified and set aside since they correspond to estimated costs to operate additional prison beds resulting from passage of HB 2646 (which expands the crime of assault on a public safety officer) and passage of HB 2918 (which increases the penalties for conviction of crimes related to identity theft, child abuse, and drug offenses involving Ecstasy). If these funds are not allocated to the Department by November 1, 2002, the Emergency Board may use them to meet any other lawful purposes.

Criminal Justice Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	648,282	14,768,616	19,503,298	19,791,212
Other Funds	10,873	68,174	71,337	71,253
Federal Funds		4,037,987	4,020,788	4,019,967
Total	**659,155**	**18,874,777**	**23,595,423**	**23,882,432**
FTE	6.00	11.26	12.50	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. SB 415 (2001) directed the Commission to provide $300,000 to the Law Enforcement Contacts Policy and Data Review Committee so demographic data can be received and analyzed to ensure that law enforcement agencies perform their missions without inequitable or unlawful discrimination based on race, color, or national origin.

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 reason is 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 to (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 was a $4.7 million (25%) increase over the 1999-01 estimated expenditure level. The increase was 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:

- Added $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.
- Added $141,422 General Fund to establish a permanent Planner 3 position (1 FTE) to provide staff to accomplish the Commission's primary duty of developing and maintaining a state public safety plan.
- Added $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.
- Reduced $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.
- Reduced $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.

Legislatively Adopted Budget

The legislatively adopted budget is $19.8 million General Fund, $23.9 million total funds, and 12.50 FTE. It reflects a $287,914 General Fund increase, an $84 Other Funds decrease, and an $821 Federal Funds decrease when compared to the Governor's recommended budget. The Legislature generally accepted the Governor's recommended budget.

Specifically, the legislatively adopted budget modifies the Governor's recommended budget as follows:

- Adds $300,000 General Fund for analysis of law enforcement traffic stops data for evidence of racial profiling. This appropriation was made to support the activities of the Law Enforcement Contacts Policy and Data Review Committee established by Senate Bill 415.
- Reduces $8,053 General Fund based on services and supplies expenditure patterns.
- Reduces $4,033 General Fund, $84 Other Funds, and $821 Federal Funds based on revised rates for Public Employees Retirement System employer contributions, Department of Administrative Services assessments, Attorney General and Secretary of State Audits Division charges, and telecommunications.
- Directs the Commission by budget note to develop recommendations for a state criminal justice policy and comprehensive long-range plan for coordinated criminal justice system. The recommendations are to be available for consideration by the Governor during development of the 2003-05 budgets for criminal justice agencies and for further consideration when the 2003 Legislature reviews policies and budgets for those agencies.
- Directs the Commission by budget note to work closely with the Juvenile Crime Prevention Advisory Committee to strengthen the state's prevention efforts.

Dispute Resolution Commission – Agency Totals

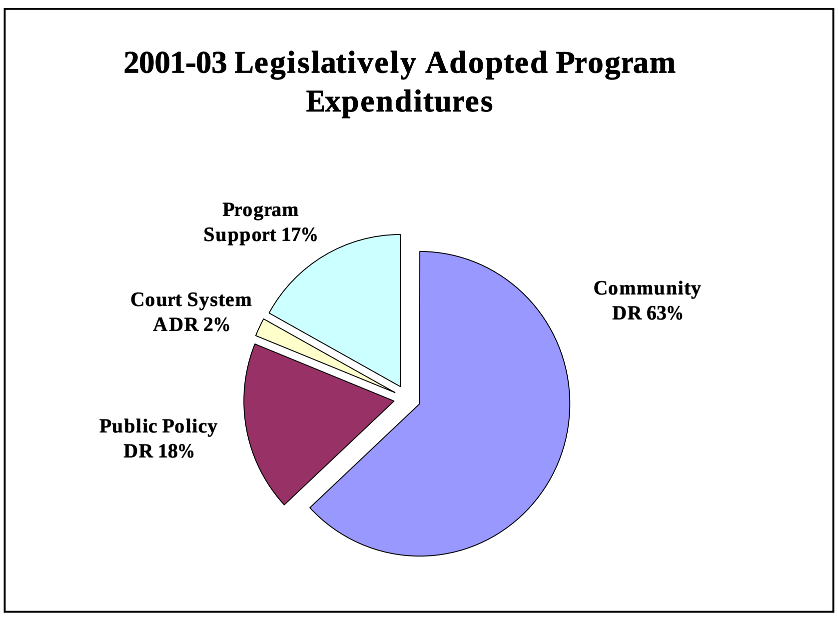
	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	143,651	148,311	119,284	119,284
Other Funds	1,531,439	2,116,383	1,940,457	2,359,219
Total	**1,675,090**	**2,264,694**	**2,059,741**	**2,478,503**
Positions (FTE)	4.00	4.40	4.00	5.00

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 63% 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 in developing 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 18% of expenditures, and is operated under the direction of the Governor's Dispute Resolution Steering Committee. The program is supported by funds received from a surcharge on civil court filing fees. 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 2001 Legislature restructured the program to allocate all public policy program funds through the Commission and to add 2 FTE to work cooperatively with the Department of Justice, the Department of Administrative Services and the Governor's

Office to manage the program. The Legislature eliminated the General Fund support to the program, but provided a one-time General Fund appropriation to assist with the development of a revised structure for delivering these services.

Program Support and Administration is 17% 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 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. The 2001 Legislature eliminated the transfer of this revenue to the Department of Administrative Services and directed the Commission to establish a permanent plan for the delivery of public policy dispute resolution services.

Dispute Resolution Commission Revenue Totals	1997-99 Actual	1999-01 Estimated	2001-03 LAB
Beginning Balance	584,054	821,137	611,604
General Fund	144,966	150,735	0
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)	0
Total	2,497,542	3,068,572	2,721,604

If a county does not use the surcharge for developing a community dispute resolution center within a three-year period, 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.

The 2001 Legislature eliminated the General Fund appropriation for the Public Policy Dispute Resolution Program Coordinator and transferred the position to Other Funds from the filing fee surcharge.

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 provided $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 was to be provided to the Joint Committee on Ways and Means during the next regular session.

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 funded the Commission at the current service level. The budget had a reduction of $29,027 from 1999-01 General Fund expenditures and a reduction of $175,926 from 1999-01 Other Funds expenditures, primarily from the elimination of one-time grant funds. The recommended budget included 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.

Legislatively Adopted Budget

The 2001 Legislature approved the Governor's budget with standard adjustments for rate reductions in Public Employees Retirement System employer contributions and state government service charges, but eliminated General Fund support.

The Legislature restructured the public policy dispute resolution program. The filing fee surcharge that supports the program will no longer be transferred to the Department of Administrative Services to support "cluster coordinator" positions in four separate state agencies. Instead, the Commission was directed to work with its partners to develop a long-term plan to manage the program. Funding for the "cluster coordinator" positions was limited, and the Commission was given authority to determine the best method to deliver these services. Two positions, funded with the filing fee surcharge, were established to support the program. Based on prior legislative direction, the General Fund and 1 FTE that supported the public policy dispute resolution program was eliminated.

The Legislature added several budget notes:

- The Commission was directed to work with the Joint Interim Judiciary Committee on fees or other contributions to support community dispute resolution programs, based on concerns that community dispute resolution centers do not seek appropriate contributions to the cost of their programs.
- The Commission was directed to develop a work plan for the interim delivery of public policy dispute resolution services and to present the plan to the Emergency Board by November 2001. The Department of Administrative Services will unschedule limitation for cluster coordinator positions based on the plan.
- The Commission was directed to develop a permanent structure to deliver public policy dispute resolution services, and to report to the Emergency Board prior to the next legislative session.

The Legislature directed the Commission to ensure that there is a process to monitor and report on the effectiveness of dispute resolution services. The Commission will also need to develop a plan to deal with the potential shortfall in revenue to support dispute resolution programs in the 2003-05 biennium.

District Attorneys & Their Deputies (DAs) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	8,268,142	9,440,187	9,577,366	9,563,857
Total	**8,268,142**	**9,440,187**	**9,577,366**	**9,563,857**
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 are also 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,847,457	6,418,928	6,686,306	6,673,619
Total	**5,847,457**	**6,418,928**	**6,686,306**	**6,673,619**
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 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 and is now about 578,000. 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, but 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 and 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 continued the state’s payment for district attorney salaries and benefits at the current service level.

Legislatively Adopted Budget

The Legislature approved the Governor's budget for DA's salaries and benefits with a $12,687 General Fund reduction due to a rate change for the Public Employees Retirement System employer contribution.

DAs – Deputy Supplements

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 increasing 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 continued the state's supplement for deputy district attorneys at the current service level.

Legislatively Adopted Budget

The Legislature approved the Governor's budget to provide special payments to counties to defray the cost of deputy district attorneys.

DAs – Prosecution Witness Fees

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 continued prosecution witness fees at the current service level.

Legislatively Adopted Budget

The Legislature made no change to the funding level recommended for prosecution witness fees.

DAs – Administrative Expense

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	59,599	594,060	403,181	402,359
Total	**59,599**	**594,060**	**403,181**	**402,359**
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 continued administrative expenses at the current service level.

Legislatively Adopted Budget

The Legislature approved the Governor's budget for administrative expenses, reducing it by only $822 based on a Department of Administrative Services assessment adjustment.

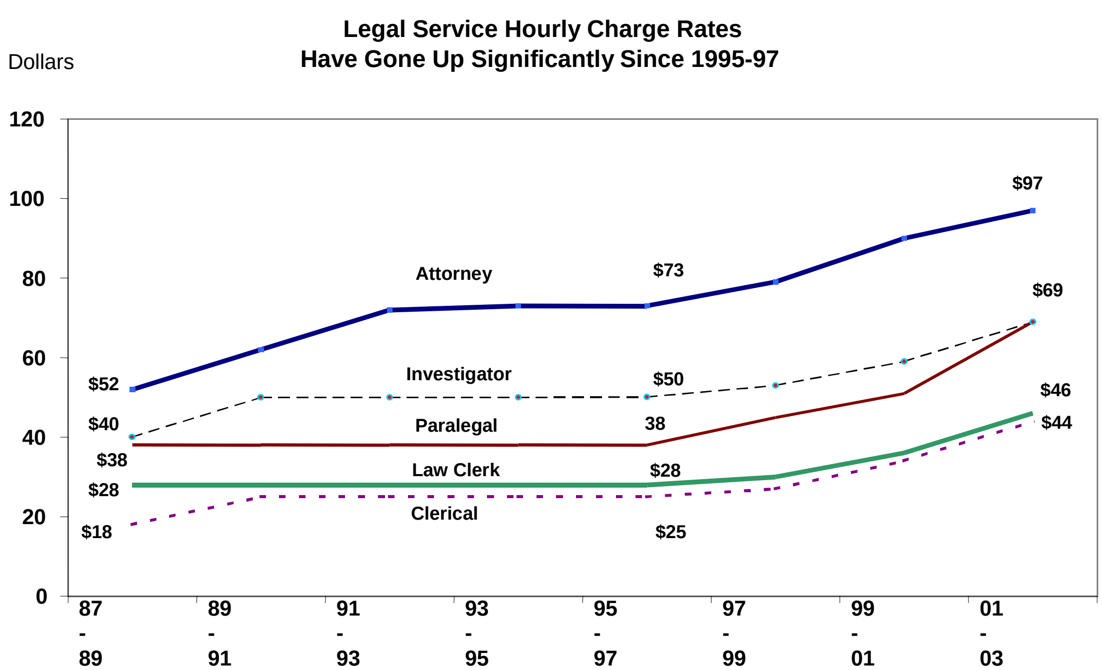
Department of Justice (DOJ) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	11,186,425	13,215,831	18,772,622	24,428,584
Other Funds	120,986,617	157,818,625	173,682,455	177,395,734
Federal Funds	6,211,049	9,419,870	12,703,167	14,384,415
Nonlimited	3,671,791	6,387,336	5,160,000	5,160,000
Total	**142,055,882**	**186,841,662**	**210,318,244**	**221,368,733**
Positions (FTE)	1041.86	1127.53	1,172.78	1,173.04

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 (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 (82%), 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. For 2001-03, the Governor proposed a $16 per hour (from $90 to $106) or 18% increase for attorneys; a $10 per hour (from $59 to $69) or 17% increase for investigators; an $18 per hour (from $51 to $69) or 35% increase for paralegals; a $10 per hour (from $36 to $46) or 28% increase for law clerks; and a $10 per hour (from $34 to $44) or 29% increase for clerical support. The Legislature reduced the hourly rate proposed for attorneys from $106 to $97. Below is a table showing how the rates have changed since 1995 and will 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 and child abuse multidisciplinary intervention activities ($12.2 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 11% 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 partially support two programs – Medicaid Fraud, administered by the Civil Enforcement Division, and the Crime Victims' Compensation Program in the Criminal Justice Division.

Legislatively Adopted Budget

The legislatively adopted budget for the Department changed significantly from the Governor's proposed funding levels. When compared to the Governor's recommended budget, the legislative budget increases $5.6 million General Fund; $3.7 million Other Funds; and $1.7 million Federal Funds. These funding increases are primarily due to the following:

- The hourly-billing rate for attorneys was reduced from $106 to $97 and the Legislature re-invested $2.5 million in anticipated statewide General Fund savings from the hourly rate reduction to eliminate the amount of Criminal Appeals, District Attorney Assistance, and Ballot Titles program funding subsidized through the hourly attorney billing rate.
- $2.5 million General Fund was added to implement a Domestic and Sexual Violence Services Program.
- $479,915 General Fund was added, so the Department could participate in a new multi-agency tobacco tax enforcement task force.
- Criminal Fine and Assessment Other Funds were added based on transfer of the Child Abuse Multidisciplinary Intervention Program from the State Office for Services to Children and Families (SCF).
- Federal Funds were increased based on supplemental grant funds provided for crime victims' services.

Additionally, the Legislature eliminated 18 proposed new positions (11.75 FTE) and adopted budget notes that directed the Department to take steps to improve its cash flow through collection of accounts receivables and implement a client retainer program. The Department and client agencies were also directed to explore potential ways to reduce demand for Attorney General services. Specifically, the Department was directed to increase use of contract / procurement forms, class exemptions from certain legal reviews and lay representatives; work in response to agency requests with certain exceptions; explore the feasibility of using a fee-for-service approach for certain agencies; and explore the possibility of developing a bidding process for outside legal counsel. A description of each DOJ program unit with budget detail follows.

DOJ – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	0	16,546
Other Funds	8,027,815	9,871,667	13,269,936	13,425,688
Total	8,027,815	9,871,667	13,269,936	13,442,234
Positions (FTE)	64.48	72.22	83.72	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 proposed an increase of 34% above 1999-01 expenditures. The budget for this section included program packages that added 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 provided 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 expanded use of the Internet and Intranet. Specifically, the budget:

- Added $1,411,102 Other Funds and established three information specialists and one management analyst position (4 FTE) to modernize the Department's outdated information systems technology.
- Added $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.
- Added $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.
- Reduced $24,480 Other Funds; transferred two office specialist positions (2 FTE) from the DOJ's copy center to the Department of Administrative Services (DAS); and allowed DOJ to purchase printing services.

Legislatively Adopted Budget

The Legislature generally approved the Governor's recommended budget for Administration, but did make changes, which increased the budget by $172,298 total funds. Specifically the adopted budget:

- Adds $16,546 General Fund to cover the Attorney General salary increase provided through passage of HB 2852.
- Adds $17,340 Other Funds to cover the costs associated with reclassification of two existing accounting technician positions that are expected to assume additional duties to implement a client retainer program.
- Reduces $34,866 Other Funds based on rate adjustments for Public Employees Retirement System (PERS) employer contributions and DAS assessments.
- Establishes four information systems positions as limited duration, rather than permanent, since the on-going need for the positions should be reviewed as a part of the 2003-05 budget development process.
- Continues an Information Specialist position for the HIDTA, but keeps it as limited duration, since questions remain about the on-going availability of federal grant funds to permanently support the position.
- Directs the Department, by budget notes, to separately track hardware/software expenses; move the DCS public web server to the DAS data center; evaluate the appropriate number of information system staff needed on a department-wide basis; develop a coordinated plan to meet system security needs; and provide reports on these activities to interim legislative committees on information technology.
- Identifies $597,120 Other Funds as one-time expenses that should not be included in the Department's base budget for 2003-05.

DOJ – Appellate Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	6,436,928	7,966,434	8,798,873	8,769,167
Total	**6,436,928**	**7,966,434**	**8,798,873**	**8,769,167**
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, has been insufficient to cover the total cost of these appeals. Any shortfall in funding has been 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 was projected to be an additional $2 million in the 2001-03 biennium. The cumulative shortfall of $5.4 million translated 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 number of assignments of error. The increased complexity is 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 also 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 maintained services at the current service level, which included adjustments for inflation and increased state government service charges. The budget also added $33,410 Other Funds to reclassify an existing senior attorney position to create an Attorney-in-Charge position.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget, reducing $29,706 Other Funds based on DAS technical adjustments and changes to PERS employer contribution rates, audit charges, telecommunications costs.

DOJ – Civil Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,555,001	678,521	2,019,628	2,222,264
Other Funds	17,104,922	18,831,906	18,417,463	18,652,033
Federal Funds	760,891	900,988	1,061,050	1,669,291
Total	**19,420,814**	**20,411,415**	**21,498,141**	**22,543,588**
Positions (FTE)	107.38	115.67	127.67	132.80

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 penalties 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 number 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 match 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 was 5% ($1.1 million) higher than the 1999-01 estimated expenditures. It provided resources at the current service level adjusted for inflation and other increased costs. It also included four option packages that added 11 positions.

Specifically, the budget:

- Restored $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.
- Added $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.
- Added $439,750 Other Funds to cover the cost of law clerks that are hired as temporary employees to help reduce the billings to agencies.
- Added $568,221 Other Funds and six support positions (6 FTE) to meet workload needs in Financial Fraud (1 FTE), Consumer Protection (4 FTE), and Charitable Activities (1 FTE).
- Added $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.

Legislatively Adopted Budget

The Legislature approved a budget of $22.5 million total funds, an overall increase of $1,045,447 from the Governor's recommended budget. Specifically, the adopted budget:

- Reduces $1,375 General Fund, $25,217 Other Funds, and $1,573 Federal Funds based on PERS employer contribution rate changes.
- Reduces $121,478 Other Funds and two positions (2 FTE) based on revenue limitations in the Consumer Protection and Education Fund.
- Restores $17,174 Other Funds to eliminate an excessive reduction for Attorney General charges taken during development of the Governor's recommended budget.
- Adds $365,600 Other Funds and three permanent positions (2.95 FTE) to provide civil fraud enforcement services based on an interagency agreement with the Construction Contractor's Board.
- Adds $204,011 General Fund, $610,172 Federal Funds, and six positions (4.88 FTE) to increase investigation and prosecution of allegations of Medicaid provider fraud, abuse, and neglect in violation of state or federal law.

DOJ – Criminal Justice

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,023,835	5,664,077	6,614,597	10,483,125
Other Funds	6,083,152	7,649,552	8,610,713	15,232,171
Federal Funds	5,450,158	8,518,882	11,642,117	12,715,124
Nonlimited	3,671,791	6,387,336	5,160,000	5,160,000
Total	**20,228,936**	**28,219,847**	**32,027,427**	**43,590,420**
Positions (FTE)	53.88	64.96	70.88	74.76

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 provided 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. The agency 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 reflected an increase of 13% ($3.8 million) over the 1999-01 estimated expenditures. This increase included 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:

- Added $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 continued three positions (3 FTE) and established two new federally funded positions to provide technical assistance and program oversight. The remaining Federal Funds will be distributed to crime victims' programs.
- Added $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.
- Added $255,804 Other Funds and one position (1 FTE) to make permanent the current senior attorney position that coordinates construction fraud investigation and prosecution.
- Added $100,000 Federal Funds for the Federal Asset Forfeiture program to enhance law enforcement through expenditures on training and equipment.

Legislatively Adopted Budget

The Legislature approved a total funds budget of $43.6 million and 74.76 FTE. When compared to the Governor's recommended budget, it represents a $3.9 million General Fund increase, a $6.6 million Other Funds increase, a $1,073,007 Federal Funds increase, and a 3.88 FTE increase. Specifically, the adopted budget:

- Reduces $255,804 Other Funds and 1 position (1 FTE) based on decisions to phase-out the Interim Construction Fraud Evaluation Unit, pending development of a new CCB-DOJ interagency agreement.
- Reduces $3,303 General Fund, $11,777 Other Funds, and $837 Federal Funds based on PERS employer contribution rate adjustments.
- Adds $2,500,000 General Fund and one position (0.75 FTE) to implement the Oregon Domestic and Sexual Violence Services Program.
- Adds $892,761 General Fund to fully fund District Attorney Assistance activities, thereby eliminating the program subsidy through the attorney hourly charge rate. The funds to cover this increase were derived from statewide savings that will be realized due to the Legislature's reduction of the attorney hourly rate charge from $106 to $97.
- Adds $6,486,781 Other Funds and two positions (1.50 FTE) to shift the funding for operation of the Child Abuse Multidisciplinary Account from the State Office of Services to Children and Families.
- Adds $1,074,299 Federal Funds based on increased availability of crime victims' assistance grant funds.
- Adds $403,977 Other Funds and three positions (2.63 FTE) so the Department can assume responsibility for investigating certain types of Social Security fraud. This program is 100% federally funded in the Department of Human Services Vocational Rehabilitation Division.

DOJ – General Counsel

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	21,487,969	27,259,125	31,819,428	30,318,367
Total	**21,487,969**	**27,259,125**	**31,819,428**	**30,318,367**
Positions (FTE)	134.53	162.50	175.00	166.75

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; 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 was 17% over 1999-01 expenditures. It continued services approved in the 1999-01 biennium, adjusted for inflation and other increases, and also included two program option packages that added approximately $2 million and 12 new positions (11.50 FTE). Specifically, the budget:

- Added $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.
- Added $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.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended budget by $1,501,061 Other Funds and 8.25 FTE. Specifically, the Legislature made the following adjustments:

- Reduced $841,322 Other Funds and five positions (5.25 FTE) by eliminating three attorneys and two support positions, requiring the Department to utilize existing vacant positions to address business transactions workload.
- Reduced $605,364 Other Funds and three attorney positions (3 FTE) because funding for these positions was not included in the budget for SCF.
- Reduced $48,359 Other Funds based on PERS employer contribution rate adjustments.

DOJ – Trial Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	10,054,478	11,149,993	12,155,357	12,041,207
Total	**10,054,478**	**11,149,993**	**12,155,357**	**12,041,207**
Positions (FTE)	64.71	74.88	76.71	76.21

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 was 9% above the 1999-01 estimate. In addition to adjustments for inflation and other standard increases, the budget included one package totaling $201,788 Other Funds and one senior attorney position (1 FTE) to assist with workload demand created by prisoner litigation.

Legislatively Adopted Budget

The Legislature generally approved the Governor's recommended budget for the Trial Division, reducing it by $92,756 Other Funds and 0.50 FTE based on delayed phase-in of a senior attorney position necessary to address prisoner litigation and by reducing $17,533 Other Funds based on PERS employer contribution rate adjustments.

DOJ – Division of Child Support

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	51,791,353	75,089,948	79,855,789	78,202,205
Total	**51,791,353**	**75,089,948**	**79,855,789**	**78,202,205**
Positions (FTE)	577.88	587.80	587.80	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; in 2001-03, $79.9 million is 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 was 6% ($4.8 million) higher than 1999-01 estimated expenditures. The budget continued services established by the 1999-01 legislatively approved budget increased for inflation and other costs. It also included one policy package which included $1,502,298 Other Funds and continued 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 planned to focus more intensive General Fund collection efforts on behalf of welfare cases.

Legislatively Adopted Budget

The Legislature generally approved the Governor's recommended budget, reducing it by $1,653,584 Other Funds as follows:

- $1,500,000 Other Funds based on expenditure patterns;
- $95,496 Other Funds based on PERS employer contribution rate adjustments; and
- $58,088 Other Funds based on reductions to audit and telecommunication charges.

DOJ – Criminal Appeals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,607,589	6,873,233	10,138,397	11,706,649
Other Funds	0	0	754,896	754,896
Total	**4,607,589**	**6,873,233**	**10,893,293**	**12,461,545**
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's 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 nearly 70%, from 18 to 30 hours. 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's 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's 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 provided $10.9 million, which represented a 58% ($4 million) increase to 1999-01 estimated expenditures. Specifically, the budget:

- Added $1,335,313 General Fund and $154,896 Other Funds to continue to operate the program at current levels. This increase was driven primarily by the increase in the attorney rate from $90 to $106 per hour and general inflation costs.
- Added $3,460,371 General Fund to pay for the cost of defending the State against challenges to individuals' convictions or sentences. This addition allowed the agency to make a $5 reduction in the hourly legal billing rates charged, without depleting limited cash reserves. This allowed the $1.5 million provided by the Emergency Board in June 2000 to continue in the base program budget and provided an additional $1.9 million to cover mandated caseload growth (number of cases, hours spent on cases, and case complexity).

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget for Criminal Appeals and increased the General Fund support based on expenditure patterns by $1,568,252 to eliminate the hourly charge rate subsidy. The funds to cover this increase were derived from statewide savings that will be realized due to the Legislature's reduction of the attorney hourly rate charge from $106 to $97.

Military Department (Military) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	10,443,715	12,856,405	13,741,434	13,719,463
Other Funds	4,362,968	4,005,310	5,950,339	5,995,197
Federal Funds	50,725,620	40,100,539	47,972,838	47,915,453
Total	**65,532,303**	**56,962,254**	**67,664,611**	**67,630,113**
Positions (FTE)	343.55	365.86	367.36	377.24

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 9% 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 requested General Fund to fund debt service on the COPs. The General Fund makes up approximately 20% of the agency's total state budget.

The federal government provides approximately 95% ($391.6 million) of the funding for the Oregon National Guard. However, only a limited portion of these funds ($48 million, or 12% of the Federal Funds) is 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 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 $48 million. The major share of the increase is attributed to $3.7 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 is not maintained. Insufficient 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 was $67,664,611 total funds. This was an increase of 19% over the 1999-01 estimated budget and 15% over the 2001-03 current service level. The recommended budget included reduction options to abolish five positions (5 FTE) in the Administration and Operations program units. The reduction resulted in a $450,067 General Fund reduction to the 2001-03 current service level. Overall, the recommended budget provided $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 was increased a total of $909,479 over the 2001-03 current service level. With the reduction package factored in, the increase was $485,958. The increase in personal services was due to additional federal funding for five positions (5 FTE); an increase in Other Funds for unemployment compensation; General Fund for three additional positions (2.50 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 was increased a total of $3,237,321 over the 2001-03 current service level. The largest share of the services and supplies increase was due to a $3 million increase in federal funds for the Army National Guard facilities operations and maintenance programs. Debt service was increased $261,869 for repayment of Certificates of Participation on the Baker City Readiness Center Construction project.

Legislatively Adopted Budget

The Legislature approved a budget of $67,630,110 total funds and 377.24 FTE. This is a $34,501 reduction to the Governor's recommended budget. The approved budget removes $450,364 General Fund for two office support positions in the agency's financial administration and information management programs and services and supplies associated with facilities operations and maintenance. The budget includes $13.7 million total General Fund, $5.9 million Other Funds, and $48 million Federal Funds. The Legislature restored three positions within the Governor's recommended funding level for the Oregon Military Museum and Army Facilities Maintenance Programs. The Legislature also approved an increase of $56,040 Other Funds expenditure limitation and 6.88 FTE to comply with temporary guidelines. A budget note directs the agency to pursue Other Funds for ongoing operations of the Military Museum. The Legislature approved establishing two positions for facilities operations and maintenance at the Salem Armed Forces Reserve Center and debt service for Certificates of Participation to be funded with General Funds. Also approved is a $4.2 million increase in Federal Funds for program enhancements including five positions, operations and maintenance of Army National Guard Facilities, the equipment refurbishment program, Air Base Security program, and the agency's STARBASE (Science and Technology Academy Reinforcing Basic Aviation and Space Exploration) program.

Military – Administration Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,790,185	4,373,467	4,386,604	4,381,468
Other Funds	646,035	827,695	1,098,707	1,096,355
Total	**3,436,220**	**5,201,162**	**5,485,311**	**5,477,823**
Positions (FTE)	29.21	29.75	26.75	27.75

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 (DAS) 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 Governor, recruitments, terminations, and payroll actions.

Governor's Budget

The Governor's recommended budget was $5,485,311 total funds. The overall Administration Program budget was increased $359,715 or 7% over the 1999-01 estimated budget and slightly over the 2001-03 current service level. The Governor's base budget was reduced $1.2 million to phase out funding for the Tuition Assistance Program. The Legislative Fiscal Office included the Tuition Assistance Program in the current service level. The recommended budget included 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 resulted in a total General Fund reduction in the 2001-03 current service level of $312,953. The recommended budget continued the tuition assistance program at $1,230,000 and one permanent position; provided $65,841 General Funds for state government service charges that are no longer reimbursable by federal funding; and provided $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.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with adjustments to reflect reduced rates for Public Employees Retirement System (PERS) employer contributions, DAS Human Resource Services Division assessments, and Attorney General (AG) hourly charges. The Legislature also adjusted the budget to reflect a fund shift of $1,024 Other Funds to General Funds for the Geographic Information System charges. Together these adjustments total reductions of $5,136 General Fund and $2,352 Other Funds. The Legislature approved restoring a Program Technician position for the Oregon Military Museum and Resource Center to be funded out of the Tuition Assistance Program General Funds until other sources of revenue are identified and received. The Legislature adopted a budget note directing the Department to pursue donations, grants and other sources that will provide ongoing funding for the Oregon Military Museum operations and maintenance.

Military – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,117,294	7,816,620	8,589,723	8,572,931
Other Funds	2,030,515	1,877,601	2,442,721	2,497,175
Federal Funds	29,056,980	35,340,188	39,960,020	39,915,068
Total	**38,204,789**	**45,034,409**	**50,992,464**	**50,985,174**
Positions (FTE)	279.24	286.11	286.61	297.49

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*** (95.50 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 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 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 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. 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 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*** (51.61 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 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 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 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 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 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 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 Army National Guard facilities makes them inefficient and expensive to operate and maintain. The average age of all Army National Guard 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. 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 its 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.

Governor's Budget

The Governor's recommended budget was $50,992,464 total funds, reflecting an increase of $5.9 million or 13% from the 1999-01 estimated budget and $4.7 million or 10% above the 2001-03 current service level. Over $5.5 million of the increase from the 1999-01 estimated budget was for increases in the cost of personal services. The recommended budget included 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 would be further reduction in facilities maintenance, repair, and support to armories. Another decision package reduced expenditure limitation by $56,046 in the Operation Program for government service charges shifting the cost to the Administration Program. The recommended budget increased Federal Fund expenditure limitations by a total of $3,893,783 to fund:

- three positions (3 FTE) in Facilities Maintenance and to implement a Distance Learning Center ($411,407); and
- an increase in services and supplies for facilities operation, maintenance, and repair; equipment refurbishment; Portland Airbase security systems; and Klamath Falls fire protection ($3,482,376).

Also provided in the recommended budget was $688,290 General Fund 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 General Fund was recommended to pay for the sale of certificates of participation approved by the Emergency Board during the interim for construction of the Baker City Readiness Center.

Legislatively Adopted Budget

The Legislature restored two Army Operation Technician positions (2 FTE) abolished in the Governor's recommended budget, shifting the reduction of $137,114 from personal services to services and supplies. The Legislature added $56,040 Other Funds for the establishment of 42 permanent part-time military lease agent positions (5.88 FTE) and one permanent full-time military custodian (1 FTE) to comply with the Employment Relations Board guidelines for temporary employees. The budget was reduced $12,580 General Fund, $1,586 Other Funds, and $44,952 Federal Funds for reductions in the PERS employer contribution rate, the AG hourly charge and the DAS Human Resource Services Division assessment. An additional 1% reduction ($4,212 General Fund) on certain services and supplies was also approved.

Military – Community Support

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	536,236	666,304	765,107	765,064
Other Funds	381,418	1,300,000	2,408,911	2,401,667
Federal Funds	3,118,640	4,209,837	4,306,818	4,294,385
Total	**4,036,294**	**6,176,141**	**7,480,836**	**7,461,116**
Positions (FTE)	35.10	50.00	52.00	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 DAS 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 number 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 who 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 who 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 was $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 included 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.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with adjustments for reductions in the PERS employer contribution rate, the DAS Human Resource Services Division assessment, and the AG hourly charge. The total reduction is $43 General Fund, $7,244 Other Funds and $12,326 Federal Funds.

Military – Capital Improvement/Major Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,305,000	0	0	0
Federal Funds	18,550,000	550,500	3,706,000	3,706,000
Total	**19,855,000**	**550,500**	**3,706,000**	**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 was $3,706,000 Federal Funds for planning, design and construction of the Camp Rilea Bachelor Officer Quarters.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget.

Board of Parole and Post-Prison Supervision – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,752,351	2,852,130	2,959,720	3,217,226
Other Funds	10,367	3,548	3,637	3,637
Total	**2,762,718**	**2,855,678**	**2,963,357**	**3,220,863**
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 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 total, 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 number of offenders on parole and post-prison supervision each month 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 underfunding 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 (AG) charges above budgeted levels. In 2001-03, it projected that a $120,000 funding gap would 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 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 data entry and time needed to process orders of parole and post-prison supervision.

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 was an increase of $107,679 (3.8%) from 1999-01 estimated expenditures. The budget continued most activities at current levels. The increase was primarily due to restoration of reductions in AG expenses as well as salary, benefit, inflation, and state government service charge increases. Specifically, the budget:

- Added $119,826 General Fund to restore AG funding to meet expected needs.
- Reduced $43,726 General Fund used to pay for psychological examinations since the Board has instituted a policy that will reduce the number routinely scheduled.
- Reduced $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.
- Reduced $21,490 General Fund used to pay counties that conduct parole violation hearings since the number being performed has continued to decrease.
- Reduced $15,055 General Fund used to pay LEDS terminal leasing fees since the Department of State Police phased out LEDS terminals on July 1, 2001.

Legislatively Adopted Budget

The legislatively adopted budget is $3.2 million, which is a 12.8% increase from the 1999-01 estimated expenditures. The budget will allow the Board to continue to provide all current services and implement the revised criminal appeals process established by passage of HB 2348. This legislation requires Board administrative review procedures to be exhausted before an appeal can be filed; provides for quick disposal of meritless appeals; and re-establishes the right of all offenders to appeal Board decisions with the Court of Appeals. To implement HB 2348, the Legislature shifted $286,609 General Fund from the Department of Corrections to the Board, since the writs of habeas corpus will now list the Board as the defendant. The Legislature added $2,070 General Fund to cover the costs of additional psychological evaluations of sexually violent offenders required by passage of HB 2328 (1999), since it was left out of the Governor's recommended budget. The Legislature also reduced $31,173 General Fund from the Governor's recommended budget due rate reductions for Public Employees Retirement System employer contributions, AG billings, Department of Administrative Services assessments, Secretary of State Audits Division charges, and telecommunications charges.

Department of State Police (OSP) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	147,111,520	167,149,931	175,305,120	183,915,108
Lottery Funds	0	3,303,064	3,416,271	4,722,074
Other Funds	58,714,684	63,587,818	71,256,288	121,796,275
Federal Funds	30,099,264	67,329,464	66,305,246	66,536,788
Nonlimited	84,995,919	70,142,870	65,594,117	21,359,947
Total	**320,921,387**	**371,513,147**	**381,877,042**	**398,330,192**
Positions (FTE)	1380.74	1466.59	1396.19	1444.31

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.

Legislatively Adopted Budget

The Legislature adopted a total funds budget of $398.3 million, which is 7.2% above 1999-01 estimated expenditures and $16.4 million above the Governor's recommended budget. The General Fund and Lottery Funds budget of $188.6 million is a 10.7% ($18.1 million) increase over 1999-01 estimated expenditures. Part of the increase is the result of using General Fund to offset the loss of revenue from the Criminal Fines and Assessment Account (CFAA), expired federal grants, and restrictions of the use of Highway Trust Funds. Costs also increased due to arbitration awards, rent increases, the establishment of a new tobacco tax enforcement task force, and other operating cost increases.

The Legislature redirected the Department's use of $8 million General Fund to restore unacceptable reductions made in the Governor's recommended budget. The redirected funds were derived primarily from existing services and supplies as well as capital outlay funding, implementation of a management reduction plan, elimination of a district office, and salary adjustments for vacant positions. The Legislature used these savings to restore 30 criminal detectives and 16 patrol troopers eliminated in the Governor's recommended budget.

The Other Funds budget of $121.8 million is a 91.5% increase over 1999-01 Other Funds estimated expenditures. The Legislature increased the Governor's recommended Other Funds budget by $50.8 million. This increase resulted primarily because the Legislature updated the 9-1-1 telephone tax revenue estimates and transferred all 2001-03 expenditures ($56 million) from non-limited to limited expenditure accounts. This $56 million increase was partially offset by a $6 million reduction when funding for several program services was shifted out of CFAA Other Funds to the General Fund.

The Federal Funds budget of $66.5 million reflects a $3.6 million reduction from 1999-01 estimated expenditures. This decrease resulted primarily from COPS Universal grant reductions that occurred when 80 patrol positions, partially supported through the grants and approved by the 1999 Legislature, were eliminated in the Governor's recommended budget. Additionally, Federal Funds decreased because of closure of Federal Emergency Management Agency (FEMA) disaster-related grants that were awarded in previous biennia.

In summary, the legislatively adopted budget:

- redirects $6 million General Fund to restore 30 criminal detectives and 16 patrol troopers eliminated in the Governor's recommended budget;
- adds $2.8 million General Fund for increased rental costs related to offices, the new communication center, and mountaintop repeater sites;
- adds $2.7 million General Fund to pay an arbitration awarded educational differential;
- redirects $2 million General Fund to restore overtime and training staff reductions as well as address a salary compression issue not funded in the Governor's recommended budget;

- adds $1.3 million Ballot Measure 66 Lottery Funds and $910,019 Department of Fish and Wildlife Other Funds to continue 14 enforcement positions dedicated to the Salmon/Clean Streams initiative eliminated in the Governor's recommended budget;
- adds $1.2 million General Fund to continue 19 patrol officer positions following expiration of federal grant funds;
- adds $1.1 million General Fund to continue six sworn and four non-sworn positions due to revenue reductions from the Department of Transportation, Department of Public Safety Standards and Training, and FEMA;
- adds $1 million General Fund for dispatch center overtime costs and for patrol/criminal field supplies and vehicle operation expenses;
- adds $0.7 million General Fund to continue the sex offender registration program and address new legislation that expands the number of convicted felons required to give blood or buccal samples;
- reduces $4.8 million General Fund through the elimination of 80 patrol officer positions;
- reduces $0.9 million General Fund through the elimination of 7 fish and wildlife officers; and
- reserves $0.9 million General Fund in the Emergency Fund for staffing needs related to a new cigarette tax enforcement task force and felony sample collection effort.

The Legislature also adopted budget notes directing the Department to review and confirm its core mission and highest operational priorities, maintain minimum sworn staffing levels, and take management actions to minimize the impact of any shortfalls on sworn personnel.

OSP – Patrol Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	60,064,218	68,991,441	75,865,225	74,406,738
Other Funds	8,461,045	9,005,498	9,172,182	8,238,650
Federal Funds	2,687,422	2,659,966	1,177,348	1,421,308
Total	**71,212,685**	**80,656,905**	**86,214,755**	**84,066,696**
Positions (FTE)	487.81	492.75	469.59	480.07

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.

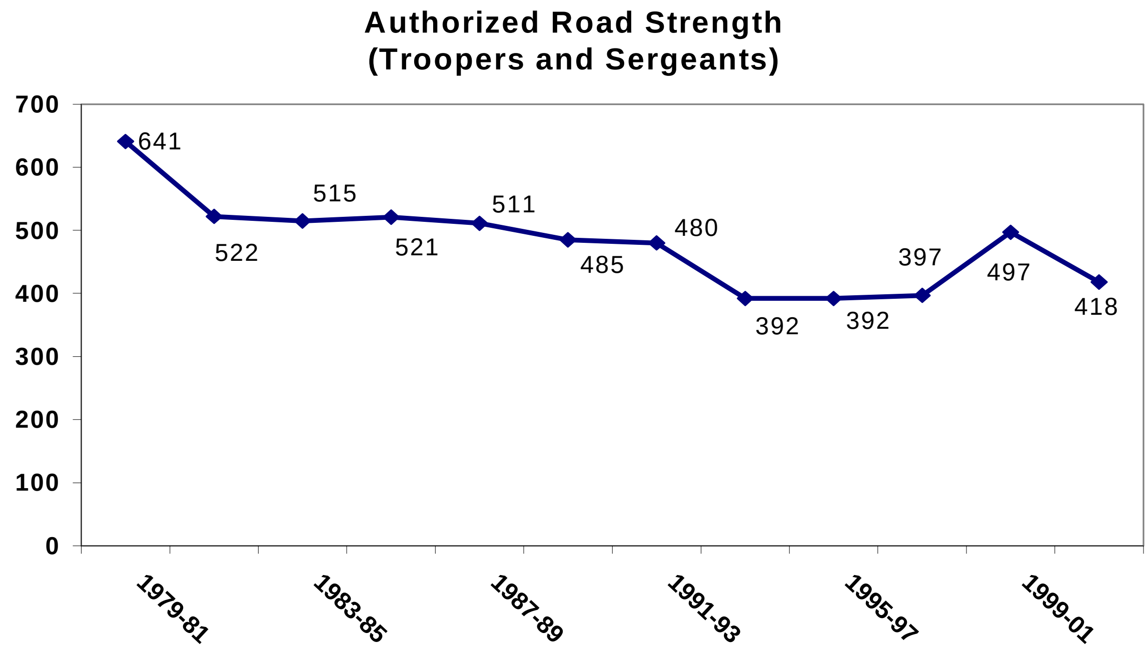
Revenue Sources and Relationships

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). Unitary Fine and Assessment revenue from the Department of Revenue was provided for truck enforcement through 1999-01. Additional Other Funds sources are from: Oregon State University for campus security ($1.6 million); the Department of Administrative Services (DAS) for Capitol Mall Security ($971,700); Legislative Administration Committee for Legislative/Capitol 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 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 have eliminated 96 patrol officers; however, the Legislature was able to restore funding for 16 and transferred one additional officer from Human Resources, leaving a net reduction to road strength of 79 officers.



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 within 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 of 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) was reduced by 2% when compared to 1998 (4,901) and was 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 was 6.8% higher than 1999-01 estimated expenditures and 9% below current service levels. It reduced Patrol Services by eliminating 96 of the 100 troopers approved in the 1999-01 budget period and included a General Fund backfill to continue 25 positions that would have been eliminated due to revenue reductions. Specifically, the budget reduced 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 included:

- $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 was 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 have been eliminated due to a corresponding reduction in the amount of Criminal Fines and Assessment revenues transferred from DPSST.

Legislatively Adopted Budget

The legislatively adopted budget is $3.4 million or 4.2% above the 1999-01 estimated expenditures. It reduces current patrol operations by eliminating 80 of the 100 troopers authorized by the 1999 Legislature. The Legislature significantly modified the Governor's recommended budget. Specifically, the adopted budget:

- Shifts $3,444,630 General Fund from Patrol services and supplies / capital outlay to Criminal Services to restore 30 criminal detective positions (30 FTE).
- Shifts $2,219,263 General Fund in services and supplies / capital outlay to restore 16 patrol trooper positions ($1,899,168) and pay shift differential / overtime expenses ($899,088). This restoration will increase Federal Funds by $800,000 since COPS Universal grant funds are available for the first three years.
- Shifts $1,081,339 to General Fund from Criminal Fine and Assessment Account Other Funds revenue to continue to fund overtime expenses and three permanent full-time trooper positions (2.95 FTE) that provide commercial vehicle truck enforcement.
- Shifts $137,501 from General Fund to Other Funds based on duties assigned and actual manner in which position continues to be funded.
- Shifts $36,601 General Fund, $503,523 Other Funds, and $183,005 Federal Funds from personal services to services and supplies, eliminating 30 positions (6.52 FTE) to pay for temporary staff.
- Adds $311,219 General Fund for an educational differential required by an arbitration award.
- Adds $329,161 General Fund to address vehicle operations, field supplies, and uniform expenditure patterns.
- Adds $294,140 General Fund and one position (1 FTE) to address sergeant salary compression issues and transfer one sergeant from Human Resources.
- Reduces $333,533 General Fund based on identification of 12 vacant positions budgeted above second step.
- Reduces $137,675 General Fund, $16,913 Other Funds, and $968 Federal Funds based on rate adjustments for Public Employees Retirement System (PERS) employer contributions, DAS assessments, Secretary of State Audits Division charges, and telecommunication charges.

OSP – Criminal Investigative Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	18,862,166	19,690,587	17,271,002	22,101,636
Other Funds	3,472,691	4,148,895	3,012,165	2,444,572
Federal Funds	359,894	1,070,951	1,175,704	1,174,386
Total	**22,694,751**	**24,910,433**	**21,458,871**	**25,720,594**
Positions (FTE)	145.75	151.16	113.40	141.25

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 was scheduled to sunset July 1, 2002. The 2001 Legislature repealed the sunset provision.

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 in the future. 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 was 13.6% lower than 1999-01 estimated expenditures and 14% below current service levels. It significantly reduced investigative services. Specifically, the budget reduced General Fund by:

- $3,487,585 and eliminated 30 detective positions (30 FTE) to meet the Governor's budget reduction targets. This eliminated a gang unit and reduced agency involvement in multi-disciplinary teams that focus on drug enforcement and major crimes. It would 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 included:

- $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 were established with funds freed up by abolishment of a sworn detective position.

Other Fund and Federal Funds reductions included:

- $659,793 Other Funds and two positions (2 FTE) based on anticipated revenue reductions resulting from passage of Ballot Measure 3 (2000).
- $417,969 Other Funds and four positions (4 FTE) due to insufficient sex offender registration fee revenue. If authority to collect a registration fee were not extended, an additional two positions (2 FTE) and $174,998 Other Funds would have been 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 included:

- $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 was 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.

Legislatively Adopted Budget

The legislatively adopted budget is $25.7 million or 3.25% above the 1999-01 estimated expenditures. It enhances current criminal operations by setting aside funds to add five new positions in support of a new cigarette tax enforcement task force. The Legislature significantly modified the Governor's recommended budget, increasing it by $4.2 million and 30 positions. Specifically, the adopted budget:

- Restores 30 criminal detectives (30 FTE) with $3,480,270 General Fund shifted from the Patrol services and supplies/capital outlay budget. Redirects use of $630,000 General Fund to equip the restored positions.
- Reserves $703,336 General Fund in a special purpose appropriation to the Emergency Fund in support of a new multi-agency tobacco tax enforcement task force. The Department plans to add a sergeant, three detectives, and an administrative support specialist to fulfill its responsibilities.
- Adds $446,731 General Fund and four positions (4 FTE) based on passage of SB 370, which lifted the sunset on the Sex Offender Registration program. Registration fee revenue does not cover program costs.
- Adds $191,527 General Fund to cover costs to implement an educational differential based on an arbitration award.
- Adds $170,839 General Fund to address vehicle operations, field supplies, and uniform expenditure patterns.
- Adds $57,848 General Fund to address sergeant salary compression issues.
- Reduces $148,387 General Fund and $148,387 Other Funds to implement a management reduction that requires elimination of one lieutenant position and reduction of a second lieutenant position to a trooper.
- Shifts $41,364 General Fund and $128,103 Other Funds from personal services to services and supplies, eliminating six positions (2.15 FTE) to budget appropriately for the use of temporary employees.
- Reduces $35,890 General Fund, $5,202 Other Funds, and $1,318 Federal Funds based on rate adjustments for PERS, DAS, Audits Division, and telecommunication charges.
- Reduces $35,640 General Fund based on identification of eight vacant positions budgeted above second step.
- Reduces $414,004 Other Funds and three positions (3 FTE) based on elimination of the Interim Construction Fraud Evaluation Unit and reduced funding from DHS for Child Fatality Team support position.

OSP – Forensic Services and Medical Examiner's Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	18,145,387	21,450,959	23,443,092	26,697,804
Other Funds	6,783,137	7,895,979	9,499,758	7,720,488
Federal Funds	1,222,241	160,534	0	0
Total	**26,150,765**	**29,507,472**	**32,942,850**	**34,418,292**
Positions (FTE)	166.05	196.34	206.87	210.99

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 legislatively adopted budget for the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Forensics Services	24,379,562	7,696,428	-	32,075,990	203.99
Medical Examiner's Office	2,318,242	24,060	-	2,342,302	7.00
TOTAL	**26,697,804**	**7,720,488**	**-**	**34,418,292**	**210.99**

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). Through 1999-01, Other Funds were received from the Unitary Assessment to fund forensic bench chemists ($3 million). 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 evidence submissions to this Division were 2,798 per month from June 1999 to June 2000. This represents an 8% increase when compared to the 2,586 monthly 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 continues to work with DAS to identify 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 in the near future.

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 and Science 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 determined that unitary assessment revenue would no longer 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 reflected an 11.6% overall increase from 1999-01 estimated expenditures. The budget maintained Medical Examiner Services at the current service level and enhanced Forensic Service capability. A total of 11 new forensic positions (9.74 FTE) were added. Specifically, the budget reduced General Fund by:

- $550,000 and eliminated 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 included:

- $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 included:

- $28,091 reduction based on updated workload projections from the Teacher Standards 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.

Legislatively Adopted Budget

The legislatively adopted budget is $4.9 million or 16.6% above the 1999-01 estimated expenditures. The Legislature generally approved the changes recommended by the Governor, however, the Legislature made several adjustments. It increased the budget by $1,475,442 and 4.12 FTE based primarily on legislation passed that increases the number of felons required to provide blood or buccal samples and increases the number of criminal records checks that organizations can request. Specifically, the adopted budget:

- Shifts $3,041,631 to General Fund from Criminal Fine and Assessment Account Other Funds revenue to continue to fund forensic lab analysis and maintenance of forensics/implied consent equipment.
- Adds $400,000 General Fund and two positions (1.49 FTE) to phase-in implementation of HB 2664, which expands the number of DNA samples collected and analyzed for convicted felons.
- Adds $18,000 General Fund, $1,349,601 Other Funds, and six positions (4.50 FTE) to implement HB 2884, which authorizes certain businesses and organizations to request criminal record checks to evaluate potential employees, contractors, or volunteers.
- Reduces $109,983 General Fund based on actual experience implementing an educational differential.
- Reduces $53,703 General Fund based on identification of nine vacant positions budgeted above the second step.
- Reduces $41,233 General Fund and $12,791 Other Funds based on rate adjustments for PERS, DAS, AG, Audits Division, and telecommunication charges.
- Reduces $144,761 Other Funds and 1.87 FTE based on delayed hiring of four positions that will address identification services workload.

OSP – Fish and Wildlife

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,379,559	5,805,187	4,907,407	4,830,327
Lottery Funds		3,303,064	3,416,271	4,722,074
Other Funds	14,604,498	13,563,579	12,374,279	13,762,252
Federal Funds	489,196	177,847	286,674	286,315
Total	**19,473,253**	**22,849,677**	**20,984,631**	**23,600,968**
Positions (FTE)	133.08	129.99	114.08	126.75

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 expects 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 Funds 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 - six positions); the Marine Board ($0.4 million - three positions); and Ballot Measure 66 Lottery Funds ($1.2 million - eight positions), coupled with elimination of the Clackamas/Sandy River Stewardship Fund ($180,000 - one position). In total, these revenue reductions may prompt reduction of 18 officers. The Department was 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). Protection 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 reflected an 8.2% overall decrease from the 1999-01 estimated expenditures and a 10% reduction from current service levels. It eliminated 21 full-time and 15 seasonal sworn positions (25.66 FTE). Specifically, the budget reduced General Fund and Lottery Funds as follows:

- Reduced $1,051,697 Lottery Funds and eliminated seven sworn positions (7 FTE) due to Measure 66 revenue shortfalls.
- Reduced $943,246 General Fund to eliminate seven sworn positions (7 FTE).
- Reduced $222,659 General Fund and one position (1 FTE) to transfer a King Air pilot to Human Resources.
- Reduced $130,887 General Fund to adjust for under-filled positions.
- Reduced $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 included:

- $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 included:

- $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 included:

- $398,697 to maintain three positions (3 FTE) based on an increase in the amount transferred by the Marine Board.

Legislatively Adopted Budget

The Legislature approved a budget that is $751,291 or 3.3% above the 1999-01 estimated expenditures. The Legislature significantly modified the Governor's recommended budget, increasing the amount of revenue provided from the Oregon Watershed Enhancement Board (OWEB) and the Oregon Department of Fish and Wildlife (ODFW). Specifically, the adopted budget:

- Adds $1,311,782 Ballot Measure 66 Lottery Funds by directing an increased revenue transfer from OWEB to restore seven enforcement positions (7 FTE) eliminated in the Governor's budget.
- Adds $910,019 Other Funds by directing an increased revenue transfer from ODFW to restore seven enforcement positions (7 FTE) eliminated in the Governor's budget.
- Adds $500,000 Other Funds expenditure limitation to appropriately budget for use of temporary staff.
- Adds $61,695 General Fund to address a salary compression issue impacting sergeants.
- Adds $19,606 General Fund to fully cover costs to implement an educational differential arbitration award.
- Reduces $148,387 General Fund and one lieutenant position (1 FTE) based on a management reduction plan.
- Reduces $9,994 General Fund, $5,979 Lottery Funds, $22,046 Other Funds, and $359 Federal Funds based on rate adjustments for PERS, DAS, AG, Audits Division, and telecommunication charges.
- Requires the Department to participate in a multi-agency analysis of the use of state-owned aircraft to ensure that the aircraft are being used efficiently and effectively.

OSP – Human Resource Services, Training, and Criminal Justice Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,576,942	26,048,335	26,769,330	25,685,080
Other Funds	1,732,699	1,632,789	2,876,887	2,573,351
Federal Funds	19,992,333	55,863,438	56,198,129	56,195,312
Total	**47,301,974**	**83,544,562**	**85,844,346**	**84,453,743**
Positions (FTE)	134.73	157.25	154.13	151.13

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 legislatively adopted budget for the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Human Resources	23,042,609	894,181	100,553	24,037,343	125.00
Training	2,642,471	1,679,170	-	4,321,641	16.13
Criminal Justice Services	-	-	56,094,759	56,094,759	10.00
TOTAL	**25,685,080**	**2,573,351**	**56,195,312**	**84,453,743**	**151.13**

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 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 to DAS. This program is run at a General Fund cost of approximately $700,000 per biennium. The Department has expressed interest in pursuing funds derived from the sale of certificates of participation to purchase furniture and equipment for programs scheduled to move into the new emergency coordination center, to replace forensics lab equipment, and to purchase two firearms training systems.

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 maintained the same level of services as approved for 1999-01. The 2.8% overall budget increase from 1999-01 estimated expenditures was primarily due to rental cost increases and debt service costs to purchase communication equipment. The budget reduced 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 DAS.
- $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 included:

- $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 was 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 included:

- $800,000 Other Funds were added based on plans to sell the second King Air in February 2002. These funds were to 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 were reduced due to revenue shortfalls in CFAA revenue.
- $300,000 Other Funds were added for data collection and analysis of race-based policing practices. Funds to support this effort were contingent upon passage of legislation that modifies distribution of CFAA revenues.
- $100,712 Federal Funds and one position (1 FTE) were added to establish an accounting position for the High Intensity Drug Trafficking Area program.
- $21,424 Other Funds were added to implement an education differential based on an arbitration award.
- $18,583 Other Funds and one position (0.13 FTE) were added to re-establish a drug recognition expert oversight position for the remaining three months of an Oregon Department of Transportation grant.

Legislatively Adopted Budget

The Legislature approved a budget that is $0.9 million or 1.1% above the 1999-01 estimated expenditures. However, the adopted budget is $1,390,603 and three positions below the budget recommended by the Governor. Specifically, the adopted budget:

- Reduces $494,946 General Fund provided for debt service based on a legislative decision to fund new emergency coordination and dispatch equipment for the new central communication and coordination center with one-time 9-1-1 telephone tax dollars, in lieu of certificates of participation. These funds were shifted to Information and Communication Management to cover overtime expenses at dispatch centers.
- Reduces $439,934 General Fund and three positions (3 FTE) based on a management reduction plan. A lieutenant and sergeant are eliminated and a sergeant was transferred to patrol.
- Reduces $88,106 General Fund based on identification of 11 vacant positions budgeted above second step.
- Reduces $80,733 General Fund, $3,536 Other Funds and $159 Federal Funds based on rate adjustments to PERS, DAS, AG, Audits Division, and telecommunication charges.
- Adds $15,424 General Fund to address salary compression issues affecting sergeants.
- Adds $4,283 General Fund to cover actual costs to implement an educational differential.
- Shifted $119,539 General Fund from professional services to temporaries to reflect actual expenditures.

OSP – Information and Communication Management and Law Enforcement Data System

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	18,978,440	24,082,115	25,440,880	28,588,018
Other Funds	4,041,557	4,608,633	11,096,405	8,227,739
Federal Funds	144,116	44,259	145,922	139,336
Total	**23,164,113**	**28,735,007**	**36,683,207**	**36,955,093**
Positions (FTE)	153.06	173.64	179.45	177.45

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 legislatively adopted budget and FTE for each of the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Information Resources	24,302,746	2,471,102	139,336	26,913,184	155.45
LEDS	4,285,272	5,756,637	0	10,041,909	22.00
TOTAL	28,588,018	8,227,739	139,336	36,955,093	177.45

Revenue Sources and Relationships

Information and Communications Management Division is mainly supported by the General Fund but 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 has relied on receiving approximately $2.6 million per biennium of unitary assessment revenue to purchase and upgrade computer equipment. If restructuring of the Unitary Assessment allocation methodology or other legislative actions result in reductions or loss of funding for these purchases, 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 is 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. The Department estimates that it needs up to $250,000 General Fund to 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 increased 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 reflected a 27.7% increase from 1999-01 estimated expenditures. The budget growth relied primarily on Other Funds revenue derived from COPs as well as grants and was 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 reduced 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 the Human Resources Division.

General Fund additions to the budget included:

- $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 included:

- $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 planned 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 included:

- $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.

Legislatively Adopted Budget

The Legislature adopted a budget that is $8.2 million or 28.6% above the 1999-01 estimated expenditures. However, the adopted budget increased the Governor's recommended budget by $271,886 total funds. Specifically, the adopted budget:

- Shifts $2,329,444 to General Fund from CFAA Other Funds revenue to continue to fund information technology equipment.
- Shifts $538,331 to General Fund from CFAA Other Funds revenue to continue essential LEDS operations and provide funding for two positions (2 FTE).
- Adds $494,946 General Fund to address dispatch services overtime expenses. These funds were reduced from Human Resources when debt service costs were correspondingly decreased.
- Reduces $184,490 General Fund based on identification of 15 vacant positions budgeted above second step.
- Reduces $45,417 General Fund based on a management reduction plan that reclassified a captain to a lieutenant and reclassified two lieutenants to non-sworn managers.
- Reduces $52,853 General Fund, $891 Other Funds, and $6,586 Federal Funds based on rate adjustments for PERS, AG, DAS, Audits Division, and telecommunication charges.

OSP – Gaming Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	6,862,839	7,823,147	8,122,418	7,675,753
Total	**6,862,839**	**7,823,147**	**8,122,418**	**7,675,753**
Positions (FTE)	48.00	44.75	44.75	42.00

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 expects an increase of approximately 5% to be available to cover the costs of security services provided to the Lottery Commission. 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 refused to pay the tax and filed a challenge in Oregon. The Oregon Tax Court ruled, in Spring 2001, that the tax on telecasts violates the First and Fourteenth Amendments of the US Constitution. This ruling will adversely impact the amount of 6% tax revenue received in 2001-03. As a result, the Department will need to identify alternative funding sources, pursue abolishment of 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 within 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 reflected 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 included two policy packages. One package added $112,530 Other Funds to implement an education differential based on an arbitration award, and the other reduced $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.

Legislatively Adopted Budget

The Legislature adopted a budget that is $147,394 or 1.9% below the 1999-01 estimated expenditures. The Legislature generally approved the Governor's recommended budget; however, it did eliminate three positions. Specifically, the adopted budget:

- Reduces $427,993 Other Funds and eliminates three vacant positions (2.75 FTE). One position was assigned to lottery security and two were assigned to tribal gaming.
- Reduces $18,672 Other Funds based on rate adjustments to PERS, AG, DAS, Audits Division, and telecommunication charges.

OSP – Oregon Emergency Management

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	878,741	1,059,994	1,608,184	1,605,505
Other Funds	1,565,455	1,855,442	1,658,432	57,654,541
Federal Funds	5,204,062	7,352,469	7,103,650	7,102,386
Nonlimited	84,995,919	70,142,870	65,594,117	21,359,947
Total	**92,644,177**	**80,410,775**	**75,964,383**	**87,722,379**
Positions (FTE)	37.00	40.00	34.00	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 the 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 was expected and $1.5 million was included in the OEM legislatively adopted budget for administration of the 9-1-1 program. The tax was scheduled to sunset December 31, 2001, so only $16.5 million in tax revenue was included in the Governor's 2001-03 budget.

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 were considered when the 2001 Legislature decided 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 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 addressed changes in the state match rate for emergency preparedness activities and assumed passage of legislation that lifts the 9-1-1 telecommunications tax sunset. Specifically, the budget:

- Reduced $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.
- Added $361,885 General Fund and $16,669 Other Funds to cover rental cost increases for the new CCCC.
- Added $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 shift reduced $86,936 Other Funds (9-1-1).
- Added $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.
- Added $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.
- Added $175,618 Other Funds, derived from the sale of COPs, to cover CCCC moving and equipment costs.
- Reduced $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.
- Continued 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 would be approved. This same assumption was used to increase Non-limited Other Funds by $33,175,627.

Legislatively Adopted Budget

The Legislature adopted a budget that is $7.3 million or 9% above the 1999-01 estimated expenditures. The Legislature increased the Governor's recommended budget by $11.8 million based almost entirely on passage of legislation that lifted the sunset on the 9-1-1 telephone tax and updated telephone tax revenue projections. The legislation also increases fiscal accountability through compliance audits, requires development of a primary answering point consolidation plan, and establishes a consolidation incentive fund. Specifically, the budget:

- Adds $11,765,830 Other Funds based on passage of HB 3977, which continues the telephone tax for two additional years. HB 3977 limits expenditure of 9-1-1 revenue in 2001-03 to $56 million. The Governor's budget was built on the assumption that $44.2 million would be expended.
- Adds $11,000 Other Funds to cover additional costs that will be incurred based on reclassification of an information systems position.
- Reduces $2,678 General Fund, $3,891 Other Funds, and $12,264 Federal Funds based on rate adjustments to PERS, AG, DAS, audit, and telecommunication charges.

OSP – State Fire Marshal

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	226,067	21,313	0	
Other Funds	11,190,763	13,053,856	13,443,762	13,498,929
Federal Funds	0	0	217,819	217,745
Total	**11,416,830**	**13,075,169**	**13,661,581**	**13,716,674**
Positions (FTE)	75.26	80.71	79.92	80.67

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 planned to pursue a legislative concept to increase fees so revenue would 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 represented a 4.5% increase from 1999-01 estimated expenditures. Fire insurance premium tax revenue limitations prompted the reduction of two deputy fire marshal positions. In all other respects, the recommended budget continued current services. Specifically, the budget:

- Reduced $886,416 Other Funds and two deputy fire marshal positions (2 FTE) due to anticipated fire insurance premium tax revenue shortfalls.
- Reduced $138,375 Federal Funds since a federal grant to study juvenile fire setter behavior were not awarded.
- Added $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.
- Added $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.
- Added $17,568 Other Funds for a DAS- approved selective salary increase for supervising deputy state fire marshals.

Legislatively Adopted Budget

The Legislature adopted a budget that is $641,505 or 4.9% above 1999-01 estimated expenditures. The Legislature generally approved the Governor's recommended budget, making only minor modifications. Specifically, the adopted budget:

- Reduces $27,173 Other Funds and $74 Federal Funds based on rate adjustments to PERS, DAS, AG, audit, and telecommunication charges.
- Adds $82,340 Other Funds and one position (.75 FTE) to implement SB 461, which expands the number of customers eligible to purchase fuel from non-retail facilities.

Department of Public Safety Standards and Training – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	11,945,305	16,070,214	26,365,930	25,399,456
Federal Funds	1,692,122	580,234	210,000	210,000
Total	**13,637,427**	**16,650,448**	**26,575,930**	**25,609,456**
Positions (FTE)	79.56	101.63	109.00	108.37

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 modified the unitary assessment distribution formula based on passage of HB 2877 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 a 9-1-1 telephone tax ($228,216). A traffic safety grant ($75,000) from the Oregon Department of Transportation is expected to continue in 2001-03 and 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 will use Other Funds derived from the sale of certificates of participation to finance the planning, 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 Employment Department 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 11 percent.

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 the Department of Administrative Services (DAS) to evaluate the cost effectiveness of continuing to lease 79,043 square feet of 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 indicated that, based on a facility needs assessment study, a new 328,323 square foot 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 was 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.

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 established a work group, which included legislators, that reviewed the uses of CFAA revenues and developed a legislative concept to 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 1% 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 was $9.9 million (60%) higher than 1999-01 estimated expenditures. The proposed budget reduced the amount of revenue transfer to DPSST from the Department of Revenue by $2.2 million and left DPSST with a $2 million ending balance, which represented approximately two months of operating funds for most programs. The recommended budget continued the basic police course at 10 weeks through the 2001-03 biennium, provided debt service funding for construction of a core training facility, and assumed adoption of two revenue-related legislative proposals. The proposals modified the distribution of CFAA revenues and continued the 9-1-1 telecommunications tax.

Specifically, the budget:

- Added $5.4 million Other Funds for debt service on COPs to be sold for construction of a new core training facility.
- Added $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.
- Added $354,676 Other Funds to establish four positions (4 FTE) to expand distance learning capabilities.
- Added $200,000 Other Funds for production of distance learning materials.
- Added $170,262 Capital Construction Other Funds to establish a project manager (1 FTE).
- Added $150,000 Other Funds for a traffic safety coordinator position (1 FTE) with a grant from the Department of Transportation.
- Added $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.
- Added $50,000 Federal Funds to provide training to fire service professionals with a FEMA federal grant.
- Reduced $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.
- Reduced $1,240,100 Other Funds based on a more accurate projection of the number of student weeks that will occur during 2001-03.
- Reduced $250,000 Other Funds to eliminate a one-time special payment to DAS for facilities planning.
- Reduced $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.
- Shifted $547,921 Other Funds from Fire, Private Security, and the Public Safety Memorial Fund to the Criminal Justice program for central administrative costs.
- Shifted $90,787 Other Funds and one position (1 FTE) from the Private Security Program to an administrative position in the Criminal Justice program.

Legislatively Adopted Budget

The legislatively adopted budget of $25.6 million is approximately 54% above the 1999-01 estimated expenditures and $966,474 less than the Governor requested. The budget addresses debt service and initial capital construction needs for a new core training facility and enhances regional training and distance learning capabilities. The 2001 Legislature did adopt legislation that modified the distribution of Criminal Fine and Assessment revenue and lifted the sunset on the 9-1-1 telephone tax.

The legislatively adopted budget funds the programs at the levels indicated in the following table:

Program Area	Other Funds	Federal Funds	Total	Positions (FTE)
Criminal Justice Training/Certification	22,153,709	160,000	22,313,709	93.37
Fire Training/Certification	1,584,043	50,000	1,634,043	9.0
Private Security	1,019,204	-	1,019,204	6.0
Public Safety Memorial Fund	517,500		517,500	0.0
Capital Construction	825,000		825,000	0.0
Total	26,099,456	210,000	26,309,456	108.37

The Legislature generally accepted the Governor's proposals; however, several adjustments were made. Specifically, the adopted budget:

- Adds $825,000 Other Funds capital construction expenditure limitation for continuation of core training facility planning, design, and siting.
- Adds $6,367 Other Funds to cover the costs to reclassify an accounting technician position.
- Reduces $1,513,375 in Other Funds debt service based on changes in the Criminal Fine and Assessment Account revenue distribution plan and in consideration of the amount of funds needed in 2001-03 to initiate construction of the core training facility.
- Reduces $172,145 Other Funds to adjust salary schedules for seven vacant positions back to the second step of the salary range.
- Reduces $59,451 Other Funds based on rate changes for the Attorney General, Secretary of State Audits Division, DAS assessments, Public Employees Retirement System employer contributions, and telecommunications.
- Reduces $52,870 Other Funds and 0.63 FTE by delaying the hiring of three positions that will be used to increase distance learning capabilities.

Budget notes require the Department to return jointly with DAS to the Emergency Board with a site specific construction proposal that describes all system development charges as well as infrastructure cost estimates and fully responds to various information and evaluation requests. The Department also was directed to form a work group with the State Fire Marshal to develop fire service program funding recommendations.

Oregon Youth Authority (OYA) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	177,443,807	205,768,515	219,663,586	229,468,283
Other Funds	17,414,117	16,900,644	14,139,086	12,126,628
Federal Funds	13,161,452	26,497,312	27,628,120	28,491,704
Total	**208,019,376**	**249,166,471**	**261,430,792**	**270,086,615**
Positions (FTE)	1,194.88	1,233.00	1,224.21	1,279.96

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. In the 2001-03 biennium, it will operate 13 separate facilities with a total capacity of 1,149 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. As of 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 4% 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 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 eligible residential treatment services at a 60% match rate; residential maintenance costs are supported only by General Fund.

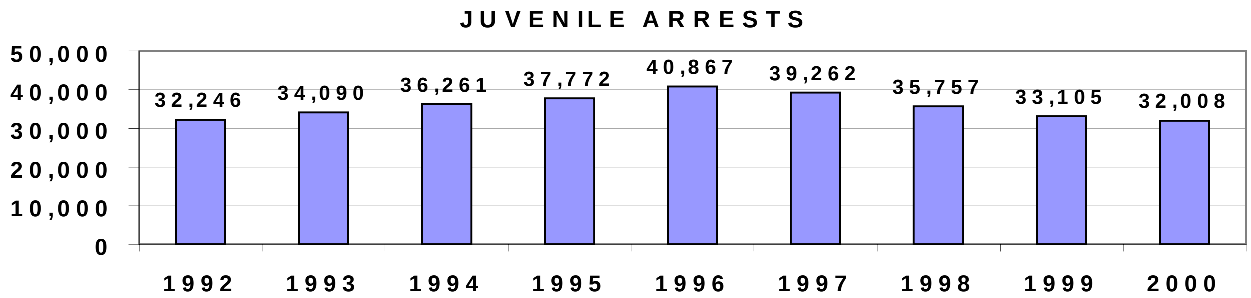
Federal funding generally is not available for juvenile corrections institution operations. However, federal nutrition program funds of $2.6 million supplement meal costs; the alcohol and drug treatment program at Hillcrest gets $110,000 in federal funds. OYA records these as Other Funds.

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. Preliminary 2000 arrest data shows a drop of more than 20% from the 1996 peak. Behavioral crimes, such as alcohol or drug law violations, now make up a greater share of arrests. Behavioral crimes grew from about one-third of all arrests in 1992 to one-half of the 2000 arrests. Person and property crimes have actually declined since 1992.



The Department of Administrative Services' Office of Economic Analysis prepares a juvenile close custody population forecast every 6 months. The April 2001 forecast predicts juvenile arrest rates will increase over 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 1,118 on July 1, 2001, growing to 1,199 at July 1, 2003. The juvenile facility population is expected to level out at about 1,370 beginning in 2009, assuming no change in current law and practice.

OYA currently has physical capacity for 1,149 close custody beds. The 1,149 total counts all beds at the permanently constructed facilities, and temporary structures built at Hillcrest and MacLaren in 1995-97. OYA could meet forecasted close custody growth by expanding its current facilities. Remodeling at Hillcrest could add 50 beds. Also, the regional facilities were built so that up to 7 additional "pods" of 25 beds each could be added as needed. If Hillcrest and the regional facilities were fully built out, that would add 225 beds, for a total of 1,374 state facility beds.

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 started up in the 2000-01 fiscal year and had no significant data to report for 2001-03 budget development.

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 will 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 42.8% for fiscal year 1993-94, when 465 youth were released, and has dropped to 32.1% for the 598 youth released in fiscal year 1998-99. The rate has fluctuated but trended downward overall, although the number of youth in close custody has grown significantly over the past three biennia.

Other close custody measures track attendance in school programs, educational achievement and unauthorized absence. OYA shows steady improvement in school program attendance, with an average 96.5% rate in 2000, compared to an average 86.3% rate in 1996. However, educational achievement, measured as GEDs, high school diplomas and certificates of completion, has not made as much progress. OYA reports 208 youth completed a program in 2000, compared to 213 youth completing in 1996. Unauthorized absences have dropped from an average of 0.8% for 1996 to 0.6% in the second quarter of 1999.

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 was 6.8% General Fund and 4.9% total funds higher than 1999-01 estimated expenditures. The major elements of the increase were:

- 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).
- Addition of nursing staff with mental health backgrounds in the regional facilities ($1.4 million General Fund).

These increases were 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 based on the October 2000 close custody population forecast. The reductions would affect facilities, community programs, and administration as follows:

- 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).
- Reduce facilities operations and agency administrative costs ($670,000 General Funds, $7,000 Federal Funds).

Legislatively Adopted Budget

The legislatively adopted budget is 11.5% General Fund and 8.4% total funds higher than OYA's 1999-01 estimated expenditures. The Legislature approved the enhancements proposed in the Governor's budget for the JJIS system and mental health nursing positions, and authorized position authority for on-call relief and medical services in the close custody facilities.

The Legislature also added funding to:

- Restore 50 youth accountability camp beds at Tillamook, and phase in 50 close custody beds at the La Grande facility as needed for population growth ($4.7 million General Fund). With the lower April 2001 population forecast, the budget funds all but 30 beds, on average, of the forecast close custody need.
- Continue the Multnomah County gang intervention efforts ($3.15 million General Fund).
- Bring funding for county diversion grants, foster and residential care, individualized services for youth, and parole and probation staff to within 4.3% of current service level funding ($2.1 million General Fund).
- Fund the Deschutes County pilot project for 16 beds at OYA's average daily bed rate ($103,840 General Fund).
- Contract with J-Bar-J Ranch for services for adjudicated youth ($100,000 General Fund).

Other budget adjustments are described in the more detailed program unit narrative below.

OYA – Community Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	56,353,750	71,812,881	75,346,816	80,666,769
Other Funds	3,794,118	1,253,771	1,537,814	1,582,924
Federal Funds	11,088,708	24,949,080	26,144,664	27,010,848
Total	**71,236,576**	**98,015,732**	**103,029,294**	**109,260,541**
Positions (FTE)	155.04	168.50	164.29	169.79

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

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.

Since the mid-1980s, the state has also contracted with counties to operate community programs to divert youth from state facilities. In the 1999-01 biennium, 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 juvenile crime prevention grants and county 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 last two years of its original six-year demonstration period. The pilot project receives funding that would otherwise be used for OYA secure institutional beds to locally manage 16 beds for juvenile offenders. Any demonstrated savings can be used for local prevention and intervention services. Senate Bill 384 (2001) extended the demonstration period through June 30, 2005. An independent evaluation of the project's results and outcomes is to be submitted by June 30, 2002. The pilot project is also required to have an audit by the Secretary of State Audits Division by June 30, 2002, with a report on the findings by December 1, 2002.

Governor's Budget

The Governor's budget was 4.9% General Fund and 5.1% total funds higher than 1999-01 estimated expenditures. It included $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 included $1.8 million Federal Funds to be distributed to those counties.

The proposed budget was 10% General Fund and 9.1% total funds lower than current service level estimates. The budget eliminated General Fund support for Multnomah County gang programs ($3.4 million General Fund), and cut 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 ($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 services and supplies budget for community programs was reduced by $57,000 General Fund and $2,000 Federal Funds.

Legislatively Adopted Budget

The adopted budget is 12.3% General Fund and 11.5% total funds higher than 1999-01 estimated expenditures. It funds the full biennium rollout of the juvenile crime prevention basic services grants. The Legislature also partially restored the other proposed program reductions. Multnomah County will get $3.15 million General Fund for gang intervention efforts. A total of $2,068,378 General Fund, $45,269 Other Funds, and $796,447 Federal Funds was added back to fund county diversion grants, foster care and residential care, individualized youth services, and parole and probation staff at 4.3% below current service level estimates, within 1% of 1999-01 funding levels. Parole and probation staff will be reduced by 7 positions (6.50 FTE) instead of the 12 positions (12 FTE) in the Governor's budget.

The budget includes a total of $1,626,790 General Fund for the Deschutes County pilot program. This covers 16 beds at the equivalent of OYA's average daily rate of $139.28. An additional $100,000 was approved for services at the J-Bar-J Boys Ranch, a residential and academic facility for adjudicated adolescents.

Technical adjustments were made for changes in the Public Employees Retirement System (PERS) employer assessment and updated federal Medicaid match rate estimates.

OYA – Facilities

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	106,894,720	123,895,748	127,090,279	131,686,934
Other Funds	2,019,991	7,242,811	9,001,409	8,994,514
Federal Funds	1,414,402	800,551	747,893	748,834
Total	**110,329,113**	**131,939,110**	**136,839,581**	**141,430,282**
Positions (FTE)	970.97	1,003.00	992.42	1,042.67

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. For 2001-03, OYA will operate facilities at Hillcrest in Salem, MacLaren in Woodburn, Grants Pass, Warrenton, Prineville, Albany, Burns, Tillamook, Florence, Corvallis, and La Grande. There is a total 1,149 bed capacity in OYA facilities, including temporary structures at Hillcrest and MacLaren. Until August 2001, OYA also leased 32 beds at the Multnomah County facility.

The regional facilities and the Tillamook and La Grande facilities are newly constructed within the last 4 years. Hillcrest, MacLaren, and the four 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 April 2001 forecast projects that the close custody population will be at 1,118 on July 1, 2001, growing to 1,199 at July 1, 2003. This is a growth rate of 2.9% in 2001-02 and 4.3% in 2002-03. The July 2003 number assumed 16 beds that are now managed in the Deschutes County pilot project, which was scheduled to sunset in June 2003, would revert to OYA close custody facilities. The 2001 Legislature extended that sunset to June 2005, pending an audit and evaluation of the pilot project.

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 1,370 beginning in 2009, assuming no change in current law and practice.

OEA has adjusted its short-term forecast downward 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 1,118 bed forecast for July 2001 is 85 beds (7.1%) lower than the April 1999 forecast.

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 1999-01 biennium, close custody needs were below the initial forecast level, but 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 was 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 funded close custody population growth as predicted in the October 2000 population forecast, except for 150 youth accountability camp beds. This reduction cut $12.8 million General Fund and 93 positions (92 FTE).

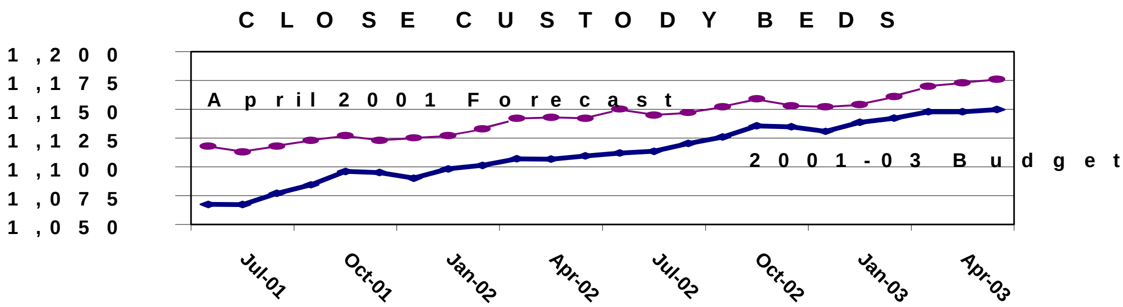
The budget also anticipated cost savings in three other areas:

- Termination of a contract with Multnomah County for 32 leased beds, moving those youth to other OYA facilities ($741,000 General Fund). The Multnomah County beds were the most expensive, highest-security beds in OYA's system.
- Charging of eligible snack costs in the facilities to federal nutrition funds ($348,276 General Fund savings, $9,657 Other Funds increase).
- Reduction in facilities operations costs by adopting "best practices" system-wide and reducing services and supplies ($557,000 General Fund, $2,000 Federal Funds).

To improve the agency's capacity to deal with the mental health needs of youth in OYA's custody, the Governor's budget added 15 positions for nurses with mental health backgrounds for the five regional corrections facilities. This would provide coverage for two shifts per day, seven days a week, at a cost of $1.4 million General Fund. The budget also converted some existing funding for temporary employees to funding for 40 new permanent part-time positions (10 FTE). The new positions were to help cover for unscheduled absences or other short-term staffing needs.

Legislatively Adopted Budget

The adopted budget for OYA's facilities is 6.2% General Fund and 7.2% total funds higher than 1999-01 estimated expenditures. The Legislature added $4,741,194 General Fund to bring the budgeted close custody beds to a monthly average of 1,113 beds over the biennium. This is within 30 beds, on average, of the April 2001 forecast. The following chart compares the budgeted bed level and the April 2001 forecast level:



The 50 beds at the Tillamook youth accountability camp will be open for the full biennium. OYA will phase-in 50 beds at the River Bend facility in La Grande as needed, estimated at 25 beds in December 2001 and 25 beds in March 2002. The budget restores 35 positions (37.50 FTE) for these facilities. With these restorations, OYA will have budgeted capacity for all Measure 11 and mandatory sentence offenses, but local communities will need to manage some lower level offenders they would otherwise have committed to OYA.

The budget also includes the nurse staffing and on-call position authority recommended in the Governor's budget. In addition, 16 positions (12.75 FTE) were approved within existing funding to replace previous limited duration positions and contracts for medical and dental services in the youth correction facilities.

The proposed disappropriation of funds for 32 rented beds at the Multnomah County Donald Long facility was accepted. The rental agreement will end effective August 1, 2001. Funding was approved to cover rent during July 2001 to allow adequate time to move all the youth to other OYA facilities ($30,875 General Fund).

Technical adjustments were made for the PERS employer assessment and federal Medicaid match rate.

OYA – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	11,573,015	9,858,667	17,020,242	16,908,331
Other Funds	3,176,942	7,592,094	3,234,563	1,183,890
Federal Funds	658,342	747,681	735,563	732,022
Total	**15,408,299**	**18,198,442**	**20,990,368**	**18,824,243**
Positions (FTE)	68.87	61.50	67.50	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 was 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 shifted $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 added $1.7 million General Fund and $76,363 Federal Funds to replace four temporary staff positions with permanent positions, add two new positions and fund contract services to support JJIS's on-going operations. OYA was expected to save $56,000 General Fund and $3,000 Federal Funds from administrative reductions.

Legislatively Adopted Budget

The legislatively adopted budget is 71.5% General Fund and 3.4% total funds more than 1999-01 estimated expenditures, primarily due to the JJIS package described above. The budget was reduced for Secretary of State Audits Division, Department of Administrative Services Human Resource Services Division, Attorney General and long-distance telecommunications assessments and rates. The budget also adjusts for the lower PERS assessment and federal Medicaid match changes. Out-of-state travel was cut 1% ($368 General Fund, $16 Federal Funds). Excess expenditure limitation from JJIS development was eliminated ($2,050,673 Other Funds).

OYA – Capital Improvement/Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 provided 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 would allow OYA to address only the most critical items on that list, or emergency items that arise during the biennium.

The budget did not fund any new Capital Construction projects in 2001-03, since the Governor's proposed bed reduction would allow OYA to operate within existing bed capacity during the biennium. However, the October 2000 forecast projected additional space would be needed early in the 2003-05 biennium. The Governor's budget did not include any planning funds for 2001-03.

Legislatively Adopted Budget

The Legislature adopted the Governor's proposed Capital Improvement budget. No Capital Construction funding was authorized, although at the budgeted level the number of close custody beds will exceed current capacity at the end of the 2001-03 biennium. OYA is looking at alternatives to construction to meet future close custody growth. The agency also is to report back to the Emergency Board on any significant changes in the forecast, and could request Capital Construction funding if needed.

ECONOMIC AND COMMUNITY DEVELOPMENT

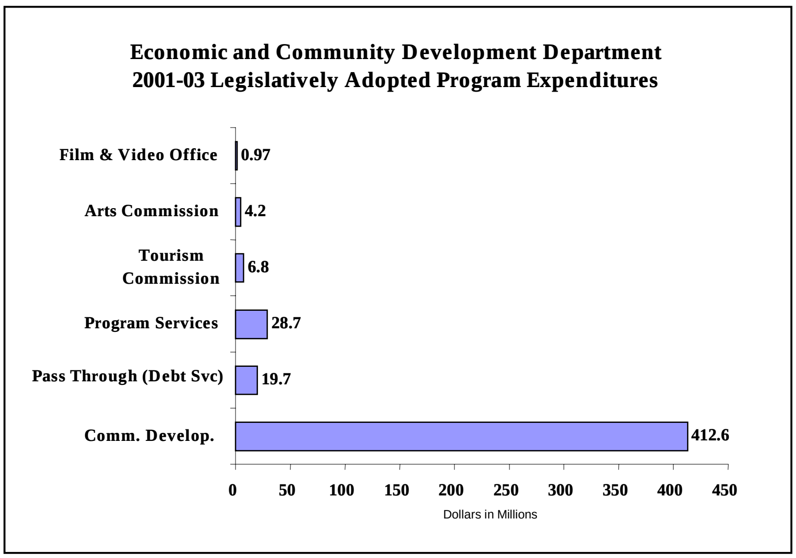
Economic and Community Development Department (ECDD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,405,818	3,582,705	4,867,154	2,742,315
Lottery Funds	53,179,904	62,870,023	84,071,583	85,620,571
Lottery Funds - Carryover	7,683,300	7,441,901	7,441,901	10,775,237
Other Funds	6,149,703	25,778,331	43,550,950	42,034,033
Federal Funds	48,370,401	37,163,309	52,571,218	52,564,689
Nonlimited	57,228,527	98,634,351	339,940,847	279,397,546
Total	**177,017,653**	**235,470,620**	**532,443,653**	**473,134,391**
Positions (FTE)	143.43	144.74	160.00	149.00

The Economic and Community Development Department (ECDD) 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 uses the funds to provide grants, loans and direct and contract services. Program focuses include 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 six 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 grants, loans and contracted services for communities, businesses and ports.
- ***Lottery Pass-Through (debt service)*** was used to account for lottery resources that the Legislature directed be distributed to programs outside of the agency. In the 2001 legislatively adopted budget, this program is used exclusively for debt service on lottery bonds.
- 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.



The ***Oregon Progress Board*** evaluates Oregon's progress in meeting Benchmark goals previously existed in ECDD. The 2001 Legislature transferred the Board to the Department of Administrative Services as part of a change in statutory direction that establishes a link between agency performance measures and outcomes developed for the budget process and the statewide 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 1999 Legislature approved $45 million in lottery bond infrastructure proceeds for this effort, and the 2001 Legislature added $132 million in infrastructure bonds.

The agency provides administrative support to the Tourism Commission, the Arts Commission and, until the July 1, 2001 transfer, the Oregon Progress Board. The agency also distributes funds to the semi-privatized Oregon Film and Video Office.

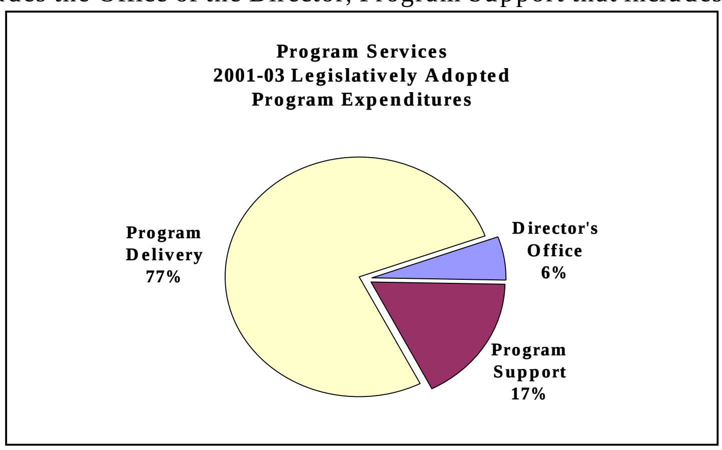
The 1999 Legislative Assembly directed the Department to establish a performance measurement and reporting process. The Department established a work group that developed these and reported to the Joint Trade and Economic Development Committee and the Joint Legislative Audit Committee. The 2001 Legislature requested a Secretary of State audit of the Department's performance measures. Following that audit, the Legislature adopted SB 973, which directed the Legislative Fiscal Officer to contract for a study of economic development program outcomes. The outcome of this study will be reported to the 2003 Legislative Assembly.

ECDD – Program Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	14,730,313	16,212,428	13,519,698	16,772,892
Lottery Funds - Carryover	167,000	0	0	0
Other Funds	4,366,004	6,307,854	14,103,054	9,475,933
Federal Funds	11,293,160	1,134,522	2,473,263	2,466,915
Total	**30,556,477**	**23,654,804**	**30,096,015**	**28,715,740**
Positions (FTE)	124.97	125.74	141.00	134.00

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 fiscal services, employee services and information services; and Program Delivery that includes Business and Industry Services, Regional Teams, International Services and Finance Services. The program provides 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 as well as distribution of federal block grants, other Federal Funds, and lottery-backed loans and grants for infrastructure (e.g., water, sewer, electricity, and roads), 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.

Revenue Sources and Relationships

Estimated revenues for 2001-03 include: $16.8 million in Lottery Funds; $2.5 million in Federal Funds for administration of federal programs and the Community Development Block Grant program; and $9.5 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 the expanded infrastructure program. The 2001 Legislature added $132 million for infrastructure investments from lottery backed bonds, and also added 4.26 FTE above the 1999-2001 estimated staffing level to handle this workload and the workload generated by the additional $45 million for infrastructure approved by the 1999 Legislature. The Legislature also added four limited duration FTE, funded with telecommunications funds, to handle the telecommunications infrastructure program authorized in 1999 by SB 622.

Governor's Budget

The Governor's budget proposed significant changes to the method of financing the staff that provide loan and grant services to communities. The budget transferred funding for 25 existing staff from Lottery Funds to Other Funds, from interest earnings generated by the Ports, Water/Wastewater, and Special Public Works revolving loan programs. Policy packages for additional program support staff were funded through this transfer, as was a $1.3 million revenue transfer to the Health Division for safe drinking water related services, which had received General Fund.

The Governor's budget was 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 included:

- A $3.5 million shift from Lottery Funds to Other Funds and the transfer of 25 existing FTE;
- Policy packages for 9 FTE funded from $839,506 in interest earnings and $156,000 in Federal Funds from brownfields and Community Development Block Grants;
- $1.3 million from interest earnings to support 7 FTE to increase statewide infrastructure investment.
- $650,000 Other Funds and 4 FTE for telecommunications infrastructure, funded from revenues generated from telecommunications carriers (from SB 622 (1999)).

The expenditures funded with interest earnings were contingent on approval of a $225 million bond package and the revolving loan funds generated from that package.

Legislatively Adopted Budget

The 2001 Legislature did not approve the bond package and the fund shifts proposed by the Governor. However, the Legislature did approve the funding of new positions out of revolving loan fund interest earnings. The Legislature increased the Lottery Funds budget by $3.3 million and reduced the Other Funds limitation by $4.6 million to reflect the reversal of this fund shift. Adjustments include the following:

- Funded a net increase of 8.26 FTE above the 1999-01 estimated staffing level as follows:
  - 2.26 new FTE and one existing FTE funded out of $1 million in revolving loan fund interest earnings. (These positions will handle the expanded infrastructure workload generated by the new $132 million lottery bond package.);
  - 2 FTE funded with $156,000 Federal Funds for Community Development Block Grant reporting requirements and to implement the Brownfields Redevelopment Loan Program; and
  - 4.0 limited duration FTE funded with $650,000 Other Funds from telecommunications carriers to support telecommunications infrastructure implementation.
- Eliminated the $3.5 million Other Funds/Lottery Funds fund shift and did not approve the $1.25 million staff expansion package funded out of interest earnings.

ECDD – Community Development Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	975,000	0	0	320,000
Lottery Funds	31,002,726	29,784,481	32,384,760	42,006,720
Lottery Funds - Carryover	7,516,300	7,150,000	7,150,000	10,483,336
Other Funds	1,193,295	18,969,796	28,604,988	32,252,070
Federal Funds	35,613,732	34,803,545	48,166,006	48,166,006
Nonlimited	57,228,527	98,634,351	339,940,847	279,397,546
Total	**133,529,580**	**189,342,173**	**456,246,601**	**412,625,678**

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 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 Funds 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 $280 million in nonlimited Other Funds from the sale of program specific revenue bonds and lottery-backed bonds. Programs include the Special Public Works Fund, Water / Wastewater Funds, and Port Revolving Fund 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 from community and port infrastructure projects and business finance loans. 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, includes the Special Public Works Fund, the Water / Wastewater Fund, and the Industrial Development Revenue Bond program. The 2001 Legislature increased authority levels to $200 million for the Oregon Bond Bank and $250 million for Industrial Development Revenue Bonds. 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 a total lottery funded bond limit of $45 million. The 2001 Legislature approved $181.1 million in bonding authority.

Governor's Budget

The Governor's budget included $225 million in lottery-backed bonding authority for community development programs. The Governor also proposed $9.1 million for Department of Environmental Quality sewer bonds and $34 million in housing incentive fund bonds in the Housing and Community Services Department. The proposal would have used all of the remaining bonding capacity for lottery-backed bonds.

The Governor's budget transferred $6.7 million in funding for Columbia River channel deepening from the Lottery Funds allocation specified in SB 710 (1997) to lottery-backed bonds. The budget included a $600,000 reduction in Lottery Funds for community assistance programs and a $670,000 reduction in unspecified projects funded out of the Port Revolving Fund in SB 710.

The Governor's budget for community development programs was an increase of $266.9 million (141%) over 1999-01 estimated expenditures, primarily as a result of revised assumptions about nonlimited bonding activity, and included:

- An increase of $132.3 million Nonlimited Other Funds for expanded infrastructure projects and for projects authorized by the 1999 Legislature, including sewer, water and community infrastructure needs. This assumed approval of $225 million in increased lottery-backed bonding authority.
- A $7.9 million reduction in Lottery Funds, including the shift of $6.7 million in Lottery Funds for Columbia River channel deepening to bond proceeds.
- A $2.1 million reduction in Federal Funds that included 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. This represents federal capitalization of this loan fund.

Legislatively Adopted Budget

The 2001 Legislature reduced the $225 million in lottery-backed bonding authority for various community development projects in the Governor's budget to $181.1 million. This includes the transfer of $6.7 million in funding for Columbia River channel deepening from the Lottery Funds allocation specified in SB 710 (1997) to lottery-backed bonds. The Legislature also approved 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.

Specific adjustments to the Governor's budget included:

- A reduction of bonding authority as noted above. Within the approved amount, $159 million covers project costs as follows:
  - $132 million for sewer, water and community infrastructure needs and for the state's $5 million matching fund for the Federal Safe Drinking Water Revolving Loan Fund. (The Health Division receives the principal of $20 million for 2001-03 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). This infusion of capital will provide a sustainable infrastructure fund that will generate $50 million a biennium to be used for loans and grants.
  - $25.2 million for the state's share of future Columbia River channel deepening. These bonds will not be issued until Congress authorizes its share of funding for the program, all environmental issues are resolved, and Washington State has committed to its share.
  - $2 million to finance the acquisition of the Joseph Branch of the Idaho, Northern and Pacific Railroad in Wallowa and Union Counties. The Department will need to come to the Emergency Board for expenditure limitation for bond proceeds when the project is finalized.
- $280 million in Nonlimited Other Funds for expanded infrastructure projects and for projects authorized by the 1999 Legislature, including sewer, water and community infrastructure needs. This is a reduction of $60.5 million from the Governor's budget, based on adjusted estimates of bond and loan proceeds.
- A $12.9 million increase in Lottery Funds in this program area. This includes a shift of $9.6 million from the Pass-Through program to consolidate debt service in that program and a technical adjustment to add $3.3 million in carryover limitation for the Columbia River channel deepening fund.
- A $3.6 million increase in Other Funds that reflects restoration of the revolving loan proceeds that the Governor had proposed to shift to fund staff operating expense.
- A $320,000 General Fund appropriation for restoration of the Frank Lloyd Wright house at the Oregon Gardens ($200,000) and for an evaluation of the feasibility of establishing a beef processing plant in central Oregon using inmate labor ($120,000).

ECDD – Tourism Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	1,630,000	0
Lottery Funds	5,793,256	6,244,165	6,411,021	6,406,994
Other Funds	37,948	503	127,417	171,297
Federal Funds	232,319	67,681	256,250	256,250
Total	**6,063,523**	**6,312,349**	**8,424,688**	**6,834,541**
Positions (FTE)	9.00	10.00	11.00	10.00

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 receives 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 was 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 included $1.6 million General Fund to support the Governor's Agricultural Tourism initiative. A technical adjustment was needed to restore $44,507 in Other Funds expenditure 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 did not provide the resources for the salary adjustment.

Legislatively Adopted Budget

The 2001 Legislature approved the budget at the current service level, adjusted for assessment rate changes and a reduction of $1,275 (1%) in out-of-state travel expense. The Legislature did not approve the $1.6 million General Fund package for the Agricultural Tourism initiative.

ECDD – Film and Video Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 funded the program at the current service level.

Legislatively Adopted Budget

The 2001 Legislature funded the program at the current service level.

ECDD – Oregon Arts Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,751,490	2,820,831	2,428,021	2,422,315
Other Funds	188,333	127,099	234,818	134,733
Federal Funds	1,156,190	1,157,561	1,675,699	1,675,518
Total	**4,096,013**	**4,105,491**	**4,338,538**	**4,232,566**
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.

Governor's Budget

The Governor's budget funded the Commission at the current service level and added $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 was an increase of $233,047 over 1999-01 estimated expenditures from increased Federal Funds estimates, and the General Fund was 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.

Legislatively Adopted Budget

The 2001 Legislature approved the budget at the current service level, adjusted for assessment rate changes and a reduction of $212 (1%) in out-of-state travel expense. The Legislature did not approve the $100,000 package to continue Arts Commission support for the Task Force on Cultural Development. The program was shifted to the Secretary of State.

ECDD – Oregon Progress Board

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	679,328	761,874	809,133	0
Other Funds	364,123	373,079	480,673	0
Federal Funds	75,000	0	0	0
Total	**1,118,451**	**1,134,953**	**1,289,806**	**0**
Positions (FTE)	4.00	4.00	3.00	0.00

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. The Board 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 support efforts to the evaluate programs that provide services to children and families and received $94,275 General Fund in 1999-01 for that effort.

Governor's Budget

The Governor's budget funded the program at the current service level and added $100,000 General Fund for a literacy survey to be conducted in collaboration with the Department of Community Colleges and Workforce Development. Increases to the 1999-01 estimated expenditures reflected standard current service level adjustments.

Legislatively Adopted Budget

The 2001 Legislature approved the budget at the current service level, adjusted for assessment rate changes and a reduction of $51 (1%) in out-of-state travel expense. The Legislature did not approve the $100,000 General Fund for the literacy survey. The Legislature transferred the Progress Board to the Department of Administrative Services.

ECDD – Lottery Pass-Through Programs (Debt Service)

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	735,158	9,680,161	30,783,596	19,461,457
Lottery Funds - Carryover	0	291,901	291,901	291,901
Total	**735,158**	**9,972,062**	**31,075,497**	**19,753,358**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This is a budgetary division that receives Lottery Funds and pays the debt service on lottery-backed bonds.

Revenue Sources and Relationships

The division is supported with new Lottery Funds allocations.

Governor's Budget

The Governor's budget included $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 had an increase of $21.1 million (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.

Legislatively Adopted Budget

The legislatively adopted budget is a reduction of $11.3 million from the Governor's budget. Adjustments include:

- A reduction of $2 million in debt service estimates from the revised infrastructure bond package. The Governor's recommendation was reduced from $225 million to $158.9 million.
- Transfer of $9.6 million to the Community Development program for pass-through program costs, primarily continuing payments authorized in 1997 for airports in Jackson and Klamath Counties and for the Coos County gas pipeline. With this transfer, this program contains only the debt service costs for lottery backed bonds.

Employment Department (OED) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,949,495	3,940,248	4,207,749	4,133,755
Other Funds	46,095,188	74,935,973	85,018,027	96,461,654
Federal Funds	126,435,323	148,152,612	235,973,057	250,561,603
Nonlimited	868,126,707	958,227,145	1,339,076,011	1,339,076,011
Total	**1,044,606,713**	**1,185,255,978**	**1,664,274,844**	**1,690,233,023**
Positions (FTE)	1284.73	1414.78	1428.75	1448.65

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 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. These funds, originally anticipated at $110 million for 2001-03, are used for programs within the Child Care Division or allocated to child care related programs at other agencies. The 2001 Legislature increased the budget for CCDF revenues and expenditures by $13.7 million due to carryover from 1999-01 and to an increase in projected FY 2002 funding.

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

Economic conditions and trends directly affect the Employment Department's policy decisions and workload. 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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	2,335,470	1,953,141	10,403,441	10,338,030
Federal Funds	79,783,044	95,484,642	93,216,688	92,531,034
Nonlimited	868,126,707	958,227,145	1,339,076,011	1,339,076,011
Total	**950,245,221**	**1,055,664,928**	**1,442,696,140**	**1,441,945,075**
Positions (FTE)	681.57	648.79	645.76	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. The 71st Legislatively Assembly passed two bills impacting UI Trust Fund revenues. Senate Bill 397 lowers rates for three of the eight unemployment insurance tax schedules, reducing revenues by $10.4 million in 2001-03. House Bill 3441 diverts $25 million of UI taxes over the next four years into the JOBS Plus Unemployment Wage Fund to support that program. Since the fund currently has an excessive balance, these changes should reduce that balance without harming the solvency of the trust fund.

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 on state economic growth, the number of workers covered by the unemployment insurance program, and state wages. Due to a recent surge in layoffs in the state, the Legislature passed House Bill 3759, which provides certain dislocated workers with supplemental unemployment insurance benefits.

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 staff cost-of-living adjustments, the upward reclassification of positions, and the growth of technology investments.

Governor's Budget

The recommended budget for the Support the Unemployed program was a 37% increase over 1999-01 estimated expenditures and a 1% increase over the current service level. The budget reduced staffing by 11 positions based on caseload estimates. Due to decreased federal funding for administration of the Unemployment Insurance Program, the budget shifted $3.9 million and 33 positions from Federal Funds to Other Funds. The

Other Funds came from a special Reed Act appropriation and were contingent on language in House Bill 5048, which the Legislature passed. The budget added $2.1 million and 15 positions for fraud control activities, paid for out of the Fraud Control Fund. Five limited duration positions were added due to ongoing work related to HB 3141 (1999), which allows partial transfer of unemployment insurance experience. These positions focus on issues around retroactivity and database maintenance. The Governor's recommended budget provided for the continuation of current program delivery and expanded focus on fraud control activities.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with adjustments for various rate changes, including those for Public Employment Retirement System (PERS), telecommunications and Attorney General hourly charges. In addition, services and supplies and out-of-state travel expenditures were reduced by one percent.

OED – Promote Employment/Develop the Workforce

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	700,000	0	0	0
Other Funds	42,775,119	54,453,045	52,187,246	63,831,949
Federal Funds	31,496,763	36,732,252	32,756,369	34,364,487
Total	**74,971,882**	**91,185,297**	**84,943,615**	**98,196,436**
Positions (FTE)	564.87	576.90	581.90	601.80

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.

The 71st Legislative Assembly looked to the Department's research and analysis resources for assistance with various projects during the 2001-03 biennium. OED will support task forces on health care personnel, paid family leave, and unemployment insurance.

Revenue Sources and Relationships

The Promote Employment / Develop the Workforce programs are funded primarily through federal Wagner-Peyser funds, SEDAF, penalty and interest revenues, and contracts for services. The Shared Information System, a database that provides cross-agency data on vocational training participants, is jointly funded by the Employment Department, the Department of Human Services, the 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, 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, seven 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, became 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 contributed to the results.

Governor's Budget

The recommended budget for the Promote Employment/Develop the Workforce program was a 7% decrease from 1999-01 estimated expenditures but funded the current service level and expanded programs. The decrease was 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 added $2.4 million and 22 positions for intensified reemployment services. The Contracted Services package continued the program's flexibility in administering employment contracts by establishing 41 limited duration positions to be filled based on workload demand and available funding.

Legislatively Adopted Budget

The adopted budget includes reductions in the Governor's recommended budget as well as other enhancements. The Legislature reduced funding on the Claimant Reemployment package by phasing-in 10 of the 22 positions in the package halfway into the biennium. A package providing expenditure limitation for a federal grant for the Groundfish Disaster relief was added, in the amount of $1,750,000. The Legislature passed Senate Bill 874, which continued the JOBS Plus program for UI claimants. Twenty-six positions (24.9 FTE) and $12, 429,624 in Other Funds expenditure limitation support the program. Funding is provided through a diversion of unemployment insurance taxes, which was approved in House Bill 3441. Other budget adjustments include reduced rates for PERS employer contributions and Attorney General hourly charges. Out-of-state travel and services and supplies expenditures were reduced by one percent.

Budget notes direct the OED to review and report on the usage and effectiveness of kiosks and toll-free long distance telephone lines. In an effort to streamline state agency web services, the Department was also directed to move its public web server or website to the Department of Administrative Services (DAS), at the discretion of DAS.

OED – Child Care

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,249,495	3,940,248	4,207,749	4,133,755
Other Funds	984,599	947,492	679,698	675,870
Federal Funds	15,155,516	15,935,718	110,000,000	123,666,082
Total	**19,389,610**	**20,823,458**	**114,887,447**	**128,475,707**
Positions (FTE)	38.29	53.88	65.88	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 originally was 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 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 (CCCR&R) Services Used measures the percentage of parents using child care who 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 changed the movement of 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, accounted for 91% of the budget's $95.5 million increase over the current service level. The Division's budget reflected a shift to more dependence on Federal Funds due to a projected $250,000 decrease in Other Funds licensing fee revenues. This shift was possible due to an increase in the amount of CCDF dollars received by the Employment Department.

Other recommended Federal Funds budget increases included:

- $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; and
- $2.5 million for CCR&R agencies to improve their services to citizens, including provider referrals, provider recruitment, parent consultations, and information sharing.

Legislatively Adopted Budget

The Legislature increased the Governor's recommended budget by $6.3 million in carryover of federal CCDF dollars. Another $7.4 million of CCDF was identified and added, based on the President's proposed FY 2002 budget. These funds are to be distributed as special payments to the Department of Human Services, the Commission for Children and Families, the Department of Education and other entities for various child care programs and initiatives. All packages in the Governor's recommended budget were approved, with reductions for various rate changes, including the PERS employer contribution and Attorney General hourly charges. Out-of- state travel and services and supplies expenditures were reduced by one percent.

The agency was directed to report back to the Emergency Board on how planned outcomes in CCR&R programs are being achieved and on child care funding in general. The Legislature passed House Bill 3659, which requires OED, specifically the Child Care Commission, to establish the Task Force on Financing Quality Child Care. The Department will support this task force within existing agency resources.

OED – Hearing Officer Panel

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	17,582,295	21,747,642	21,615,805
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 it expected 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 are gathered and analyzed.

Governor's Budget

The recommended budget for the Hearing Officer Panel funded the current service level and was a 24% increase over 1999-01 estimated expenditures. The increase was 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 need to address this issue within their respective budgets.

Legislatively Adopted Budget

The Legislature approved a budget of $21,615,805. This amount is the Governor's recommended budget with adjustments for various rate changes, including those for PERS employer contributions, telecommunications, and Attorney General hourly charges. The budget was also decreased by 1% in services and supplies and out-of-state travel.

Oregon State Fair and Exposition Center (FAIR) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	736,655	698,934	1,500,000	1,492,452
Lottery Funds	0	1,176,677	2,244,212	3,170,828
Other Funds	10,968,342	12,556,715	10,190,089	20,390,943
Nonlimited	1,079,068	1,422,252	1,311,128	1,311,128
Total	**12,784,065**	**15,854,578**	**15,245,429**	**26,365,351**
Positions (FTE)	36.61	37.82	37.74	37.67

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 and Performance Measures

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.

In 1999-01, legislative leadership appointed a Joint Interim Task Force on the Oregon State Fair to review facilities, revenue, attendance and operations. The Task Force adopted the Modernization Master Plan and incorporated Master Plan recommendations into the Strategic Plan for the Oregon State Fair and Exposition Center. The Emergency Board as well adopted this Plan and 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 be discontinued at the Fairgrounds unless it could generate revenue for the Fair. The 2001 Legislature adopted these recommendations and created a Community Partnership Task Force to continue the oversight begun in the 1999-01 biennium.

The primary measure of performance for the Oregon State Fair and Exposition Center is to conduct a successful annual State Fair and to use the facilities effectively during the remainder of the year, including generating adequate funds to operate the facility and to provide a facility that supports civic interests.

Governor's Budget

The Governor's budget was 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 was a reduction of 2.95 FTE from the current service level and 3.46 FTE from 1999-01 estimated staffing levels. The Governor's budget included an $801,066 General Fund increase and a $2.4 million Other Funds decrease to 1999-01 estimated expenditures for operations. It also included an increase of $1.1 million in Lottery Funds to support debt service costs. The budget did 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 halted the efforts undertaken in the 1999-01 biennium to begin the renewal of the Oregon State Fair and Exposition Center.

Legislatively Adopted Budget

For the Fair's Operations budget, the 2001 Legislature adopted the Governor's budget recommendations, adjusted for Public Employers Retirement System (PERS) and other standard assessment rate reductions. The Legislature approved an additional $10 million in bond proceeds for facilities renovation as reflected in the Fair's Capital Construction budget, with a corresponding increase in Lottery Funds for debt service.

FAIR – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	736,655	698,934	1,500,000	1,492,452
Other Funds	10,968,342	10,556,715	10,190,089	10,390,943
Total	**11,704,997**	**11,255,649**	**11,690,089**	**11,883,395**
Positions (FTE)	36.61	37.82	37.74	37.67

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 2005-07 biennium. The Department of Administrative Services will continue to unschedule these funds to ensure that the covenant requirement is met. 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 2001 Legislature increased that subsidy to $1.5 million.

Governor's Budget

The Governor's budget for Operations was an increase of $804,217 General Fund over the current service level and an overall increase of 3.9% above 1999-01 estimated expenditures. As noted earlier, the FTE were reduced below current service level and 1999-01 estimated staffing levels. The General Fund subsidy partially offsets declining agency revenue from Annual State Fair and Exposition events.

The General Fund subsidy was not sufficient to fund the agency request budget packages, 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 to enable the agency to communicate with other State applications; and

- $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.

Legislatively Adopted Budget

The 2001 Legislature approved the Governor's budget, with standard adjustments for PERS and assessment rate reductions. With these adjustments, the Legislature provided a $1.5 million General Fund subsidy, which is $796,669 above the current service level. Other Funds expenditure limitation of $212,800 was added for issuance costs for $10 million in additional bonds for facilities renovation. The Legislature also directed the Fair by budget note to continue collaborative efforts with state and community leaders, added two county fair members to the State Fair Commission, and established a Community Partnership Task Force to continue the oversight created in the 1999-01 biennium. The Legislature established the expectation that the Fair will demonstrate progress in meeting its operating costs out of the revenue generated, but recognized that ongoing state assistance will be required to maintain Fair facilities.

FAIR – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	0	1,176,677	2,244,212	3,170,828
Nonlimited	1,079,068	1,422,252	1,311,128	1,311,128
Total	**1,079,068**	**2,598,929**	**3,555,340**	**4,481,956**

Program Description

This program pays the principal and interest on construction bonds.

Revenue Sources and Relationships

The program receives revenue from operations and receives lottery funds revenue to repay debt service on the capital construction and improvement bonds.

Governor's Budget

The Governor's budget funded this program for existing debt service costs. These costs were increased by $956,411 from 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature added $10 million in lottery-backed bonding authority and as a result increased the debt service from Lottery Funds by $926,616 above the Governor's budget.

FAIR – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	2,000,000	0	10,000,000

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.

Revenue Sources and Relationships

The program receives bond proceeds for capital construction.

Governor's Budget

The Governor's budget did not authorize additional bond proceeds.

Legislatively Adopted Budget

The Legislature authorized $10 million in additional bonding authority. The budget reflects the bond proceeds from the sale, which is currently scheduled for December 2001.

Oregon Historical Society – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	840,905	1,264,450	1,296,061	1,298,130
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. It serves Oregonians through six broad program categories. The Collections program preserves artifacts, books, photographs, films, manuscripts, recordings, and oral histories. The Support program provides support of local historical societies, museums, and heritage efforts statewide. The Facilities program includes the Oregon History Center's regional research library and museum and other sites. Education programs include the Society's mobile museum, school services (traveling artifact kits, museum programs, films, and slide shows), group tours, Folklife and public events, and teacher workshops. The Publications program produces the *Oregon Historical Quarterly* and books from its press. Heritage Services include coordination of the Century Farms and Ranch Program, the Oregon Geographic Names Board, liaison with more than 120 heritage organizations statewide, a speaker's bureau, and staff service on numerous councils, committees, and commissions.

Revenue Sources and Relationships

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. The Society's 2001-03 estimated revenue and operating budget is $11 million. State support amounts to 12% of the total. The balance comes from restricted gifts and grants (27%), gifts and memberships (18%), revenue from operations (18%), investment income and bequests (19%), and grants from local government (6%).

Governor's Budget

The Governor's recommended budget was the same amount of support provided in the 1999-01 biennium plus 2.5% for inflation.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget less a 1% reduction for services and supplies. The Legislature added $15,000 for a statue of former Governor Tom McCall.

Housing and Community Services Department – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	13,885,139	14,984,477	14,159,791	13,920,056
Lottery Funds	2,357,000	0	3,154,385	2,492,073
Other Funds	21,404,264	37,315,294	97,513,451	86,083,224
Federal Funds	61,268,105	65,085,622	76,610,012	76,601,117
Nonlimited-Other	704,250,137	743,002,323	599,861,599	599,861,599
Nonlimited-Federal	55,756,610	54,945,614	153,000,000	153,000,000
Total	**858,921,255**	**915,333,330**	**944,299,238**	**931,958,069**
Positions (FTE)	103.52	122.22	141.21	139.21

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, a low-income energy assistance block grant, an 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 2001-03 biennium. Oregon population is expected to increase by 1.1% annually in 2001-03, 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, even during 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 multi-family 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.

At the suggestion of the Joint Committee on Ways and Means, these performance measures were grouped into four categories: affordable housing, homelessness/risk programs, specialized housing, and energy.

Governor's Budget

The Governor's recommended budget reflected 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 was due to a reduction from the current service level and the phase-out of one-time expenditures.

The Governor's budget included, 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 agency 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 to the proposed Natural Resources building scheduled for completion in December 2002.

Legislatively Adopted Budget

The total adopted budget of $931,958,069 is 1.8% greater than the 1999-01 estimated expenditures and 6.9% above the current service level. The following adjustments were made to the Governor's recommended budget:

- reduction of $560,916 in the current service level budget for reductions in the Public Employers Retirement System employer contribution rate, the Attorney General hourly rate, state government service charges, telecommunications and capital outlay;
- elimination of funding ($266,840 Other Funds) for the Albina Emergency Services Program that was not included in the Department of Human Services budget;
- reduction of $239,580 General Fund for administrative costs;
- a reduction of $10,318,581 in lottery-backed bonds, resulting in $20,542,384 for the Community Incentive fund to rebuild downtowns, mainstreets, and to develop housing near jobs and transportation;
- elimination of the package for housing data gathering;
- a reduction of $498,364 in debt service to reflect a lower amount of lottery-backed bonds to be issued.

Funding at $1,601,600 was approved for the office relocation. However, the Department of Administrative Services was requested to unschedule the funding pending completion of the new building and confirmation of a move-in date. Other packages were approved with minor adjustments, but essentially at the level in the Governor's recommended budget.

Oregon Public Broadcasting – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,259,250	3,350,509	3,434,272	3,399,929
Other Funds	0	0	0	7,000,000
Total	**3,259,250**	**3,350,509**	**3,434,272**	**10,399,929**
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 radio stations. Its network consists of five television and four radio stations, plus 48 translator/repeaters throughout Oregon. The television stations reach an estimated 90% of Oregonians and the radio stations reach between 80% and 90% of Oregonians. Educational programming (formal and informal) is a significant portion of television, while news and information is the main thrust of radio. OPB also is part of the state's Emergency Alert System.

Revenue Sources and Relationships

The 1993 Legislative Assembly privatized OPB and provided for a supplemental grant through the Department of Administrative Services. The 2001-03 state grant represents about 10% of OPB's revenue. (The federal government also provides about 10% of the total revenues with the main source of revenue (65%) coming from private support (contributions). The remaining 15% comes from sales and service revenue. Only expenditure data relating to state support are reflected in the above table.)

Governor's Budget

The Governor's recommended budget was the same amount of support provided in the 1999-01 biennium plus 2.5% for inflation.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget less a 1% reduction for services and supplies. Additionally, the Legislature provided $7 million from the issuance of lottery-backed bonds. The additional $7 million is for transmission system upgrades, principally for digital transmission.

Oregon Department of Veterans' Affairs (ODVA) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,367,395	2,582,497	2,531,848	2,626,159
Other Funds	25,235,373	32,495,938	39,256,908	39,170,684
Nonlimited	1,425,099,294	822,006,369	948,798,402	948,798,402
Total	**1,452,702,062**	**857,084,804**	**990,587,158**	**990,595,245**
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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	20,120,517	22,379,064	22,831,967	22,747,548
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**	**971,460,950**
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; and
- Administrative Services – service of loans and contracts once they are delinquent and 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-plus 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 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 was an increase of 2% over the 1999-01 estimated expenditure level and maintained the current service level. The budget phased out $790,623 Other Funds and 10 positions (10 FTE) due to reduced activity in the program. No enhancements were included in the budget.

Legislatively Adopted Budget

The Governor's budget was decreased by $84,419 Other Funds for a reduction in the Public Employees Retirement System (PERS) employer contribution rate and in charges from the Department of Administrative Services Human Resource Services Division, Secretary of State Audits Division, and Attorney General.

ODVA – Veterans' Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,367,395	2,582,497	2,531,848	2,626,159
Other Funds	463,008	511,710	545,708	544,733
Total	**2,830,403**	**3,094,207**	**3,077,556**	**3,170,892**
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 who 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 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, which began in 1947, is an effective network of trained individuals operating in 34 Oregon counties to help them 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 who return to school 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 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 Disorder. 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 it; 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' Services 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 was a decrease of 0.5% from the 1999-01 estimated expenditure level, but maintained the current service level. The budget phased out $147,633 General Fund for a one-time donation to the National World War II Memorial. No program enhancements were included in the budget.

Legislatively Adopted Budget

The Governor's budget was decreased by $6,664 for reductions in the PERS employer contribution rate, Attorney General charges, and the agency's services and supplies budget (1%). The Legislature, in House Bill 3534, appropriated an additional $100,000 General Fund for support of county services to veterans.

ODVA – Veterans' Home

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	4,651,848	9,605,164	15,879,233	15,878,403
Nonlimited	0	0	85,000	85,000
Total	**4,651,848**	**9,605,164**	**15,964,233**	**15,963,403**
Positions (FTE)	67.93	4.00	4.00	4.00

Program Description

The Oregon Veterans' Home in The Dalles, Oregon, provides skilled nursing and Alzheimer's 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 were 102 residents of the home, an occupancy rate of 68%, and a full Alzheimer's Unit. The new contractor expected 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 funded 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 included $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.

Legislatively Adopted Budget

The Governor's recommended budget was reduced by $830 for a reduction in the PERS employer contribution rate. A budget note directs the Department to conduct a comprehensive Market Rate Study and report to the appropriate interim committee.

NATURAL RESOURCES

Department of Agriculture (ODA) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	22,839,802	23,806,084	23,919,896	23,689,653
Lottery Funds	0	3,900,000	3,694,039	6,858,105
Other Funds	34,414,621	35,992,707	42,513,926	42,540,763
Federal Funds	2,326,399	2,415,335	5,539,440	3,772,363
Total	**59,580,822**	**66,114,126**	**75,667,301**	**76,860,884**
Positions (FTE)	402.36	424.29	436.69	432.88

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.

Legislatively Adopted Budget

The legislatively adopted budget for the Department of $76.9 million total funds is 1.6% above the Governor's recommended level and 16.3% higher than 1999-01 estimated expenditures. The adopted budget includes $23.7 million General Fund and $6.9 million Lottery Funds. Included in the General Fund appropriation is financing for the development of the Pesticide Use Reporting System. Lottery Funds from Measure 66 are used in the adopted budget for support of Soil and Water Conservation Districts and riparian / wildlife habitat weed control grants. The Legislature also provided $3.1 million Lottery Funds for support of county fairs; county fair support had been eliminated in the Governor's recommended budget. The adopted budget supports a total of 432.88 FTE, an increase of 8.59 FTE, or 2%, from 1999-01 levels.

ODA – Administration and Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,628,502	1,206,700	1,291,001	1,294,925
Other Funds	3,870,139	4,803,742	4,964,032	5,032,859
Federal Funds	5,355	0	71,173	0
Total	**5,503,996**	**6,010,442**	**6,326,206**	**6,327,784**
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 was 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 was a 5% increase from the 1999-01 estimated level. The recommended General Fund appropriation of $1.3 million for Administration and Support Services was up 7% from 1999-01 estimated expenditures. No staffing changes were proposed in the recommended budget for the program.

Legislatively Adopted Budget

The legislatively adopted budget for Administration and Support Services of $6.3 million total funds is unchanged from the Governor's recommended total budget and is 5.3% above 1999-01 estimated expenditures. The adopted budget includes $1.3 million General Fund and $5 million Other Funds. Adjustments were made to the recommended budget for Public Employee Retirement System (PERS) employer contribution rate declines, for services and supplies reductions in response to statewide funding priorities, and for legislatively approved reductions in Attorney General hourly rates charged to agencies for services. The adopted budget also includes a technical adjustment to shift funding of an existing base position from Federal Funds to Other Funds. A budget note was included in the adopted budget directing the agency to develop a cost allocation system to appropriately charge other agency programs for central administrative and support functions.

ODA – Food Safety Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,745,584	6,144,781	6,291,828	6,325,644
Other Funds	12,361,322	14,294,938	16,401,376	16,554,668
Federal Funds	10,937	95,654	310,067	309,896
Total	**18,117,843**	**20,535,373**	**23,003,271**	**23,190,208**
Positions (FTE)	132.03	137.38	138.57	139.76

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 27% 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 was roughly 2% above the 2001-03 current service level. The budget included an increase in staffing of 1.19 FTE. Though the budget increased in total, General Fund expenditures were 4.9% below current service levels due to a $326,826 program reduction. The program reduction involved 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 were reduced by approximately one half. These reductions resulted in savings of $248,440 General Fund and 1.50 FTE. In addition, the General Fund portion of a Medical Technician 2 position was eliminated in the Animal Health and Identification Division, along with associated services and supplies. The resulting savings totaled $78,386 General Fund and .31 FTE.

An additional $184,167 Other Funds was included to fund one position for the U.S. Department of Agriculture Organic program which facilitated certifying private growers and processors of organic food in the state. The Laboratory Services Division added test kits for testing livestock diseases of concern to producers and consumers at a cost of $140,000 Other Funds. These costs were to be recovered from lab fees. The Department intended to recover these costs through user fees. Two Natural Resource Specialists 3 positions at a cost of $361,668 Other Funds were 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 included $84,378 Other Funds for salary reclassification of a Laboratory Manager, Microbiologist, Livestock Identification Manager, and 2 Food Safety Supervisors.

Legislatively Adopted Budget

The adopted budget for the Food Safety Policy Area of the Department is 12.9% above 1999-01 estimated levels and 0.8% above the Governor's recommended budget. The Legislature adjusted the budget for lower estimated PERS employee contribution rates, Attorney General charges, Secretary of State audit, and Human Resource assessment charges. A 3% General Fund reduction of $82,920 was made to services and supplies.

The Legislature approved the Governor's General Fund program reductions including the elimination of the Food Microbiology program and a reduction in the shellfish program. A laboratory medical technician position was restored by shifting funding from General Fund to Other Funds.

Several program enhancement packages were approved by the Legislature. Laboratory Services received additional limitation of $140,000 Other Funds for livestock disease test kits. An additional $361,668 Other Funds expenditure limitation was provided and 2 FTE were approved for drinking water inspectors. Salary reclassifications were given for several managers. Funding was provided to complete a study of blue tongue sheep disease if an outbreak occurs during the 2001-03 biennium. The study was funded by the Legislature in the 1999-01 biennium, but the agency did not use the full amount appropriated since an outbreak of the disease did not occur. The Legislature approved an appropriation of $75,000 General Fund for the agency to conduct a study of bear damage to private and state forestlands. The package establishing the Organic Program was withdrawn by the agency and did not receive approval.

The Legislature also passed House Bill 3815, establishing authority for fertilizer registration, evaluation, tonnage fees, and bulk distributor licenses. The bill requires registration fees on each individual fertilizer product, rather than a brand or family of products. The bill is expected to generate an additional $188,210 Other Funds in fee revenue. The Department received an additional $394,057 Other Funds limitation and authorization to establish 3 positions (1.88 FTE) for implementing the fertilizer registration and inspection program. The additional revenue generated from the fertilizer fee increases, together with existing revenue balances, is expected to be sufficient to fund the program for the next 4 years without additional fee increases.

ODA – Natural Resource Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	9,379,158	10,242,788	12,014,906	13,170,998
Lottery Funds	0	3,900,000	3,694,039	3,758,105
Other Funds	9,177,100	7,966,747	10,732,082	10,598,978
Federal Funds	2,170,670	2,274,275	5,096,968	3,401,235
Total	**20,726,928**	**24,383,810**	**31,537,995**	**30,929,316**
Positions (FTE)	121.77	134.93	145.14	141.14

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 totaled $31.5 million, a 29% increase from the 1999-01 estimated expenditures and a 6% increase from the current service level. The recommended budget included 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 were continued, but down 5% from the 1999-01 allocation. Lottery Funds were 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 included 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 was a 6% increase from the current service level while the Federal Funds recommended level of $5.1 million represented a 4% increase from the amount necessary to continue current programs.

The recommended budget included several program enhancements or proposed fund shifts within the Natural Resource Policy Area.

- The Pesticide Reporting System established in House Bill 3602 (1999) was 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 was proposed for implementation with $686,000 General Fund and $556,000 Other Funds. The funding was to be 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 were enhanced with the addition of 4 permanent positions (3.25 FTE) including an Office Specialist 2 and three seasonal Laborer 1 positions. The positions were to assist with the registration of pesticide and fertilizer products and the conducting of routine inspections. Funding was 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) was added to the Natural Resources Division for overseeing the effectiveness of adopted Agricultural Water Quality Management plans. The position, a Natural Resource Specialist 2, was 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 included several fund shift program option packages. The net effect of the packages was to reduce Lottery Funds by $421,096 while increasing General Fund support by

$435,634. The fund shift was 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 was maintained at the current service level for the 2001-03 biennium.

The recommended budget also included 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Natural Resource Policy Area of $30.9 million total funds is an increase of nearly 27% from the 1999-01 estimated expenditures, but a 2% decrease from the Governor's recommended level. The total budget for the policy area includes $13.2 million General Fund, up 10% from the Governor's recommendation, and $3.8 million Lottery Funds, up 2% from the Governor's recommended level. The adopted budget also includes $10.6 million Other Funds and $3.4 million Federal Funds expenditure limitation. The primary reason for the decline in total budget from the Governor's recommended level is a reduction in Federal Funds expenditure limitation in order to match spending authority more closely with available federal revenues. The budget supports 141.14 FTE, an increase of 6.21 FTE from the previous biennium.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, and Human Resource Services Division services. The Legislature approved a reduction included in the Governor's recommended budget to eliminate a seasonal position in the Plant Pest and Disease program and other services and supplies reductions for a General Fund savings of $60,000.

The adopted budget included approval for a fund shift of certain Oregon Plan related activities from Lottery Funds to General Fund. The fund shift of $421,000 maintained program activities at the current service level. New allocations of Lottery Funds from Measure 66 were authorized in the adopted budget for support of Soil and Water Conservation Districts (SWCD) and for continuation of the Weed Board grant program aimed at eradication and control of noxious weeds. SWCD support was maintained with $2.4 million Lottery Funds and the riparian / wildlife weed control program was provided $1.2 million Lottery Funds. The adopted budget also included $125,000 of carryforward Lottery Funds expenditure limitation for revenue allocated in the 1999-01 biennium for weed control grants that was committed to projects but unable to be spent by the end of the biennium.

After reviewing the Governor's recommended budget, the Legislature determined that insufficient revenues had been provided to implement the Pesticide Use Reporting System (PURS) mandated under legislation passed in the 1999 regular legislative session (House Bill 3602). The recommended budget provided a total of $686,000 General Fund and $556,000 Other Funds limitation from pesticide registration fees for PURS. The adopted budget eliminated the proposed policy package in the Governor's recommended budget and replaced it with two packages, one to address operational costs of the system and one to address the one-time development costs. The total allocated by the Legislature to implement PURS totaled $2.1 million General Fund and $350,000 Other Funds. One of the PURS packages funds the ongoing operations portion of the system by adding $290,000 General Fund and $156,000 Other Funds. These resources, when added to the PURS base budget of $69,000 General Fund and $203,000 Other Funds, result in an equal split of funding for the operation of the system as required by statute. The Legislature expressed its intention that the operational costs of the system be maintained on a 50-50 basis between General Fund and pesticide registration fees. The package authorized the establishment of six additional full-time permanent positions for the program, phased-in during the 2001-03 biennium. The second of the PURS packages provided funding for one-time development costs of the reporting system. Project development costs were provided largely from the General Fund since registration fee revenues were not sufficient to cover costs beyond the operational expenditures. The Legislature provided $297,000 General Fund and $193,000 Other Funds limitation in the budget to allow development of PURS to proceed. In addition, the Legislature provided another $1.5 million General Fund as a special purpose appropriation to the Emergency Board for allocation to the Department following reporting requirements approved in a budget note. The budget note requires regular status reporting on the development of the system to both the Joint Legislative Committee on Information Management and Technology and the Emergency Board.

ODA – Agricultural Development Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,597,989	2,655,595	3,923,082	2,501,168
Other Funds	8,192,039	8,543,199	9,840,422	9,780,402
Federal Funds	139,437	45,406	61,232	61,232
Total	**10,929,465**	**11,244,200**	**13,824,736**	**12,342,802**
Positions (FTE)	106.52	106.52	106.52	105.52

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 versus 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 was 9.4% above 2001-03 current service levels. An additional $1,370,000 General Fund was included for the Cooperative Agriculture Tourism Promotion program. This program was a joint effort with the Tourism Commission to increase sales of value added agricultural products through a unified "Brand Oregon" marketing initiative. The package added 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 funded a Japan Marketing Contractor for enhancing the image of Oregon in Japan. The package established a Coalition Assistance Program Fund and a Special Marketing Assistance Program Fund. These Funds provided financial support to Oregon organizations using promotional materials that support the "Brand Oregon" marketing effort. Financial assistance included partial rebates for trade show participation, per diem reimbursement, and free promotional materials.

The recommended budget also included the reduction of a secretary position saving $83,510 General Fund. In addition, services and supplies (travel) for marketing projects were reduced by $98,103 General Fund.

Legislatively Adopted Budget

The adopted budget for the Agriculture Development Policy Area is 9.8% above 1999-01 estimated levels and 10.7% below the Governor's recommended budget. The Legislature adjusted the budget for lower estimated PERS employer contribution rates, Attorney General charges, Secretary of State audit fees, and DAS Human Resource assessment charges. The Legislature approved the Governor's General Fund program reductions including the elimination of an Office Specialist position and the reduction of administration expenses. These reductions totaled $181,613 General Fund. The out-of-state travel budget was reduced by 1% and a 3% reduction was made to program services and supplies.

The Cooperative Agriculture Tourism Promotion package, and the associated marketing positions proposed by the Governor to develop and promote Brand Oregon products, was not approved due to funding constraints. The package would have cost $1,370,000 General Fund.

ODA – Special Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,253,165	3,276,507	230,284	228,123
Lottery Funds	0	0	0	3,100,000
Other Funds	715,993	329,851	576,014	573,856
Total	**3,969,158**	**3,606,358**	**806,298**	**3,901,979**
Positions (FTE)	2.00	2.42	3.42	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 state support 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 was $3,014,662 General Fund below the 2001-03 current service level. The budget included an additional $83,192 Other Funds and increased staffing by 1 FTE for an office specialist to support the Wine Advisory Board. Pass through funds to the County Fairs were eliminated, saving $3,097,854 General Fund. This reduced funding for each fair by $86,015 General Fund.

Legislatively Adopted Budget

The adopted budget for the Special Programs Policy Area is 8.2% above 1999-01 estimated levels and roughly $3.1 million above the Governor's recommended budget. The Legislature adjusted the budget for lower estimated PERS employee contribution rates, Attorney General charges, Secretary of State audit, and Human Resource assessment charges. A 3% reduction was made to program services and supplies.

Two measures were passed by the Legislature dealing with funding of County Fairs. House Bill 3530 allocates 1% of the net proceeds of the lottery to the County Fair Account, but not to exceed $1.55 million per year, adjusted biennially by the change in the Consumer Price Index. Senate Bill 5533 provides a $3.1 million Lottery Funds expenditure limitation for the Department to fund county fair support during the 2001-03 biennium as special payments. The Legislature also passed legislation strengthening the County Fair Commission, directing the Commission to audit County Fairs, and directing that County Fair funds are distributed on an equal share basis to each county. The Legislature further approved an additional Office Specialist position for the Wine Advisory Board at a cost of $82,481 Other Funds. These costs will be recovered from wine industry related commodity assessment fees.

ODA – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 funded debt service at the current service level using $168,795 General Fund. The recommended budget represented a 40% decline in General Fund debt service from the amount required in the 1999-01 budget. The debt service for 2001-03 included no Other Funds contribution.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget for debt service of $168,795 General Fund as the final biennial payment for the debt issued relative to the purchase of equipment for the food innovation center.

Columbia River Gorge Commission (CRGC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	441,493	688,637	780,734	720,716
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. In 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. This arrangement was continued by the Legislature for the 2001-03 biennium with the same amounts identified for transfer from the DLCD grant program. 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 grants 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 recreation sites. As the regional planning agency, the Commission must work with stakeholders to ensure these pressures are dealt with in a manner consistent with the requirements of the National Scenic Area Act.

The 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 enhance economic development; 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	416,061	656,195	749,000	689,056
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 represented an increase of 19% over the 1999-01 adopted budget and 14% higher than 1999-01 revised estimated expenditures. Although the Governor's recommended budget included no program option packages to enhance current programs, the budget included a $119,000 General Fund increase for inflation and price list adjustments as part of the current service level calculation. This adjustment represented 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. Estimated expenditures for the 1999-01 biennium were revised to accommodate the post-April 2000 Emergency Board action.

Legislatively Adopted Budget

The adopted budget for the Commission's joint operating program is $689,056 General Fund, which represents a 5% increase from the revised 1999-01 estimated expenditures, but an 8% decrease from the Governor's recommended level. The 2001-03 adopted budget is 9% higher than the 1999-01 budget legislatively adopted budget. The majority of the increase in funding was provided to address past salary and benefit changes authorized by the State of Washington Legislature, but subject to shared funding by the State of Oregon under terms of the interstate compact.

The joint operating budget of $689,056 includes a $40,000 special purpose appropriation to the Emergency Board for allocation to the Columbia River Gorge Commission if Klickitat County, Washington, does not adopt local ordinances to implement the national scenic area management plan. Under the State of Washington appropriation language, $40,000 per year is provided to the Columbia River Gorge Commission to offset the costs of implementing the management plan in Klickitat County, but, if Klickitat County adopts ordinances, the $40,000 per year is to be provided directly to the county as a grant. Since grants to counties do not require match, the Oregon Legislative Assembly reduced the joint operating program budget by appropriating $40,000 to the Emergency Board. If Klickitat County continues to refrain from adopting local ordinances, the funds will be provided to the Columbia River Gorge Commission for costs associated with administering the national scenic area management plan in the county.

The adopted budget also included directions to the Columbia River Gorge Commission to continue efforts at utilizing mediation and facilitation rather than litigation to solve issues, to provide more detailed budget information to the Legislature in the future, to develop additional performance measures designed to show changes over time, and to work cooperatively with any legislative oversight committee that may be formed.

CRGC – Oregon Commissioner Expenses

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,432	32,442	31,734	31,660
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 funded commissioner expenses at the current service level. The slight decline from the 1999-01 budget resulted from an adjustment in the base budget to eliminate a professional services category from the program unit.

Legislatively Adopted Budget

The Legislature approved the recommended budget with a $74 General Fund reduction due to a 1% decrease in the amounts authorized for out-of-state travel expenditures.

Office of Energy (OOE) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,699,859	1,425,000	1,400,000	900,000
Other Funds	10,323,052	14,066,403	14,862,586	14,785,812
Federal Funds	4,785,130	6,848,531	7,047,612	7,043,665
Nonlimited	75,416,650	151,305,994	142,638,525	142,638,525
Total	**92,224,691**	**173,645,928**	**165,948,723**	**165,368,002**
FTE	74.20	77.94	77.94	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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,699,859	1,425,000	1,400,000	900,000
Other Funds	10,323,052	14,066,403	14,862,586	14,785,812
Federal Funds	4,785,130	6,848,531	7,047,612	7,043,665
Total	**16,808,041**	**22,339,934**	**23,310,198**	**22,729,477**
FTE	74.20	77.94	77.94	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 2001-03, the OOE expects an increase in the number of energy facility applications. In part, this increase is due to the 2001 Legislature's passage of House Bill 3788, which provides an expedited siting review process for certain gas-fired power plants as well as a temporary-site-certificate process for energy generation facilities meeting certain criteria.

Senate Bill 1149, Oregon's electric industry restructuring legislation (1999), provided 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. In the 1999-01 biennium, the agency started working with education service districts to establish rules for the use of funds earmarked for energy conservation investments in schools. The OOE also projected additional workload under Senate Bill 1149 in 2001-03. The recent increases in energy costs prompted the 2001 Legislature to pass House Bill 3633, which postpones the implementation of restructuring until March 1, 2002. However, it appears any workload reduction as a result of the delay will be offset by previously unanticipated requests from certain electric customers for technical assistance and project review. Additionally, the rising costs for natural gas, electricity and oil may increase 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 was a 4.3% increase over 1999-01 estimated expenditures. The budget added $158,906 Other Funds expenditure limitation and 1 FTE to address the energy conservation provisions in Senate Bill 1149. Funding for this policy package was to be covered by the public purpose charge created by the legislation.

The budget also continued 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 continued this financial assistance with $1.4 million General Fund.

Legislatively Adopted Budget

The legislatively adopted budget is a 1.7% increase over 1999-01 estimated expenditures and a 2.5% decrease from the Governor's recommended budget. The Legislature reduced the General Fund support to OMSI by $500,000 and appropriated the remaining $900,000 to the Emergency Board as a special purpose appropriation with reporting instructions to the agency regarding OMSI's financial status.

The Legislature reduced the base budget by $15,636 Other Funds and $3,340 Federal Funds expenditure limitation for a revision in the Public Employees Retirement System (PERS) contribution rate. Reductions also were made to the budget for a revision in the Attorney General hourly rate ($58,173 Other Funds and $607 Federal Funds), lower charges from the Secretary of State's Audits Division ($1,693 Other Funds), and other revised interagency assessments ($1,082 Other Funds).

The Legislature modified the package for the implementation of Senate Bill 1149 as a result of the lower PERS contribution rate. It requested the Department of Administrative Services unschedule the remaining $158,716 Other Funds expenditure limitation pending the outcome of legislation to modify, delay or repeal the electric industry restructuring statutes. As noted earlier, although House Bill 3633 from the 2001 legislative session postpones restructuring and collection of the public purpose charge until March 1, 2002, the agency's need for additional resources likely will not be reduced since workload demands appear to be higher than originally projected.

OOE – Loan Programs (Nonlimited)

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 provided for a slightly lower level of expenditures compared to 1999-01, based on projected levels of program activity.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget for this program.

Department of Environmental Quality (DEQ) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	29,516,323	38,711,012	43,070,234	42,872,836
Lottery Funds	6,646,124	442,370	497,510	497,510
Other Funds	81,939,334	105,378,727	117,516,688	110,212,596
Federal Funds	26,139,833	29,055,089	34,693,228	34,443,109
Nonlimited	106,441,795	129,258,220	116,452,178	116,169,773
Total	**250,683,409**	**302,845,418**	**312,229,838**	**304,195,824**
Positions (FTE)	741.11	787.66	891.99	865.71

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.

Legislatively Adopted Budget

The legislatively adopted budget for the Department of $304.2 million represents a 2.6% decrease from the Governor's recommended level, but a 0.4% increase from the 1999-01 estimated expenditures. The operating portion of the budget includes $42.9 million General Fund, $0.5 million Lottery Funds, $110.2 million Other Funds, and $34.4 million Federal Funds. The operating budget total of $188 million represents an 8.3% increase from the 1999-01 estimated expenditures and a 4% decrease from the Governor's recommended amount. The operating budget total does not include $116.2 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 78.05 FTE to the 1999-01 estimates, most of which are accounted for in the Vehicle Inspection Program's adopted budget within the Air Quality Division. Due to the limitations on available General Fund, the adopted 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,065,992	5,962,650	5,055,614	5,168,182
Other Funds	24,380,027	28,954,208	32,821,310	33,029,329
Federal Funds	5,451,072	5,720,495	6,600,189	6,390,023
Total	**33,897,091**	**40,637,353**	**44,477,113**	**44,587,534**
Positions (FTE)	210.51	216.67	296.33	291.83

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 particulate matter (PM2.5) 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 was a 9% increase over the 1999-01 estimated expenditures and a 12% increase over the current service level. The recommended budget included a decrease of approximately $0.9 million General Fund from the 1999-01 appropriation. The decrease was 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 restored positions in the ACDP program with a fee increase of approximately 48 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 was increased to $32.8 million, a gain of 13% from 1999-01 estimated expenditures. The recommended budget also included 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 included 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 was 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 included 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 were continued with 4 being made permanent, including a Natural Resource Specialist 3, two Chemists, and an Information Systems Specialist. The 4 other positions were 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) were added, including 2 Natural Resource Specialists and 2 Chemists, to conduct emission inventories and air monitoring. The positions were 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, were funded by existing Vehicle Inspection fees. The Other Funds increase represented 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, was 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 proposed 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 included a program reduction of $81,481 General Fund eliminated from the base budget for miscellaneous services and supplies. The reduction was made as part of the overall effort to fund the Governor's priorities in the recommended budget.

Legislatively Adopted Budget

The legislatively adopted budget for the Air Quality Division totals $44.6 million, a slight increase of less than 1% from the Governor's recommended level, but a 9.7% increase from 1999-01 estimated expenditures. The adopted budget includes $5.2 million General Fund, a 2.2% increase from the Governor's recommendation. The budget also includes $33 million Other Funds and $6.4 million Federal Funds. The adopted budget supports 291.83 FTE, an increase of 75.16 FTE from 1999-01 levels. The amount of the increase is due to the approval of a package to move vehicle inspectors from temporary services contracts to limited duration state employee status.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System (PERS) employer contribution rates and for reductions in charges for Attorney General and telecommunication services. In addition to the $81,000 General Fund reduction included in the Governor's recommended budget, the Legislature further reduced miscellaneous services and supplies expenditures by $43,000 General Fund in response to statewide funding priorities. Reductions were also made for out-of-state travel.

The adopted budget included approval of a 30% fee increase in the Air Contaminant Discharge Permit (ACDP) program instead of the 48% increase recommended by the Governor. In order to reduce the proposed fee increase to the 30% level, the Legislature provided an additional $170,000 General Fund to the program. The approved fee increase was accommodated in the adopted budget with an increase of $941,000 Other Funds expenditure limitation for the additional revenue. The effect of the legislative action was approval of 6.65 FTE instead of the 10.15 FTE recommended in the Governor's budget, a net reduction of 3.50 FTE for the program. The Legislature discussed potential effects on the level of service provided by the program, but also pointed out that the agency's decision to internally shift General Fund out of the ACDP program and into the mobile and area sources program was equivalent to the 3.50 FTE reduction.

The adopted budget also includes approval of the following proposals recommended in the Governor's budget:

- Partial funding was approved for the Air Quality Toxics proposal with the addition of $122,000 Other Funds and $234,000 Federal Funds expenditure limitation. The funding supports 2 positions (2 FTE) that will be used to address health risks from toxic air pollution currently not subject to federal air toxic regulations. Two other positions were eliminated from the package due to funding uncertainties.
- Continued funding of 8 positions (8 FTE) with $1,927,000 Federal Funds for implementation and maintenance of the PM 2.5 monitoring network.
- Approval for 75 vehicle inspector positions (75 FTE) as limited duration state employees instead of temporary contract workers and the addition of 2 additional limited duration positions (2 FTE), including a training manager and an occupational safety specialist. The positions were funded with existing Vehicle Inspection Program (VIP) fee revenues in the amount of $606,000 Other Funds. The budget included direction to the agency to conduct a Request For Proposal process to determine whether privatization of the entire VIP program is cost-effective and practical.

The adopted budget also included enhancements not anticipated in the Governor's recommended budget:

- An additional $975,000 Other Funds expenditure limitation in the Vehicle Inspection Program was authorized to enable the agency to establish a mobile vehicle testing program for automobile dealers. Currently, dealers must drive vehicles from their lots to a testing station. The new effort will allow the Department to make equipment available at a more convenient site, thereby reducing cost and time for the automobile dealers. The program will be funded by a $26 per car fee that replaces the regular DEQ test station inspection fee of $21. The car dealership association agreed to the fee structure change. The fee change does not apply to cars taken to a regular testing station by the public.
- The adopted budget includes authorization for 2 positions (1 FTE) and $156,000 Other Funds expenditure limitation for an expedited energy facility siting review process approved in House Bill 3788.

A proposal to authorize an open burning fee on domestic and industrial burning was not included in the adopted budget. The revenue would have been used to support a new position in the open burning program. The agency shifted a position out of the open burning program and into the air toxics program and was attempting to backfill with fee revenue. The Environmental Quality Commission has administrative rulemaking authority to establish such a fee. If the Commission so acts, the agency can seek expenditure limitation and position authority either from the Emergency Board or in its 2003-05 biennial budget request.

DEQ – Water Quality Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	13,674,857	17,695,190	20,392,834	20,102,255
Lottery Funds	0	344,191	192,000	192,000
Other Funds	10,463,897	13,251,942	17,302,105	14,715,457
Federal Funds	6,808,065	12,002,834	12,496,476	12,481,551
Total	**30,946,819**	**43,294,157**	**50,383,415**	**47,491,263**
Positions (FTE)	211.23	230.29	252.91	235.28

Program Description

The Water Quality program's 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 bodies with limited water quality. 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 plans.

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 reflected 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 was 16% above 1999-01 estimated expenditures and added a total of 22.6 FTE. The budget proposal was 19% higher than the current service level. The Governor’s proposed budget included $20.4 million General Fund, an increase of 15% from both the 1999-01 estimated expenditures and the current service level. The recommended budget included 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% was 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 included 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 were 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 received internal General Fund shifts from other programs, including the Environmental Partnership for Oregon Communities, Wastewater System Operator Certification, and Underground Injection Control; these programs were 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 sub-basins 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 continued implementation of the Drinking Water Protection / Source Water Assessment effort included in the 1996 Safe Drinking Water Act. Seven limited duration positions (7 FTE) were 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 continued 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 received 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 moved 2 positions (2.58 FTE) to the Water Quality Division. The Other Funds increase added 3 new positions (0.63 FTE) to assist with the phased-in development of storm water requirements. The Other Funds revenue was 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 proposed 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 received 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 included 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 proposed 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 was 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 restored the amount of the shortfall and shifted the remaining expenditures to General Fund.

The recommended budget also included a program reduction of $95,478 General Fund eliminated from the base budget for miscellaneous capital outlay. The reduction was made as part of the overall effort to fund the Governor's priorities in the recommended budget.

Legislatively Adopted Budget

The legislatively adopted budget for the Water Quality Division of $47.5 million total funds is a decrease of 5.7% from the Governor's recommended level, but is 9.7% higher than 1999-01 estimated expenditures. The adopted budget includes $20.1 million General Fund and $192,000 Lottery Funds. The approved General Fund appropriation is 1.4% below the Governor's recommendation, but is a 13.6% increase from 1999-01 levels. The amount of Lottery Funds included in the adopted budget is unchanged from the Governor's recommendation and represents funding from Measure 66 dollars for the Lower Columbia River National Estuary Program. The adopted budget also includes $14.7 million Other Funds and $12.5 million Federal Funds. The budget supports 235.28 FTE, an increase of 4.99 FTE from the 1999-01 staffing level.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System (PERS) employer contribution rates and for reductions in charges for Attorney General and telecommunication services. In addition to the $95,000 General Fund reduction included in the Governor's recommended budget, the Legislature further reduced miscellaneous services and supplies expenditures by $185,000 General Fund in response to statewide funding priorities. Reductions were also made for out-of-state travel.

The adopted budget included approval of a 20% fee increase in the wastewater permitting program instead of the 58% increase recommended by the Governor. The amount of fee increase authorized by the Legislature was determined to be the amount necessary to continue the wastewater permitting program at current service levels. The budget was approved with an Other Funds expenditure increase of $898,000 to accommodate the additional revenue from the fee increase. Since the Governor's budget was built on the proposed 58% fee increase, the reduction in the fee increase resulted in a $1.7 million decrease in Other Funds limitation in the legislatively adopted budget. The budget acknowledged the internal fund shift of General Fund from the Waste Management and Cleanup Division into the Water Quality Division of $677,000. The combination of this fund shift and the additional fee revenue restored 5 positions necessary to maintain permitting workload.

The adopted budget also includes approval of the following proposals recommended in the Governor's budget:

- The expedited TMDL development for the Willamette Basin was continued with approval of 8 limited duration positions (8 FTE) funded with $1,469,000 General Fund. The expedited TMDL work is scheduled for completion by the end of 2003.
- Six limited duration positions (6 FTE) funded with $833,000 Federal Funds were approved for Oregon Plan TMDL implementation activities. The agency was directed by a budget note to report on the use of these positions.
- The proposed fund shift for Oregon Plan Steelhead Supplement activities from Lottery Funds to General Fund was approved in the adopted budget. The fund shift increased the General Fund appropriation to the agency by $402,000 to support base positions. Another $57,000 General Fund was added to the Oregon Plan program to restore funds removed from the Governor's recommended budget due to an anticipated shortfall of lottery revenue that did not materialize.
- A proposal to shift General Fund from the Hazardous Waste program to the NPDES program was approved in the adopted budget. The shift moved $485,000 General Fund between the two programs to support 2.58 FTE for stormwater activities.
- The continuation of 5.75 FTE as limited duration was approved for the Drinking Water Protection / Source Water Assessment program funded by the federal government. The Department receives funding through the Health Division and spends the revenue as Other Funds. The expenditure limitation was increased by $794,000 Other Funds for the 2001-03 biennium.
- The La Pine National Decentralized Wastewater Treatment Project was authorized for continuation with the approval of $776,000 Federal Funds expenditure limitation and 6 FTE.
- A proposal to continue the Wastewater System Operator Certification program with a fee increase was approved in the adopted budget. The fee revenue was needed to restore the program after General Fund was moved out of the operator program and into the wastewater permitting program. Other Funds limitation in the amount of $152,000 to support 1 FTE was approved.

The recommended budget included a proposal to continue the Environmental Partnership for Oregon Communities (EPOC) program with an unspecified fee increase instead of the base General Fund. The Legislature opted to eliminate another proposal to shift $380,000 General Fund from Hazardous Waste to additional support for the Oregon Plan activities of the agency and instead used the revenue to restore 2 positions (2 FTE) in EPOC. The positions were restored with $328,000 General Fund from the denied fund shift.

The Legislature also did not approve restoring an additional position in the EPOC program that the Legislature eliminated in 1999 despite its reappearance in the recommended budget.

A proposal to fund the NPDES Stormwater Phase 2 startup work with revenue from an unspecified permit volume increase was rejected in the adopted budget. The adopted budget also included the elimination of 2 positions (2 FTE) and the reduction of $302,000 Other Funds expenditure limitation in the On-Site program due to passage of Senate Bill 5516 which rolled back on-site fees from the levels implemented by the agency during the 1999-01 interim to the levels discussed and authorized by the Legislature during the 1999 session.

DEQ – Waste Management and Cleanup Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,032,189	3,509,683	2,105,437	2,087,036
Lottery Funds	772,205	98,179	0	0
Other Funds	36,403,176	45,174,866	48,868,982	44,333,627
Federal Funds	13,173,027	10,783,446	15,167,245	15,142,217
Total	**55,380,597**	**59,566,174**	**66,141,664**	**61,562,880**
Positions (FTE)	245.95	249.36	250.79	249.04

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 was 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's recommended budget for the Waste Management and Cleanup Division was $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 this Division to the Water Quality Division, the recommended budget only increased by 1.43 FTE from the 1999-01 biennium. The recommended budget included fee increases to support program activities in marine spills, underground storage tanks, and heating oil tanks. The recommended budget included no Lottery Funds; the Lottery Fund expenditures in 1999-01 represented carry forward amounts from earlier allocations for the rural service station and marina / port underground storage tank financial assistance programs.

The proposed budget included 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 moved 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 included the shifting of $866,509 General Fund from the Hazardous Waste program's base budget to the Water Quality Division. The fund shift also moved 4 positions (4.58 FTE) to Water Quality. The shift reduced the Hazardous Waste program's ability to provide technical assistance, inspections, compliance, and analysis. The Governor's budget also included 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 were 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 represented 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 was 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 was not addressed in the Governor's budget.
- $753,720 Other Funds to restore the Underground Storage Tank leak prevention program. The recommended budget restored 2.34 FTE that were unable to be continued due to projected revenue shortfalls in the program, restored 0.30 FTE eliminated in 1997-99 due to revenue shortfalls, and added 2 new positions (2 FTE). The positions were used for underground storage tank inspection activities and technical assistance. The restored and new positions were 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 was not provided in the

Governor's recommended budget and projected revenue from the existing fees will only support 2.5 FTE. The recommended budget proposed 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 was 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 was 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 proposed to split the Waste Management and Cleanup Division into 2 separate divisions. The position was 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 was proposed for funding with existing solid waste permit and disposal fees.

Legislatively Adopted Budget

The legislatively adopted budget for the Waste Management and Cleanup Division totals $61.6 million, a decrease of 6.9% from the Governor's recommended level, but an increase of 3.4% from 1999-01 estimated expenditures. The adopted budget includes $2.1 million General Fund, less than 1% lower than recommended by the Governor, but 40.5% less than appropriated in 1999-01 by the Legislature. The reason for the substantial decrease from 1999-01 is the approval of fund shifts of General Fund from the Waste Management and Cleanup Division to the Water Quality Division for higher priority functions in the amount of $867,000. Part of the fund shift was authorized for use in the NPDES Stormwater program and part was used to restore positions in the EPOC program. The adopted budget includes $44.3 million Other Funds and $15.1 million Federal Funds. A total of 249.04 FTE are supported by the adopted budget, only 0.32 FTE less than 1999-01 levels.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates and for reductions in charges for Attorney General and telecommunication services. In addition to the $285,000 General Fund reduction included in the Governor's recommended budget, the Legislature further reduced miscellaneous services and supplies expenditures by $11,000 General Fund in response to statewide funding priorities. Reductions were also made for out-of-state travel.

The adopted budget rejected the establishment of 2 management positions with an Other Funds cost of $365,000. The 2 positions were an Environmental Cleanup Division administrator and a Northwest Region Solid Waste Manager. The effect of the denial of the positions was to direct the agency to retain the Waste Management and Cleanup Division as one program rather than splitting the program into two as proposed in the Governor's recommended budget.

The Legislature approved 3 bills to accommodate budget proposals involving fee increases in the Waste Management and Cleanup Division:

- House Bill 2150 authorized a fee increase for the agency's Marine Spill Preparedness program. The bill increased fees on cargo vessels and on offshore and onshore oil storage facilities. Revenues from the fees are used by the Department as cost recovery for reviewing the marine oil spill contingency plans required by law. The bill included an Other Funds expenditure limitation increase of $208,000 and authorization to restore 1.25 FTE in the program that would have been eliminated without the fee increase.
- House Bill 2264 authorized fee changes paid by underground storage tank permit holders and service providers. Revenues from the fees are used by the Department to protect groundwater and land from leaking underground storage tanks. The bill included an Other Funds expenditure limitation increase of $719,000 and authorization to establish 5 positions (4.38 FTE) including a combination of new positions and restored positions that would have been eliminated due to revenue shortfalls without the fee increases.
- House Bill 2883 authorized fee increases and establishments in the home heating oil program. A fee of $50 on individuals requesting certification of a heating oil tank decommissioning was continued and a fee for requesting certification of a heating oil tank corrective action was increased from $50 to $125. The bill included Other Funds expenditure limitation of $244,000 and authorized the restoration of 1.50 FTE in the heating oil tank decommissioning program.

The adopted budget also included a change to the Governor's recommendation for the Orphan Site Cleanup program. The Legislature reduced the Other Funds limitation by $4 million for 2001-03. The Governor's recommended budget included the use of ending balances from the Hazardous Substance Remedial Action Fund (HSRAF) as debt service for a proposed $8 million bond sale. In order to have sufficient revenue for the debt service, the bond sale will be delayed until the second half of the biennium. In addition, the HSRAF revenue was only available for the debt service for the 2001-03 biennium. The Governor's recommended budget included no plan for funding debt service on the $8 million bond sale beyond the 2001-03 biennium. The Legislature instead reduced the amount of the bond sale to $4 million and noted that a $2.1 million insurance settlement received but not spent during the 1999-01 biennium could be used to fund the Orphan Site program during 2001-03. The reduced amount of the bond sale allowed the agency to use General Fund savings from a deferred 1999-01 bond sale for ongoing debt service needs on the authorized $4 million sale. The reduced amount of the bond sale may also enable the agency to issue bonds earlier in the biennium than proposed in the Governor's recommended budget.

DEQ – Cross Media

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	78,961	868,841	867,855
Other Funds	0	1,180,677	549,240	541,582
Federal Funds	0	548,314	429,318	429,318
Total	**0**	**1,807,952**	**1,847,399**	**1,838,755**
Positions (FTE)	0.00	12.42	4.40	5.00

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 was 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 were 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 transportation funds through the Oregon Department of Transportation. 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 was provided as a program enhancement to continue 3 positions (3 FTE) working on Community Solutions Team issues.
- Other Funds were 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 were 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 was to better reflect the operational reality of the tax credit program and involved the net movement of 1 FTE into Cross Media.

Legislatively Adopted Budget

With the inclusion of $785,500 General Fund in House Bill 5014, the Legislature effectively adopted the Governor's recommended budget for the Cross Media program. The additional General Fund provides the support for the Community Solutions Team effort in the 2001-03 biennium. The 3 positions requested for the program were authorized as limited duration. The Cross Media adopted budget of $1.8 million is less than 1% lower than the Governor's recommended level.

Also approved in the adopted budget was the shift of the Portland Harbor limitation to the Waste Management and Cleanup Division and the shift of the pollution control tax credit limitation and position to Cross Media from all other Divisions.

DEQ – Agency Management

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,956,334	285,066	247,563	247,563
Other Funds	10,692,234	16,817,034	17,975,051	17,592,601
Federal Funds	707,669	0	0	0
Total	**14,356,237**	**17,102,100**	**18,222,614**	**17,840,164**
Positions (FTE)	73.42	78.92	87.56	84.56

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 was $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 included an increase of 10 FTE from the current service level. The budget included 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) was incorporated into the recommended budget as a program reduction. The positions affect agency-wide library support and rules coordination. The program reduction resulted in a decrease in the amount of indirect revenue needed 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 provided $300,000 for professional service contracts to upgrade computer systems and to provide an interface with the Laboratory's analytical data. The enhancement was 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 were to assist with the development of process improvements and the agency-wide time accounting system. The positions included a time accounting data manager and a permanent organization improvement coordinator. The enhancement was 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 were funded with indirect revenue charged against other program personal service expenditures. The recommended funding for this package assumed 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.

Legislatively Adopted Budget

The legislatively adopted budget for Agency Management totals $17.8 million, a 2.1% decrease from the Governor's recommended level and a 4.3% increase from the 1999-01 estimated expenditures. The adopted budget includes $247,000 General Fund, unchanged from the Governor's recommendation. The General Fund is used to pay for central government service charges that cannot be assessed against Federal Funds through the indirect charge applied against all programs. The remainder of the Division's budget, $17.6 million, is Other Funds expenditure limitation, but represents an estimated 19.2% charge against the personal service costs of all other Division programs. The adopted budget supports 84.56 FTE, an increase of 5.64 FTE from 1999-01 levels.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State, Human Resource Services Division, and telecommunication services. A reduction of $300,000 Other Funds limitation included in the Governor's recommended budget was accepted. The reduction represents the Other Funds cost to Agency Management of General Fund reductions made in individual programs in other Divisions. The cost savings were made possible through the elimination of 2 positions in Agency Management. Reductions were also made in the adopted budget for out-of-state travel.

The adopted budget included approval for 9 new positions in three packages:

- The proposed productivity and accountability improvements were approved with $558,000 Other Funds expenditure limitation increase and the addition of 4 positions (4 FTE). The positions will be used primarily to implement the agency's time accounting system.

- The proposed enhancement to agency data and information was approved with the addition of $887,000 Other Funds expenditure limitation and the authorization for 4 new positions (4 FTE). The positions will be used primarily to upgrade the agency's ability to disseminate electronic information.
- The proposed addition to fiscal and accounting services of the agency was partially approved with the addition of $132,000 Other Funds expenditure limitation and authorization to establish 1 new position (1 FTE) for fiscal coordination.

DEQ – Pollution Control Bond Fund Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,786,951	11,179,462	14,399,945	14,399,945
Lottery Funds	5,873,919	0	305,510	305,510
Nonlimited	28,192,286	7,973,944	2,187,343	1,904,938
Total	**37,853,156**	**19,153,406**	**16,892,798**	**16,610,393**
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 funded 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 included 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 was 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 was not addressed.

- For the Clean Water State Revolving Loan Fund program, the agency requested approval of an $8 million General obligation bond sale with $669,209 General Fund for debt service needs in 2001-03. The Governor's recommendation was to use a $9.1 million Lottery revenue bond sale with $305,510 Lottery Funds for debt service in 2001-03.

Legislatively Adopted Budget

The legislatively adopted budget for Debt Service of $16.6 million is 1.7% below the Governor's recommended level. The reduction is due to the Legislature's decision to reduce the amount of the Orphan Site bond sale from $8 million using HSRAF for debt service to a $4 million issuance using General Fund savings as debt service. The reasons behind the legislative decision are described more fully in the Waste Management and Cleanup Division section.

The adopted budget includes approval of the use of Lottery revenue bonds for the Clean Water State Revolving Loan Fund program with the associated $306,000 Lottery Funds debt service in 2001-03.

DEQ – Nonlimited

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Nonlimited	78,249,509	121,284,276	114,264,835	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 included 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.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended total of $114.3 million in Nonlimited bond sale activity.

Department of Fish and Wildlife (ODFW) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	17,564,292	16,469,434	20,623,991	20,503,932
Lottery Funds	0	7,747,295	1,688,035	10,532,273
Other Funds	84,567,676	83,442,940	87,537,794	86,450,953
Federal Funds	70,200,097	89,738,784	93,277,685	93,838,751
Nonlimited	17,080,315	8,331,000	2,258,015	2,258,015
Total	**189,412,380**	**205,729,453**	**205,385,520**	**213,583,924**
Positions (FTE)	956.26	1,003.44	998.91	1,056.12

The 1999-01 Estimated Lottery Funds total includes 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.

Legislatively Adopted Budget

For the 2001 Legislative Assembly, the most problematic natural resource program area issue was the Department of Fish and Wildlife. Concerns over management of the agency led the Legislature to pass bills aimed at regaining control over agency direction and activities. The Legislature adopted measures to require Senate confirmation of the Fish and Wildlife Commission's selection of a new director, to direct the agency to move its headquarters to Salem from Portland, to establish a new statutorily obligated account for the assurance of ending balances, and to separate dedicated accounts from the State Wildlife Fund for accountability.

The adopted 2001-03 budget for the Department totals $208.5 million and includes $20.5 million General Fund, $10.5 million Lottery Funds, $86.4 million Other Funds, and $93.8 million Federal Funds. Despite the budget problems of the agency, the adopted budget is 4% above the Governor's recommended budget primarily due to continued funding of the fish screening program with Measure 66 Lottery Funds and to funding of continued operation at three hatcheries closed in the Governor's budget. The amount of direct state support (combined General Fund and Lottery Funds) in the budget increased from the Governor's recommended level of $22.3 million to $31 million in the adopted budget. The increase includes $6.5 million Lottery Funds expenditure limitation provided for the fish screening program not addressed in the Governor's budget. The adopted budget also includes continuation of the fee increase passed by the 1999 Legislature. The revenue from removing the fee sunset supports 43 positions and program activities that could not otherwise be funded.

After the Governor's budget was developed, an Other Funds budget shortfall of over $6 million was identified. The shortfall included repayments of loans from dedicated accounts and needs for ending balances, working cash for cash-flow needs, and higher personal services expenditures for estimated cost-of-living adjustments. The legislatively adopted budget addresses the shortfall with a combination of program reductions, additional General Fund, and increased revenues from higher than projected license sales in 1999-01. The adopted budget also pays off the outstanding debt to the Fish Endowment Account with $2.1 million General Fund. The budget includes 45 packages not part of the Governor's recommended budget to address the reductions from the shortfall and to restore pieces of the reductions with additional General Fund. The additional packages also include directions to the agency to reorganize and centralize budget functions and to align existing positions in the proper organizational units. The budget includes 15 budget notes for budget execution accountability to the Legislature during the 2001-03 biennium.

ODFW – Fish Division Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	14,176,583	12,153,465	14,484,345	12,501,402
Lottery Funds	0	7,747,295	1,688,035	10,427,327
Other Funds	23,209,846	23,391,753	24,932,747	24,693,671
Federal Funds	55,453,091	64,514,519	68,741,495	69,445,883
Total	**92,839,520**	**107,807,032**	**109,846,622**	**117,068,283**
Positions (FTE)	648.62	687.67	673.94	739.20

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 Oregon Plan activities focused upon 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 was $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 retained positions that would have been lost without a repeal of the license fee sunset and added $2.3 million General Fund to the 1999-01 levels. Lottery Funds were 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 included $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 funded 673.94 FTE in the Fish Division, a 1.6% decrease from 1999-01 approved positions.

Legislatively Adopted Budget

The legislatively adopted budget for the Fish Division totals $117.1 million, an increase of 6.6% from the Governor's recommended level and 8.6% higher than 1999-01 estimated expenditures. The total adopted budget includes $12.5 million General Fund and $10.4 million Lottery Funds, nearly $7 million more than included in the Governor's recommendation, an increase of 43 percent. The adopted budget for the Fish Division also includes $24.7 million Other Funds and $69.4 million Federal Funds. The adopted budget also supports 739.20 FTE in the Fish Division, an increase of 65.26 FTE from the Governor's recommended level due to a combination of authorizing the establishment of limited duration positions from additional Federal Funds and the continuation of the fish screening program.

The adopted budget for the Fish Division included various reorganization efforts with the goal of having the budget more closely reflect where the actual expenditures of the Division's programs occur. The movement of positions between the programs affected a total of 4 positions and the shifting of approximately $2.2 million. The movement of nearly 19 FTE between the programs affecting $2.6 million Other Funds expenditure limitation was also approved for the purpose of reorganizing the regional administration structure of the Division. The adopted budget also authorized the transformation of a total of 38.38 FTE of federally funded seasonal positions into limited duration, full-time status.

ODFW – Fish Division/Propagation

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,750,317	8,069,174	7,617,789	7,680,028
Other Funds	9,508,354	6,954,168	7,455,304	6,425,837
Federal Funds	26,610,039	27,609,720	28,386,732	29,673,664
Total	**43,868,710**	**42,633,062**	**43,459,825**	**43,779,529**
Positions (FTE)	297.91	260.71	253.21	269.51

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 Fish 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 was $43.5 million, an increase of 1.9% from the 1999-01 estimated levels. The recommended budget included $7.6 million General Fund, $7.5 million Other Funds, and $28.4 million Federal Funds. The requested General Fund was $0.4 million less than in 1999-01. The Governor's budget supported a total of 253.21 FTE, a decline of 7.5 FTE from 1999-01.

The Propagation program's recommended budget included several proposed funding changes:

- A reduction of $834,305 General Fund from the program's base budget eliminated 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 restored 3 positions (3 FTE) and related services and supplies at the Elk River, Butte Falls, Cole Rivers, Salmon River, and Nehalem hatcheries; the positions were eliminated in the current service level budget due to a revenue shortage.
- $281,600 General Fund was added to replace the one-time General Fund provided for the 1999-01 biennium and continued 3 positions (3 FTE) used in fish culture programs at the Nehalem hatchery.
- $172,372 General Fund was added for the purchase of live rainbow trout (62,000 pounds) from private aquaculture facilities based on the principles of Senate Bill 834 (1999).

Legislatively Adopted Budget

The legislatively adopted budget for the Fish Propagation program totals $43.8 million, a slight increase of less than 1% from the Governor's recommended level and 2.7% higher than the 1999-01 estimated levels. The adopted budget includes $7.7 million General Fund, $6.4 million Other Funds, and $29.7 million Federal Funds. The adopted budget authorizes 269.51 FTE for the program, an increase of 16.3 FTE, or 6.4%, from the Governor's recommended level.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System (PERS) employer contribution rates and for reductions in charges for Attorney General services. The Fish Propagation program's adopted budget also included the following changes:

- The Legislature rejected the Governor's proposed closure of three hatcheries and supplied $834,000 General Fund for the 2001-03 biennium to restore operations and 8 positions eliminated in the Governor's budget.
- License fee restoration funding of $548,000 Other Funds to support activities and positions (3 FTE) at five hatcheries that would have been eliminated without a repeal of the fee sunset.
- General Fund restoration in the amount of $281,000 to continue 3 FTE and programs at the Nehalem hatchery that were provided "one-time" General Fund in the 1999-01 budget.
- General Fund in the amount of $200,000 and Other Funds expenditure limitation of $25,000 for the Diamond Lake project to purchase trophy trout for the lake and to finalize work on an environmental impact statement.
- As part of the Other Funds cost reduction plan, $198,000 Other Funds expenditure limitation was eliminated, but restored with $186,000 of additional General Fund; no positions were cut due to the cost reduction plan.
- A fund shift affecting $1.3 million Federal Funds to use for hatchery operation costs and moving equivalent amounts of General Fund and Other Funds to Natural Production for support of biologist positions was approved.
- A shift of $599,000 Other Funds and 1.25 FTE to the Interjurisdictional Fisheries program was approved to realign the expenditures with the budget.

- Federal seasonal positions were authorized for transformation into full-time limited duration positions (9.17 FTE).

ODFW – Fish Division/Natural Production

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,409,135	1,383,220	4,315,514	2,210,296
Lottery Funds	0	7,747,295	1,688,035	10,427,327
Other Funds	11,640,038	11,377,579	11,991,393	11,105,921
Federal Funds	22,756,114	28,644,946	30,760,423	27,691,119
Total	**38,805,287**	**49,153,040**	**48,755,365**	**51,434,663**
Positions (FTE)	272.43	305.69	298.42	321.71

The 1999-01 Estimated Lottery Funds total includes 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 was $48.8 million, a decrease of approximately 1% from the 1999-01 estimated expenditures. The proposed budget was 8.6% higher than the current service level. The recommended budget included $4.3 million General Fund, more than 3 times the amount provided in the 1999-01 biennium. The primary reasons for the increase was 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 was not continued in the Governor's recommended budget. Nearly two-thirds of the total program funding was derived from Federal Funds, up by 7.7% to a total of $30.8 million. The recommended budget supported 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 included:

- A reduction of $438,410 General Fund from the program's base budget eliminated 2 positions (2 FTE) included in Oregon Plan activities, eliminated contract funding for cormorant hazing activities on the coast, and reduced fish screening program services and supplies. The 2 eliminated positions were 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 were 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 was added and $865,493 Other Funds 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 restored 9 positions (5.13 FTE) eliminated in the current service level budget due to revenue shortages. The restoration also included funding for Diamond Lake restocking, if the project advances. The restored positions include assistant district field biologists and seasonals.
- $145,666 General Fund was 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) were added with the funding.
- $3,097,709 Federal Funds continued various limited duration positions and projects originally approved in the 1999-01 biennium for fisheries research. The funding was 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 were included (31.5 FTE).

Legislatively Adopted Budget

The legislatively adopted budget for the Natural Production program totals $51.4 million, an increase of 5.5% from the Governor's recommended level and 4.6% above the 1999-01 estimated levels. The adopted budget includes $2.2 million General Fund, a decrease of $2.1 million from the Governor's recommended level, and $10.4 million Lottery Funds, an increase of $8.7 million from the Governor's recommendation. The differences are due to the Legislature's decision to continue funding Oregon Plan base activities of the Department with Measure 66 Lottery Funds instead of shifting these activities to General Fund and to provide carryforward and new expenditure limitation for the Measure 66 fish screening program. The adopted budget also includes $11.1 million Other Funds and $27.7 million Federal Funds expenditure limitation. The adopted budget authorizes 321.71 FTE for the program, an increase of 23.29 FTE, or 7.8%, from the Governor's recommended level.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates. The Fish Natural Production program's adopted budget also included the following changes:

- The Legislature accepted the Governor's proposed reduction of $438,000 General Fund affecting two positions being transferred to the Oregon Watershed Enhancement Board and the provision of fish screening support. The Legislature provided fish screening funding through an allocation of Measure 66 Lottery Funds and authorized the transfer of the two positions, also to be funded with Measure 66 Lottery Funds.
- License fee restoration funding of $834,000 Other Funds to support activities and positions (5.13 FTE) in field offices that would have been eliminated without a repeal of the fee sunset.
- A proposal to restore "one-time" General Fund provided in the 1999-01 biennium for the collection of fish population and fishery information was approved, but was restored with $146,000 Other Funds rather than General Fund.
- A proposal to add $865,000 General Fund to pay for Cost of Living Adjustments was rejected and funded with Other Funds.
- A proposal to shift base Oregon Plan activities from Lottery Funds to General Fund was rejected in the adopted budget. The Oregon Plan base activity was authorized with $2.1 million Lottery Funds.
- The addition of $3.1 million Federal Funds and 31.5 FTE was approved for continuing work in fisheries research and other analyses and monitoring activities.
- As part of the Other Funds cost reduction plan, $603,000 Other Funds expenditure limitation was eliminated, but partially restored with $294,000 of additional General Fund; no positions were cut due to the cost reduction plan.

- The fish passage and screening program was continued with the addition of $6.5 million Lottery Funds expenditure limitation. The amount of limitation includes $2.6 million in carryforward from Lottery Funds originally allocated in the 1999-01 biennium, but unable to be fully expended by the end of the biennium. Eighteen positions (15.83 FTE) were continued for the 2001-03 biennium.
- A fund shift affecting $1.3 million General Fund and Other Funds for support of biologist positions and moving an equivalent amount of Federal Funds to use for hatchery operation costs to Fish Propagation was approved.
- A shift of $1.7 million Other Funds and 14.83 FTE to the Interjurisdictional Fisheries program was approved to realign the expenditures with the budget.
- Federal seasonal positions were authorized for transformation into full-time limited duration positions (23.17 FTE).
- Additional Federal Funds expenditure limitation in the amount of $212,000 was provided for funding from the U.S. Army Corps of Engineers on hatchery projects.

ODFW – Fish Division/Marine Resources

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,017,131	1,529,969	1,580,593	1,703,061
Other Funds	2,061,454	2,893,045	3,189,282	2,632,003
Federal Funds	6,086,938	3,217,669	5,132,207	4,917,237
Total	**10,165,523**	**7,640,683**	**9,902,082**	**9,252,301**
Positions (FTE)	78.28	70.79	78.83	79.46

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 1999-01 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Marine Resources program totals $9.3 million, a decrease of 6.6% from the Governor's recommended level, but 21.1% above the 1999-01 estimated levels. The adopted budget includes $1.7 million General Fund, an increase of 7.8% from the Governor's recommended level. The adopted budget also includes $2.6 million Other Funds and $4.9 million Federal Funds expenditure limitation. The adopted budget authorizes 79.46 FTE for the program, an increase of 0.63 FTE from the Governor's recommended level.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates. The Marine Resources program's adopted budget also included the following changes:
- A proposal to restore "one-time" General Fund provided in the 1999-01 biennium for the collection of fish population and fishery information was approved. The adopted budget provided $523,000 General Fund to continue 7 positions (4.51 FTE) used in the program for marine mammal predation studies, dockside sampling, and at-sea research activities.
- The addition of $1.8 million Federal Funds and 9.04 FTE was approved for continuing work in the management of West Coast salmonid stocks.
- As part of the Other Funds cost reduction plan, $56,000 Other Funds expenditure limitation was eliminated, but partially restored with $25,000 of additional General Fund; no positions were cut due to the cost reduction plan.
- A shift of $305,000 Other Funds and 2.5 FTE to the Interjurisdictional Fisheries program was approved to realign the expenditures with the budget.
- Federal seasonal positions were authorized for transformation into full-time limited duration positions (4.46 FTE).

ODFW – Fish Division/Interjurisdictional Fisheries

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	1,171,102	970,449	908,017
Other Funds	0	2,166,961	2,296,768	4,529,910
Federal Funds	0	5,042,184	4,462,133	7,163,863
Total	**0**	**8,380,247**	**7,729,350**	**12,601,790**
Positions (FTE)	0.00	50.48	43.48	68.52

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.

Legislatively Adopted Budget

The legislatively adopted budget for the Interjurisdictional Fisheries program totals $12.6 million, an increase of nearly $5 million, or 63.6%, from the Governor's recommended level. The adopted budget includes $0.9 million General Fund, a slight decrease from the Governor's recommended level. The adopted budget also includes $4.5 million Other Funds and $7.2 million Federal Funds expenditure limitation. The adopted budget authorizes 68.52 FTE for the program, an increase of 25.04 FTE, or 57.6%, from the Governor's recommended level. The budgetary increase for the program is due to the reorganization approved by the Legislature to move positions and funding out of other Division programs and into the Interjurisdictional Fisheries program where the expenditures actually occur.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates. The Interjurisdictional Fisheries program's adopted budget also included the following changes:

- The adopted budget included approval of the Governor's recommended General Fund reduction for miscellaneous services and supplies in the program of $152,000, but restored $56,500 General Fund for the Oregon Coastal Zone Management Association contract.
- License fee restoration funding of $428,000 Other Funds to support activities and positions (3.75 FTE) in the tagging and fishery sampling of the Columbia white sturgeon fishery that would have been eliminated without a repeal of the fee sunset.
- A proposal to add $97,000 General Fund to pay for Cost of Living Adjustments was rejected and funded with Other Funds.
- As part of the Other Funds cost reduction plan, $412,000 Other Funds expenditure limitation was eliminated, but partially restored with $213,000 of additional General Fund; one position (1 FTE) was eliminated due to the cost reduction plan.
- As part of the shift from other programs into the Interjurisdictional Fisheries program, an increase of $2.6 million Other Fund expenditure limitation and 18.58 FTE were added to the program; equivalent reductions were made in the other Fish Division programs. The shift was made to realign positions and expenditures with the budget structure.
- As part of an effort to consolidate budget positions in the Administration Division, the adopted budget for Interjurisdictional Fisheries was reduced by $233,000 Other Funds and $22,000 Federal Funds, affecting 2 FTE. An equivalent increase was included in the Administration Division budget.
- Additional Federal Funds expenditure limitation in the amount of $597,000 was approved along with authorization to establish 7 permanent positions for support of the Columbia River Management, Ocean Salmon Management, and Columbia River Investigations programs within Interjurisdictional Fisheries.
- Federal seasonal positions were authorized for transformation into full-time limited duration positions (1.58 FTE).

ODFW – Wildlife Division Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	720,053	1,480,921	2,084,315	1,938,529
Other Funds	20,233,789	21,631,172	23,099,830	22,353,656
Federal Funds	7,369,439	10,177,221	13,128,713	13,105,906
Total	**28,323,281**	**33,289,314**	**38,312,858**	**37,398,091**
Positions (FTE)	173.15	166.80	173.80	172.30

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 totaled $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 proposed to restore positions eliminated in the current service level budget due to the repeal of the license fee increase. The Governor's budget assumed elimination of the repeal allowing the use of $1.1 million Other Funds from the fee increase for base program activities. The recommended budget added 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 included $13.1 million Federal Funds, an increase of nearly 30% from the 1999-01 biennium. The proposed budget supported 173.80 FTE, an increase of 7 FTE from 1999-01.

Legislatively Adopted Budget

The legislatively adopted budget for the Wildlife Division totals $37.4 million, a decrease of 2.4% from the Governor's recommended level, but 12.3% higher than 1999-01 estimated expenditures. The total adopted budget includes $1.9 million General Fund, an increase of 31% from the 1999-01 appropriation for the Division. The adopted budget for the Wildlife Division also includes $22.4 million Other Funds and $13.1 million Federal Funds. The adopted budget also supports 172.3 FTE in the Wildlife Division, a decrease of 1.5 FTE from the Governor's recommended level, but 5.5 FTE more than funded in 1999-01.

ODFW – Wildlife Division/Game

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	315,654	890,497	664,153
Other Funds	15,619,910	16,341,448	17,339,359	16,984,582
Federal Funds	792,237	1,907,894	1,909,758	1,894,908
Total	**16,412,147**	**18,564,996**	**20,139,614**	**19,543,643**
Positions (FTE)	102.16	99.23	99.23	97.73

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 represented an 8.3% increase from the 1999-01 estimated expenditures. The recommended budget included $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 supported 99.23 FTE, the same number as in the 1999-01 biennium. The budget also included $17.3 million Other Funds and $1.9 million Federal Funds.

The Game program's recommended budget included the following funding changes:

- $651,197 Other Funds from the license fee sunset repeal restored 6 positions (4.63 FTE) eliminated in the current service level budget due to revenue shortages. The positions would be used in the wildlife damage program.

- $475,000 General Fund was added and $475,000 Other Funds were reduced to complete a fund shift of COLA adjustments from license fee revenues to General Fund.
- $80,000 General Fund was 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 has been 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.
- $107,328 Federal Funds were added to continue a limited duration position (1 FTE) as permanent. The position would be used for research work on black bear, cougar, and white-tailed deer in the Southwest Region.

Legislatively Adopted Budget

The legislatively adopted budget for the Game program totals $19.5 million, a 3% reduction from the Governor's recommended level, but a 5.3% increase from 1999-01 estimated expenditures. The adopted budget includes $664,000 General Fund, more than twice as much that was appropriated for the program in the 1999-01 biennium. The adopted budget also includes $17 million Other Funds and $1.9 million Federal Funds expenditure limitation. The budget supports a total of 97.73 FTE, a reduction of 1.5 FTE from both the Governor's recommended level and the 1999-01 staffing level.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates and for reduced charges for Attorney General services. The Wildlife Game program's adopted budget also included the following changes:

- License fee restoration funding of $650,000 Other Funds to support activities and positions (4.63 FTE) in the wildlife damage program that would have been eliminated without a repeal of the fee sunset.
- A proposal to add $475,000 General Fund to pay for Cost of Living Adjustments was rejected and funded with Other Funds.
- The Governor's recommended addition of $80,000 General Fund for predator control programs was approved with an increase to $120,000 General Fund, or $60,000 per year. The increase was associated with passage of House Bill 2180, which changed the source of funding for the predator control program from license fee revenue to General Fund. The Legislature also took the opportunity to increase the total amount provided for such predator control programs.
- As part of the Other Funds cost reduction plan, $668,000 Other Funds expenditure limitation was eliminated, but partially restored with $209,000 of additional General Fund; one position (0.5 FTE) was eliminated due to the cost reduction plan.
- As part of an effort to consolidate budget positions in the Administration Division, the adopted budget for the Wildlife Game program was reduced by $122,000 Other Funds and $13,000 Federal Funds, affecting 1 FTE. An equivalent increase was included in the Administration Division budget.
- Additional Federal Funds expenditure limitation in the amount of $107,000 was approved along with authorization for the establishment of 1 permanent position 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	410,796	449,581	531,070
Other Funds	3,970,207	4,792,578	5,232,256	4,841,720
Federal Funds	5,382,360	6,524,835	9,396,580	9,389,539
Total	**9,352,567**	**11,728,209**	**15,078,417**	**14,762,329**
Positions (FTE)	58.57	56.15	63.15	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 totaled $15.1 million, an increase of 28.6% from the 1999-01 estimated expenditures. The recommended budget included $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 increases over the 1999-01 biennium were due to the receipt of Federal Funds. The program projected receiving $9.4 million Federal Funds in 2001-03, an increase of 44% from 1999-01. The recommended budget supported 63.15 FTE, an increase of 7 FTE from the 1999-01 biennium. The budget also included $5.2 million Other Funds, an increase of 9.2% from last biennium.

The Habitat program's recommended budget included the following funding changes:

- $464,764 Other Funds from the license fee sunset repeal restored 1 position (0.71 FTE) eliminated in the current service level budget due to revenue shortages. The additional Other Funds were also used to restore the license fee supported portion of the Green Forage and DEAR programs which were reduced by approximately 89% in the current service level budget.
- $2,692,613 Federal Funds were added for additional federal wildlife mitigation activities. The funding was 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) were included to enhance current activities in the Willamette Basin Mitigation program, also funded by BPA. Willamette Valley habitat projects were also enhanced with U.S. Fish and Wildlife funds to support the addition of a position (1 FTE). The package also included $1.2 million for land acquisition.

Legislatively Adopted Budget

The legislatively adopted budget for the Habitat program totals $14.8 million, a 2.1% reduction from the Governor's recommended level, but a 25.9% increase from 1999-01 estimated expenditures. The adopted budget includes $531,000 General Fund, a 29.2% increase from the amount appropriated for the program in the 1999-01 biennium. The adopted budget also includes $4.8 million Other Funds and $9.4 million Federal Funds expenditure limitation. The budget supports a total of 63.15 FTE, unchanged from the Governor's recommended level and 7 FTE more than approved for the 1999-01 biennium.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates. The Wildlife Habitat program's adopted budget also included the following changes:

- License fee restoration funding of $465,000 Other Funds to support activities and a position (0.71 FTE) in the Green Forage and DEAR programs that would have been eliminated without a repeal of the fee sunset.
- As part of the Other Funds cost reduction plan, $387,000 Other Funds expenditure limitation was eliminated, but partially restored with $82,000 of additional General Fund; no positions were eliminated due to the cost reduction plan.
- Additional Federal Funds expenditure limitation in the amount of $2.7 million was approved along with authorization to establish 9 FTE for work on the Columbia Basin Mitigation and the Willamette Basin Mitigation programs, funded by the Bonneville Power Administration.

ODFW – Wildlife Division/Wildlife Diversity

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	720,053	754,471	744,237	743,306
Other Funds	643,672	497,146	528,215	527,354
Federal Funds	1,194,842	1,744,492	1,822,375	1,821,459
Total	**2,558,567**	**2,996,109**	**3,094,827**	**3,092,119**
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 was up marginally from 1999-01 estimated expenditures and was unchanged from the current service level. The recommended budget included $0.7 million General Fund, $0.5 million Other Funds, and $1.8 million Federal Funds. The proposed funding supported 11.42 FTE, the same number supported in the 1999-01 budget. The program's recommended budget included no proposed funding reductions or enhancements.

Legislatively Adopted Budget

The legislatively adopted budget for the Diversity program totals $3.1 million, only slightly below the Governor's recommended level due to reductions for lower estimated PERS employer contribution rates. No other changes were made to the budget by the Legislature. The adopted budget includes $743,000 General Fund, $527,000 Other Funds, and $1.8 million Federal Funds. The adopted budget maintained all activities at current service levels. The budget supports a total of 11.42 FTE, unchanged from both the Governor's recommended level and the staffing level approved for the 1999-01 biennium.

ODFW – Habitat Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,164,653	1,229,457	1,908,641	1,814,066
Other Funds	2,296,258	3,530,088	3,457,157	2,980,017
Federal Funds	1,094,797	1,378,139	1,751,010	1,748,664
Total	**4,555,708**	**6,137,684**	**7,116,808**	**6,542,747**
Positions (FTE)	30.54	40.34	41.54	36.99

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 for 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 was an increase of 16% from the 1999-01 estimated expenditures. The recommended budget included $1.9 million General Fund, up by 55.2% from the 1999-01 biennium. Other Funds were down by 2%, largely due to a fund shift to General Fund support for program activities. The recommended budget included $1.8 million Federal Funds, an increase of 27.1% from the previous biennium. The proposed budget supported 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 included the following funding changes:

- $559,704 General Fund was added to support 4 new positions (4 FTE) to provide technical assistance and consultation services on fish habitat. The package also included 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 were 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 were 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 was a budget analyst position; the Wildlife and Habitat Divisions currently share a budget analyst.

Legislatively Adopted Budget

The legislatively adopted budget for the Habitat Division totals $6.5 million, a decrease of 8.1% from the Governor's recommended level, but an increase of 6.6% from the 1999-01 estimated levels. The adopted budget includes $1.8 million General Fund, a decrease of 5% from the Governor's recommended level, but up nearly 50% from the amount appropriated for the 1999-01 biennium. The adopted budget also includes $3 million Other Funds and $1.7 million Federal Funds expenditure limitation. The adopted budget authorizes 36.99 FTE for the program, a decrease of 4.55 FTE from the Governor's recommended level.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates. The Habitat Division's adopted budget also included the following changes:

- A proposal to add 4 new positions (4 FTE) at a cost of $462,000 was rejected by the Legislature. The positions were to have provided technical assistance and consultation services on fish habitat. A proposed increase of $95,000 General Fund to pay for 1999-01 Cost of Living Adjustment expenses was also rejected, but funded with Other Funds.
- A proposal included in the Governor's recommended budget to continue positions (4.5 FTE) supported with contract funds from other state agencies and hydroelectric fees was approved with $664,000 Other Funds and $83,000 Federal Funds expenditure limitation increases.
- The proposed continuation of participation in the StreamNet information management system was approved with the addition of $371,000 Federal Funds and $25,000 Other Funds expenditure limitation. The funding will be used to add 3.5 FTE to the program.
- As part of the Other Funds cost reduction plan, $658,000 Other Funds expenditure limitation was eliminated, but partially restored with $467,000 of additional General Fund; two positions (1.33 FTE) were eliminated due to the cost reduction plan.
- The adopted budget included approval of carry-forward Other Funds expenditure limitation in the amount of $90,000 to continue 6 positions (0.78 FTE) for three months into the 2001-03 biennium. The revenue was obtained by the Division from the Oregon Wildlife Heritage Foundation as an Oregon Watershed Enhancement Board grant for habitat biologists. Efforts to find funding for continuation of these positions beyond the three-month period were not successful, but the agency was directed to return to the Emergency Board for expenditure limitation and position authority if funding materialized.

ODFW – State Police Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	12,226,061	10,597,722	10,862,665	11,464,415
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 included a transfer of $10.9 million Other Funds from ODFW revenues for support of the State Police Fish and Wildlife Division. The amount represented a 2.5% increase from the 1999-01 transfer and was 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 included a reduction of 22 positions from the 1999-01 level. The reduction included 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.

Legislatively Adopted Budget

The legislatively adopted budget for the State Police Enforcement program totals $11.5 million Other Funds. The increase of $602,000 from the Governor's recommended level will allow the Oregon State Police Fish and Wildlife Division to restore 7 Other Funded positions eliminated in the Governor's recommended budget.

The increase in the Other Funds transfer was made possible by using $300,000 of savings from an Emergency Board action at the Board's January 2001 meeting. The Oregon State Police Fish and Wildlife Division was directed at the meeting to use General Fund for positions that had been planned to be phased in during the last six months of the 1999-01 biennium toward the costs of existing positions in order to reduce the amount of transfer from the Department of Fish and Wildlife. The intent was to save additional Other Funds for transfer in the 2001-03 biennium to assist with the maintenance of enforcement levels. The remaining $302,000 of the transfer increase was due to a fund shift of Other Funds for vehicle expenses to Measure 66 Lottery Funds and to additional 1999-01 expenditure reductions.

In addition to the Other Funds restoration, the legislatively adopted budget also restored the 7 positions eliminated in the Governor's recommended budget supported with Lottery Funds. The Legislature was able to restore 14 of the 22 positions eliminated by the Governor.

ODFW – Agency Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,045,079	1,153,675	1,934,911	4,038,156
Lottery Funds	0	0	0	104,946
Other Funds	21,963,325	20,059,514	21,085,395	20,404,108
Federal Funds	870,580	2,203,289	1,411,609	1,293,440
Total	**23,878,984**	**23,416,478**	**24,431,915**	**25,840,650**
Positions (FTE)	102.95	107.63	108.63	106.63

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 measures 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 was an increase of 4.3% from 1999-01 estimated expenditures and up 9.4% from the current service level. The recommended budget included $21.1 million Other Funds, $1.9 million General Fund, and $1.4 million Federal Funds. The proposed budget supported 108.63 FTE, an increase of one position from the 1999-01 approved levels.

The Agency Administration recommended budget included the following funding changes:

- $1,674,159 Other Funds from the license fee sunset repeal restored 12 positions (12.29 FTE) eliminated from the current service level budget due to revenue shortages. Some of these positions were required to keep the Point-of-Sale licensing system support available 20 hours per day, 7 days per week.
- $639,854 General Fund was 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 included $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 was 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Administration Division totals $25.8 million, an increase of 5.8% from the Governor's recommended level and 10.4% higher than the 1999-01 estimated levels. The adopted budget includes $4 million General Fund, an increase of $2.1 million from the Governor's recommended level. The increase was due to the Legislature's decision to use General Fund ($2,150,160) to pay off the outstanding debt owed by the Department to the Fish Endowment Account. A review of the financial management practices of the Department completed by the Legislative Fiscal Office during the 1999-01 interim identified amounts that had been inappropriately borrowed from the dedicated Fish Endowment Account. Loans had been made from the account for the agency to meet short-term cash flow problems, but the amount owed had never been fully repaid. The agency began making token repayments to the account, but would have had to further reduce 2001-03 expenditures by over $2 million to fully restore the account's balance. The Legislature opted to make the repayment with General Fund and to reestablish the Fish Endowment Account as a Deferred Maintenance Account with the passage of Senate Bill 62. Senate Bill 62 allows the agency to use the account for short-term cash flow needs, guarantees a certain amount of ending balance for the agency, and dedicates all interest earned on the account to pay for deferred maintenance needs at hatcheries and other field facilities. The Legislature expects that, once the repayment transfer is completed early in the 2001-03 biennium, the new account's balance will be a minimum of $3.96 million, with $0.46 million available for capital improvement on hatcheries, leaving $3.5 million as the account's principal beginning balance.

The adopted budget for the Administration Division also includes $104,000 Lottery Funds as part of the fish screening program. The budget included the addition of a grants/contract coordinator position to provide additional financial oversight to the fish screening program and to assist with the goal of contracting with private sector providers when possible. The adopted budget also includes $20.4 million Other Funds and $1.3 million Federal Funds expenditure limitation. The adopted budget authorizes 106.63 FTE for the program, a decrease of 2 FTE from the Governor's recommended level and one fewer FTE from 1999-01 levels.

The Legislature adjusted the budget for lower estimated PERS employer contribution rates and for reductions in charges for Human Resources Services Division, Attorney General, and Secretary of State Audit Division services. The Administration Division's adopted budget also included the following changes:

- License fee restoration funding of $1.7 million Other Funds to support activities and 12 positions (12.29 FTE) eliminated from the current service level budget due to revenue shortages. Some of these positions were required to keep the Point-of-Sale licensing system support available 20 hours per day, 7 days per week and would have been eliminated without a repeal of the fee sunset.
- A proposal to provide additional General Fund to continue 2.25 FTE and that were funded with "one-time" General Fund in the 1999-01 budget was rejected, but was authorized to be funded with Other Funds. The FTE are used in the controlled hunt data entry and license sales program.
- A proposal to add 2 new positions (2 FTE), including an Internal Auditor and a Personnel Officer, with General Fund to provide additional business services assistance was rejected by the Legislature. A request for additional General Fund 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 was also eliminated, but the adopted budget authorized the COLA adjustments to be made from Other Funds.
- As part of the Other Funds cost reduction plan, $1,519,000 Other Funds expenditure limitation was eliminated, but partially restored with $523,000 of additional General Fund; 4 positions (4 FTE) were eliminated, primarily from the Information and Education program, due to the cost reduction plan.
- As part of an effort to consolidate budget positions in the Administration Division, the adopted budget transferred 3 positions (3 FTE) from the Fish and Wildlife Divisions. The positions were funded with additions of $233,000 General Fund, $144,000 Other Funds, and $13,000 Federal Funds in the Administration Division. Equivalent decreases were included in the other two Divisions.
- Other Funds expenditure limitation of $215,000 was included in the adopted budget for the point-of-sale licensing system change to remove social security numbers as a visible identifier of license holders.

ODFW – Nonlimited Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended level of nonlimited debt service without adjustment.

ODFW – Capital Improvement

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	457,924	451,916	211,779	211,779
Other Funds	4,638,397	4,232,691	4,100,000	4,555,086
Federal Funds	21,390	3,065,616	3,144,858	3,144,858
Total	**5,117,711**	**7,750,223**	**7,456,637**	**7,911,723**
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, water control, and installation of bird netting, repairs to roads, channels, intakes, and ponds. 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 funded the Capital Improvement program at a total of $7.5 million, down nearly 4% from the 1999-01 level. The recommended budget included a base budget reduction of $245,302 General Fund for hatchery maintenance. The reduction represented a 53% decline in hatchery maintenance General Fund support. Federal Funds were included in the recommended budget at the current service level and would be used for a variety of projects including maintenance on federal hatcheries.

Legislatively Adopted Budget

The legislatively adopted budget for Capital Improvement totals $7.9 million, an increase of 6.1% from the Governor's recommended level and 2.1% above the 1999-01 estimated levels. The adopted budget includes

$212,000 General Fund, $4.6 million Other Funds, and $3.1 million Federal Funds. The budget supports one position associated with the Restoration and Enhancement Board program.

The increase in the adopted budget was also a consequence of the Legislature's repayment of the Fish Endowment Account and its recreation as the Deferred Maintenance Account with passage of Senate Bill 62. After providing General Fund for repayment of the amount owed by the agency to the Fish Endowment Account, the Legislature determined that $455,000 of the account's new balance would be available for hatchery and other facility maintenance in the 2001-03 biennium. The account was established to direct all interest earned on the account's principal balance for use on hatchery and field facility capital improvement. The adopted budget accepted the Governor's recommended reduction of $245,000 General Fund for hatchery maintenance. With the repayment of the Fish Endowment Account debt and the assignment of a portion of that repayment to hatchery maintenance, the Department was able to dedicate approximately $200,000 more to hatchery maintenance that in the 1999-01 approved budget.

ODFW – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 anticipated a decrease of $3.3 million in Federal Funds over 1999-01 estimated levels.

Legislatively Adopted Budget

The Legislature approved the recommended Capital Construction budget without adjustment.

Department of Forestry (ODF) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	28,627,313	32,965,849	35,104,352	37,230,991
Lottery Funds	352,557	379,427	0	0
Other Funds	101,498,007	128,077,550	152,347,062	174,068,405
Federal Funds	1,576,882	3,166,397	3,565,301	3,554,566
Nonlimited	20,061,011	18,845,245	24,456,032	7,514,800
Total	**152,115,770**	**183,434,468**	**215,472,747**	**222,368,762**
Positions (FTE)	871.28	904.49	925.51	944.24

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.

Legislatively Adopted Budget

The legislatively adopted budget for the Department of $222.4 million total funds is 3.2% above the Governor's recommended level and 21.2% higher than 1999-01 estimated expenditures. The adopted budget includes $37.2 million General Fund, an increase of $2.1 million, or 6.1%, over the Governor's recommended level. The Legislature approved a special purpose appropriation to the Emergency Board of $800,000 General Fund for forest fire severity issues in the 2001 and 2002 fire seasons and shifted funding of the Forestry Assistance program beginning in 2002 to General Fund from a combination of General Fund and harvest taxes. The adopted budget includes $174.1 million Other Funds, up from $152.3 million in the Governor's recommended budget. Most of the increase was due to the Legislature moving expenditures in the agency's nursery program and equipment pool program from nonlimited to limited status. The adopted budget supports a total of 944.24 FTE, an increase of 39.75 FTE, or 4.4%, from 1999-01 levels.

ODF – Protection From Fire

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,796,931	15,935,982	16,571,055	17,615,067
Other Funds	38,399,191	47,892,208	48,705,139	50,955,184
Nonlimited	4,868,824	4,600,000	7,514,800	7,514,800
Total	**56,064,946**	**68,428,190**	**72,790,994**	**76,085,051**
Positions (FTE)	327.29	333.88	349.67	361.13

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 was 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 was due to higher nonlimited expenditures to reflect payments to districts for fire fighting cost reimbursement. The recommended budget continued 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 included a total of $16.6 million General Fund, which funded the program at current service levels.

Two program enhancements were included in the Governor's proposal. An increase of $220,000 Other Funds expenditure limitation was 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 included 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Protection From Fire program totals $76.1 million, an increase of 4.5% from the Governor's recommended level and 11.2% from 1999-01 estimated expenditures. The adopted budget includes $17.6 million General Fund, $51 million Other Funds, and $7.5 million Nonlimited Other Funds. The Nonlimited Other Funds represents payments for emergency fire suppression by the Emergency Fire Cost Committee out of the Oregon Forest Land Protection Fund.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. The adopted budget included approval of the Governor's recommended policy package to add 45 seasonal positions (16.80 FTE) funded with $1.3 million Other Funds. The positions will assist field districts in performing emergency and non-emergency fire suppression activities.

The adopted budget approved a number of enhancements not included in the Governor's recommended budget:

- An increase of $1.7 million in Other Funds expenditure limitation for carry-forward of Federal Funds received in the 1999-01 biennium and approved by the Emergency Board, but not able to be fully expended by the end of the biennium.
- The addition of a permanent Natural Resource Specialist 4 position to serve as a fire aviation staff specialist funded with $71,000 General Fund and $156,000 Other Funds.

- The addition of 17 seasonal positions (10.46 FTE) for additional fire protection needs toward attaining the Most Efficient Level in field districts funded with a combination of $222,000 General Fund and $485,000 Other Funds.
- A special purpose appropriation to the Emergency Board in the amount of $800,000 General Fund for emergency fire severity conditions and response.

The adopted budget also included budget notes authorizing the agency to use a portion of the special purpose appropriation with Department of Administrative Services notification in order to rapidly respond to emergency fire situations in cases where an Emergency Board request would not be timely and directing the agency to work with the Department of Administrative Services and the Legislative Fiscal Office to examine issues of the appropriate dollar amounts for annual expenditures and the reserve base of the Oregon Forest Land Protection Fund.

ODF – State Forest Management

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	42,833,679	45,421,411	57,008,731	56,634,281
Positions (FTE)	233.73	254.44	256.06	255.83

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 with 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 Common School Fund 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 upon 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 was 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 was a reduction of $9 million, or 16%, between the 1999-01 approved budget and the actual expenditures. The recommended budget included 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 were 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 supported 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.

Legislatively Adopted Budget

The legislatively adopted budget for the State Forest Management program totals $56.6 million, a decrease of less than 1% from the Governor's recommended level, but an increase of 25% from 1999-01 estimated expenditures. The adopted budget supports 255.83 FTE.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. The adopted budget included partial approval of the Governor's recommended policy package to add positions to conduct watershed assessments and analysis for state forest plans. The package was approved with 2 positions (2.05 FTE) and funded with $734,000 Other Funds from state forest revenues. The adopted budget included a reduction of $280,000 Other Funds limitation representing 3% of the transfer of receipts from the Common School Fund. The Division of State Lands contracts with the Department for management of Common School Fund forest lands. The Legislature expressed interest in retaining as much funding within the Common School Fund as possible for eventual distribution for support of K-12 schools.

The Legislature did not approve House Bill 2164, which would have allowed interest earnings on the Forest Development Fund to be retained within the Fund instead of being deposited into the General Fund. A revenue package proposed in the agency's recommended budget was eliminated by the Legislature in the adopted budget.

ODF – Forest Practices

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	8,105,242	7,379,253	8,664,575	8,791,267
Lottery Funds	0	379,427	0	0
Other Funds	4,592,238	6,437,199	6,628,546	6,738,956
Federal Funds	97,074	112,451	104,078	103,856
Total	**12,794,554**	**14,308,330**	**15,397,199**	**15,634,079**
Positions (FTE)	97.00	103.12	106.92	109.92

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 was a 7.7% increase from 1999-01 estimated expenditures and a gain of 3.4% from the current service level. The recommended budget included $8.7 million General Fund, an increase of 17.3% from the prior biennium. The General Fund increase was due to two changes in the proposed budget:

- Base budget activities related to the Steelhead Supplement of the Oregon Plan were shifted from Lottery Funds (Measure 66) to General Fund at the current service level. The fund shift increased the program's General Fund appropriation by approximately $419,000, eliminated all Lottery Funds from the program, and restored 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) was included in the recommended budget for additional Oregon Plan implementation. The enhancement added 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 was not specified.

Legislatively Adopted Budget

The legislatively adopted budget for the Forest Practices program totals $15.6 million, 1.5% above the Governor's recommended level and 9.3% higher than the 1999-01 estimated expenditures. The adopted budget includes $8.8 million General Fund, a slight increase over the Governor's recommended level of $8.7 million. The proposed fund shift of Oregon Plan activities from Lottery Funds to General Fund was approved by the Legislature resulting in the elimination of all Lottery Funds from the agency's budget and an increase of $419,000 General Fund. The adopted budget also includes $6.7 million Other Funds and $104,000 Federal Funds. The budget includes 109.92 FTE in the Forest Practices program, an increase of 6.8 FTE from 1999-01 levels.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. Reductions to the budget were made for out-of-state travel expenditures and for miscellaneous services and supplies in response to statewide funding priorities. The adopted budget included approval of the Governor's recommended policy package to add 3 riparian specialist positions (3 FTE) for additional Oregon Plan implementation by assisting landowners in developing riparian restoration activities. The package was approved with $295,000 General Fund and $197,000 Other Funds from harvest taxes.

The adopted budget also included one enhancement package not included in the Governor's recommended budget that added 3 limited duration positions (3 FTE) to increase the forest practices field presence. The positions were approved with a combination of $196,000 General Fund and $131,000 Other Funds from harvest tax revenues.

ODF – Forestry Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,362,144	1,272,120	711,989	1,886,168
Lottery Funds	352,557	0	0	0
Other Funds	1,336,546	1,814,055	3,813,728	3,168,703
Federal Funds	1,479,808	2,969,097	3,381,820	3,371,522
Total	**4,531,055**	**6,055,272**	**7,907,537**	**8,426,393**
Positions (FTE)	40.05	38.84	37.52	41.02

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 represented a decrease of approximately 3% from the current service level and a reduction of 1.50 FTE. General Fund was reduced from $1.3 million in the 1999-01 budget to $0.7 million in the recommended budget. The reduction was the result of a proposed fund shift in the Forest Health program to use Harvest Tax revenues instead of General Fund. The shift used $0.10 per thousand board feet of the harvest tax, which equals approximately $450,000. The use of the harvest tax revenues did 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Forestry Assistance program totals $8.4 million, an increase of 6.6% from the Governor's recommended level and an increase of more than 39% from 1999-01 estimated expenditures. The adopted budget includes $1.9 million General Fund, an increase of $1.1 million, or 165% more than in the Governor's recommended budget. The approved budget also includes $3.2 million Other Funds and $3.4 million Federal Funds. The budget supports 41.02 FTE, an increase of 2.18 FTE from 1999-01 levels.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. Reductions to the budget were made for out-of-state travel expenditures and for miscellaneous services and supplies in response to statewide funding priorities.

The adopted budget rejected the proposed fund shift included in the Governor's recommended budget to move funding for the Insect and Disease program within Forest Health to a combination of General Fund and harvest tax dollars. The legislative action continues the Insect and Disease program as 100% General Fund. By denying the fund shift and restoring the Governor's recommended reductions with additional General Fund, the Legislature maintained the Service Forestry program at current staffing levels. The adopted budget went even further in the opposite direction of the Governor's recommended budget by approving an additional fund shift for the Service Forestry program. The adopted budget moves the Service Forestry program to 100% General Fund beginning in calendar year 2000. The effect for the 2001-03 biennium is for an approximate 66% General Fund and 34% harvest tax funding arrangement compared to an estimated 49% General Fund and 51% harvest tax situation in the 1999-01 biennium. The fund shift required the addition of $192,000 General Fund and a corresponding reduction in Other Funds limitation from harvest taxes.

As a result of the deliberations surrounding the fund shift in Service Forestry and claims concerning previous agreements on the use of harvest tax revenues for Forestry Assistance programs, a budget note was included in the budget directing the agency to reconvene workgroups established in previous years to find a fair and equitable funding arrangement for the Forestry Assistance program.

The adopted budget also included one enhancement package not included in the Governor's recommended budget that added 2 limited duration positions (2 FTE) to provide Eastside forest health technical assistance to landowners. The positions were approved with an increase of $270,000 General Fund. An additional $50,000 General Fund was also provided to the Department with passage of House Bill 2162. The bill extended the sunset on the agency's administrative expenses in connection with the Western Oregon Small Tract Optional Tax and the Reforestation Tax Credit program. The $50,000 appropriation was designed to pay for support of a workgroup established in the legislation to examine tax policy related to small woodland owners. The $50,000 General Fund is to be reimbursed from the Western Oregon Timber Tax Account and the Eastern Oregon Timber Tax Account during the 2001-03 biennium.

ODF – Agency Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	6,279,356	8,292,512	9,068,601	8,853,001
Other Funds	6,880,965	11,402,724	12,399,455	12,364,914
Federal Funds	0	84,849	79,403	79,188
Total	**13,160,321**	**19,780,085**	**21,547,459**	**21,297,103**
Positions (FTE)	82.34	83.34	84.98	85.98

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 was a 9% increase from the 1999-01 estimated expenditures, but only 1% above the current service level. The recommended budget included $9.1 million General Fund, 10% more than appropriated in 1999-01. The increase was primarily due to a $1.1 million base budget adjustment for debt service related to capital construction projects previously approved. The recommended budget included 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 was funded with $132,000 Other Funds from State Forest Management program revenues.

Legislatively Adopted Budget

The legislatively adopted budget for Agency Administration totals $21.3 million, 1.2% below the Governor's recommended level and 7.7% higher than 1999-01 estimated expenditures. The adopted budget includes $8.9 million General Fund, slightly over $100,000 less than recommended by the Governor. The budget also includes $12.4 million Other Funds and $79,000 Federal Funds limitation. The adopted budget supports 85.98 FTE, an increase of 2.64 FTE from 1999-01 levels.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. Reductions to the budget were made for out-of-state travel expenditures and for miscellaneous services and supplies in response to statewide funding priorities.

The adopted budget included approval of the Construction Inspector position recommended in the Governor's budget. The position was funded with $132,000 Other Funds from State Forest Management program revenues. Due to recalculations of the amount of debt service required in the 2001-03 biennium resulting from delays in the sale of Certificates of Participation (COPs) for the Salem Compound construction project, the Legislature was able to reduce debt service by $228,000 General Fund and $139,000 Other Funds. A portion of the General Fund savings were reinvested in the agency's construction plans with the approval of Phase III of the Salem Compound project. Phase III was not included in the Governor's recommended budget due to General Fund constraints, but remained an agency and legislative priority. Debt service for the additional $1 million in COPs was authorized at $25,000 General Fund and $15,000 Other Funds for the 2001-03 biennium. The adopted budget also included $50,000 Other Funds limitation for one-time COP financing costs.

The adopted budget also included one enhancement package not included in the Governor's recommended budget that added a permanent Government Auditor 3 position (1 FTE) to provide additional assistance for internal agency auditing functions. The position was funded with a combination of $89,000 General Fund and $73,000 Other Funds.

ODF – Forest Nursery Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	0	0	6,317,233
Nonlimited	6,237,263	5,802,823	6,329,604	0
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 funded the Nursery Program at the current service level, $6.3 million Other Funds. The recommended amount was an increase of nearly 9% from 1999-01 estimated expenditures.

Legislatively Adopted Budget

The legislatively adopted budget for the Forest Nursery program totals $6.3 million Other Funds, a decrease of less than 1% from the Governor's recommended level and an increase of 8.9% from 1999-01 estimated expenditures. The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. The adopted budget includes 59.57 FTE, unchanged from the Governor's recommended level and 0.51 FTE below 1999-01 levels.

The Legislature also approved changing the adopted budget from nonlimited Other Funds to limited Other Funds. Expenditure patterns at the nursery have reflected sufficient stabilization to warrant including the program within the agency's expenditure limitation. Any adjustments due to increases in orders of nursery products can be dealt with by Emergency Board action.

ODF – Equipment Pool Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	0	0	0	12,597,671
Nonlimited	8,954,924	8,442,422	10,611,628	0
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 measures 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 funded the Equipment Pool at the current service level.

Legislatively Adopted Budget

The legislatively adopted budget for the Equipment Pool program totals $12.6 million Other Funds, an increase of 18.7% from the Governor's recommended level and 49% higher than 1999-01 estimated expenditures. The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State audit, Human Resource Services Division, and telecommunication services. The adopted budget includes 30.79 FTE, unchanged from the Governor's recommended level and from 1999-01 levels.

The Legislature also approved changing the adopted budget from nonlimited Other Funds to limited Other Funds. To assist the agency with moving the program under the agency's expenditure limitation, the adopted budget included an increase of $2 million in limitation to address anticipated higher expenses related to the program's planned transition to digital radio equipment and expected higher fuel and vehicle replacement costs.

Under nonlimited status, the agency could request expenditure adjustments through the Department of Administrative Services without legislative review. Any further adjustments to the adopted budget can be addressed by Emergency Board action.

ODF – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	83,640	85,982	88,132	85,488
Other Funds	705,388	2,806,715	3,791,463	3,791,463
Total	**789,028**	**2,892,697**	**3,879,595**	**3,876,951**
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 represented 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 included approval of 3 additional projects that do not require any additional General Fund contribution. These projects included 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).

Legislatively Adopted Budget

The legislatively adopted budget for the Capital Improvement program totals $3.9 million, including $3.8 million Other Funds and $85,000 General Fund. The Legislature approved the Governor's recommended budget with a slight reduction to miscellaneous services and supplies in response to statewide funding priorities.

ODF – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	6,750,000	12,303,238	20,000,000	21,500,000
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 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 provided 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 included 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 included $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 was 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 did not include financial support for the final phase of the Salem Compound construction project.

Legislatively Adopted Budget

The legislatively adopted budget for the Capital Construction program totals $21.5 million Other Funds, an increase of 7.5% from the Governor's recommended level and 75% higher than 1999-01 estimated expenditures. The adopted budget included approval of the Tillamook Interpretive Center and the Tillamook District Headquarters building. In addition, the adopted budget included approval of Phase III of the Salem Compound construction project not included in the Governor's recommended budget.

The Salem Compound project was initiated in the 1997-99 biennium with Phase I work completed with $6.7 million Other Funds from Certificates of Participation (COPs). Debt service and financing costs for the COPs was prorated among all major funding sources of the agency. Phase II 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 II 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.

Due to delays in the construction activity after the sale of the Phase I COPs and to a delay in the actual sale of the Phase II COPs, the Legislature was able to identify debt service savings and interest earnings to finance the final phase of the construction project. The debt service amounts were approved in the Agency Administration program. A new COP with a 6-year payback was authorized in the amount of $1 million for Phase III of the project. An additional $1.5 million of Other Funds expenditure limitation for the agency was provided in House Bill 5029, the Capital Construction authorization bill. The difference between the amount of new COPs and the additional limitation represents interest earnings from the original COP sale that were able to be redirected toward Phase III construction costs.

Department of Geology and Mineral Industries (DOGAMI) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,733,256	3,243,976	3,307,783	3,232,286
Other Funds	2,058,624	2,533,283	2,642,200	2,603,363
Federal Funds	2,989,545	1,554,569	1,657,569	1,656,613
Nonlimited	6,717	100,000	100,000	100,000
Total	**7,788,142**	**7,431,828**	**7,707,552**	**7,592,262**
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 and other geotechnical experts. 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,318,401	1,855,515	1,844,920	1,782,485
Other Funds	341,851	358,229	388,032	386,788
Federal Funds	2,620,105	1,167,273	1,254,127	1,253,404
Total	**4,280,357**	**3,381,017**	**3,487,079**	**3,422,677**
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 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 on a reimbursable basis. 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, coverage, and use 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.

The Department is developing an additional performance measure to track the percentage of targeted buildings needing rehabilitation to protect from earthquake damage that have actually received rehabilitation.

Governor's Budget

The Governor's recommended budget for the Geologic Investigations program was funded at the current service level, approximately 3% above the 1999-01 estimated expenditures. The recommended budget reflected 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. The Governor's recommended budget assumed work related to landslides was completed during the 1999-01 biennium and that the Senate Bill 12 funding was authorized as a one-time expenditure. Most of the program's 2001-03 proposed budgetary increase from the 1999-01 level was due to inflation and to higher anticipated receipts of federal funding for reimbursable projects.

Legislatively Adopted Budget

The legislatively adopted budget for the Geologic Investigations program is $3,422,677, approximately 2% below the Governor's recommended level and 1% above the 1999-01 estimated expenditures. The adopted budget includes $1,782,485 General Fund, a reduction of $59,223 from the Governor's recommendation. The reduction was made in response to statewide funding issues and priorities and was taken from the program's publicity and publications, professional services, and travel accounts. Reductions were also made for retirement system rate declines, revised assessments for state government service charges, and lower Attorney General rates.

The adopted budget includes direction to the agency to investigate recovering additional costs associated with publications and services. The budget report directs the Department to consider possible price increases and increased sales through webpage enhancements and to provide services to other state and local agencies through contractual agreements.

The Legislative Assembly also approved Senate Bill 14 and Senate Bill 15. These two bills require the Department of Human Services, the State Board of Education, and the Department of Higher Education to conduct seismic surveys, subject to funding by the Department of Geology and Mineral Industries, of certain buildings, and to require rehabilitation of high-risk buildings by January 1, 2022. The Department of Geology and Mineral Industries was provided a placeholder appropriation and expenditure limitation and directed to seek federal grants for the survey work. If federal grant funding can be identified, the agency was further instructed to request any matching funds or the necessary limitation from the Emergency Board.

DOGAMI – Mined Land Reclamation

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,037,601	1,225,738	1,295,884	1,259,418
Federal Funds	131,868	212,265	226,642	226,522
Nonlimited	6,717	100,000	100,000	100,000
Total	**1,176,186**	**1,538,003**	**1,622,526**	**1,585,940**
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 federal 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 continued all existing activities at the current service level. The total proposed 2001-03 budget was a 5.5% increase from the 1999-01 estimated expenditures. The recommended budget included no proposed fee changes or revenue enhancements.

Legislatively Adopted Budget

The legislatively adopted budget of $1,585,940 for the Mined Land Reclamation program is a 2% reduction from the Governor's recommended level and a 3% increase from the 1999-01 estimated expenditures of the program. The adopted budget was reduced by $32,500 Other Funds as a technical adjustment to reflect a change in recording revenue transfers from the Water Resources Department for the Department's share of hydroelectric licensing fees. These fees properly belong in the Geologic Investigations program. Reductions were also made for retirement system rate declines and lower Attorney General rates.

DOGAMI – Technical Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,414,855	1,388,461	1,462,863	1,449,801
Other Funds	679,172	949,316	958,284	957,157
Federal Funds	237,572	175,031	176,800	176,687
Total	**2,331,599**	**2,512,808**	**2,597,947**	**2,583,645**
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 continued all activities at the current service level of $2.6 million. The recommended budget included $1.5 million General Fund, a 5.3% increase from 1999-01 levels. The total recommended budget was 3.4% higher than the 1999-01 estimated expenditures.

Legislatively Adopted Budget

The legislatively adopted budget for the Technical Support and Administration program totals $2,583,645, including $1,449,801 General Fund. The adopted budget is less than 1% below the Governor's recommended level and is approximately 3% above 1999-01 estimated expenditures. The budget included a $10,000 General Fund reduction from the Governor's recommendation for publicity and publications as part of the legislative direction to the agency to increase Other Funds revenues through publication sales. The program's budget also included reductions for retirement system rate declines, revised assessments for state government service charges, and lower Attorney General rates. The agency was also directed to review the organizational structure of the Geologic Investigations and Technical Support programs for improved identification of program operations and responsibilities.

Department of Land Conservation and Development (DLCD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	8,465,726	9,508,514	10,988,438	10,552,839
Other Funds	1,614,948	2,385,133	1,629,836	1,514,631
Federal Funds	2,806,354	4,270,295	4,251,368	4,242,822
Total	**12,887,028**	**16,163,942**	**16,869,642**	**16,310,292**
Positions (FTE)	61.25	63.58	63.00	58.76

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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,853,648	6,135,540	7,449,118	7,297,785
Other Funds	1,391,515	2,297,083	1,428,460	1,423,255
Federal Funds	2,375,705	3,784,579	3,753,509	3,532,812
Total	**9,620,868**	**12,217,202**	**12,631,087**	**12,253,852**
Positions (FTE)	61.00	63.08	62.00	57.76

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 forest 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 to coastal development, 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 was 6.9% below the 2001-03 current service level. The General Fund increase of 12.1% was offset by reductions in Other Funds from the Oregon Department of Transportation (ODOT). Staffing was 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 were included in the budget to work with the nine regional Community Solutions teams. ODOT funding for Community Solutions teams support was replaced by General Fund. The $371,469 Other Funds for the Community Development Office, however, was not replaced. The restructuring of Community Solutions Teams support resulted in a net decrease of $991,488 Other Funds and an increase of $620,019 General Fund.

The budget reduced an aggregate specialist position by 0.5 FTE. The position provided technical planning assistance for local governments and others engaged in the protection of mineral and aggregate resources. As Transporation funds for this position were not provided, General Fund previously in the Grants budget was used to fund the partial position. Accordingly, $93,874 General Fund was included in the Operations budget to partially offset the $188,010 reduction in Other Funds (ODOT funds).

Funding from ODOT was also reduced for the Transportation and Growth Management Program (TGM). An increase in General Fund was used to partially offset the loss of ODOT funds. The reduction eliminated one Planner 3, one Natural Resource Specialist 4, and a grants coordinator position. While the reduction meant a reduced level of community technical assistance, the General Fund increase allowed 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 reduced Other Funds by $197,155 and 3 FTE, and increased General Fund expenditures by $87,759.

The Governor's budget showed 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. Other Funds for dispute resolution were reduced by $24,280 to reflect anticipated lower circuit court filing fees.

An additional $27,825 Federal Funds was 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.

Legislatively Adopted Budget

The legislatively adopted budget for Operations totaled $12,253,852 and 57.76 FTE. The adopted budget is 0.3% above the 1999-2001 estimated budget and 3% below the Governor's recommended budget. Reductions were made for the PERS employee retirement contribution rate, human resources assessment, Attorney General charges, and Secretary of State Audit. The adopted budget reduced 4 positions that were included in the Governor's Budget due to an error in the position control system. A 2% General Fund reduction was made to agency services and supplies.

The Legislature directed the phase out of the Regional Problem Solving program. Funding was given to continue the program for the first year of the 2001-03 biennium only. A corresponding reduction in the budget of $153,476 and 1 FTE was given for 2001-03.

Four Community Solutions positions were funded with General Fund at a cost of $620,019. These positions were previously funded with Transportation dollars. In addition to the Community Solutions program, the Department of Transportation eliminated Transportation funding for aggregate planning and reduced funding for the Transportation Growth Management program. The Legislature approved General Fund to partially replace the lost Transportation funds for the aggregate planner. A position was funded at 0.5 FTE at a cost of $88,531 General Fund. The Legislature provided $87,920 General Fund to provide matching funds for the support of 10.5 FTE for the Transportation Growth Management program.

House Bill 3557 provided an additional $95,000 General Fund to fund a work group supported by the Department and the Economic and Community Development Department. The work group is required to develop the methodology and criteria for use by local government in determining the sufficiency of their buildable commercial and industrial lands.

The budget was adjusted to match anticipated Other Funds and Federal Funds revenue, reducing expenditures by $334,966 Federal Funds and $24,280 Other Funds. In addition, adjustments were made to the Governor's recommended budget for Coastal Operations. The Legislature shifted $212,151 Federal Funds limitation from the Operations Division to the Grants program to provide more federal coastal funds to local coastal governments. Several budget notes were adopted in connection with the Coastal program. The Department was directed to work with local coastal governments on a plan to manage and distribute federal coastal grant funds. The Department is directed to submit this plan to the Emergency Board prior to requesting Federal Funds expenditure limitation for the second year of the biennium. An audit of DLCD staff is also to be conducted in order to determine the number of positions and FTE in the Department working on coastal programs.

DLCD – Grants

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,595,578	2,871,575	2,849,490	2,568,364
Other Funds	223,433	88,050	201,376	91,376
Federal Funds	430,649	485,716	497,859	710,010
Total	**3,249,660**	**3,445,341**	**3,548,725**	**3,369,750**
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 grant requirements and the availability of grant funds. 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 was 2.6% below the 2001-03 current service level. A reduction of $93,874 General Fund was made to transfer funds for an aggregate specialist, 0.5 FTE, to Operations.

Legislatively Adopted Budget

The approved budget for the Grants Program totaled $3,369,750. The adopted budget is 2.2% below the 1999-2001 estimated budget and 5% below the Governor's recommended budget. The Legislature approved the General Fund reduction and transfer of the aggregate specialist (0.5 FTE) to Operations.

The Legislature phased out the Regional Problem Solving program, providing funding for the first year of the program only. The funding was projected to be sufficient to complete Regional Problem Solving efforts currently underway but did not fund any additional activities. The corresponding budget adjustment to local grants resulted in a reduction of $281,126 General Fund. An additional adjustment was made to correct the budget for an OWEB Grant that was no longer needed. This adjustment reduced the Grants program budget by $110,000 Other Funds. Coastal grants to local governments were increased by $212,151 Other Funds. In order to fund this enhancement, a corresponding reduction was made in the DLCD Operations budget.

DLCD – Landowner Notification

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Legislatively Adopted
General Fund	16,500	501,399	689,830	686,690
Total	**16,500**	**501,399**	**689,830**	**686,690**
Positions (FTE)	0.25	0.50	1.00	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 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 was 46.4% above the 2001-03 current service level. The additional $218,578 General Fund was 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 was increased by an Accountant 1 position to help manage local claims.

Legislatively Adopted Budget

The legislatively adopted budget for the Landowner Notification program totals $686,690 and 1 FTE. The budget is essentially equivalent to the Governor's recommended budget with small adjustments for reduced Attorney General charges and a 2% reduction to services and supplies. The adopted budget for 2001-03 represents a 37% increase over the 1999-2001 estimated levels. The large increase was approved to cover expected costs associated with notifying landowners of new and proposed land use rules and laws. In the 2001 Legislative Session, the Legislature approved several new bills potentially requiring such notification. The approved budget may be insufficient to cover all of the costs associated with newly passed legislative measures, so it may be necessary for the Department to return to the Emergency Board to request additional funding.

Land Use Board of Appeals – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,055,943	1,077,780	1,262,919	1,254,439
Other Funds	30,344	96,465	60,794	60,747
Total	**1,086,287**	**1,174,245**	**1,323,713**	**1,315,186**
Positions (FTE)	7.00	7.00	7.00	6.50

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. The amount was reduced to $13,000 in the 2001-03 adopted budget to reflect actual expenditures

Revenue Sources and Relationships

LUBA's operational expenditures are supported primarily 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 39, contains orders and opinions issued through April 2001. 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 was 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 was increased by 17% from 1999-01 levels to a total of $1.26 million. The recommended budget also included $61,000 Other Funds, primarily for activities related to the publication of opinions.

The recommended budget included 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 restored 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 totaled $75,000 General Fund and $26,131 Other Funds.

The Governor's recommended budget also included 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.

Legislatively Adopted Budget

The 2001-03 legislatively adopted budget totals $1,315,186, including $1,254,439 General Fund and $60,747 Other Funds. The budget reflects a 12% increase from the 1999-01 estimated expenditures and is less than 1%

below the Governor's recommended level. The adopted budget supports 6 permanent, full-time positions and continues a limited duration publication editor position for one year.

The agency's General Fund appropriation includes a special purpose appropriation to the Emergency Board in the amount of $37,433 for costs associated with the second year of the publication editor position. These funds can be requested by the agency with a report describing progress in achieving performance goals related to the timeliness of the publication of opinions and to the processing of appeals within the statutory timeframes.

The adopted budget also includes reductions totaling $8,480 General Fund and $47 Other Funds. These reductions are related to changes in retirement system rates, lower assessments for state government services and Attorney General fees, an adjustment in the agency's rent for 2001-03, and for reductions in non-fixed services and supplies accounts in response to statewide funding issues and priorities.

Division of State Lands (DSL) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,533,356	36,756	37,583	133,727
Other Funds	10,676,137	11,968,429	13,838,050	13,049,454
Federal Funds	1,353,335	1,394,334	1,522,483	1,525,308
Nonlimited	22,024,628	71,131,310	44,200,000	31,800,000
Total	**37,587,456**	**84,530,829**	**59,598,116**	**46,508,489**
Positions (FTE)	72.47	75.00	80.50	74.25

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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,500,000	0	0	0
Other Funds	9,441,255	10,483,746	12,283,050	11,730,751
Federal Funds	373,158	395,000	671,525	508,248
Nonlimited	22,024,628	71,131,310	44,200,000	31,800,000
Total	**35,339,041**	**82,010,056**	**57,154,575**	**44,038,999**
Positions (FTE)	63.21	65.50	71.50	68.50

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*** provides 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 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. 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*** 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, 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 proposed 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 $783 million as of December 31, 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 of 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 totaled $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 was 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 was 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 was 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 appeared optimistic. As of December 31, 1999, the Common School Fund market value was $816 million. The recommended transfer in the Governor's budget was 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 later information from the Division of State Lands, the Common School Fund's market value as of December 31, 2000, was actually only $783 million or 4.1% 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 was overestimated by approximately $12 million.

For program operations, the Governor's recommended budget for 2001-03 showed an increase of 18% from the 1999-01 estimated levels and the addition of 6 FTE. The budget proposed 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 included 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 were recommended to be continued as permanent (2 FTE). A Fiscal Auditor 1 position would be 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 was 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 was 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 was included in the recommended budget. The reclassifications were proposed on the basis of audits identifying that the staff were 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 was funded with Common School Fund revenues (Other Funds).
- Two new permanent and two new limited duration positions (4 FTE) were recommended for the Field Operations Section to support land and resource management obligations. The positions included 2 Natural Resource Specialists, an Office Specialist, and a Data Entry Operator. One of the Natural Resource Specialists would have served as a Natural Resource Coordinator to perform new lease development, administration, and monitoring. The other Natural Resource Specialist would have performed as a Range Conservation Specialist for range management including rangeland health and improvement. The limited duration clerical and data entry positions would have provided general program support and entry of Land Administration System data. The package was funded with $399,179 Other Funds from Common School Fund programs.
- One new permanent position (1 FTE) was 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 develop wetland restoration projects. The position was funded with $129,574 Other Funds from Common School Fund revenues. The package also included 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 were to 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) was recommended for 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 have been used to help locate owners of unclaimed property as a service to the public. The position was proposed for funding 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 was included in the recommended budget. The package was funded with a total of $120,000 Other Funds from Common School Fund revenues.

Legislatively Adopted Budget

The legislatively adopted budget for Common School Fund Programs of $44 million represents a 46% decrease from the 1999-01 estimated levels and a 23% decrease from the Governor's recommended 2001-03 level. The decrease in the total budget is primarily due to changes in the distribution of Common School Fund earnings to counties for school support. The adopted budget includes a total Nonlimited Other Funds of $31.8 million, which includes a $31.2 million distribution for state school support. Based on an actual Common School Fund market value growth decline of 4.05% in calendar year 2000, the distribution for schools in the 2001-02 school year will be $15.6 million made in two equal installments in December 2001 and June 2002. Based on projections of market conditions for the Common School Fund in calendar year 2001, the same level of distribution is anticipated for the 2002-03 school year. This second year distribution is subject to change based on actual conditions and the market value of the Common School Fund as of the end of December 2001. The distribution amount represents a $12.4 million reduction from the level included in the Governor's recommended budget to reflect the more recent Common School Fund earnings forecast than was available during development of the Governor's budget.

The operations budget for the Division's Common School Fund Programs totals $12.2 million, including $11.7 million Other Funds and $0.5 million Federal Funds. The operations budget is 5.4% below the Governor's recommended level, but 11.9% above the 1999-01 estimated level of expenditures. Standard reductions were made by the Legislature for certain revised government service charges, for lower employer contribution rates for the Public Employees Retirement System, and for out-of-state travel. A reduction of $90,573 Other Funds was made representing 2% of the recommended services and supplies and capital outlay budget. The adopted budget also included a reduction of $163,277 Federal Funds expenditure limitation to more closely match 1999-01 estimated expenditures. The adopted budget also included an increase of 3 FTE from 1999-01 approved levels.

The legislatively adopted budget also included the following program enhancements:

- In the Unclaimed Property program, 2 requested positions (Fiscal Auditor 1 and Office Specialist 2) were approved for continuation as limited duration with direction for the agency to continuing monitoring the performance of the positions in generating additional revenue for the Common School Fund. The package was approved with $215,265 Other Funds.
- An Administrative Specialist 2 position was approved to serve as an Unclaimed Property Securities Processing Specialist to accommodate the fiscal impact of House Bill 2129, which reduces the time period that intangible property is considered to be unclaimed from 5 years to 3 years. The expectation is that an increased reporting of unclaimed property will occur over the next 2 to 3 years. The position was approved with $99,557 Other Funds.
- Additional expenditure limitation in the amount of $75,000 Other Funds was provided for professional services and legal expenditures related to the removal of the *New Carissa* from the Oregon coast.
- Reclassifications of non-management positions were authorized in the adopted budget and funded with $49,388 Other Funds. The management positions, including the Director and 3 Assistant Director positions, were denied reclassifications pending results of a study to be conducted by the Department of Administrative Services during the interim.
- Two new positions (Natural Resource Specialist 3 and Natural Resource Specialist 2) were approved as limited duration for additional leasing development and for range management and lease administration. The positions were funded with $243,564 Other Funds. A budget note directing the agency to measure the performance of both new positions in addressing new leases and generating additional revenue for the Common School Fund was included in the approved budget.
- Carry-forward of Other Funds expenditure limitation of $125,000 from a 1999-01 grant by the Oregon Watershed Enhancement Board for wetland projects was approved, but an associated position to provide wetlands technical assistance was not included in the adopted budget.

The adopted budget also included a budget note directing the agency report to the Legislature on efforts to acquire a State Programmatic General Permit for certain removal-fill activities that currently require both a state removal-fill permit and a U.S. Army Corps of Engineers Section 404 permit.

DSL – South Slough National Estuarine Research Reserve

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	884,426	917,396	978,532	601,385
Federal Funds	950,345	931,721	781,655	947,757
Total	**1,834,771**	**1,849,117**	**1,760,187**	**1,549,142**
Positions (FTE)	9.26	9.50	9.00	5.75

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 Funds 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 totaled $1.76 million, a decline of 5% from 1999-01 estimated levels. The decline was 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 was nearly 7% higher than 1999-01 estimated expenditures.

The recommended budget included 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 proposed 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 were 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 were funded by a combination of Federal Funds ($3,418) and Other Funds ($9,354) from Common School Fund revenues.

Legislatively Adopted Budget

The legislatively adopted budget for the South Slough National Estuarine Research Reserve totals $1.55 million, a decrease of 12% from the Governor's recommended level and a reduction of 16% from the 1999-01 estimated levels. The level of the Reserve's adopted budget is misleading, however, since the Legislature only approved sufficient expenditure limitation for approximately one year of the Reserve's operational expenses. This action was taken by the Legislature due to concerns over the Reserve's budgetary accountability.

Budget notes direct the agency to report quarterly to the Legislative Fiscal Office and the Budget and Management Division of the Department of Administrative Services on the status of the Reserve's operating budget and construction projects. In order to facilitate reporting and expenditure tracking, the agency was also directed to redefine the Reserve's budget into two structures, Operations and Capital Improvement. In the Operations portion of the Reserve's budget, the following adjustments were made by the Legislature:

- Standard reductions for Public Employee Retirement System employer contribution rate decreases and for legislatively approved decreases in Attorney General hourly rates were included.
- A package to add a new Program Representative 1 position for volunteer coordination and educational outreach was approved, but as limited duration for one year. The position is to be funded entirely from Federal Funds instead of the proposed combination of Federal Funds and Common School Fund revenues. The second year of the position can be requested from the Emergency Board in conjunction with the required accountability reporting.
- The remaining current service level budget of the Reserve's operational expenditures was reduced by one-half in conjunction with the reporting requirements. Eight positions were authorized for a one year period. The budget was reduced by $467,165 Other Funds and $338,864 Federal Funds. Limitation and full-time equivalency for the positions in the second year of the biennium can be requested from the Emergency Board in conjunction with a required status report on 2001-02 fiscal year activity.
- Three existing limited duration positions were authorized for continuation, again on a one-year basis, in response to an increase in the federal fiscal year 2001 operating grant received by the Reserve from the National Oceanic and Atmospheric Administration. The agency was authorized to spend an additional $32,185 Other Funds and $85,757 Federal Funds for the continuation of these positions. The Other Funds represents funding from an oyster research grant and does not involve any Common School Fund revenues.
- The agency was further directed to ensure that all federal grant applications be brought to the Legislature for review.

In the Capital Improvement portion of the Reserve's budget, the adopted budget included an increase of $102,000 Other Funds and $473,000 Federal Funds to accommodate carry-forward amounts of unexpended cash from previously awarded federal construction grants and Common School Fund matching revenues. The capital improvement carry-forward was not anticipated in the Governor's recommended budget.

DSL – Natural Heritage Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	33,356	36,756	37,583	133,727
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**	**204,339**
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 continued the program's activities at the current service level. The recommended budget included $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 were anticipated to provide two-thirds of the program's recommended budget. The recommended budget did 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.

Legislatively Adopted Budget

The legislatively adopted budget for the Natural Heritage Program is $204,339, an increase of 89% from the Governor's recommended level and an increase of 93% from 1999-01 estimated levels. The total budget includes

$133,727 General Fund, $1,309 Other Funds, and $69,303 Federal Funds. No changes were made to the Governor's recommended level for Other and Federal Funds. The budget includes reductions for changes to hourly rates charged for Attorney General services and for non-fixed services and supplies totaling $3,856 General Fund.

The Legislature provided $100,000 General Fund in House Bill 5014 to the Division of State Lands for funding the transfer of the Natural Heritage database from The Nature Conservancy to Oregon State University. The Division and University were directed in a budget note to report to the Emergency Board on the proposed language regarding the transfer of the program's maintenance functions. The Legislature also expressed an expectation that ongoing funding of the program would be absorbed within the Department of Higher Education budget beginning in the 2003-05 biennium.

DSL – Oregon Wetlands Revolving Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	116,000	200,000	200,000	350,000
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 continued program activities at the current service level of $200,000 Other Funds.

Legislatively Adopted Budget

As adopted by the Legislature, the Oregon Wetlands Revolving Fund 2001-03 budget was increased by $150,000 Other Funds from the Governor's recommended level and from the 1999-01 estimated expenditures. The adopted budget's total Other Funds limitation of $350,000 is more reflective of ongoing activity in the wetlands program and the balances in the revolving fund. The increase also accommodated Emergency Board action during the 1999-01 interim unable to be completed by the end of the biennium. If additional 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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	233,224	366,009	375,159	366,009
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 was funded at the current service level. The total of $375,000 Other Funds represented the authorized inflationary increase over the 1999-01 estimated expenditures.

Legislatively Adopted Budget

The legislatively adopted budget for Common School Fund capital improvements was reduced from the Governor's recommended level to eliminate the inflationary increase of $9,150 Other Funds. The resulting budget remained at the 1999-01 estimated level of $366,009 Other Funds.

Oregon State Marine Board (OSMB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	17,125,320	17,816,019	17,382,384	17,347,185
Federal Funds	2,704,582	3,771,308	3,780,537	3,780,505
Total	**19,829,902**	**21,587,327**	**21,162,921**	**21,127,690**
Positions/FTE	31.58	35.00	38.00	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 ($2,289,090), the Clean Vessel Act (CVA) program ($1,000,029), 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 was $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 resulted from declining marine fuel revenues. Specific Governor's recommendations are discussed under each program unit.

Legislatively Adopted Budget

The Legislature adopted a total budget of $21.1 million and 38 FTE which is 0.2% less than the Governor's recommended budget and an increase of 0.8% from the 2001-03 current service level. The Legislature approved enhancements in the budget to:

- reclassify two existing positions reflecting the need to compensate the positions commensurate with the duties associated with the positions;
- provide authority to add one position to handle increased boat registration suspension workload associated with boater under the influence of intoxicants convictions; and
- provide increased special payments to the Oregon State Police in recognition of the amount of time spent by fish and game officers for enforcing boating laws.

The Legislature denied reclassification of the Director and Deputy Director with instructions to change the Deputy Director's work assignments to avoid the need for a reclassification. The Legislature approved a budget note directing the agency to review the organization structure to address the overlap of duties and responsibilities between the Director, Deputy Director and Executive Assistant to the Director.

OSMB – Administration and Education

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	2,881,318	3,350,172	3,759,991	3,727,603
Federal Funds	98,135	110,878	113,405	113,405
Total	**2,979,453**	**3,461,050**	**3,873,396**	**3,841,008**
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 in the current service level.
- The average hours of unscheduled leave 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 in the current service level.

Governor's Budget

The Governor's recommended budget of $3,873,396 was $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 recommended 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.

Legislatively Adopted Budget

The Legislature approved $3,842,008 total funds and 22.84 FTE. The approved budget includes $190,480 Other Funds expenditure limitation for temporary appointments and services and supplies to continue implementing mandatory boater education. In addition, a personal services reduction in the amount of $3,973 Other Funds was made to reflect a lower Public Employees Retirement System (PERS) employer contribution rate. The Legislature denied the reclassification of the Director and Deputy Director positions reducing the Other Funds expenditure limitation by $28,415, the amount by which the positions would have been paid work-out of classification. The Department was instructed by budget note to review the organizational structure to address the overlap of duties and responsibilities between the Director, Deputy Director and Executive Assistant and recommend to the Emergency Board a structure that improves operational functions and increases efficiency with appropriate position classifications.

OSMB – Law Enforcement Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	5,953,275	7,188,606	7,988,133	7,987,187
Federal Funds	2,156,097	2,244,645	2,185,685	2,185,685
Total	**8,109,372**	**9,433,251**	**10,173,818**	**10,172,872**
Positions/FTE	3.83	3.83	4.83	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 was $740,267 or 8% higher than the 1999-01 estimated budget, and $557,346 or 6% higher than the current service level. The Governor recommended 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 recommended 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 were proposed for funding by reducing the current services provided in the Facility Grants Program.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $10,172,872 and 4.82 FTE. The approved budget is a slight decrease from the Governor's recommended budget. A personal services reduction in the amount of $946 Other Funds expenditure limitation was made to reflect a lower PERS employer contribution rate. Otherwise, the Legislature approved the Governor's recommended budget.

OSMB – Facilities Grant Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	8,290,727	7,277,241	5,634,260	5,632,395
Federal Funds	450,350	1,415,785	1,481,447	1,481,415
Total	**8,741,077**	**8,693,026**	**7,115,707**	**7,113,810**
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 was $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 recognized a reduction of $740,648 resulting from insufficient projected marine fuel revenues to cover program expenditures. The recommended budget reflected 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 and cover costs associated with increased enforcement services to be provided based on an interagency agreement.

The reductions resulted in a decreased facility grant improvement program.

Legislatively Adopted Budget

The Legislature approved a total funds budget of $7,113,810 and 10.33 FTE. The Legislature made a personal services reduction in the amount of $1,865 Other Funds and $32 Federal Funds expenditure limitation to reflect a lower PERS employer contribution rate. Otherwise, the Legislature approved the Governor's recommended budget.

State Parks and Recreation Department (OPRD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	11,067,693	0	0	0
Lottery Funds	1,276,555	40,443,595	45,905,003	45,768,481
Other Funds	68,317,705	60,669,191	71,991,419	72,640,204
Federal Funds	1,990,306	4,422,108	5,516,636	8,782,811
Nonlimited	1,860,398	3,644,222	3,735,328	3,735,328
Total	**84,512,657**	**109,179,116**	**127,148,386**	**130,926,824**
Positions (FTE)	447.38	466.40	507.62	509.62

Program Description

The State Parks and Recreation Department (OPRD) 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 park land use and outdoor recreation planning. The Department is also designated as the State Historic Preservation Office and 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 $97 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 35% of total revenue in the Department's budget.

Park user fees represent 19% of the total budget. User fees are expected to generate $30 million in 2001-03 without a fee increase, $2 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. 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 $692,682 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 $8.8 million federal funding from the Land and Water Conservation Fund – National Park Service ($6.2 million), Historic Preservation ($1.6 million) 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 focused 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 have been documented at $86 million for facilities and $21 million for pavement rehabilitation. With the current plan to invest $16 million each budget cycle, it would 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 effective 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.
- Benchmark No 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 was $127 million total funds. This was 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 were 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 adequate funds 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 were funded at the Governor's recommended budget level, it would leave the Department without sufficient ending balance for unanticipated liabilities and cash flow shortfalls. The Governor 's recommended budget proposed legislation to increase camping fees and day use fees by a total of $2.7 million to restore the desired ending balance.

Legislatively Adopted Budget

The Legislature approved a total budget of $131 million total funds and 509.62 FTE. This is 2.97% higher than the Governor's recommended budget. The 2001-03 budget was approved without a fee increase because improved Lottery revenue forecast and technical adjustments reducing the budget provided sufficient revenue to maintain an appropriate ending balance. The budget was increased to accommodate revenue build-up in the All-Terrain Vehicle (ATV) fund for grant reimbursements and also increased federal funds from the National Park Services in the Land and Water Conservation grant program. The Legislature approved the Governor's recommendations for $6 million and 6 FTE to convert to an improved financial management information system. Funding for 38.25 FTE for forest management and ocean shore protection; increased grant activity; increased camping in October to April; reservation operations; newly acquired properties; facilities maintenance and repair program; and historic preservation was also approved. Finally, the Legislature approved increased funding for reclassification of 15 positions to align increased responsibilities with appropriate position classifications. Budget notes instruct the Department to: undertake a study of Park User Fees to determine an equitable fee structure for all state parks; work with the Port of Brookings Harbor to resolve a loan repayment issue for beach revetment in exchange for title interest in the property; include identification of an ongoing source of revenue to fully support a proposed park site in Columbia County; report progress toward implementing a park development plan in Washington County; and report progress on conversion to a new financial management system, sizing of the server replacement and integrating with the state's email system.

OPRD – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,600,761			0
Lottery Funds		6,348,207	6,826,553	6,786,053
Other Funds	1,459,314	1,943,831	2,061,462	2,049,001
Federal Funds			17,895	17,863
Total	**6,060,075**	**8,292,038**	**8,905,910**	**8,852,917**
Positions (FTE)	26.50	33.00	37.00	37.00

Program Description

The Administration program includes four divisions:

- ***Directors Office*** (3 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 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 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 continues 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 was $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 added three positions (3 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 was included in the Information Services program for the hardware and software purchases. An increase of $19,914 Other Funds and a decrease of $4,414 Lottery Funds was recommended to fund reclassification of an Office Specialist 2 to a Personnel Officer 1 resulting from changes in duties and responsibilities. Also recommended was the establishment of an Office Specialist 2 (1 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.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reductions of $40,500 Lottery Funds, $12,461 Other Funds, and $32 Federal Funds. These reductions reflect reduced assessments for the Public Employees Retirement System (PERS), the Department of Administrative Services Human Resource Services charges, Attorney General hourly charges, telephone long distance charges, and the Secretary of State audit assessments. The Legislature did not approve an increase in camping and day use fees since increases in Lottery revenue projections and rate reductions would provide sufficient ending balance to provide for unanticipated liabilities and cash flow needs. The Legislature acknowledged that unforeseen circumstances may cause the Parks Commission to consider implementing a fee increase later in the biennium. The Legislature directed the Commission to undertake a study of Park User Fees and report the results to the Emergency Board during the biennium.

OPRD – Policy and Planning

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	736,189			0
Lottery Funds		784,852	856,228	854,951
Other Funds	1,480,579	2,313,782	2,814,777	2,812,330
Federal Funds		150,000	78,751	78,606
Total	**2,216,768**	**3,248,634**	**3,749,756**	**3,745,887**
Positions (FTE)	16.00	13.00	17.00	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 division include:

- ***Outdoor Recreation Planning and Park Systems Development*** (5 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 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 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 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 has estimated 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 was $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 added four positions (4 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 was recommended to reclassify a Natural Resource Specialist 3 to a Natural Resource Specialist 4 due to changes in duties and responsibilities.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reductions of $1,277 Lottery Funds, $2,447 Other Funds, and $445 Federal Funds. These reductions reflect reduced assessments for PERS.

OPRD – Public Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds			436,595	436,595
Other Funds	1,640,795	2,577,543	2,300,477	2,297,995
Total	**1,640,795**	**2,577,543**	**2,737,072**	**2,734,590**
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 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.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reduction of $2,482 Other Funds Funds. The reduction reflects reduced assessments for PERS.

OPRD – Acquisition/Grants Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	77,218			0
Lottery Funds		6,000,000	9,114,126	9,113,351
Other Funds	1,160,235	4,559,228	4,952,917	5,952,115
Federal Funds	660,189	2,049,965	1,257,287	3,852,255
Total	**1,897,642**	**12,609,193**	**15,324,330**	**18,917,721**
Positions (FTE)	0.00	5.72	8.00	9.00

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 was $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 increased Other Funds $49,028 and decreased 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 was recommended to establish a Public Information Representative 2 position (1 FTE) to coordinate the ATV safety education program. Funding for the position came from ATV registration revenues.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reductions of $775 Lottery Funds, and $802 Other Funds. These reductions reflect reduced assessments for PERS. The Legislature increased funding for the ATV safety education grant program by $1 million to accommodate revenue buildup in the dedicated ATV Account. In addition, the Legislature approved a limited duration position and an increase in Federal Funds expenditure limitation of $2.6 million anticipating increased funding from the National Park Service for Land and Water Conservation funds. The funding will be distributed 60% for local park projects and 40% for eligible state agencies. The additional position will address the additional workload associated with allocating the grants. Budget notes direct the Department to:

1. Work with the Port of Brookings Harbor to transfer title interest in the parking lot and beach frontage in exchange for repayment of the loan owed to the Department of Community and Economic Development.
2. Identify an ongoing source of revenue to fully support site development, operations and facility maintenance of a proposed park on the Trojan nuclear site in Columbia County.

OPRD – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,156,271			
Lottery Funds	1,276,555	25,414,590	25,114,676	25,107,664
Other Funds	57,146,425	42,673,633	47,276,117	47,222,678
Federal Funds	274,026	1,348,143	2,963,797	2,963,497
Total	**63,853,277**	**69,436,366**	**75,354,590**	**75,293,839**
Positions (FTE)	359.88	367.28	389.12	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 aides – maintain park buildings 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 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 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 FTE) provides labor, materials and products for state parks through 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 for 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 was 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:

- Added $11,187 Lottery Funds, $33,983 Other Funds and $558 Federal Funds to reclassify seven positions and increase a part-time Office Coordinator from 0.75 FTE to full-time resulting in an increase of 0.25 FTE.
- Added $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 FTE) to support engineering and monitoring of facility improvement projects.
- Increased Other Funds $1,675,000 and Federal Funds $1,465,000 to receive donations and grants from non-federal and federal sources.
- Established 14 positions (6.98 FTE) to maintain new or expanded parks. It added 12 ranger aides for new or expanded parks at Government Island, Champoeg, Fall Creek and the Columbia River Highway. It added a park ranger for Government Island and a Food Service Manager at the Wolf Creek Inn. The expenditure limitation increase in personal services was offset by an equal reduction in services and supplies.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reductions of $7,012 Lottery Funds, $53,439 Other Funds, and $300 Federal Funds. These reductions reflect reduced assessments for PERS. The Legislature supported implementing a park development plan for a state park in Washington County utilizing resources from the Parks and Natural Resource Fund for the Facility Investment Program and federal grant funds. The Legislature directed the Department in a budget note to report on progress in implementing facilities in the new state park.

OPRD – Information Services/Reservations Northwest

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds		480,000	2,081,355	1,995,705
Other Funds	5,347,756	6,387,331	12,334,147	12,106,018
Total	**5,347,756**	**6,867,331**	**14,415,502**	**14,101,723**
Positions (FTE)	29.00	26.00	32.00	32.00

Program Description

- ***Information Services*** (14 FTE) provides planning, development and support for all of the Department's business technological applications including the installation, standardization and operation of the Department's desktop and laptop computers, statewide network and internet systems, and operation of the automated reservation system.
- ***Reservations Northwest*** (18 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 recommended 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 was $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 added $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 established three permanent (3 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 included 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 1/3 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 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.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with technical reductions of $627 Lottery Funds and $56,344 Other Funds. These reductions reflect reduced assessments for PERS and the telephone long distance charges. The Legislature modified the financing plan for the financial management information system by delaying the sale of the COPs until September 2002 resulting in an increase of $170,427 Lottery Funds and a decrease of $171,785 Other Funds. The modification reduces debt service by $255,450 Lottery Funds and the cost of issuing COPs from $118,215 to $99,272. The modification reduces the long-term debt associated with the project by utilizing current revenue projections on the front end of the project. The Legislature directed the Department to report to the Emergency Board on the status of revenues and expectation of an ending balance. The Department is also directed to report to the Joint Legislative Committee on Information Management and Technology on an agreement with the Department of Administrative Services for sizing the replacement of servers, migration to an integrated state e-mail system, and the results of proposals to convert the agency to the Statewide Financial Management System.

OPRD – State Historic Preservation Office/Oregon Heritage Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	497,254			
Lottery Funds		1,415,946	1,475,470	1,474,162
Other Funds	82,601	213,843	251,522	200,067
Federal Funds	1,056,091	874,000	1,198,906	1,870,590
Total	**1,635,946**	**2,503,789**	**2,925,898**	**3,544,819**
Positions (FTE)	8.00	10.40	13.50	14.50

Program Description

- The ***State Historic Preservation Office*** (SHPO) (13.25 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 was $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 added $186,079 Federal Funds to establish two positions (2 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 was $51,280 Other Funds and $76,921 Federal Funds to establish a Program Technician 2 position (1 FTE) to review proposed alterations to historic buildings for conformance to standards. The latter increase was contingent upon passage of a legislative concept to increase fee rates for the historic building special assessment program.

Legislatively Adopted Budget

The Legislature adopted $3.5 million total funds and 14.50 FTE representing a 21.15% increase to the Governor's recommended budget. The budget was reduced by $1,308 Lottery Funds, $175 Other Funds, and $2,878 Federal Funds to reflect reduced assessments for the Public Employees Retirement System. Funding for review of proposed alterations to historic buildings was eliminated after it was withdrawn by the agency ($128,201 total funds and 1 FTE). The Legislature added $750,000 in Federal Funds and three Limited Duration positions (2 FTE) to support an increase in federal fund apportionment from the National Park Service. The increased funding is expected to fund historic preservation program grants; develop and maintain a database of historic properties; develop an interagency archaeological geographical system; and contracts for surveys and public relations.

OPRD – Nonlimited

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 was funded at the 2001-03 current service level.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget.

Water Resources Department (WRD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	19,769,156	21,053,240	22,045,387	23,875,317
Lottery Funds	165,537	0	0	0
Other Funds	3,567,870	3,674,122	5,839,858	4,879,102
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**	**29,522,933**	**30,392,107**
Positions (FTE)	161.09	155.09	147.53	149.24

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 WRD continues to supply some administrative and accounting support to OWEB, the new agency is not a part of the WRD organizational budget structure.

Budget Environment and Performance Measures

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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,237,315	2,528,989	2,494,964	2,486,939
Other Funds	69,987	201,889	186,721	186,507
Total	**2,307,302**	**2,730,878**	**2,681,685**	**2,673,446**
Positions (FTE)	13.00	13.00	11.00	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 was 7.8% below the current service level. The recommended budget included program reductions of $252,610 General Fund that reduced staffing by 2 FTE. One position was eliminated when a receptionist and mailroom position were consolidated. The other FTE reduction eliminated an employee development position that provided training, assessments, and statistical reporting for the Department. Other General Fund reductions included a $40,000 savings from elimination of the Department's 800-number, a $10,000 reduction in miscellaneous services and supplies, and $20,000 from a reduction in copiers throughout the agency. The budget also included additional administrative support for the Oregon Watershed Enhancement Board. The budget included a $25,539 Other Funds enhancement to cover reclassification costs to convert a clerical position to an accounting professional level, enabling the agency to address more complicated financial funding and reporting issues.

Legislatively Adopted Budget

The Legislature approved a budget of $2,673,446 and 11 FTE for the Administrative Services Division. The adopted budget is 2.1 % below the 1999-2001 estimated budget and 0.3 % below the Governor's recommended budget.

Reductions were made for the PERS employer contribution rate, Department of Administrative Services (DAS) human resources assessment, Attorney General charges, and Secretary of State Audit fees. The General Fund program reduction proposed by the Governor was adopted reducing agency services and supplies, a receptionist/mail room support position, and eliminated the agency employee development program. The approved budget included a reclass package to provide more OWEB support at a cost of $23,539 Other Funds.

WRD – Field Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	7,233,329	8,251,929	8,408,952	8,295,359
Other Funds	995,491	976,213	1,296,985	1,120,867
Federal Funds	0	2,150	0	0
Total	**8,228,820**	**9,230,292**	**9,705,937**	**9,416,226**
Positions (FTE)	66.97	65.88	63.03	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 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 FTE in 1997 to 46.5 per 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 was 5.1% over 1999-01 estimated expenditures and 1.7% above 2001-03 current service levels. The budget included a $189, 730 General Fund reduction package that reduced staffing by 1.85 FTE. The reductions eliminated a clerical support position in the Eastern region (0.5 FTE), abolished a full-time field water rights technician in the south-west region, and reduced a regional support position (.35 FTE) in the north central region. The reductions also included $30,500 in computer and measuring equipment replacement and reduced travel. The reductions were expected to slow region efforts to process transfers and complete other transactions. The budget added $350,000 Other Funds to facilitate contract partnerships with other agencies, quasi-municipal, municipal, county and cooperative federal entities to leverage resources.

Legislatively Adopted Budget

The adopted budget for the Field Services Division totaled $9,416,226 and 63.03 FTE. The adopted budget is 2% above the 1999-2001 estimated budget and 3% below the Governor's recommended budget. Reductions were made for the PERS employer contribution rate, DAS human resources assessment, Attorney General charges, and Secretary of State Audit fees. The General Fund program reduction proposed by the Governor was adopted, reducing regional clerical support in the North Central and Eastern regions and reducing Division services and supplies. A package was added to fund cooperative agreements with local governments at a cost of $175,000 Other Funds. A 2% reduction to agency Services and Supplies was also made reducing expenditures by $100,211 General Fund.

WRD – Technical Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,970,311	5,869,722	6,538,640	8,450,003
Lottery Funds	165,537	0	0	0
Other Funds	838,018	1,038,899	2,872,187	2,121,264
Federal Funds	91,002	414,502	515,000	515,000
Total	**6,064,868**	**7,323,123**	**9,925,827**	**11,086,267**
Positions (FTE)	39.96	40.00	43.00	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 total budget for the Technical Services Division was 35.5% above 1999-01 estimated expenditures and 20.9% above the 2001-03 current service level. The recommended General Fund increased 2.7% above the 2001-03 current service level. The budget included a reduction package that reduced General Fund by $328,154. Included in this reduction was $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 eliminated funding for a demonstration project and reduced 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 should be made to the Technical Services Division with a corresponding reduction in the Director's Office budget. Further reduction packages included a 20% decrease in funding for contracted ground water studies amounting to $197,500 General Fund. With this reduction, contracts with the U.S. Geological Survey would be reduced and completion of the Willamette and Klamath groundwater studies would be extended. A $30,654 General Fund reduction in computer replacement was also made.

The Stewardship and Supply initiative proposed 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. With this initiative, full time hydrogeologist, engineer, and information services permanent positions were included to begin the basin-wide assessment of each river basin in the state. The proposed initiative was funded with $500,000 General Fund and $500,000 Other Funds.

The budget also included $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 Other Funds was 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 planned to make contract partnerships with municipal, county and federal entities to leverage resources. A package of $500,000 Other Funds was included to facilitate collection and expenditure of small sources of funds from these other agencies.

Legislatively Adopted Budget

The Legislature adopted a budget of $11,086,267 and 43 FTE for the Technical Services Division. The adopted budget is 51.4% above the 1999-2001 estimated budget and 11.7% above the Governor's recommended budget. The large increase was due to the passage of Senate Bill 5555 funding emergency drought relief for the Klamath Basin. The bill provided $2,000,000 General Fund to the Department that will be used by irrigation districts for the construction of new commercial wells. The package also included $320,000 General Fund for 2 permanent Assistant Watermaster position and one Ground Water Technician position. The positions will provide assistance in water distribution, conservation outreach, water rights processing, drought permits and transfers, well mapping, and water level measuring. Without the drought relief funding, the approved General Fund for the Division would have increased 4.4% over 1999-01 estimated levels. The emergency drought package was funded instead of the $1,000,000 Governor's Stewardship and Supply initiative. The Department was encouraged to seek additional funding from federal, local, and private sources to continue groundwater studies and further stewardship and supply efforts across the state.

Reductions were made for the PERS employer contribution rate, DAS human resources assessment, Attorney General charges, and Secretary of State Audit fees. The General Fund program reduction proposed by the Governor was adopted reducing Division services and supplies, extending the schedule for completing groundwater studies, and eliminating legislative task force support. A fund shift of $100,000 General Fund was made to move expenditure limitation from the Director's Office to the Technical Services Division.

The adopted budget included a package to reduce the backlog in hydrographic records at a cost of $450,000 Other Funds. The Department of Administrative Services was directed to unschedule $225,000 of this amount until the Department demonstrates to the Emergency Board that significant progress was been made on reducing the backlog.

A package to update the Groundwater Information Distribution System database was also approved. The package included expenditure limitation of $93,468 Other Funds and one Water Right Specialist position. The Division was also given $225,000 Other Funds limitation for surface water measurements, drought plans and cooperative groundwater studies with local government and other agencies.

WRD – Water Rights/Adjudication Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,731,327	2,026,236	2,134,687	2,319,314
Other Funds	1,323,595	1,261,396	1,086,624	1,060,079
Total	**3,054,922**	**3,287,632**	**3,221,311**	**3,379,393**
Positions (FTE)	30.33	27.21	22.50	24.21

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 to continue water rights determinations 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 an 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 was 10.6% above the 2001-03 current service level. The budget increased the General Fund by 15.4% and staffing by 1.29 FTE. A reduction package abolished 2 certificate positions, effectively eliminating the Department's ability to address the current backlog or issue new water rights certificates. Instead, resources would be applied toward the more immediate need of processing water right transfers. A reduction of $5,000 General Fund was made to miscellaneous services and supplies in the Division.

Additional funding of $500,000 General Fund and $500,000 Other Funds was included to continue the Klamath Basin General Stream Adjudication effort at a reduced level. The package continued the funding for three limited duration positions. The budget also included $23,158 Other Funds costs to reclassify a part-time position in the Division to a full-time position to meet increased workload.

Legislatively Adopted Budget

The Legislature adopted a budget of $3,379,393 and 24.21 FTE for the Water Rights / Adjudication Division. The adopted budget is 2.8% above the 1999-2001 estimated budget and 4.9 % above the Governor's recommended budget.

The Governor's budget reduced 2 water rights positions as part of agency General Fund reductions. These positions were restored by the Legislature to facilitate the processing of water rights certificates. A package was also approved providing $485,959 General Fund to address the ongoing adjudication efforts in the Klamath Basin. The Legislature denied a request to reclassify a clerical position in the Division. Reductions were made for the PERS employer contribution rate, DAS human resources assessment, Attorney General charges, and Secretary of State Audit fees.

WRD – Director's Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,647,607	1,826,364	1,918,144	1,773,702
Other Funds	0	83,725	3,470	3,175
Nonlimited	0	0	1	1
Total	**1,647,607**	**1,910,089**	**1,921,615**	**1,776,878**
Positions (FTE)	8.83	7.00	6.00	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 was a 6.4% decrease from the 2001-03 current service level. The budget reduced staffing by 1 FTE, and eliminated the agency's public information position, saving $126,530 General Fund. The loss of this position reduced 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 eliminated $100,000 General Fund for a demonstration project and reduced 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 was needed to move the reduction to the Director's Office where the budget for the support of the task force resided.

The budget included a $1 placeholder for a water management and mitigation bank pilot project. Authorization was sought for reclassification of one position in the Division, although no funding was budgeted for the reclassification.

Legislatively Adopted Budget

The Legislature approved a budget of $1,776,878 and 6 FTE for the Director's Office. The adopted budget is 7.0 % below the 1999-2001 estimated budget and 7.5 % below the Governor's recommended budget. The 2001-03 General Fund increase over 1999-2001 estimated expenditures would have been 2.6%, however, a fund shift of $100,000 General Fund to Technical Services resulted in lower 2001-03 totals for the Division.

Reductions were made for the PERS employer contribution rate, DAS human resources assessment, Attorney General charges, and Secretary of State Audit fees. The General Fund program reduction proposed by the Governor was adopted, resulting in the elimination of a public information position. The Legislature denied a request to reclassify positions in the Division. A placeholder of $1 Nonlimited Funds was given for the mitigation bank pilot program.

WRD – Water Development Loan Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,949,267	550,000	550,000	550,000
Other Funds	340,779	112,000	393,871	387,210
Nonlimited	2,798,286	1,827,944	1,122,687	1,122,687
Total	**5,088,332**	**2,489,944**	**2,066,558**	**2,059,897**
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 that it would need $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 adopted 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 was equal to the 2001-03 current service level, but was 17% below estimated 1999-01 expenditures due to a decrease in principal and interest payments for bonded debt. The budget funded staffing at current levels.

Legislatively Adopted Budget

The Legislature adopted a budget of $2,059,897 and 2 FTE for the Water Development Loan Program. The adopted budget is 17.3% below the 1999-2001 estimated budget and 0.3 % below the Governor's recommended budget. The General Fund totals for the program were held at the 1999-01 levels of $550,000. Adjustments were made to the Governor's recommended budget for lower PERS employer contribution rates and reduced Attorney General charges.

Oregon Watershed Enhancement Board (OWEB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	15,449,680	3,700,000	0	2,001,788
Lottery Funds	0	20,499,939	46,784,192	48,585,907
Other Funds	6,175,493	1,976,945	1,849,995	2,274,939
Federal Funds	404,277	4,540,158	17,020,000	17,165,875
Total	**22,029,450**	**30,717,042**	**65,654,187**	**70,028,509**
Positions (FTE)	7.22	13.00	23.00	23.00

The Governor's Recommended includes $10.5 million Lottery Funds carry forward expenditure limitation; the Legislatively Adopted includes $15.8 million Lottery Funds carry forward expenditure limitation 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 70th Legislative Assembly through the passage of House Bill 3225 (1999). 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	9,738,337	3,700,000	0	2,001,788
Lottery Funds	0	5,608,406	8,590,835	6,578,488
Other Funds	6,175,493	1,976,945	1,849,995	2,274,939
Federal Funds	404,277	4,540,158	17,020,000	17,165,875
Total	**16,318,107**	**15,825,509**	**27,460,830**	**28,021,090**
Positions (FTE)	7.22	13.00	23.00	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 close of session revenue forecast (May 2001) projected $49.6 million Lottery Funds (Measure 66) available for the Restoration and Protection Subaccount in the 2001-03 biennium. The amount represented an increase of $4.4 million from the forecast available during development of the Governor's recommended budget (December 2000). Based on the constitutional split between operations and capital expenditures, no more than $17.4 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 included a total of $27.5 million for Operations. The recommended budget represented a 74% increase from the 1999-01 estimated expenditure levels. The magnitude of the change was 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 included $8 million in carry forward from 1999-01 that was committed to projects, but could not be spent by the end of the biennium, plus the next fiscal year's federal allocation of $9 million.

State support under the Governor's recommendation was basically unchanged from 1999-01 levels. The recommended budget replaced all General Fund for Operations with additional Measure 66 non-capital Lottery Funds. The combination of General Fund and Lottery Funds declined slightly from $9.3 million in 1999-01 to $8.6 million in 2001-03. Other Funds expenditure limitation, including carry forward and estimated receipt of salmon plate and other miscellaneous revenues, was recommended at the current service level. The recommended budget supported a total of 23 FTE within OWEB, an increase from 13 FTE in the 1999-01 budget.

The recommended budget for OWEB Operations included 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 were added for additional local watershed council support. The agency's base budget included $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 was included in the recommended budget to maintain that staffing level.
- $865,873 Lottery Funds were 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) were added to OWEB and supported with Lottery Funds. Two of the positions (Natural Resource Specialist 5 and Natural Resource Specialist 4) were existing positions funded in the Department of Fish and Wildlife (ODFW) budget, but assigned to the Governor's Natural Resource Office. These positions were eliminated from the ODFW budget. Four new positions were 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 were 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 were 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 were 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 were 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 restored Lottery Funds in a program option package to balance the anticipated revenue available for non-capital expenditures from Measure 66.
- $44,736 Lottery Funds were added to finance a reclassification of 3 positions (the Director, Assistant Director, and Director's Assistant).
- $500,000 Federal Funds limitation was 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 was added to provide continued support for the Independent Multidisciplinary Science Team (IMST). The funding source for the package was new Federal Funds from the Pacific Coastal Salmon Recovery Program. The Legislature appropriated Lottery Funds in the 1999-01 biennium to support IMST activities.
- $10,992,571 Federal Funds were 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 anticipated receiving $9 million in new Federal Funds in the 2001-03 biennium. The recommended budget directed 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 was not specified in the recommended budget.

The recommended budget shifted 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 retained Lottery Fund support for Oregon Plan activities, but with General Fund supplementation.

Legislatively Adopted Budget

The legislatively adopted budget for OWEB Operations totals $28 million, a 2% increase from the Governor's recommended level, largely due to the inclusion of $1.5 million General Fund in the 2001-03 budget representing "carry forward" and $0.5 million General Fund for the Willamette Restoration Initiative. The agency received $3.7 million General Fund in the 1999-01 approved budget for watershed assessment grants and other similar projects. The agency was unable to spend approximately $1.5 million of the General Fund by the end of June 2001. Since General Fund not spent by the end of a biennium reverts to the state's ending balance (there is no carry forward of General Fund), the 2001 Legislative Assembly disappropriated the $1.5 million General Fund and reappropriated the same amount for OWEB's 2001-03 biennial budget. This action by the Legislature allowed the projects and grants to be completed without interruption. The reappropriation of $1.5 million General Fund was not anticipated by the Governor's recommended budget. In order to provide time to confirm the actual amounts expended by June 30th, the adopted budget provided $1.13 million General Fund as a special purpose appropriation to the Emergency Fund and $0.38 million directly to the agency to cover any required payments before the first Emergency Board meeting in September 2001.

In addition to the reappropriated $1.5 million, the adopted budget also included $500,000 General Fund for the Willamette Restoration Initiative (WRI). The WRI was funded with $500,000 Federal Funds in the initial Governor's recommended budget, but was subsequently revised to General Fund after the Governor's staff concluded that the Federal Funds from the National Marine Fisheries Service could not be directed toward any use. The appropriation of $500,000 for WRI was included in House Bill 5014 along with a budget note directing OWEB to allocate the funds through its standard grant application process to ensure review of the grantees use of the funds and to obtain performance measures on the use.

The adopted budget for the Operations program includes $6.6 million Lottery Funds, a decrease of nearly 25% from the Governor's recommended level. The decrease is largely due to legislative decisions to allocate a portion of the Lottery Funds to other agencies not included in the Governor's plan. A table summarizing the legislatively adopted budget's allocation of Measure 66 Lottery Funds for the 2001-03 biennium is included in the following section describing OWEB's Capital Construction Projects budget. The differences between the amounts provided to OWEB in the adopted and recommended budgets were due to two policy decisions and was made possible by the combination of additional revenue available to the Legislature due to higher forecasts and the denial of certain packages included in the recommended budget:

- The Legislature attempted to restore positions to the Fish and Wildlife Division of the Oregon State Police not funded in the Governor's recommended budget. Through Measure 66 Lottery Funds, the adopted budget restored 7 of the 21 positions eliminated in the Governor's recommended budget with the addition of $1.3 million more Lottery Funds than included in the Governor's budget.
- The Legislature also identified the primary role of the Department of Fish and Wildlife in efforts to restore salmon populations by including $2.1 million more Lottery Funds for the Department in the legislatively adopted budget than included in the Governor's recommended budget.

The Legislature adjusted the budget for lower estimated Public Employee Retirement System employer contribution rates and for reductions in charges for Attorney General, Secretary of State, Human Resource Services Division, and telecommunication services. A reduction in miscellaneous services and supplies of $30,000 was made for statewide funding priorities. Reductions were also made in the adopted budget for out-of-state travel.

The following approvals and changes were made to the recommended budget:

- Four new positions (4 FTE) for enhanced fiscal and grant management were approved and will be funded with $545,000 Lottery Funds. The positions were recommended by a Secretary of State audit expressing concern about fiscal oversight of the rapidly expanding grant program.
- A proposal to use additional Lottery Funds for local watershed council support in the amount of $1.7 million was denied. The OWEB base budget includes $2.4 million Lottery Funds for watershed councils. During the 1999-01 biennium, OWEB used $1.7 million of available Federal Funds to increase the amount of support available to watershed councils. The adopted budget directs OWEB to use the same mechanism of available Federal Funds to provide the additional level of support in 2001-03, if such support is found to be necessary.
- A proposal to fund reclassification of various management positions was approved with $45,000 Lottery Funds.

- Six positions (6 FTE) designed to institutionalize the Oregon Plan were approved with modifications. Two of the approved positions were existing positions funded through the Department of Fish and Wildlife and assigned to the Governor's Natural Resource Office. These positions were removed from ODFW and reestablished in OWEB. One of the remaining authorized positions was approved as limited duration and funded with Federal Funds from the National Marine Fisheries Service grant authorized for administrative expenditures. The package was approved at $594,000 Lottery Funds and $270,000 Federal Funds.
- A proposal to provide additional funding for the Independent Multidisciplinary Science Team with Federal Funds was rejected. The IMST receives $400,000 Lottery Funds for support in the OWEB base budget. Additional support was provided in the 1999-01 biennium by an OWEB decision to use additional available Federal Funds. The adopted budget suggests a continuation of this funding, if OWEB determines the additional resources are necessary.
- Two federal grant applications were approved in the adopted budget in the total amount of $146,000 Federal Funds. The grant opportunities were not included in the Governor's recommended budget due to timing issues. The grants involve funding for a Smith River estuary project and for development of a matrix of all available sources of revenue for watershed restoration projects.
- Federal Funds limitation in the total amount of $17 million was included in the adopted budget representing $5 million in the base, $3 million of carry forward from amounts awarded in 1999-01 but unable to be spent by the conclusion of the biennium, and $9 million in new Pacific Coastal Salmon Recovery Program funds for the first federal fiscal year of the biennium.
- An increase of $425,000 Other Funds expenditure limitation was included in the adopted budget for revenues from miscellaneous sources such as salmon license plates and salmon safe power. These carry-forward amounts were not accommodated within the Governor's recommended budget.

OWEB – Capital Construction Projects

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	5,711,343	0	0	0
Lottery Funds	0	14,891,533	38,193,356	42,007,418
Total	**5,711,343**	**14,891,533**	**38,193,356**	**42,007,418**
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 close of session revenue forecast (May 2001) projected $49.6 million Lottery Funds (Measure 66) available for the Restoration and Protection Subaccount in the 2001-03 biennium. The amount represented an increase of $4.4 million from the forecast available during development of the Governor's recommended budget (December 2000). Based on the constitutional split between operations and capital expenditures, at least $32.2 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 totaled $38.2 million. The recommendation included 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 included limitation for $27.7 million of new Measure 66 Lottery Funds from 2001-03 lottery proceeds. The recommended budget included 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 recommended budget did 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 included 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).

Legislatively Adopted Budget

The legislatively adopted budget for OWEB's Capital Construction Projects totals $42 million, an increase of 10% from the Governor's recommended level. The adopted budget includes $5.3 million additional carry forward limitation for Lottery Funds allocated in 1999-01 but unable to be fully spent by the end of the biennium. The additional amount increases the carry forward in the capital construction project budget from $10.5 million in the Governor's recommended budget to $15.8 million. In addition to the carry forward increase, higher revenue forecasts also added $2.5 million to the amount of Lottery Funds available for capital expenditure projects.

Due to the ongoing need to provide increasing amounts of carry forward Lottery Funds expenditure limitation for capital expense projects through OWEB, the Legislature passed legislation to treat the capital expenditure portion of the OWEB budget like capital construction projects, which have a six-year expenditure limitation. In House Bill 5052, the Legislature provided OWEB with a six-year limitation for the 2001-03 Lottery Funds allocated for capital expenses; the limitation for the $26.2 million new funds will expire on June 30, 2007. The carry forward limitation on $15.8 million previously allocated will expire on June 30, 2005. It is anticipated that this allowance will more accurately reflect the biennial budget of OWEB for capital projects. The agency was directed to continue reporting on a regular basis to the Legislature on the status of the capital expenditure grant program.

The adopted budget also directed that OWEB transfer $4 million of the new Lottery Funds allocation for capital projects to the Department of Fish and Wildlife to continue the Measure 66 fish screening program. The only other directed uses of the capital project Lottery Funds included in the adopted budget were for continuation of the riparian and wildlife habitat weed control grant program through the Department of Agriculture and for vehicle expenses related to the enforcement activities of the Fish and Wildlife Division of the Department of State Police.

2001-03 Measure 66 Salmon, Watershed & Habitat Restoration
Legislatively Adopted Allocations

Available Resource from Measure 66	**Operating**	**Capital**	**Total**
May 2001 Economic and Revenue Forecast	*17,361,347*	*32,242,500*	*49,603,847*
Allocations in HB 5043	**Operating**	**Capital**	**Total**
State Police/Fish & Wildlife			
Oregon Plan Base	2,855,749	575,325	3,431,074
Current Service Level Restoration	1,096,325	194,675	1,291,000
Subtotal	3,952,074	770,000	4,722,074
Department of Fish & Wildlife			
Oregon Plan Base	3,942,273	0	3,942,273
Fish Screening Program	0	4,000,000	4,000,000
Subtotal	3,942,273	4,000,000	7,942,273
Department of Agriculture			
Riparian/Wildlife Habitat Weed Control	0	1,233,105	1,233,105
Soil and Water Conservation Districts	2,400,000	0	2,400,000
Subtotal	2,400,000	1,233,105	3,633,105
Department of Environmental Quality			
Pkg. 142 Lower Columbia National Estuary	192,000	0	192,000
Oregon Watershed Enhancement Board			
Base Operations at Current Service Level	2,594,197	0	2,594,197
Pkg. 110 Fiscal and Grant Management	545,241	0	545,241
Pkg. 114 Infrastructure-Position Reclass	44,624	0	44,624
Pkg. 120 Oregon Plan Implementation	594,426	0	594,426
Subtotal	3,778,488	0	3,778,488
Local Watershed Council Support	2,400,000	0	2,400,000
Independent Multidisciplinary Science Team	400,000	0	400,000
Project Grant Fund	0	26,239,395	26,239,395
OWEB Total	6,578,488	26,239,395	32,817,883
Measure 66 Total Allocations	**17,064,835**	**32,242,500**	**49,307,335**

OWEB – Restoration and Protection Research Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery 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 the close of session forecast, OWEB had deposited approximately $1.4 million 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 did not include a proposed use for the funds in the Restoration and Protection Research Fund. The recommended budget included a revenue estimate of $800,000 in interest earnings for the 1999-01 biennium. The estimated revenue from interest earnings was included in OWEB's Lottery Funds ending balance for the 2001-03 biennium in the recommended budget. The revenue estimate appeared to be conservative given the amount deposited into the research fund through November 2000.

Legislatively Adopted Budget

With no viable proposal for the use of the Restoration and Protection Research Fund, the adopted budget approved the Governor's recommended limitation of $1 Lottery Funds. Based on the close of session estimates, approximately $1.4 million is available in the research fund, with expectations of increasing amounts accruing during the 01-03 biennium. In order to spend from the fund prior to the next legislative session, the agency will be required to request additional Lottery Funds expenditure limitation from the Emergency Board.

TRANSPORTATION

Oregon Department of Aviation (Aviation) – Agency Totals

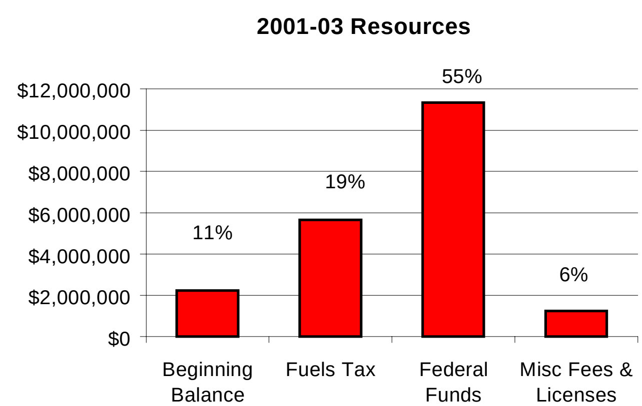
	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	39,521	0	0
Lottery Funds	53,844	105,502	0	0
Other Funds	6,829,618	10,176,723	9,466,257	16,890,657
Total	**6,883,462**	**10,321,746**	**9,466,257**	**16,890,657**
Positions (FTE)	15.50	15.75	16.00	17.00

1 Figures include fiscal history from Oregon Department of Transportation Budget.

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 62% of all Other Fund revenues and are the main source of revenue for Department operation 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 ($11.3 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 $7 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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	3,382,075	5,169,361	5,790,912	13,215,371
Total	**3,382,075**	**5,169,361**	**5,790,912**	**13,215,371**
Positions (FTE)	15.00	15.25	15.50	16.50

1 Figures include fiscal history from Oregon Department of Transportation Budget

Program Description

The Operations Program is responsible for the following six service areas:

- ***Airport Services*** (5 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 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 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 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 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. 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 (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 goal 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 provided $5,790,912 and 15.50 FTE. The budget represented 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 added $155,572 Other Funds expenditure limitation to contract with the Department of Administrative Services for financial services, computer support and contract management. Funding for that contract is expected to come from revenues collected from user fees and fuel taxes. The budget was increased by $292,000 for capital outlay and equipment to replace the Department's airplane, 1992 truck and the office copier.

The budget also continued $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 was 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.

Legislatively Adopted Budget

The Legislature added $7,424,400 in Other Funds expenditure limitation to the Governor's recommended budget and one position. The increased funding recognizes the acceptance of FAA-AIR 21 funds specifically targeted to small general aviation airports. In addition a Program Representative 2 position (1 FTE) was approved to administer all the agency grants including the AIR-21 grants of $7.4 million, Financial Aid to Municipalities grants of $300,000 and the Pavement Maintenance Program grants funded by the 1999-2001 gas and fuel tax increases. The Legislature reduced the Operations program unit by $3,178 Other Funds for a Public Employees' Retirement System (PERS) employer contribution rate change.

Aviation – Search and Rescue

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	99,364	133,062	125,163	125,104
Total	**99,364**	**133,062**	**125,163**	**125,104**
Position (FTE)	0.50	0.50	0.50	0.50

1 Figures include fiscal history from Oregon Department of Transportation Budget

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.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended budget by $59 for the PERS employer contribution rate change.

Aviation – Capital Construction Program

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	53,844		0	
Other Funds	3,200,000	4,375,000	3,210,932	3,210,932
Total	**3,253,844**	**4,375,000**	**3,210,932**	**3,210,932**

1 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 identified over $10.6 million in federally eligible projects for the years 2001 through 2007, of which $3.2 million was planned for construction during 2001-03.

No performance measures were identified for this program area.

Governor's Budget

The Governor provided $3,210,932 to fund four airport improvements at Aurora, Condon, Joseph and Chiloquin airports. The budget was funded 90% Federal as Other Funds ($2,891,7890) and $319,142 Other Funds match. The projects included:

- $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 of 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 a precision approach path indicator, install taxiway reflectors, install game deterrent fencing and gates, and revise an airport layout plan at Joseph State Airport; and
- $1,447,850 to reconstruct an entrance road, slurry seal the runway, reconstruct apron, install perimeter fencing, construct hangar taxiways, reconstruct a stub taxiway, acquire land for development of clear zone, acquire aviation easements, construct a service road, and remove existing apron and hangers at Chiloquin State Airport.

Legislatively Adopted Budget

The Legislature approved the Governor's budget.

Aviation – Capital Improvements Program

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	39,521	0	0
Lottery Funds		105,502		
Other Funds	148,179	499,300	339,250	339,250
Total	**148,179**	**644,323**	**339,250**	**339,250**

1 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 Funds and 10% Other Funds.

Budget Environment and Performance Measurements

No performance measures have been identified for this program area.

Governor's Budget

The Governor provided $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).

Legislatively Adopted Budget

The Legislature approved the Governor's budget.

Department of Transportation (ODOT) – Agency Totals

	1997-99 Actual[1]	1999-01 Estimated [1]	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	801,204	20,130,570	18,201,355	20,111,026
Lottery Funds	20,003,266	19,993,390	19,994,850	20,200,045
Other Funds	1,672,013,265	1,616,251,215	1,624,599,485	1,662,170,824
Federal Funds	22,012,569	31,579,723	43,268,876	69,553,032
Nonlimited	54,901,720	57,000,985	65,084,738	64,836,994
Total	**1,769,732,024**	**1,744,955,883**	**1,771,149,304**	**1,836,871,921**
Positions (FTE)	4686.37	4756.59	4743.36	4724.89

1 *Fiscal History for Aeronautics Division is deducted and shown in Aviation Department budget analysis.*

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, $588 million is projected to accrue to other state agencies and local governments leaving $2.1 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 $34.8 million during the 2001-03 biennium. In addition, the Legislature endorsed a plan to provide over $71 million in new revenue to finance $400 million in highway user tax bonds for bridge repair, pavement preservation, modernization and safety work over the next three biennia. The new revenue will come from an increase in vehicle and truck titling fees, and fees to be charged to utility companies for work in the public right of way. Other fees approved by the Legislature include a fee to be paid by trucking companies to recover costs of participation in the International Fuel Tax Agreement providing an additional $2 million.

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 Legislature authorized the sale of $35 million in

Lottery Bonds to participate in the South Metro Commuter Rail Project over the next two biennia and the sale of $2 million to capitalize the Short Line Premium Credit Account. Lottery Funds will be allocated to pay the debt service on these bonds. The Department historically receives a small amount of General Fund to provide state matching funds for public transit ($37,500), growth management grants ($220,346) and for motor vehicle-related transactions ($152,882). The Department receives an additional $9 million in General Fund for Senior and Disabled Transit programs and $10 million General Fund for the Willamette Valley Passenger Rail program.

OREGON DEPARTMENT OF TRANSPORTATION MAJOR SOURCES OF REVENUE

Revenue Source	1999-01 Estimated *	2001-03 Governor's Rec. Bud.	2001-03 Legislatively Adopted
Beginning Balance	$ 55,341,518	$ 59,136,729	$ 59,136,729
General Fund	$ 20,170,091	$ 18,201,355	$ 20,111,026
Federal Revenue	$ 31,879,323	$ 43,568,476	$ 69,869,348
Federal Revenues as Other	$ 570,812,000	$ 603,700,000	$ 591,455,313
Other Funds:			
Motor Vehicle Fuels Tax[1]	$ 819,332,615	$ 840,268,434	$ 823,760,916
Vehicle Licenses	$ 178,980,704	$ 185,749,885	$ 183,426,282
Drivers' Licenses	$ 56,714,324	$ 108,413,902	$ 99,878,191
Other Licenses and Fees[2]	$ 44,340,065	$ 45,941,325	$ 49,729,541
HB 2142 Fee Increase		0	$ 39,451,000
Weight Mile Tax & Fees	$ 429,627,957	$ 408,959,760	$ 410,366,480
Lottery Funds	$ 20,000,000	$ 18,594,850	$ 20,200,045
Revenue Bonds[3]	$ 58,355,000	0	$ 175,880,000
Certificates of Participation[4]	$ 18,593,390	$ 21,641,440	$ 10,000,000
Interest Income	$ 10,707,092	$ 10,325,181	$ 12,380,966
Sales Income	$ 14,923,277	$ 14,865,825	$ 14,739,717
Charges for Services	$ 66,591,536	$ 57,958,163	$ 59,526,164
Other State and Federal[5]	$ 13,580,524	$ 13,552,185	$ 19,913,103
Transfers In (Revenue, etc.)	$ 64,121,588	$ 45,797,066	$ 72,543,882
Subtotal Revenues	**$ 2,454,071,004**	**$ 2,478,079,726**	**$ 2,732,371,703**
Transfers to Other Agencies	$ (67,376,917)	$ (64,052,992)	$ (65,737,799)
Transfers to Cities and Counties	$ (522,367,436)	$ (531,257,864)	$ (521,492,046)
Revenues Available for Expenditure	**$ 1,864,326,651**	**$ 1,882,768,870**	**$ 2,145,138,858**

**Reflects reduced revenues from voter rejection of fuel tax increase.*

[1] Reduced $1.3 million for Use Fuel Tax Refunds by state agencies and special districts authorized by SB 483
[2] Includes utility permit fee revenue authorized in HB 3068 ($4.6 million) and fee increases ($34.8 million) authorized in HB 2139
[3] $100.6 million HB 2142; $50 million HB 2276; $24.9 million HB 2275
[4] $10 million authorized in HB 2276
[5] Includes estimated revenue included in HB 3882 for non-road use fuels that will not be refunded ($384,000)

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 2001-03 budget holds current services to the reduced 1999-01 budget levels. Local governments face equally critical transportation issues. Pressure on property taxes and local general funds combined with no increase in state funding have reduced local community 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 condition of Interstate and other National Highway System pavement has 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. This 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 system 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 $1.77 billion total funds was 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 focused 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 included 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 continued 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 were recommended in the Public Transit and Rail programs. The recommended budget added 79.08 FTE in Central Services, DMV, Motor Carrier, Transportation Safety, Rail, and Highway Planning and Research. Additional federal funding was 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 discontinued 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.

Legislatively Adopted Budget

The Legislature approved a total budget expenditure limitation of $1.83 billion and 4,724.89 full-time-equivalent positions (FTE). This is an increase of $65.7 million from the Governor's recommended budget and a $106.8 million increase over the 1999-01 estimated expenditures. The budget includes $20 million General Fund that supports the federally mandated Motor Voter program as well as matching funds for the transit and transportation growth management programs. In addition, $9 million General Fund is included to continue current services in the senior and disabled transportation program and $10 million General Fund is included for the Willamette Valley High-Speed Rail program. The Legislature approved proposals to:

- emphasize maintaining the existing highway infrastructure by increasing the expenditure limitation $4.2 million in highway and bridge preservation;
- replace contract services with 30 FTE in Information Systems resulting in a net savings of $156,000;
- abolish or reclassify 51 currently vacant positions to add positions with environmental expertise at each of the regional offices throughout the state and reduce contract services resulting in a net savings of $3.3 million;
- increase positions in the Driver and Motor Vehicles Division by 22 FTE to maintain current services in business regulation and field offices, reopen offices in Milton-Freewater, Coquille, and Oakridge; and open a new field office in LaPine;
- increase the federal Motor Carrier Safety Assistance Program limitation by $3.2 million Federal Funds; and
- add 8.5 FTE to the Rail Division program to provide technical assistance for inter-city passenger or commuter rail programs, manage highway-railroad grade crossing projects; and provide technical assistance in the South Metro Commuter Rail project.

Several budget notes were adopted addressing the highway cost allocation study; changes in environmental rules and procedures to produce cost savings that will result in more money going into road projects; direct personal communications with affected property owners for road projects; additional review of technical packages by the Joint Legislative Committee on Information Management and Technology; position management; and reports on travel and training expenses.

ODOT – Highway Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,290,678,988	1,269,881,677	1,249,437,757	1,304,641,472
Positions (FTE)	2,572.83	2,669.47	2,612.22	2,611.75

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, the Highway Programs is 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

The Legislature endorsed a plan to provide over $71 million in new revenue to finance $400 million highway user tax bonds for bridge repair, pavement preservation, modernization and safety work over the next three biennia. The bonds will be repaid over the next 15 to 20 years. The new revenue is primarily derived from an increase in vehicle titling fees established in House Bill 2142. In 2001-03, $100 million in revenue bonds is projected to be used for highway construction activity.

Highway program activities are funded primarily from Federal TEA-21 funds and the State Highway Fund. The following table shows how funding levels have changed since 1997-99:

	1997-99 Actual	1999-01 Estimated	2001-03 Legislatively Adopted
Federal TEA-21 as Other Funds	$ 580,089,894	$ 570,812,000	$ 591,455,313
State Other Funds	$ 710,589,094	$ 709,115,790	$ 743,925,606
State Revenue Bonds	-0-	$ 58,500,000	$ 100,605,000
Total	**$1,290,678,988**	**$1,338,427,579**	**$1,435,987,917**

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).
- 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.
- 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.

ODOT – Highway Maintenance and Emergency Relief

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	309,920,314	300,660,638	287,167,334	287,186,764
Positions (FTE)	1351.26	1357.85	1318.07	1312.07

Program Description

The purpose of the Highway 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. Highway maintenance also includes emergency repairs to 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

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. 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. 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 $287 million Other Funds was $19.7 million less than 1999-01 estimated expenditures. The primary changes from 1999-01 estimates were adjustments that reflected phase out of $6 million for changes in contractor payments and $7.5 million for one time emergency repairs for slide and storm damage during 1999-01. The base budget was adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues.

Legislatively Adopted Budget

The Legislature approved an Other Funds expenditure limitation of $287 million and 1,312.07 FTE. The total budget reflects the Legislature's approval of merging the Emergency Relief program with Maintenance since emergency repairs are all made out of the Maintenance Division program areas. The Legislature added $1.3 million Other Funds expenditure limitation for the Youth Litter Program, allowing for the use of cash that had accumulated in the account from the custom license plate sales. The Legislature directed reductions totaling $429,869 Other Funds to reflect rate reductions for the PERS assessment, Attorney General hourly rate and telecommunications rate. Services and supplies were reduced by $250,913 to align the budget more closely with estimated actual expenditures. The Legislature endorsed an Environmental Resource plan that abolishes currently vacant positions and establishes appropriate classifications to deploy environmental expertise to each of the regional offices throughout the state. The result for this program area is a reduction of $196,323 Other Funds expenditure limitation and a net reduction of 2 FTE. The abolished positions are a Principle Executive Manager B and an Office Specialist 2. The Legislature also approved the reduction of four positions (4 FTE) and $356,593 Other Funds in professional service contract payments as an efficiency measure to replace contracted work with permanent staff. The four abolished positions are Transportation Maintenance Specialist 2s. A budget note was added directing the agency to develop procedures to include Port Districts when forming stakeholder advisory committees for programs, modal and corridor plans, and project development.

ODOT – Highway Preservation

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	187,949,905	260,046,804	291,791,385	284,237,175
Positions (FTE)	253.00	250.69	247.54	245.47

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. ODOT may exclude these features from preservation projects or seek other types of funding to replace a portion of the revenue and ask cities and developers to pay more of these costs to stretch the funds for pavement preservation. 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 pavement condition at 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 agency proposed increasing funding for Highway Preservation by $1.4 million, which is not expected to increase the condition rating for pavement but will slow the pace at which pavement condition is declining.

Governor's Budget

The Governor's recommended budget of $291.8 million Other Funds was $31.7 million or 12% higher than 1999-01 estimated expenditures and $1.4 million higher than the current service level. The base budget was 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 was expected to slow the rate of decline in pavement condition ratings.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $284 million and 245.47 full-time equivalent positions (FTE). The budget is $7.5 million or 2.6% less that the Governor's recommended budget, primarily as the result of the following reductions:

- $63,689 Other Funds in technical reductions for the PERS assessment, Attorney General hourly rate, and telecommunications rate;
- $14,358 Other Funds in services and supplies to align the budget more closely with estimated actual expenditures in 1999-2001;
- $5.3 million Other Funds and one position to reflect more recent information about expected contract payouts and the transfer of the position to Highway Special Programs; and
- $2.2 million Other Funds reduction in professional consultant service costs. The savings associated with this reduction is the result of filling currently vacant positions in lieu of purchasing consultant services resulting in a savings of two and half times the cost of total salaries for the positions.

The Legislature approved the addition of $1.4 million Other Funds expenditure limitation to reflect the Governor's increased focus on highway and bridge preservation. The result of approving an Environmental Resource plan for this program area is an additional $30,118 Other Funds expenditure limitation and a net reduction of 0.24 FTE. Three positions were abolished to enable three other positions to be established. The abolished positions are an Environmental Program Coordinator 2, one Transportation Engineer 1 and one Right-of-Way Agent 1. Two Environmental Program Coordinator 2 positions and one Information Systems Specialist 4 position are established and will be phased in during the biennium.

ODOT – Highway Bridge

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	86,035,835	127,230,756	140,019,884	128,997,381
Positions (FTE)	149.38	147.86	149.08	149.58

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 widening bridges.

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 of 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 Governor's budget assumed the rate would continue declining to 86.6 percent. The amount of proposed funding for Highway Bridges was increased by $2.8 million. It was not expected to increase the condition rating for bridges but rather help slow the decline.

Governor's Budget

The Governor's recommended budget of $140 million Other Funds was $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 was expected to slow the rate of decline in bridge conditions and minimize the number of bridges that will have to be weight restricted.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $129 million and 149.58 full-time equivalent positions (FTE). The budget is $11 million or 7.9% less than the Governor's recommended budget primarily the result of a $10.8 million Other Funds technical adjustment to reflect more current information on expected contractor payouts in 2001-03 for projects already in process. Other reductions include a technical adjustment of $43,529 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; $65,719 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001; and $158,828 Other Funds for the Bridge program's share of the highway efficiency package that replaces contract employees with permanent staff. Five Transportation Engineer 2's were established replacing two Transportation Engineer 3's, one Engineering Specialist 2 and one Engineering Specialist . The result of approving the Environmental Resource plan for this program area is an additional $41,501 Other Funds expenditure limitation and a net reduction of 0.30 FTE. One Transportation Engineer 1, one Engineering Specialist 2 and one right-of-way Agent 1 are abolished and two Environmental Program Coordinator 2's and one Training Specialist is established. The Legislature approved the Governor's proposal to increase bridge preservation by increasing planned expenditures by $2.8 million Other Funds.

ODOT – Highway Safety

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	32,345,304	35,024,951	56,657,504	44,199,583
Positions (FTE)	50.29	48.30	43.29	47.25

Program Description

The Safety Program identifies sections of state highway where the most fatal and serious injury accidents occur. Accidents are analyzed to find the most optimal corrective actions to be taken by the Department. Corrections include such things as additional lanes, turning refuges, speed limit changes, sign changes, or access control.

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 combined with preservation projects. Stand-alone safety projects address specific crash types. To free up funds for safety improvements in critical areas, selected preservation projects may be 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 reducing the 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 was $21.6 million or 62% higher than the 1999-01 estimated budget and equal to the 2001-03 current service level. The base budget was 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 reflected adjustments in the base budget to reflect reallocation of resources among Highway program units.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $44.2 million and 47.25 full-time equivalent positions (FTE). The budget is $12.4 million or 22% less than the Governor's recommended budget primarily the result of a $13.1 million Other Funds technical adjustment to reflect more current information on expected contractor payouts in 2001-03 for projects already in process. Other reductions include a technical adjustment of $13,969 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; $4,005 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001; and $86,532 Other Funds for the Safety program's share of the highway efficiency package that replaces contract employees with permanent staff. One Engineering Specialist position is abolished. The result of approving the Environmental Resource plan for this program area is an additional $80,031 Other Funds expenditure limitation and a net addition of 0.96 FTE. One Office Specialist 2 position is established. The Legislature approved the Governor's proposal to transfer $724,614 Other Funds and four Region Access Management Engineers (4 FTE) from the Transportation Development Division to Highway Safety.

ODOT – Highway Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	32,025,690	33,978,499	47,992,385	56,685,879
Positions (FTE)	122.37	182.69	180.37	180.08

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. Highway Operations activities are prioritized utilizing the Oregon Information Technology Systems Strategic Plan.

Vehicle Miles Traveled (VMT) is a key indicator for this program area. Highway 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 was $14 million or 4% more than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget was 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 reflected adjustments in the base budget for reallocation of resources among Highway program units.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $56.7 million and 180.08 full-time equivalent positions (FTE). The budget is $8.7 million or 18% more than the Governor's recommended budget as a result of an increase in limitation to reflect more current information on expected contractor payouts in 2001-03 for projects already in process. The Legislature reduced the Governor's recommended budget by $83,614 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; $19,188 Other Funds in services and supplies to align the budget more closely to estimated expenditures in 1999-2001; and $22,447 Other Funds for the Operation program's share of the highway efficiency package that replaces contract employees with permanent staff. One Transportation Engineer 3 position (1 FTE) is abolished and one Transportation Engineer 2 (0.96 FTE) will be phased in. The result of approving the Environmental Resource plan for this program area is an additional $54,494 Other Funds expenditure limitation and a net reduction of 0.25 FTE. One Engineering Specialist 2 and one Right-of-Way Agent 1 (2 FTE) are abolished and two Environmental Program Coordinator 2s are established (1.96 FTE).

ODOT – Highway Modernization

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	303,836,921	268,500,480	189,195,379	169,483,421
Positions (FTE)	132.92	246.39	201.08	203.63

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. 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 was $79.3 million or 30% lower than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget was 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.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $169.5 million and 203.63 full-time equivalent positions (FTE). The budget is $19.7 million or 10% less than the Governor's recommended budget primarily the result of a $20.5 million reduction, including one position (1 FTE) to reflect more current information on expected contractor payouts in 2001-03 for projects already in process. Other reductions include a technical adjustment of $75,623 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; and $16,665 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001. The Legislature increased the expenditure limitation $667,803 Other Funds, abolished one Engineering Specialist 3 and approved phasing in three Transportation Engineer 2 positions (1.88 FTE) for the Modernization program's share of the highway efficiency package that replaces contract employees with permanent staff. One Engineering Specialist position is abolished. The result of approving the Environmental Resource plan for this program area is an additional $256,689 Other Funds expenditure limitation and a net addition of 1.67 FTE. One Right-of-Way Agent is abolished and One Environmental Program Coordinator 2, one Information Specialist 4 and one Training Specialist will be phased in.

ODOT – Highway Special Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	136,666,370	129,891,008	114,491,716	171,990,051
Positions (FTE)	432.77	411.37	449.83	451.83

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 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 apply for a national designation.
- ***Pedestrian and Bicycle*** (2 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 and 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 FTE) manages ODOT's federally mandated internal and external affirmative action program.
- ***Surplus Property*** (11 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 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*** (4 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 come 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 other performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $114.5 million Other Funds was $15.4 million or 12% less than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget was adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $172 million and 451.83 full-time equivalent positions (FTE). The budget is $57.5 million or 50% more than the Governor's recommended budget primarily as a result of a technical adjustment to carry-forward $58.5 million to accommodate the expected contractor payments for the Local Street Network and the addition of $219,440 Other Funds for the transfer of one Office Coordinator and one Principal Executive Manager (2 FTE) from the Preservation and Modernization programs. Other reductions include a technical adjustment of $921,009 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; Risk Management assessment and $252,953 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001.

ODOT – Highway/Local Government Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	178,943,018	91,043,507	122,122,170	161,861,218
Positions (FTE)	22.96	24.32	22.96	21.84

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 combined with 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 are expected to 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 was $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.

Legislatively Adopted Budget

The Legislature adopted an Other Funds expenditure limitation of $162 million and 21.84 full-time equivalent positions (FTE). The budget is $39.7 million or 33% more than the Governor's recommended budget primarily the result of a $39.8 million technical adjustment to reflect more current information on expected contractor payouts in 2001-03 for projects already in process. Other reductions include a technical adjustment of $7,469 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications; and $3,873 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001. The result of approving the Environmental Resource plan for this program area is reduction of $86,009 Other Funds expenditure limitation and a net reduction of 1.12 FTE. One Transportation Engineer 2 and one Transportation Engineer 1 (2 FTE) are abolished and one Transportation Engineer 2 (0.88 FTE) is phased in.

ODOT – Driver and Motor Vehicles

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	180,801	145,948	153,612	152,882
Other Funds	147,784,240	115,960,674	126,436,971	118,561,516
Total	**147,965,041**	**116,106,622**	**126,590,583**	**118,714,398**
Positions (FTE)	926.32	863.55	870.55	855.05

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. The Legislature endorsed a proposal to cover the actual cost of providing services by increasing fees. Fees charged for business licenses; replacing lost licenses; reinstating driving privileges; permit and identification cards; and probationary driver permits; were also increased to cover the cost of providing these services by the Driver and Motor Vehicles Division. The cost of replacing a driver license, commercial driver license or ID card will increase from $11 to $21. Hardship and Probationary driver permits will increase from $38 to $50. Replacing an Emergency Permit, Special Student Permit, Driver Instruction Permits, and Special Temporary Instruction Permits will increase from $12 to $21. Reinstating revoked or suspended driving privileges will increase from $53 to $75. Vehicle titling fees for cars will increase by $20 from the current $10 assessment to $30 and an increase in truck titling fees by $80 from the current $10 to $90. The revenue initiative is estimated to generate approximately $56.8 million in 2001-03. Of that amount, $27.1 million is dedicated to repaying highway user revenue bonds authorized in House Bill 2142.

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 was 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 proposed 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 achieving the overall target of 15 minutes is still 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 total funds was $10.4 million or 9% higher than both 1999-01 estimated expenditures and the 2001-03 current service level. The Governor recommended 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 would enable 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 would be 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 would 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 was contingent on passage of a legislative concept to increase DMV fees.

Legislatively Adopted Budget

The Legislature adopted an expenditure limitation of $118.7 million total funds and 855.05 full-time equivalent positions (FTE). The budget is $7.8 million or 6% less than the Governor's recommended budget.

The Legislature approved the following reductions:
- $193 General Fund and $375,115 Other Funds for reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications;
- $537 General Fund to implement the Co-Chairs' statewide reduction plan;
- $7.2 million out of the Governor's recommend policy packages with expectations that the Driver and Motor Vehicles Division would absorb the costs of field studies, personal computer replacement and digital photo equipment within the base budget, develop a responsible minimal program to implement changes to the older driver program and report to the emergency board; and re-evaluate base budget technology initiates and present a comprehensive strategy to the Joint Legislative Committee on Information Management and Technology and the Emergency Board during the interim;
- $255,583 Other Funds and 1.50 FTE related to knowledge and skill test requirement; and
- $203,000 Other Funds for computer programming related to vehicle brands and low-speed hybrid brand vehicles.

The Legislature approved the following increases:
- $894,420 Other Funds and 6 FTE to increase support in the Dealer Transaction and Document Processing section;
- $771,712 Other Funds to fund 7.20 FTE in field offices;
- $618,378 Other funds and 4.80 FTE to re-open field offices in Milton Freewater, Oak Ridge and Coquille and to open a new field office in LaPine;
- $250,000 Other Funds to implement legislation authorizing the sale of special registration plates for the Crater Lake National Park (SB 821) and a Cultural plate (HB 2923);
- $182,611 Other Funds and 2 FTE to increase support in the business regulation section;
- $160,122 Other Funds and 2 FTE to increase support in the Driver and Motor Vehicles Call Center; and
- $81,000 Other Funds to cover one-time costs associated with the relocation to a new facility.

The Legislature added budget notes directing the Division to:
- re-evaluate it's base budget information systems project priorities and estimate of costs and report to the Joint Legislative Information Management and Technology Committee and Emergency Board;
- report to the appropriate interim policy committee on results of implementing a new computer system to track uninsured motorists; and
- report to the Emergency Board regarding the extent of the older driver problem in Oregon along with a range of options for a minimal program to implement recommendations of the advisory committee.

ODOT – Motor Carrier Transportation

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	56,240	117,654	0
Other Funds	36,979,503	35,824,861	35,771,119	35,668,414
Federal Funds	2,415,347	2,447,729	6,164,610	6,156,557
Total	**39,394,850**	**38,328,830**	**42,053,383**	**41,824,971**
Positions (FTE)	322.00	279.29	281.79	281.79

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 to 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 weigh 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 weigh station pre-clearance, number of registration and permit services, telephone wait times, truck safety inspections, truck crash rates and truck at-fault crash rates. Motor Carrier's top priority is highway safety. 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 per 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 was $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 continued implementation of HB 3292 (1999) requiring motor carriers to participate in an alcohol and drug-testing program. The Governor recommended increasing Federal Funds expenditure limitation by $3.2 million to accept additional expected revenues from the Federal Highway Administration for state enforcement of commercial motor vehicle safety and hazardous materials regulation.

Legislatively Adopted Budget

The Legislature adopted an expenditure limitation of $41.8 million total funds and 281.79 FTE. The budget is $228,412 or 0.54% less than the Governor's recommended budget. The Legislature approved the following:

- a shift of funding from General Fund to Other Funds for implementing 1999 legislation requiring motor carrier to participate in an alcohol drug-testing program ($116,568);

- the addition of $3.2 million Federal Funds to accommodate additional revenues from the Federal Highway Administration for contracted inspections and safety activities;
- a reduction of $17 General Fund, 142,606 Other Funds, and $793 Federal Funds as a result of reductions in the PERS assessment, Attorney General hourly rate, and telecommunications rates; and
- a reduction of $76,667 Other Funds and $7,260 Federal Funds was made to align the budget more closely to actual expenditure patterns in the 1999-2001 budget.

ODOT – Transportation Development

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	206,038	206,263	221,843	220,346
Other Funds	52,042,455	59,515,034	57,742,925	56,894,072
Federal Funds	0	167,045	289,086	169,476
Total	**52,248,493**	**59,888,342**	**58,253,854**	**57,283,894**
FTE	177.76	184.45	185.17	182.17

Program Description

The Transportation Development Division operates through three sections:

- ***Planning Section*** (61 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.
- ***Highway Planning*** (58.88 FTE) 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.
- ***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

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 transportation 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 Land Use Planning 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.

The program focuses workload on expanding 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.
- Key performance indicators for Highway Planning and Research relate to staff support to MPOs, development review, and transportation system plans. Staff support to these MPOs 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, emphasizing potential impact to the state highway system. Most local governments are required to develop Transportation System Plans. 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 local governments to provide more financial support.

Governor’s Budget

The Governor’s recommended budget of $58.2 million total funds was $1.6 million or 2.7% lower than 1999-01 estimated expenditures and $3.1 million or 5% lower than the 2001-03 current service level. The Governor recommended 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 FTE) from the Department of Land, Conservation and Development (DLCD) to ODOT. DLCD was expected to provide ODOT $12,000 to meet the Federal Funds state match requirement. The cost of the position and services and supplies of $371,115 would be 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 FTE) and special payment to the DLCD for Transportation Growth Management was recommended to support increased funding in highway and bridge preservation. The budget also included establishing one Natural Resource Specialist 4 position (1 FTE) at a cost of $158,637 to identify and manage all of ODOT’s aggregate sites around the state. The enhancement was supported with Other Funds that previously went to the Department of Land Conservation and Development (DLCD). The budget also reduced Transportation Growth Management by $1 million to support reallocation of resources for bridge and road preservation projects.

Legislatively Adopted Budget

The Legislature approved an expenditure limitation of $57.3 million total funds and 182.17 FTE. The total budget reflects the legislative approval of merging the Transportation Development program with the Highway

Planning and Research program renaming the Division to Transportation Program Development. The budget is $969,960 or 1.6% less than the Governor's recommended budget. The Legislature approved the following changes:

- a reduction of $421 General Fund, $75,470 Other Funds and $846 Federal Funds based on reduced rates in the PERS assessment, Attorney General hourly rate; and telecommunications;
- a reduction of $155,964 Other Funds in services and supplies to align the budget more closely to estimated actual expenditures in 1999-2001;
- a reduction of $1,076 General Fund to implement the Co-Chairs statewide reduction plan;
- a reduction of $724,614 Other Funds and 4 FTE as a result of transferring four Region Access Management Engineers to the Highway Safety program;
- an increase of $138,161 Other Funds and 1 FTE as a result of transferring a Performance Measure Analyst position from Central Services to Transportation Development; and
- a reduction of $150,000 Other Funds for the Highway Cost Allocation Study directing the agency to use already-available models acquired in the last two studies to decrease costs.

The Legislature adopted several budget notes relating to insuring that the Aggregate Planner position is not in competition with existing positions in the Department of Land Conservation and Development or the Transportation Department; a report on efficiencies gained in merging Highway Planning with Transportation Development; use of flexible surface transportation funds in Transportation Growth Management grants; and the Highway Cost Allocation Study.

ODOT – Public Transit Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	28,877	9,032,119	8,332,555	9,253,009
Other Funds	750,985	16,025,247	19,759,719	9,644,413
Federal Funds	6,445,923	8,214,400	8,391,938	26,995,470
Total	**7,225,785**	**33,271,766**	**36,484,212**	**45,892,892**
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 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 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 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 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; Section 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 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 to support urban transit systems. 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 was $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 was 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 recommended 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 was also reduced by $2,607 Other Funds to support reallocation of resources for highway and bridge preservation projects.

Legislatively Adopted Budget

The Legislature approved an expenditure limitation of $45.9 million total funds and 13.04 FTE. The budget is $9.4 million or 26% higher than the Governor's recommended budget. The Legislature restored $921,009 General Fund to maintain current services in the special transportation program for the elderly and disabled in House Bill 5014. The Legislature also approved a technical adjustment to carry-forward $8.5 million Federal Funds for buses that had been ordered but not yet delivered. Other technical adjustments included the shifting of $10 million in Federal Funds received as Other Funds to Federal Funds. Lastly, the Legislature approved the reduction of $359 General Fund, $1,808 Other Funds and $2,318 Federal Funds based on reduced governmental service charges.

ODOT – Rail Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	385,488	10,690,000	9,375,691	10,294,606
Lottery Fund	0	0	0	205,195
Other Funds	2,650,608	17,117,305	7,505,409	9,736,978
Federal Funds	5,701,052	7,972,837	15,049,666	22,862,239
Total	**8,737,148**	**35,780,142**	**31,930,766**	**43,099,018**
Positions (FTE)	18.13	20.05	26.13	27.63

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 overseeing the safe operation of Tri-Met's light rail operation as mandated by the Federal Transit Administration.
- ***Crossing Safety*** (7 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. The Legislature authorized the sale of $37 million in lottery revenue bonds in House Bill 2275 for the South Metro Commuter Rail Line ($35 million) and the Short Line Credit Premium Account ($2 million).

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 was $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 included:

- Adding $298,006 Other Funds to establish two positions (2 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 was 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 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 twenty.
- Reducing $5,338 Other Funds to support reallocation of resources to increase Highway and Bridge Preservation Projects.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $43 million and 27.63 FTE. The budget is $11 million or 35% higher than the Governor's recommended budget. The Legislature restored $921,009 General Fund to maintain current services in Willamette Valley High Speed Rail program's connecting motor-coach services through House Bill 5014. The Legislature also adjusted the Governor's budget as follows:

- Adding $186,541 Lottery Funds and $2,061,992 Other Funds and .50 FTE in SB 753 to support legislation authorizing establishing a Short Line Credit Premium Account in HB 2275.
- Adding $18,654 Lottery Funds and $205,231 Other funds and 1 FTE in HB 3861 to support legislation authorizing the sale of Lottery Revenue Bonds for participating in the construction of the South Metro Commuter Rail Line.
- Adding $138,949 Other Funds and one position (1 FTE) to increase the number of highway-railroad grade crossing improvement projects.
- A technical adjustment to carry-forward $7.8 million Federal Funds to accommodate the payment schedule for the Eugene and Albany Station Improvements.
- The reduction of $359 General Fund, $1,808 Other Funds and $2,318 Federal Funds for reduced governmental service charges.

ODOT – Transportation Safety Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	0	190,183
Other Funds	2,541,448	3,955,943	9,245,142	9,047,888
Federal Funds	7,118,089	12,589,149	13,257,560	13,253,274
Total	**9,659,537**	**16,545,092**	**22,502,702**	**22,491,345**
Positions (FTE)	15.29	18.71	24.04	24.04

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 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 was $6 million or 36% higher than 1999-01 estimated expenditures and $0.2 million or 1% lower than the 2001-03 current service level. The base budget was 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 recommended a program reduction of $0.2 million in anticipation of legislation which would alter distribution of funds from the Criminal Fines and Assessments Account. The proposed legislation reduces funding for Transportation Safety's Think First and Trauma Nurses Talk Tough programs.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $22.5 million and 24.04 FTE. The budget is essentially the Governor's recommended budget with technical adjustments that shift funding of the Think First and Trauma Nurses Talk Tough programs from Other Funds to General Fund ($190,183); reduce $3,076 Other Funds and $4,286 Federal Funds to reflect reductions in the PERS assessment and telecommunications rate; and reduces $3,995 Other Funds in services and supplies to align the budget more closely with estimated actual expenditures.

ODOT – Board of Maritime Pilots

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	215,298	222,089	251,756	249,757
Nonlimited	20,896	4,924	12,223	12,223
Total	**236,194**	**227,013**	**263,979**	**261,980**
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 was $36,966 or 16% higher than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The budget continued current programs and services.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with a technical adjustment of $1,999 to reflect reductions in the PERS assessment, Attorney General hourly rates and telecommunication rates.

ODOT – Central Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Lottery Funds	8,438	0	0	0
Other Funds	98,689,507	117,723,442	114,918,713	114,196,343
Federal Funds	332,158	188,563	116,016	116,016
Total	**99,030,103**	**117,912,005**	**115,034,729**	**114,312,359**
Positions (FTE)	485.96	527.11	551.42	550.42

Program Description

Central Services provides the core administrative functions that support each of the programs. This program includes:

- ***Director's Office*** (5 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 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*** (148.25 FTE) provides the Department with accounting and financial services including accounting, 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. The 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 was $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 included:
- $155,816 Other Funds to establish 41 positions (35.58 FTE) to replace contracted and temporary staff in Information Systems. The proposal resulted in full-time on-call support for the Department's information systems technology programs. The reduction in expenditure reduced 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 resulted in reduced ability to design and publish informational materials.
- $250,000 Other Funds and two positions (2 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 FTE) for agency mail service coordination. The reduction results in Divisions assuming the responsibilities managed by the agency mail services coordinator.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $114 million and 550.42 full-time equivalent positions (FTE). The budget is $722,370 or 0.63% lower than the Governor's recommended budget. The Legislature approved Governor's recommended budget with the following adjustments:
- an increase of $259,000 Other Funds with retroactive authority to apply for and accept a grant for a project to demonstrate how to structure consensus building;
- an increase of $15,000 Other Funds to provide expenditure limitation for a household survey to determine the amount of non-road use fuel that is not refunded to be deposited in the Transportation Operating Account authorized in House Bill 3882;
- a reduction of $458,585 Other Funds to reflect reductions in the PERS assessment, the Department of Administrative Services Human Resource Services Division assessment, the Attorney General hourly rate, telecommunications rate and the Secretary of State Audit charges; and
- a reduction of $399,624 Other Funds was made in services and supplies to align the budget more closely to actual expenditure patterns.

Budget notes require the Commission and Department to:
- eliminate non-seasonal vacant, partial full-time equivalent positions for which no specific use has been identified for which the agency has no hiring plans during the 2001-03 biennium;
- take necessary steps to insure that program decisions are made at the lowest level or at a minimum insure that the decision-maker is at the table;
- report to the Joint Legislative Committee on Information Management and Technology on several technology initiatives;
- provide a detailed report on planned employee training and travel to out-of-state conferences;

- convene a workgroup that includes local governments to produce a report of environmental and land use laws, rules and construction standards that drive up costs on highway, road and street construction projects; and
- provide a report on a plan to move ODOT's public web server or web-site to the Department of Administrative Services Information Resources Management Division facilities.

ODOT – Nonlimited

Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 Governor's Recommended	2001-03 Legislatively Adopted
Nonlimited	40,984,989	40,104,335	39,581,352	39,333,608
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 was $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 was $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.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with a technical adjustment of $44,691 Other Funds-Nonlimited to reflect reductions in the PERS assessment, Attorney General hourly rates and telecommunication rates and a reduction of $203,053 Other Funds-Nonlimited in Services and Supplies to align the budget more closely to actual expenditure patterns.

ODOT – Light Rail Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 was equal to the biennial debt service payments required to repay the bonds used for construction of the Westside Light Rail.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget.

ODOT – Capital Improvements/Capital Construction

	1997-99 Actual *	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	22,709,156	3,529,977	3,529,974	3,529,971
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 was 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.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with technical adjustments to reduce Lake of the Woods facility by $750,000 Other Funds expenditure limitation and reallocate it as follows:

- $200,000 Other Funds to the Ontario District 14 office building (1997 Capital Construction budget);
- $250,000 Other Funds to the Ona Beach maintenance station (1997 Capital Construction budget); and
- $300,000 Other Funds to the Eugene / Springfield maintenance station (1997 Capital Construction budget).

The Legislature eliminated placeholders totaling $3 that would have double-counted placeholders already in the 1999 Capital Construction budget and approved a $1 Other Funds expenditure limitation for the 2001 Capital Construction budget for the Department's building improvement needs. The Legislature authorized the sale of up to $10 million in Certificates of Participation to finance the improvements if the Department identifies sufficient available resources to repay the debt.

CONSUMER AND BUSINESS SERVICES

Board of Accountancy – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,240,759	1,412,213	1,606,840	1,583,087
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, revenue is projected to 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 that 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. 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 was 13.8% above 1999-01 estimated expenditures. The budget included $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. Revenues from licenses and examinations were projected to more than cover these increases with an estimated ending balance of $601,093. The ending balance represented the equivalent of nine months operating expenses.

Legislatively Adopted Budget

The Legislature approved a budget of $1,583,087 Other Funds and 7 FTE. The budget is 1.5% below the Governor's recommended budget and 12.1% above 1999-01 estimated expenditures. The Legislature approved $132,199 additional limitation for the administration of the Uniform CPA exam. Additional limitation of $31,744 was given to cover the full biennial cost of a financial investigator currently on staff. The $26,339 package was approved to convert present computers from a Macintosh platform to a Windows based system. Operating expenses were reduced by $8,681 to reflect lower charges for Public Employees Retirement System costs and interagency assessments. In addition, the services and supplies budget was reduced by 1% or $15,000.

Board of Chiropractic Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	750,918	803,982	973,054	864,111
Positions (FTE)	4.75	4.50	4.88	4.50

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 took base budget reductions in Services and Supplies in 1997-99 and 1999-01, and reduced Personal Services by 0.25 FTE for the 1999-01 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 were 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, and the 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 was a 21% increase over the 1999-01 biennial estimate and 23.8% over the current service level. The Governor's budget included the fee increase to return the Board to current service level, funded the strategic plan, increased investigative resources, increased meeting and volunteer expenses, increased out-of-state travel, continued practice guideline development for an additional year, and slightly increased office expenses. The budget also included 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.

Legislatively Adopted Budget

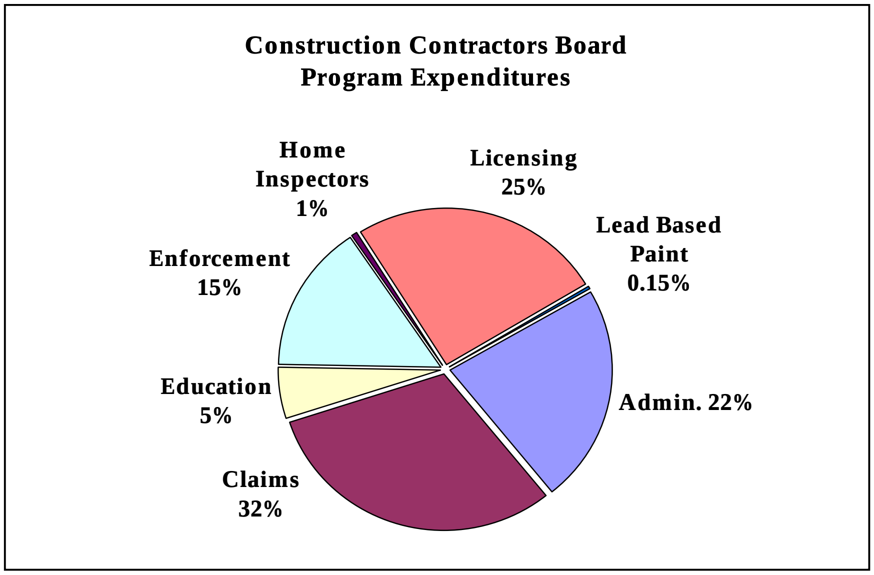
The budget was adopted at $864,111 Other Funds, a 7.5% increase over 1999-01 estimated expenditures. The budget includes reductions for PERS employer contribution rates, modified Attorney General charges, lower long distance charges, and reduced state government service charges. The budget restores the current service level and provides funding for additional meeting, volunteer, and in-state travel expenses. A fee increase for the Board was approved in HB 2168. A 20% increase to the annual renewal fee was approved for active doctors of chiropractic license (from $250 to $300, rather than to $375 as reflected in the Governor's recommended budget). The Board was directed through a budget note to study the agency's cash flow and ending balance requirements as well as the costs and benefits of changing the current licensing renewal procedures to a biennial birth date renewal system.

Construction Contractors Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	9,159,060	10,657,688	12,151,695	11,226,263
Positions (FTE)	68.08	63.75	64.75	63.75

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 early receipt of license revenue due to 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. The Governor's recommended budget included a one-time Supplemental Renewal Fee of $18 that was expected to generate approximately $830,000 in 2001-03. The increased revenue was to be used to purchase and mail an educational manual to each contractor who renews in the 2001-03 biennium. The Legislature did not approve that fee increase or the purchase of the training manual. Contractors can purchase the manual directly as part of the licensing process.

Construction Contractors Board	1997-99 Actual	1999-01 Estimated	2001-03 Gov.'s Rec.	2001-03 LAB
Beginning Balance - OF	935,630	3,485,963	3,619,803	3,619,803
Civil Penalty	576,809	371,473	480,000	480,000
Contractor Licenses and Renewals	11,015,451	10,423,831	11,731,350	10,903,350
Fees (Late Fees, Category Change Fee)	27,557	22,108	25,000	25,000
Payments for Services				
Landscape Contractors Board	191,012	216,543	229,377	151,329
Building Codes Plumbing / Electric Board	226,367	54,750	90,000	90,000
Other Revenue				
Civil Penalty - Transfer to General Fund	(327,803)	(297,177)	(400,000)	(400,000)
Total	**12,645,023**	**14,277,491**	**15,775,530**	**14,869,482**

Budget Environment and Performance Measures

The workload of the Construction Contractors Board increased significantly in the 1990s as a result of ongoing growth in Oregon's construction industry. Between the 1989 and 2000 Fiscal Years, registrations increased 168%, 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. The 1997 Legislature approved 23.5 permanent and 2.5 limited duration positions to address this significant workload growth, a separate hearings unit, and investigator / mediator services. 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 1990s.

The 1999 Legislature increased the budget by $1 million from 1997-99 estimated expenditures but reduced 4.77 Full Time Equivalent (FTE). The net 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 reported on the incidence of construction fraud and made 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 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 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 agency-driven (agency time in process) and partially customer-driven (time to respond). An example 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 consumers 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 and the Department of Administrative Services to develop performance measures that will enable it to accurately track performance. CCB reported on its progress to the 2001 Legislature, which directed the agency to continue refining the measures.

Governor's Budget

The Governor's Budget had 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 included:

- $118,446 for one Enforcement Manager position (1 FTE). This was 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 was in response to a new statutory provision, effective July 2000, that requires licensing rather than registration and was intended to provide contractors with the information necessary to obtain or renew licenses. The agency intended to offset this cost through a one-time $18 Supplemental Renewal Fee. The fee increase might not have been required to fund this package, as the agency has sufficient funds in its beginning balance ($3.6 million) to have supported 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 current service level adjustment of ($104,315) to reduce limitation for Attorney General costs, telecommunications costs, and professional services related to projects completed in 1999-01.

Legislatively Adopted Budget

The legislatively adopted budget and approved policy option packages reflect reductions in PERS and Attorney General rates, long-distance telephone charges, and interagency assessments. The Legislature did not approve the purchase of contractor manuals. Contractors can obtain the manuals from the publishing company, with no need for CCB to act as middleman. A request to reclassify an information systems position was deferred pending review by the Department of Administrative Services Human Resources Division.

The budget includes:

- $117,953 for one Enforcement Manager position (1 FTE);
- $55,457 for facilities rent increases plus $1 for computer replacement costs, with instructions;
- reduction of $104,315 for current service level related adjustments;
- reduction of $81,625 and 1 FTE from the transfer of the Landscape Contractors Board to semi-independent agency status July 1, 2002; and
- $682,140 to fund an intergovernmental agreement between CCB and the Department of Justice (DOJ) to provide education and enforcement services related to construction fraud. This agreement funds $365,600 and 2.25 FTE in DOJ for civil enforcement; $96,540 for consumer education; $165,000 to increase CCB investigators; and $55,000 for assistance to District Attorneys who prosecute construction fraud. There is a budget note that directs DOJ and CCB to report to the Emergency Board closest to November 1, 2001 and November 1, 2002 on statistics related to this effort.

The Legislature approved several budget notes:

- The Department of Administrative Services is directed to conduct an annual review of progress made by the Board towards the goals of the technology plan and to conduct an assessment of the Information Systems Unit of the Board. The Board may seek reclassification of an information systems position following that assessment.
- The Board is directed to work with the Legislative Fiscal Office, the Department of Administrative Services and other agencies to develop performance measures that accurately report efficiency and effectiveness and to seek Joint Legislative Audit Committee approval of the measures. The Board will also report back to the Committee just prior the 2003 session on data from those measures.
- The Board is directed to update its technology plan with the assistance and approval of the Department of Administrative Services Information Resources Management Division and can request an expenditure limitation increase of $82,205 for workstation replacement following that update.

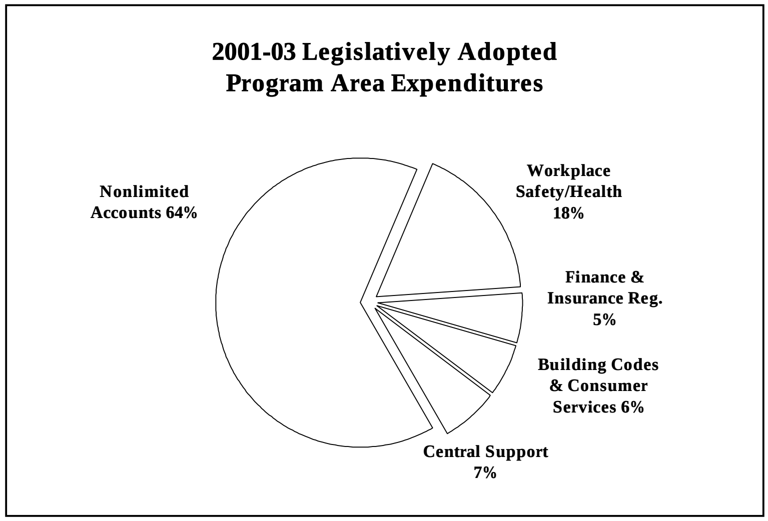
Department of Consumer and Business Services (DCBS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	143,840,074	162,411,855	172,363,152	166,696,503
Nonlimited	247,913,263	272,835,161	309,816,342	305,738,487
Total	**391,753,337**	**435,247,016**	**482,179,494**	**472,434,990**
FTE	1158.64	1123.75	1138.51	1102.51

Program Description

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 and the Office of Minority, Women, and Emerging Small Business. The 2001 Legislature established the Appraiser Certification and Licensure Board as a semi-independent state agency effective July 1, 2001.

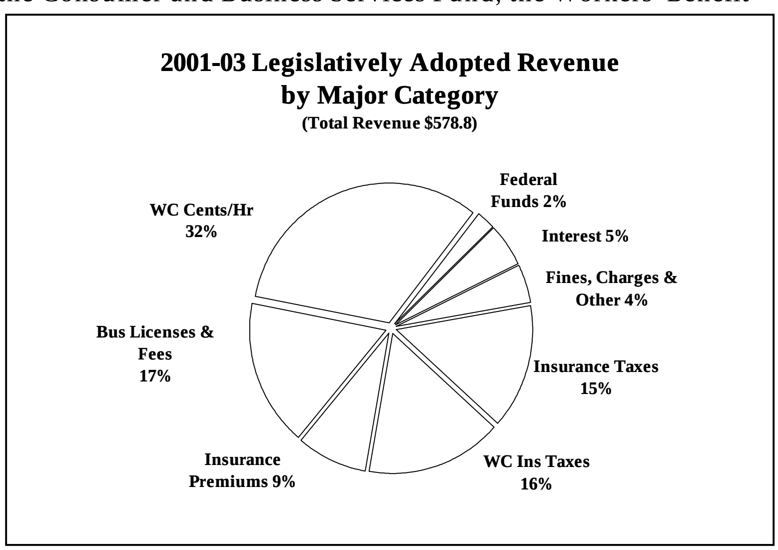


Nonlimited Accounts include the Workers' Benefit Fund, nonlimited reserves and payments for workers' compensation, and the Oregon Medical Insurance Pool third-party administrator and claim payments.

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, which supports the workers' compensation-related programs of the Department, business licenses, and assessments and fees that support Building Codes, insurance and finance and consumer services programs. A $15 million shortfall is projected in the 2001-03 resources available from the Workers' Compensation Premium Assessment. Workers' Compensation System budgets have been reduced to reflect this shortfall.



- 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 and will increase to 8% in 2002 to cover actual program operating costs. The Department has reduced operating costs to hold the increase to this level.
- 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.
- 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, economic changes, 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 2001 Legislature added responsibility for enforcement of mortuary and cemetery regulation and established the Appraiser Certification and Licensure Board as a semi-independent state agency.

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; and
- number of injured workers returned to work in the Preferred Worker Program.

DCBS – Central Support

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	26,389,137	30,603,217	31,119,872	30,819,266
Nonlimited	853,174	1,550,000	1,550,000	1,550,000
Total	**27,242,311**	**32,153,217**	**32,669,872**	**32,369,266**
FTE	196.65	186.54	188.88	186.88

Program Description

Central Support provides support services to the programs operated by the Department:
- 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. It 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 Injured Worker 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 US 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 also has 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.

Governor's Budget

The Governor's budget had an increase of $516,655 (1.6%) above 1999-01 estimates. This was 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.

Legislatively Adopted Budget

The adopted budget is an increase of $216,049 (0.7%) and a decrease of 2.27 FTE from 1999-01 estimates. The Legislature approved a policy option package of $139,384 and 1 FTE to provide multicultural outreach, and made standard adjustments for PERS, and other assessment rate reductions, including a 1% reduction in out-of-state travel.

DCBS – Workers' Compensation Board

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	14,546,323	16,041,469	16,232,590	16,187,683
Total	**14,546,323**	**16,041,469**	**16,232,590**	**16,187,683**
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. The Board also 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

Department expenses, 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 funded the Workers Compensation Board at the current service level, which was an increase of $191,121 (1.2%) compared to 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature approved the Governor's budget, with standard adjustments for PERS and other assessment rate reductions, including a 1% reduction in out-of-state travel.

DCBS – Workers Compensation Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	28,400,727	30,070,154	30,905,243	29,890,813
Nonlimited	3,185,109	3,083,605	3,250,221	3,250,221
Total	**31,585,836**	**33,153,759**	**34,155,464**	**33,141,034**
FTE	268.00	256.64	244.46	239.46

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 (22%), dispute resolution (26%), compliance (26%), and operations (21%).

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 as well as $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 fluctuated in the 1999-01 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. This report was submitted to the Legislature in October 2000.

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 was an increase of $1 million above 1999-01 estimated expenditures (3%) primarily for standard salary and inflation adjustments. The budget was an increase of $281,604 over the current service level and funded an information technology policy package that included 2 FTE. This package was 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.

Legislatively Adopted Budget

The Legislature reduced the budget by $1,014,430 and 5 FTE from the Governor's budget to reflect the revenue shortfall from the Workers' Compensation Premium Assessment. This includes reductions to the Investigative Unit and to the Reemployment Assistance Unit, with a corresponding reduction of $1 million in the Nonlimited budget for the worksite modification program. The Legislature also made standard reductions for PERS and other assessment reductions, including a 1% reduction in out of state travel.

DCBS – Oregon Occupational Health and Safety Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislative Adopted
Other Funds	32,181,181	36,748,002	39,568,420	36,851,189
Total	**32,181,181**	**36,748,002**	**39,568,420**	**36,851,189**
FTE	252.18	254.57	254.08	235.08

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 in identifying and correcting possible violations. Enforcement is 44% of Division expenses, and is responsible for inspecting businesses and identifying violations as well as 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, consultative and prevention services, and 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 (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 was an increase of $2.8 million above 1999-01 estimated expenditures (7.7%) and included roll-up costs for the expanded field service capacity approved by the 1999 Legislature. The budget was an increase of $178,099 over the current service level and funded an OR-OSHA apprenticeship program with 2 FTE. This package resulted 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.

Legislatively Adopted Budget

The Legislature approved a budget that was a reduction of $2,717,231 and 19 FTE from the Governor's budget and a reduction of $2.5 million and 17 FTE from the current service level budget, to reflect the revenue shortfall from the Workers' Compensation Premium Assessment. This includes elimination of the Worksite Redesign Program, with a corresponding reduction of $3 million in the nonlimited budget (see below), and reductions in the enforcement and consultation programs , including a 1% reduction in out of state travel.

DCBS – Nonlimited Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Nonlimited	243,560,295	267,958,967	304,738,266	300,738,266
Total	**243,560,295**	**267,958,967**	**304,738,266**	**300,738,266**
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 (OMIP) 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 and 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 and Science 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 included 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 was $359,400 and the reduction to the operating account was $95,940. The increase in nonlimited expenditures was a result of the increase in referral fees, 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.

Legislatively Adopted Budget

The Legislature decreased the Governor's recommended budget by $4 million, reflecting elimination of the Worksite Redesign program and downsizing of the Worksite Modification program.

DCBS – Insurance Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	11,541,399	14,142,769	15,152,157	14,931,855
Total	**11,541,399**	**14,142,769**	**15,152,157**	**14,931,855**
FTE	94.46	93.21	95.96	95.21

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). For 1999-01, after paying operating expenses, it is expected $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 was an increase of 7% over the 1999-01 estimated expenditure level and was 2.5% higher than the 2001-03 current service level. Two policy packages were included in the budget and were partially supported by continuation of several fees implemented during the 1999-01 biennium:

- Package 141 added 2 positions at a cost of $249,266 for education and compliance services in the health and life insurance program areas. One position was to be funded with federal grant money; the other position was to be funded with insurance premium assessments.
- Package 142 added 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 would have assumed responsibility, from the Department of Revenue, for corporate excise taxation of insurance companies. Insurance premium assessment revenues funded this position. Division revenues assumed the continuation of several fees implemented during the 1999-01 biennium.

Legislatively Adopted Budget

The legislatively adopted budget is an increase of $789,068 and 2 FTE compared to 1999-01 estimated expenditures. The change results from inflation and approval of policy package 141, which adds two positions for increased education and compliance services. The Department withdrew policy package 142, which would have consolidated the administration of insurance company taxation. The adopted budget reflects standard rate reductions, including those for PERS and Attorney General charges. The division's out-of-state travel budget was also reduced by 1 percent.

DCBS – Finance and Corporate Securities

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	6,885,682	8,354,950	9,795,855	9,689,449
Total	**6,885,682**	**8,354,950**	**9,795,855**	**9,689,449**
FTE	56.72	60.51	63.75	63.50

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. The Division also temporarily administered 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 increase the difficulty of oversight functions and force the Division to continually review program policy. 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. DFCS reported 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 was an increase of 4.6% over the 1999-01 estimated expenditure level and was 17% higher than the 2001-03 current service level. The budget included two policy packages that were funded with Other Funds fees and revenues:

- Package 161 added 1 FTE at a cost of $161,632 for permanent funding of a Senior Policy Analyst position. Currently filled as limited-duration, this position was to evaluate legislation, promulgate administrative rules, and set policies for banking, finance and securities activities.
- Package 162 added 2 FTE at a cost of $267,049 to increase oversight and provide consumer protection in the Mortgage Lender Program.

Legislatively Adopted Budget

The legislatively adopted budget is an increase of $1.3 million and 2.99 FTE compared to 1999-01 estimated expenditures. Inflation and the approval of policy package 162 accounts for a portion of the increase. The remainder is a result of House Bill 2809 (2001), which added $114,709 Other Funds, 2 positions, and .75 FTE. The bill moves oversight and regulation of pre-need funeral trusts from the Secretary of State to the Department of Consumer and Business Services.

DCBS – Oregon Medical Insurance Pool Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	586,038	1,056,493	1,085,804	1,079,867
Total	**586,038**	**1,056,493**	**1,085,804**	**1,079,867**
FTE	5.00	5.00	7.00	7.00

Program Description

The Oregon Medical Insurance Pool (OMIP) ensures access to major medical insurance coverage for Oregon residents who otherwise 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

OMIP 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, which increased by 8.6% from June 1999 to November 2000. 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 was an increase of 3% over the 1999-01 estimated expenditure level and was 14.7% higher than the 2001-03 current service level. The budget included three policy packages:

- Package 211 added a Research Analyst 3 position (1 FTE) at a cost of $110,393 to provide data analysis, warehouse, reporting, and access support.
- Package 212 added 1 FTE at a cost of $124,322 to monitor and review contract compliance by the third-party administrator.
- Package 213 shifted the expenditure for agent referral fees from OMIP administration to the OMIP nonlimited fund. This shift decreased OMIP administration's Other Funds limitation by $95,940 and increased the nonlimited estimate by $359,400.

Legislatively Adopted Budget

The legislatively adopted budget is an increase of $23,374 and 2 FTE compared to 1999-01 estimated expenditures. The Legislature essentially adopted the Governor's budget, including inflation increases and all three of the Division's proposed policy option packages. The budget also reflects minor reductions in various expenditure line items, including PERS, Attorney General charges, and out-of-state travel.

DCBS – Building Codes

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	22,158,783	23,986,970	27,032,221	26,613,554
Nonlimited	235,403	179,076	200,000	200,000
Total	**22,394,186**	**24,166,046**	**27,232,221**	**26,813,554**
FTE	171.13	159.78	176.88	172.88

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, as well as 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. For a variety of its other programs in 2001, the Division sought legislative confirmation of fee increases, the majority of which were approved. 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 on much of Coastal Oregon and in Eastern Oregon. The Division conducts inspections of manufactured homes, the state's production of which 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. Additionally, 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 made 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 regulatory service compliance cases. In July 1999, that time was 230.4 days. By September 2000, that had been reduced to 88.6 days. There is no target for this measure. Another 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 either. The Division is working to improve the gathering, analysis, and reporting of program statistics and information.

Governor's Budget

The Governor's budget was 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 was an increase of $2.1 million (8.2%) and 18.5 FTE above current service level estimates and included two policy packages to address Building Codes Division workload issues and new requirements:

- Package 191 added 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 required approval of fee increases.
- Package 192 added 4 positions at a cost of $499,616 for inspections of light rail projects and prison construction. Chapter 275, Oregon Laws 1997 requires DCBS to provide electrical permits and conduct inspections related to light rail projects. Building Codes is also required to provide an expanded role in 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.

Legislatively Adopted Budget

The legislatively adopted budget is an increase of $2,647,508 and 13.1 FTE above 1999-01 estimated expenditures. The Legislature approved a modified budget package to support workload increases in building codes programs. This included transferring 12 limited duration positions to permanent status, with a total cost of $1,352,206. The Legislature approved 3 positions, at a cost of $388,791 for inspection services on new prisons built by the Department of Corrections and on light rail installations, as required by Chapter 275, Oregon Laws 1997. The Legislature also approved standard reductions for PERS and other assessment rate reductions as well as for out-of-state travel.

DCBS – Office of Minority, Women and Emerging Small Business

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	507,989	667,738	638,689	632,827
Total	**507,989**	**667,738**	**638,689**	**632,827**
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 aids 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) for 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 are valid for three years, instead of one. Easing the paperwork burden on certified agencies 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 successfully maintained this performance goal in the 1999-2001 biennium.

Governor's Budget

The recommended budget of $638,689 Other Funds maintained the program's current service level and represented a 4% decrease from 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with minor reductions in various expenditure line items, including PERS, Attorney General, and out-of-state travel. An agreement between OMWESB and ODOT provides for OMWESB to seek a portion of its financial support from local governments. OMWESB indicated some local governments have already expressed their willingness to help fund the program.

DCBS – Appraiser Certification and Licensure Board

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	642,815	740,093	832,301	0
Nonlimited	79,282	63,513	77,855	0
Total	**722,097**	**803,606**	**910,156**	**0**
FTE	5.00	5.00	5.00	0.00

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 as well as 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 to 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 using 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 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 undertook a study of the impact of becoming a semi-independent state agency, ultimately deciding such a change would benefit the Board. As a result, legislation was proposed and the Legislature passed Senate Bill 304, making the Board a semi-independent state agency.

Governor's Budget

The recommended budget of $910,156 million Other Funds was an increase of 13% over the 1999-01 estimated expenditure level and was equal to the 2001-03 current service level. The increase included adjustments for salaries, inflation, and an increase in federal registry fees. The Board's fees were increased by approximately 50 percent.

Legislatively Adopted Budget

The 2001 Legislature established the Board as a semi-independent state agency effective July 1, 2001. The Board's total budget of $895,397 (not reflected in the above table) maintains the Governor's recommended budget with minor reductions in various expenditure line items, including PERS, Attorney General, and out-of-state travel budget.

Health Licensing Office – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	3,093,797	3,359,240	4,364,500	3,952,294
Positions (FTE)	23.38	27.25	27.29	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 compose 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 Office 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, 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

Budget Environment and Performance Measures

The Office 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 Office 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 five Oregon Benchmarks. While the Office has established stated goals and objectives, no specific, quantifiable outcome or output measures have been developed.

Governor's Budget

The recommended budget was $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 have reclassified nine positions and changed a limited duration Investigator position to permanent ($187,133), implemented the Office's information system technology plan ($393,600), funded outreach programs and research involving public protection and safety issues ($20,000), funded a rent increase outside the approved inflation factor ($45,186), and paid 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 have also continued operations of the Board of Direct Entry Midwifery, which is scheduled to sunset on December 31, 2001.

Legislatively Adopted Budget

The Legislature approved a budget of just under $4 million Other Funds, a 17.7% increase over the 1999-01 estimated expenditures, but a 9.4% reduction from the Governor's recommended budget. The budget includes the reclassification of eight positions to better fit current duties and responsibilities and changes one existing limited duration investigator position to permanent status. The budget also includes limitation for educating youth regarding body piercing and tattooing, additional rent costs above the standard inflation factor, and information system support from the Department of Administrative Services. Budgetary authority to continue the Board of Direct Entry Midwifery was also approved, although financial stability of the Board was a concern. A budget note was adopted requiring the Health Licensing Office to report to the Emergency Board in 2002 on the financial status of the Board of Direct Entry Midwifery.

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 levels that allow for the operation of the individual Boards with an adequate cash reserve for operating expenses. Fee increases were requested by four 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, and the Board of Pharmacy.

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 receiving the complaint. 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 specific performance measures with quantifiable outcomes and targets, while others are still in the development stages.

Because each of these Boards is a separate state agency, no summary figures are provided. What follows is a description and the legislatively adopted budget for each Board.

Board of Clinical Social Workers – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	335,182	428,597	488,171	483,912
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 a high ending cash balance. The Board estimates the 1999-01 ending balance is equivalent to almost a 12-month operating reserve. This balance is 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. The Board received $12,000 in expenditure limitation at the January 2001 Emergency Board to cover these additional costs (not reflected in the above table).

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 was an 11% increase over the Board's 1999-01 estimated expenditures. It met current service levels and added funding for statewide meetings, office equipment, and hearing officer costs. Board administrative support was shifted from the Health Division to the Department of Administrative Services, contingent upon passage of legislation establishing the Board as an independent agency. The cost of receiving support from the Health Division was eliminated from the Board's budget within the current service level. The budget restored fees back to 1997-99 levels, and projected 2001-03 revenues of $435,500. It anticipated the Board having a 7-month operating reserve at the end of the biennium.

Legislatively Adopted Budget

The adopted budget is $483,912 Other Funds, a 10% increase over 1999-01 estimated expenditures (including the January 2001 Emergency Board action). Since actual 1999-2001 revenues are higher than anticipated, the budget does not include the fee increases proposed in the Governor's recommended budget. Maintaining the fees at this level should bring the Board's ending balance down to just under a 4-month reserve. Depending on actual 2001-03 revenues, a fee increase may be warranted next biennium. The Board was directed to review its cash flow, ending balance, fee structure, and renewal cycles to find ways for stabilizing cash flow and workload. Minor adjustments for changes in PERS, risk management, and Attorney General rates were the only other differences from the Governor's budget. The Legislature passed Senate Bill 431, which makes the Board a stand-alone state agency.

Board of Licensed Professional Counselors and Therapists – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	268,879	317,735	377,798	376,065
Positions (FTE)	2.00	2.00	2.00	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. The Board estimates its 1999-01 ending balance is equivalent to about a 6-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. Participation in the intern registration program should continue to grow, from 56 interns in 1999-01 to 100 in 2001-03.

In the past, fees were limited to a maximum amount set by statute. The 2001 Legislature passed Senate Bill 410, which allows the Board to set its fees by rule. The bill also makes the Board an independent state agency, separate from the Health Division. Geographical separation, inefficiency, and lack of nexus are among several issues driving the change.

A 1999-01 budget note directed the Board to look into the feasibility of biennial, rather than annual, license renewal. The Board prepared a report for the appropriate substantive committee and the 2001 Legislative Assembly. The Board concluded biennial renewal has several advantages, but making this change, when coupled with a potential 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. The Board is attempting to negotiate settlement agreements rather than go to hearing. This is due to the cost of contracting 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 exam application or license authorization – The time lapse has decreased from 233 days in 1997-99 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 was an 18.9% increase over 1999-01 estimated expenditures. This funded an adjusted current service level, which included revenue and FTE reductions. These reductions were due to a spent down cash balance and 2001-03 projected revenues which were unable to support a realistic current service level. Contingent upon passage of fee-related legislation and implementation of fee increases, the budget then restored these program reductions and increased expenditure limitations in several areas. Limitation was added for office expenses, conference travel, training, web site improvements, hearings, and Attorney General costs. The budget provided funding for the Board to purchase payroll and budgeting services from the Department of

Administrative Services rather than the Health Division, assuming passage of Senate Bill 410. The cost of receiving these services from the Health Division was been eliminated from the Board's budget within the current service level.

Legislatively Adopted Budget

The adopted budget is $376,065 Other Funds, an 18.4% increase over 1999-01 estimated expenditures. The budget includes fee increases averaging 104% rather than 143% in the Governor's recommended budget. The Board is able to make the necessary program restorations at this fee level, but may need to increase fees again next biennium. The Board was directed to review its cash flow, ending balance, fee structure, and renewal cycles to find ways for stabilizing cash flow and workload. Minor adjustments for changes in PERS, risk management, and Attorney General rates were the only other differences from the Governor's budget.

Board of Dentistry – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,059,666	1,427,755	1,670,324	1,616,949
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 effective on July 1, 1999 and was ratified by the 2001 Legislative Assembly in Senate Bill 5523.

Revenue was estimated at $1.5 million for 1999-01 and $1.6 million for 2001-03 (with fee increases). The cash balance at the end of the 2001-03 biennium is projected to be equivalent to about a 7-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 was an increase of 17% over 1999-01 estimated expenditures and 6.7% above current service level. The budget included increasing the board member per diem from $30 per day to "up to $150" per day, increasing the composition of the Board by two members (one dental hygienist and one public member), replacing aging information systems equipment, and ratifying the Board's fee structure. The proposed packages totaled $104,893.

Legislatively Adopted Budget

The adopted budget is $1,616,949 Other Funds, a 13% increase over 1999-01 estimated expenditures. The budget includes limitation for increased compensation for board members. The Department of Administrative Services was requested to unschedule this limitation pending passage of HB 2250. Because HB 2250 was not adopted, this limitation will remain unscheduled. Budget authority was not approved to increase the composition of the Board, and the decision whether to approve replacement of five computers was deferred until the 2003 Session.

Board of Examiners of Licensed Dietitians – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	40,418	63,128	56,996	56,748
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, with a small supplement from cash reserves, is sufficient to maintain Board operations. Revenue is estimated at $55,335 for 1999-01 and the same for 2001-03. At the legislatively adopted level, expenses for 2001-03 will exceed revenues by $1,413. The projected cash balance at the end of the 2001-03 biennium represents about an 11-month reserve.

Budget Environment and Performance Measures

The Board anticipates no changes in the number of licenses issued during 2001-03 compared to 1999-01. 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 was a 9.7% decrease from 1999-01 estimated expenditures and a 5.6% increase when compared to current service level. The budget essentially maintained current services. Reductions were included for the phase-out of an over-budgeted information systems position and one-time computer expenses. The budget also included increasing the number of board meetings from four to eight per biennium and expenses to begin a newsletter. No fee increases were proposed.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with minor adjustments for changes in PERS, risk management, and Attorney General rates. The total budget for the Board is $56,748 Other Funds and 0.30 FTE. The budget includes limitation for the Board to increase the number of board meetings from four to eight meetings per biennium and allows the Board to produce a newsletter.

Mortuary and Cemetery Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	801,186	938,825	989,286	1,002,270
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 $150,910. The Board will use ending fund balances to cover the additional expenses. The budget projects an ending cash balance equal to a 4-month operating reserve. No fee increases are proposed. The Board has not raised fees since 1993. 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 expected 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 was a 5.4% increase over the 1999-01 estimated expenditure level, it essentially maintained the current service level for the agency and included reclassification of an investigator position to Compliance Manager.

Legislatively Adopted Budget

The Legislature approved a budget of $1,002,270 Other Funds and 6 FTE. The budget is 6.8% above the 1999-01 estimated expenditures. In addition to maintaining current service level, the budget approves the reclassification of an investigator position to a Compliance Manager.

Board of Naturopathic Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	290,020	301,123	313,988	310,634
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 2001-03 revenues of $202,080 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 for 1999-01 equal to a 12-month operating reserve.

Budget Environment and Performance Measures

The Board expected to 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 was a 4.3% increase over 1999-01 estimated expenditures. The budget met current service levels and provided funding for quarterly newsletters, patient brochures, and computer upgrades. Fees remained at the 1999-01 levels, enabling the Board to further reduce its ending balance. The budget anticipated an ending balance of $78,740 for 2001-03, which represents a 6-month reserve.

Legislatively Adopted Budget

The Legislature approved the Governor's recommended budget with minor adjustments for changes in PERS, risk management, and Attorney General rates. The total budget is $310,634 Other Funds, a 3.2% increase over 1999-01 estimated expenditures. The Board was directed to review its cash flow, ending balance, fee structure, and renewal cycles to find ways for stabilizing cash flow and workload.

Board of Examiners of Nursing Home Administrators – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	159,901	163,440	179,074	178,487
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 (three nursing home administrators, three public members, one registered nurse, one registered pharmacist, and one 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 to increase some fees, eliminate one fee (the national examination fee will be collected by the national organization), add new fee categories, and maintain 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 1999-01 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 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

The Governor’s recommended budget of $179,074 was 9.6% above the 1999-01 estimated expenditures and essentially maintained the current service level for the agency. The budget included the fee increase noted above. No other program enhancements were requested.

Legislatively Adopted Budget

The Legislature approved a budget of $178,487 Other Funds and 1 FTE. The approved budget is 9.2% higher than 1999-01 estimated expenditures. The budget was adjusted for reduction in the PERS rate, Attorney General charges, and state government service charges. No program enhancements were included in the budget; however, the proposed fee increase is assumed in the approved budget.

Occupational Therapy Licensing Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	170,000	221,583	226,767	223,039
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 roughly equivalent to 16 months of 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.

Governor's Budget

The Governor's budget funded the Board at 2.3% above the 1999-01 estimated expenditures. Expenditures included $5,500 for replacement of computers and printers and support for a shared investigator (0.25 FTE). The budget also included $1,500 for staff attendance at a national conference during the biennium.

Legislatively Adopted Budget

The Legislature approved a budget of $223,039 Other Funds expenditure limitation and 1.25 FTE. The approved budget is 1.6% below the Governor's recommended budget. The budget was adjusted for lower PERS rates, lower Attorney General charges, and risk management costs. The budget contains $1,500 Other Funds to allow an Executive Officer or Board member's attendance at a national conference. An additional $2,500 professional services was included for additional independent investigation of therapist practices throughout the state. The agency's request for a computer and printer upgrade was not approved.

Board of Pharmacy – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	1,857,889	2,119,775	2,848,183	2,358,405
Positions (FTE)	10.63	13.00	15.50	13.50

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. It 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 proposing 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 fee increases allow the Board to meet current service level requirements with an adequate ending balance and fund requested policy packages, including staffing increases, by producing an additional $780,780 in Other Funds revenue for the Board. Senate Bill 405, approved by the 2001 Legislature, raises the statutory limits on the fees to accommodate the increase.

Budget Environment and Performance Measures

The Board has a staggered renewal system and currently has approximately 14,000 licensees and anticipates this number will continue growing. 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 was a 34.4% increase over 1999-01 estimated expenditures and 35.1% over the current service level. The budget included the proposed fee increase discussed above. Also included in the budget was $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 have resulted in an ending balance of approximately 3.5 months of operating reserve.

Legislatively Adopted Budget

The Legislature approved a budget of $2,358,405 Other Funds and 13.50 FTE. The budget is 17.2% less than the Governor's recommended budget and an increase of 11.3% above 1999-01 estimated expenditures. The budget includes converting a limited duration position to permanent status for the Pharmacist Recovery program and an increase for in-state travel. The Legislature did not approve funding for the upgrade of the Board's computer system until further evaluation could be completed. Limitation for two new administrative positions was also denied.

Board of Radiologic Technology – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	297,251	361,540	406,404	389,372
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 legislative review. 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 were sought for 2001-03 budget. The Board's ending balance is expected to be equivalent to about a 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 who 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. It 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 represented an increase of 12% above 1999-01 estimated expenditures. No increases in staffing were included in the budget. The Board planned to visit with stakeholders throughout the state regarding license fees, possible new sources of revenue, and statutory changes. They also planned to solicit 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 were included to cover Assistant Attorney General costs, additional in-state travel, and other operating expenses. The budget also included $18,000 for database support, programming, and replacement of computers and printers.

Legislatively Adopted Budget

The Legislature approved a budget of $389,372 Other Funds and 2.50 FTE. The budget is 4.2% below the Governor's recommended budget. The $18,000 package was approved to replace desktop workstations and printers, as well as provide database support. Additional outreach efforts were funded at a cost of $17,649 to allow the Board to solicit stakeholder involvement prior to revision of its administrative rules. Additional Attorney General funds for rule revisions were not approved as the Board was directed first to complete outreach efforts.

Board of Examiners for Speech-Language Pathology and Audiology – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	123,505	154,392	153,568	150,073
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 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 were 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.

Governor's Budget

The Governor's budget, slightly below 1999-01 estimated expenditures, funded the Board at 3.3% above the 2001-03 current service level. Expenditures beyond the current service level included $2,900 for computer and printer replacement, and $2,000 for staff attendance at a national conference during the biennium. Revenues were projected to adequately fund these increases with an ending balance equal to over 6 months of operating expenses.

Legislatively Adopted Budget

The Legislature approved a budget of $150,073 Other Funds. The budget is 2.3% below the Governor's recommended budget. The budget includes reductions for PERS rates, modified Attorney General charges, risk management rates, and human resources assessment rates. The Board received approval for $2,000 Other Funds for the Executive Officer's or a Board member's attendance at a national conference. A package upgrading agency computers, however, was not approved.

Veterinary Medical Examining Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	330,269	419,437	436,045	429,477
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 is 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 equivalent to about a 21-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 was a 4% increase over the 1999-01 estimated expenditures and 2.3% over the current service level. The budget provided 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.

Legislatively Adopted Budget

The adopted budget is $429,477 Other Funds, a 2.4% increase over 1999-01 estimated expenditures. In addition to adjustments for the PERS rate, Attorney General charges, and state government service charges, the request for additional limitation for administrative rule review was not approved because the review was completed in the 1999-01 biennium. Funding was approved for one board member to participate in two annual national conferences, replacement of the board's telephone system, and purchase of a new computer.

Board of Investigators – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	49,929	0	0	0
Other Funds	99,965	340,756	413,517	378,169
Total	**149,894**	**340,756**	**413,517**	**378,169**
Positions (FTE)	1.02	2.29	2.50	2.50

Program Description

The Board of Investigators was created by the 1997 Legislature and consists of five members who 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 of documents. In 1997-99, the Emergency Board allocated $50,000 for agency start-up. The agency reimbursed the General Fund in October 2000.

The Board estimated processing of 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.

Budget Environment and Performance Measures

After two years of operation, the Board of Investigators has identified five issues driving its 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; and
- rapid change in technology.

As a relatively new agency, the Board of Investigators has not yet created 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 was $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 was due primarily to increasing workload. The budget included funding to change limited duration positions to permanent status and added the associated Services and Supplies expenditures for the positions.

Legislatively Adopted Budget

The Legislature approved a budget of $378,169 Other Funds, an 11% increase over 1999-01 estimated expenditures. The budget permanently funds an Office Specialist position (1 FTE) and an Investigator position (0.50 FTE). Limitation also was included for out-of-state travel to attend annual national conferences. A reduction in the budget was adopted to bring expenditure limitation within lower than anticipated revenue projections.

Bureau of Labor and Industries (BOLI) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	12,486,337	12,571,552	12,443,266	12,411,445
Other Funds	3,922,267	3,594,914	4,058,992	4,036,826
Federal Funds	1,070,327	894,251	1,206,676	1,204,179
Nonlimited	1,077,939	1,458,800	2,215,000	2,215,000
Total	**18,556,870**	**18,519,517**	**19,923,934**	**19,867,450**
Positions (FTE)	127.25	129.00	113.75	113.75

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 of 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 agency 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 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 budget provided $19,923,934 total funds. The budget was 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 budget included 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.

Legislatively Adopted Budget

The Legislature essentially approved $19,867,450 total funds, including $2,215,000 Nonlimited Other Funds for Wage Security Fund claims. The approved budget is $56,484 less than the Governor's budget, primarily as a result of adjustments in the Public Employer Retirement System employer rate assessment, state government service charges, Attorney General rates, and telephone long-distance rates.

BOLI – Commissioner's Office/Program Support

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,007,013	3,986,117	3,727,096	3,734,274
Other Funds	1,003,160	1,146,556	1,827,082	1,822,828
Federal Funds	176,829	197,634	205,711	205,319
Total	**5,187,002**	**5,330,307**	**5,759,889**	**5,762,421**
Positions (FTE)	28.50	30.25	29.50	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 FTE) – This unit combines administration, strategic planning, legal policy, public information and intergovernmental relations into one activity area.
- ***Business Services*** (9.50 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 decreased somewhat with the addition of the agency's website, while seminar and on-site programs 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 budget provided $5,759,889 total funds. Overall, the Commissioner's Office and Program Support budget 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 budget abolished 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 included reclassifying an Executive Support Specialist to a lower classification of Office Specialist, saving $16,065 in General Fund; reducing the Attorney General allocation of $25,000 General Fund; and shifting all of the General Fund support from the Technical Assistance Program to Other Funds, saving $93,933. Total General Fund reductions resulted in a 5.5% decrease from the General Fund current service level. Removing General Fund support from the Technical Assistance program requires 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.

Legislatively Adopted Budget

The Legislature approved $5,762,421 total funds, or $2,532 more than the Governor's budget. The addition is the net result of an increase of $15,539 in the Commissioner's salary through House Bill 2852 (2001) and reductions totaling $13,007 to reflect adjustments in the Public Employer Retirement System employer rate assessment, state government service charges, and telephone long-distance rates.

BOLI – Civil Rights

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,592,722	2,739,999	3,043,446	3,027,673
Other Funds	643,667	683,919	291,551	290,908
Federal Funds	814,997	638,971	936,853	934,836
Total	**4,051,386**	**4,062,889**	**4,271,850**	**4,253,417**
Positions (FTE)	36.00	35.50	31.00	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, and those 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 as well as 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 of 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 Workers' Benefit Fund for investigating allegations of discrimination against injured workers sunsetted 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 constitute 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 was 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 budget was $4,271,850 total funds. The budget reflected 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 was 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 funded four (4 FTE) civil rights investigators, and associated services and supplies, at a General Fund cost of $531,419. The budget included a reduction option to abolish three (2.50 FTE) civil rights investigators and one (1 FTE) office specialist position. The reduction was to 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 was $319,772.

Legislatively Adopted Budget

The Legislature approved $4,253,417 total funds, $18,433 less than the Governor's budget. The reduction is the result of adjustments in the Public Employer Retirement System employer rate assessment, state government service charges, Attorney General rates, and telephone long-distance rates.

BOLI – Wage and Hour

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,378,685	3,235,464	3,096,759	3,083,329
Other Funds	2,275,440	1,764,439	1,940,359	1,923,090
Nonlimited	1,077,939	1,458,800	2,215,000	2,215,000
Total	**6,732,064**	**6,458,703**	**7,252,118**	**7,221,419**
Positions (FTE)	38.50	39.00	33.50	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 payouts – 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 budget was $7,252,118 total funds. The budget for the Wage and Hour Division was 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 abolished six positions (5.50 FTE) including two compliance specialists, two administrative specialists and two office specialists. The reduction resulted in savings of $446,878 for the General Fund. With this reduction, 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 was included in the budget for non-limited special payments of wage claims—from $1.4 million in 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.

Legislatively Adopted Budget

The Legislature approved $7,221,419 total funds, $30,699 less than the Governor's budget. The reduction is the result of adjustments in the Public Employer Retirement System employer rate assessment, state government service charges, Attorney General rates, and telephone long-distance rates.

BOLI – Apprenticeship and Training

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,507,917	2,609,972	2,575,965	2,566,169
Federal Funds	78,501	57,646	64,112	64,024
Total	**2,586,418**	**2,667,618**	**2,640,077**	**2,630,193**
Positions (FTE)	24.25	24.25	19.75	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 in apprenticeship programs who 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 budget was $2,640,077 total funds. The budget for the Apprenticeship and Training Division was 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 abolished four positions (4.50 FTE) including one apprenticeship representative, one administrative specialist and two office specialists. The reduction resulted 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.

Legislatively Adopted Budget

The Legislature approved $2,630,193 total funds, $9,884 less than the Governor’s budget. The reduction is the result of adjustments in the Public Employer Retirement System employer rate assessment, state government service charges, Attorney General rates, and telephone long-distance rates.

Landscape Contractors Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	371,497	427,901	434,093	260,444
Positions (FTE)	0.00	0.00	0.00	0.38

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 provided administration and staff support through a contract with the Landscape Contractors Board. This contract represented 4% of the workload of the Construction Contractors Board. This relationship will end July 1, 2002 when the Board becomes a semi-independent state agency.

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 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 funded the Board at the current service level.

Legislatively Adopted Budget

The Legislature adopted HB 2127, which establishes the Board as a semi-independent agency effective July 1, 2002. As a result, the Legislature approved a one-year budget for the Board, as well as three limited duration positions (.38) and expenditures to effect the transition in the last quarter of 2001-02. The Legislature also adjusted the budget for reductions in interagency assessments, Attorney General hourly rates, and long-distance telephone charges.

Board of Medical Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	4,695,696	5,683,710	6,137,247	6,117,760
Positions (FTE)	31.25	30.96	31.00	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 and Science 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.

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%, 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.

On 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 frustrated 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 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 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 average time for the year 2000 ranged from 28.9 days to 49.5 days. The agency's goal for the 2001-03 biennium is 45 days.
- 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 average time for the 1999-01 biennium was 8.57 days. The agency's goal for the 2001-03 biennium is 15 days, substantially below the state requirement of 30 days.
- 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 was 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 was $0.2 million or 3.5% higher than the $5.9 million required to continue the agency's programs under current law. The increase was the result of four policy packages:

- The first package included $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) enhanced the agency's ability to recruit and retain employees. Three thousand dollars of this package was used to increase one position from 0.96 FTE to 1 FTE and was

financed from a reduction in services and supplies. The remaining $25,000 was provided to purchase Tri-Met bus passes for 20 employees.

- The third policy package of $64,000 increased 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 assumed that the Board would increase its fees by 5% in the 2001-03 biennium and provide an ending balance of $2.5 million—nearly a ten-month operating balance. However, in its presentation before the Joint Committee on Ways and Means, the agency withdrew its proposal to increase fees.

Legislatively Adopted Budget

The legislatively adopted budget is $19,487 less than the Governor's budget. This is partly the result of reductions in the Public Employee Retirement System employer contribution rate, Attorney General hourly rates, Secretary of State assessments, and Department of Administrative Services Human Resource Service Division charges. Three other adjustments account for the rest of the modification to the Governor's budget. First, the Assembly reduced the cost for purchasing Tri-Met bus passes by $3,825 and directed the agency to report to the 2003 Joint Committee on Ways and Means about the ways the Tri-Met pass subsidy program affected the agency's ability to retain its staff. Second, the Assembly increased expenditure limitation by $6,954 to allow the agency to pay non-Board members who serve on Board committees the same per diem as Board members. Senate Bill 162 allowing non-Board members to receive this per diem was signed by the Governor in June 2001. Third, the Legislature added $26,124 of expenditure limitation for anticipated fees incurred by the agency when licensees use credit cards to pay for their licenses. The Department of Administrative Services (DAS) was asked to unschedule the limitation pending a March 2002 review of actual credit care charges incurred by the Board.

Because of the agency's relatively high ending balance, the Joint Committee on Ways and Means adopted a budget note directing the Board and DAS to study the agency's cash flow and ending balance requirements and to assess the feasibility of renewing all licenses on licensee birthdays throughout the biennium in order to stabilize cash flow and workload. The Board and DAS were directed to report the study results during the agency's 2003 Ways and Means hearings.

Initially, the Joint Committee on Ways and Means requested DAS to unschedule $62,160 for the technology package included in the Governor's budget and described above, pending review by the Advancing E-Government Subcommittee of Ways and Means. The Subcommittee reviewed the package and requested DAS to reschedule $34,960 to replace two servers and upgrade software. The Subcommittee requested that funding for two technology components remain unscheduled: $2,200 for the replacement of a firewall server and $25,000 for interactive web applications. The $2,200 is to be rescheduled pending review and approval by the DAS Information Resource Management Division security officer. The $25,000 is to remain unscheduled until the agency presents a short project plan to the Joint Legislative Committee on Information Management and Technology.

Board of Nursing – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	4,740,501	5,883,637	6,404,277	6,383,310
Positions (FTE)	31.46	33.75	34.50	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 Budget Reconciliation Act of 1987 (OBRA-87). Licensing and certification technicians inform licensees and the public about licensure procedures. Division staff also administer the training and testing program for certified nursing assistants (CNAs) and certified medication aides (CMAs).

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 of 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, 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 to 700 formal complaints are investigated, 1,000 to 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 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 to 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 are 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% of 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 was $0.2 million or 3.2% higher than the agency's current service level of $6.2 million. The increase was the result of four policy packages described below:

- The first package included $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 was to allow the Board to contract with a testing firm to evaluate and refine the existing examination.
- A second package of $50,000 facilitated the development of electronic commerce for licensees. Ultimately, the Board would 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 increased a half-time accountant position to full-time and upwardly reclassified the position from an Accounting Technician 1 to Accounting Technician 2.
- The fourth policy package of $58,000 funded per diem increases for Board members. The Governor introduced legislation (HB 2251) to increase the allowable per diem compensation for Board members from $30 to $150. The agency asserted 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 assumed no fee increases during the 2001-03 biennium. The budget provided an ending balance of $650,000—about a three-month operating balance.

Legislatively Adopted Budget

The Assembly reduced the Governor's budget by a total of $20,967 to reflect changes in the Public Employee Retirement System employer contribution costs, as well as Attorney General hourly rates, Secretary of State assessments, and Department of Administrative Services Human Resource Service Division charges. The Advancing E-Government Subcommittee of Ways and Means reviewed the technology package described above and directed the Board to update the Joint Legislative Committee on Information Management and Technology prior to project implementation. The Assembly passed, and the Governor signed, House Bill 2251, a bill allowing the agency to increase its per diem for Board members. The Assembly approved the policy package for this increase that was included in the Governor's budget.

The Joint Committee on Ways and Means reviewed the agency's performance measurements and expressed interest in comparing performance data between Oregon and other states. It requested the Board of Nursing to report to the Emergency Board during the 2001-03 biennium about its work on further development of performance outcomes, data, and goals. The Committee also directed the Board to report to the next Legislative Assembly on Oregon's nursing shortage and the Board's role in facilitating appropriate responses.

Board of Psychologist Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	487,864	595,519	696,078	591,257
Positions (FTE)	2.29	2.50	3.50	2.50

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 ratified this fee increase in Senate Bill 5550. The 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

The Board renews licenses annually. With the 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 a reserve of about 5 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 was a 16.9% increase over 1999-01 estimated expenditures and 29.9% increase over the current service level. The current service level phased out funds the Board would no longer receive for pass-through fees for the national examination. It also phased out one-time costs for converting a database and developing a web site during 1999-01. Budget enhancements included 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.

Legislatively Adopted Budget

The Legislature approved a budget of $591,257 Other Funds and 2.50 FTE. The budget is 15.1% below the Governor's recommended budget and 10.4% above the current service level. The budget restores the current service level and includes the reclassification of one position. Additional limitation is provided for Hearings Officer Panel expenses; however, the Department of Administrative Services was requested to unschedule the funds pending actual billing from the Employment Department.

Public Utility Commission (PUC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	23,794,545	79,146,400	32,846,043	31,668,905
Federal Funds	155,005	281,984	292,326	290,904
Nonlimited	0	0	243,100,000	243,100,000
Total	**23,949,550**	**79,428,384**	**276,238,369**	**275,059,809**
Positions (FTE)	109.00	121.04	123.00	122.00

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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	9,804,316	61,760,847	14,156,012	8,030,512
Federal Funds	155,005	281,984	292,326	290,904
Nonlimited	0	0	243,100,000	243,100,000
Total	**9,959,321**	**62,042,831**	**257,548,338**	**251,421,416**
Positions (FTE)	65.00	67.50	70.00	40.00

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, $3.3 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 99.9% 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. (For 1999-01, however, they are reflected as Other Funds.)

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 electric industry restructuring activities required by the legislation. Previously, the agency expected to use approximately $200,000 to cover its costs related to Senate Bill 1149. However, House Bill 3633 from the 2001 legislative session delays restructuring and collection of the public purpose charge from October 1, 2001 until March 1, 2002. This delay may affect both the agency's costs and the revenues available to cover those costs.

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. However, as noted above, House Bill 3633 passed by the 2001 Legislative Assembly delays electric industry restructuring for five months. Thus the workload may be slightly lower than originally projected.

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 added 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 were contingent upon passage of legislation);
- $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 was based on legislation introduced to eliminate circuit court review of Commission orders.

The budget also added $243.1 million in Nonlimited Funds, with 99.7% of these funds to be distributed from the Oregon Universal Service Fund to telecommunications providers serving high-cost areas. The remaining $653,000 was to be transferred to the Commission to cover its costs as described previously. Without regard to payments to telecommunications providers, the Governor's recommended budget was a 20% increase over 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature made several changes to the Governor's recommended budget, as follows:

- a reduction of $18,091 Other Funds and $442 Federal Funds for a revision in the Public Employees Retirement System (PERS) contribution rate;
- a reduction of $140,102 Other Funds and $980 Federal Funds for a lower Attorney General hourly rate approved by the Legislature as well as revised interagency assessments and long-distance telephone charges;
- a reduction of $425,000 in the costs of administering and auditing the Oregon Universal Service Fund based on updated estimates;
- elimination of the policy packages for telecommunications mergers and circuit court review of Commission orders based on the assumption the enabling legislation would not pass (it did not); and
- approval of the position reclassifications with directions to the agency to absorb the cost within existing resources.

The Legislature also approved 2 FTE and Other Funds limitation for implementation of Senate Bill 1149. It modified the limitation to $330,083 for revised PERS contributions and long-distance charges. It requested the Department of Administrative Services unschedule the amount pending the outcome of legislation to modify, delay or repeal the electric industry restructuring statutes. As a result of passage of House Bill 3633, the agency's need for additional expenditure limitation and staff may be reduced to approximately $261,000 and 1.58 FTE.

The Legislature moved $5.4 million Other Funds limitation and 29 FTE from this budget structure to Policy and Administration to isolate in the Utility Program the direct costs of regulating utilities subject to PUC oversight. As a result, the 2001-03 budget for the Utility Program does not reflect the costs and FTE for the Regulatory Operations Division, the Economic Research and Financial Analysis Division, or Utility Support Services. Without regard to this transfer and nonlimited funds for payments to telecommunications providers, the legislatively adopted budget is a 4.9% decrease from the Governor's recommended budget.

PUC – Residential Service Protection Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	7,066,763	9,534,934	9,902,258	9,595,362
Positions (FTE)	6.00	5.00	5.00	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.

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. The Commission is forecasting revenues of $9.6 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. Since 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 reflected 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 were required by March 1, 2001. The costs of some of these new services are not fully known.

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 continued the program through the 2001-03 biennium, contingent upon passage of legislation to extend the sunset date from December 31, 2001 to January 1, 2010. The policy package for the extension added $7,196,136 Other Funds and 3.77 FTE. Additionally, the budget included $305,256 Other Funds for FCC mandates required to be in place in 2001. The recommended budget was a 3.9% increase over 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended budget by $1,640 Other Funds for revised PERS contributions, interagency assessments, the Attorney General hourly rate, and long-distance telephone charges. It did not approve the package for FCC mandates, finding that the agency could absorb these costs within the total limitation approved for this program. The legislatively adopted budget is a 3.1% decrease from the Governor's recommended budget.

PUC – Policy and Administration Program

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	6,923,466	7,850,619	8,787,773	14,043,031
Positions (FTE)	38.00	48.54	48.00	77.00

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.

As noted in the Utility Program section, the 2001 Legislature moved limitation and FTE from that budget structure to Policy and Administration to isolate in the Utility Program the direct costs of regulating the utilities subject to PUC oversight. As a result, for 2001-03 the Policy and Administration Program includes the limitation and FTE for the Regulatory Operations Division, the Economic Research and Financial Analysis Division, and Utility Support Services.

Revenue Sources and Relationships

With the exception of the Regulatory Operations Division, the Economic Research and Financial Analysis Division, and Utility Support Services, Other Funds revenues are derived from cost allocations to the Utility and RSPF programs. Revenues also include $13,000 from the Land Use Board of Appeals for administrative support to this agency, which is housed in the PUC building. The Regulatory Operations Division, the Economic Research and Financial Analysis Division, and Utility Support Services are supported directly by the fees assessed on regulated utilities.

Budget Environment and Performance Measures

Population growth, competition in previously monopolistic markets, industry restructuring, and federal regulations impact the program's workload. Over several biennia, 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 responded to these increases with 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. As a result, of the estimated 26,242 inquiries in 2000, approximately 9,758 required follow-up by staff compared to 1998 when most of the 17,364 inquiries required staff follow-up. For consumer complaints, the agency projected 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 was an 11.9% increase over 1999-01 estimated expenditures. The budget included:

- $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.

Legislatively Adopted Budget

The Legislature made several changes to the Governor's recommended budget, as follows:

- approval of the position reclassifications with directions to the agency to absorb the cost within existing resources;
- approval of $205,415 Other Funds and 1 FTE for the temporary administrative law judge and the permanent Administrative Specialist 1 position in the Administrative Hearings Section, with directions to the agency to absorb $37,446 within existing resources and a request to the Department of Administrative Services to unschedule a portion of the limitation until the agency demonstrates a need for it;
- a reduction of $10,739 Other Funds for the revised PERS contribution rate;
- a reduction of $13,244 Other Funds for the lower Attorney General hourly rate as well as revised interagency assessments and long-distance telephone charges; and
- a reduction of $55,000 Other Funds for out-of-state travel ($30,000) and technology cost savings expected through moving the agency's web server to the Department of Administrative Services' Information Resource Management Division ($25,000).

The Legislature increased this program's limitation by $5.4 million Other Funds and 29 FTE to reflect the costs of the Regulatory Operations Division, the Economic Research and Financial Analysis Division, and Utility Support Services now included in this budget unit. Without regard to this increase, the legislatively adopted budget is a 1.8% decrease from the Governor's recommended budget.

Real Estate Agency – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	4,888,417	4,971,596	5,760,452	5,712,296
Positions (FTE)	32.00	31.75	31.00	31.66

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 estimated revenues in 1999-01 were $5.4 million, 10.5% lower than 1997-99 actual revenues of $6 million. Revenues for 2001-03 will continue this decline and are projected to be $4.9 million, 9.2% lower than 1999-01 revenues. These 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 has increased, 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 - increases the number of real estate agents working from their homes and cars rather than a central office.
- A trend has existed toward franchising, mergers and mega-offices.
- Increases in Oregon's home prices have led 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 (as of Fall 2000):

- 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 (as of Fall 2000):

- 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 was a 15.9% increase over 1999-01 estimated expenditures and was essentially equal to the current service level. Additional funds were provided for anticipated increased costs for contracting with the Hearing Officer Panel to conduct administrative hearings in accordance with HB 2525, adopted by the 1999 Legislative Assembly. The Governor's budget anticipated an ending balance that equaled nearly seven months of expenditures.

Legislatively Adopted Budget

The adopted budget is $5,712,296 Other Funds, a 14.9% increase over 1999-01 estimated expenditures. The budget includs funding for expenses related to the Hearing Officer Panel. The Department of Administrative Services was requested, however, to unschedule these funds pending receipt of actual billings from the Employment Department. Two new permanent, part-time positions were created to proctor and supervise examinations throughout the state. Temporary positions had been used previously, but statewide policy prohibits agencies from using temporary employees for more than six months. The budget also eliminated one management position (0.75 FTE).

Spinal Cord Injury Research Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	1	1
Other Funds	0	1	3,000,000	50,000
Total	**0**	**1**	**3,000,001**	**50,001**
Positions (FTE)	0.00	0.00	0.25	0.00

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 anticipated $3 million in revenue from these sources and the legislatively adopted budget allows for the expenditure of $50,000 of these funds, to date none has been received.

Budget Environment and Performance Measures

The Spinal Cord Injury Information Network at the University of Alabama, Birmingham, estimates there are about 10,000 new cases of spinal cord injury each year. It estimates 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 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 has 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 expected 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 and Science 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 included $3 million Other Funds expenditure limitation. Within the limitation, $57,000 would have been 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 have been 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 was, however, empty limitation. That is, the Board did not have firm commitments from individual donors or private foundations to provide revenue to fund the agency's budget.

Legislatively Adopted Budget

The Assembly removed most of the agency's empty limitation that had been included in the Governor's budget. It retained $50,000 Other Funds expenditure limitation to allow the agency the opportunity to spend non-federal grant funds in the event the Board received such revenue. The agency can request additional limitation (and position authority) from the Emergency Board during the 2001-03 biennium if it is successful in obtaining significant donations or private foundation grant funds.

Board of Tax Service Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	688,858	762,185	902,036	888,913
Positions (FTE)	4.00	4.00	5.00	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. The 2001 Legislature passed Senate Bill 301, which changes the name of the agency to the State Board of Tax Practitioners effective January 1, 2002.

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. The 2001 Legislature passed Senate Bill 279, which raised tax consultant licensing fees by $10 to $75, raised business registration fees by $20 to $95 and adjusted other fees. The fee increases took effect in April 2001. With this legislation, the Board expects to collect $583,550 in licensing fees, $155,390 from business registration 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 economy, 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 responds rapidly 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 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 represented an 18.4% increase over 1999-01 estimated expenditures. The budget included an increase of $78,434 to fund a bilingual junior investigator for compliance enforcement and investigation. The budget also included $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, were projected to add $108,000 in revenue for 2001-2003. With these increases, revenues were projected to adequately fund the Board's operating expenses, and provide an estimated ending balance of $78,570 – the equivalent of just over two months' operating expenses.

Legislatively Adopted Budget

The Legislature approved a budget of $888,913 Other Funds and 5 FTE. The budget is 1.5% below the Governor's recommended budget and 16.6% above 1999-01 estimated expenditures. An additional junior level investigator position was added at a cost of $78,299to address the growing number of complaints. An additional $10,000 Other Funds for Hearings Panel costs and $5,000 Other Funds for Attorney General expenses were approved for expected caseload increases. Operating expenses were reduced by $3,486 to reflect lower charges for Public Employees Retirement System costs, Attorney General rates, and the statewide Human Resource Services assessment.

ADMINISTRATION

Department of Administrative Services (DAS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,468,677	6,204,763	6,803,544	7,891,677
Lottery Funds	0	0	0	534,003
Other Funds	157,200,580	167,344,822	249,066,183	197,090,558
Federal Funds	0	1,002,611	250,653	564,653
Nonlimited	202,850,308	219,625,468	247,266,817	247,366,817
Nonlimited Debt Service	58,636,921	27,813,949	33,727,098	32,143,588
Total	**423,156,486**	**421,991,613**	**537,114,295**	**485,591,296**
Positions (FTE)	799.36	851.65	955.48	936.39

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 and Legislatively Adopted Budget

The Governor's recommended budget and the legislatively adopted budget is presented below by the Department's various programs and offices.

DAS – Office of the Director

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	320,093	294,379	247,009	211,822
Other Funds	1,973,739	4,292,106	14,214,092	13,795,879
Total	**2,293,832**	**4,586,485**	**14,461,101**	**14,007,701**
Positions (FTE)	13.58	24.50	89.08	86.08

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 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.

As a result of the changes, the Office of the Director now has the following units:

- ***Agency Administration*** includes the Director, Deputy Director, Director for Operations, and support staff.
- ***Office of Economic Analysis*** produces the Oregon Economic and Revenue Forecast, Criminal Justice Population Forecast, and the Highway Cost Allocation Study.
- ***Internal Audits*** is responsible for conducting internal audits.
- ***Personnel/Training Office*** is responsible for departmental human resource issues.
- ***Office of Business Administration*** is responsible for departmental budgeting, payroll, purchasing, and accounting.
- ***Office of Information Technology*** is responsible for departmental computer support and information technology management.
- ***Government Affairs and External Relations*** 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. Its 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 supported the Department's reorganization efforts and provided one substantial enhancement to the Office of the Director. The requested enhancement added 18 additional staff (18 FTE) and reclassified 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.

Legislatively Adopted Budget

The legislatively adopted budget accommodated most of the Governor's recommended budget. It made minor adjustments for known savings from reduced Public Employee Retirement System (PERS) employer contribution rates, reduced Attorney General (AG) billing rates, and reduced telecommunications costs. The Legislature approved 15 of the 18 positions requested to strengthen departmental management functions. The Legislature stated its expectations that the Department provide "a strong and stable management infrastructure and exemplify good management practices for state government." It expects other state agencies to be held to such standards, and required the Director to report improvements made in state government as part of its 2003-05 budget presentation.

DAS – Budget and Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	4,859,155	6,813,334	8,681,535	8,630,505
Nonlimited	0	0	100,000	100,000
Nonlimited Debt Service	0	206,785	1,789,634	1,789,634
Total	**4,859,155**	**7,020,119**	**10,571,169**	**10,520,139**
Positions (FTE)	30.42	35.50	34.50	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 the issuance of Certificates of Participation (COPs). The balance of the Division's planned expenditures will be funded with carry-forward cash balance from COPs previously 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 reflected 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 was for current service level. Included as an enhancement was continuation of the ORBITS project with 10 FTE (limited duration positions) at a cost of $4 million and debt service on COPs ($1.5 million).

Legislatively Adopted Budget

The Legislature reduced the Governor's budget for known savings in PERS employer contribution costs, Attorney General hourly rate reduction and telecommunications savings. It also reduced the budget for discretionary services and supplies by 1 percent.

DAS – State Controllers Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	15,138,610	10,782,779	7,862,925	7,919,820
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**	**24,763,800**	**24,820,695**
Positions (FTE)	101.67	73.84	49.00	53.00

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 carry-forward 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 included 28.95 FTE that were transferred in as part of the Department's reorganization. The Governor's recommended budget reflected additional transfers of 24.50 FTE out of the Controller's Division to the Office of the Director. The net result was a current service level budget with one enhancement. It reclassified four positions as the result of a classification review by the Human Resource Services Division and added one position (1 FTE) to improve support of the statewide collection of delinquent and liquidated accounts. The enhancement added $205,982 additional Other Funds expenditure limitation for the Division. Funding is provided through the statewide assessment.

Legislatively Adopted Budget

The Legislature reduced the Governor's budget for known savings in PERS employer contribution costs, Attorney General hourly rate reduction and telecommunications savings. It also reduced the budget for discretionary services and supplies by 1 percent. The Legislature approved an additional four positions (4 FTE): two of which are permanent, and two limited duration. These positions are to provide necessary accounting and internal financial reporting in support of the Oregon Center for Electronic Commerce and Government.

DAS – Information Resources Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	29,165,649	39,247,029	51,584,965	45,365,991
Nonlimited	53,350,579	61,594,993	79,779,518	79,779,518
Nonlimited Debt Service	2,434,899	811,555	1,337,752	1,337,752
Total	**84,951,127**	**101,653,577**	**132,702,235**	**126,483,261**
Positions (FTE)	131.29	162.87	176.00	176.00

Program Description

The Information Resources Management Division (IRMD), encompasses computer and information services, telecommunications, and video teleconferencing, and 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 new 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 (SOEN).
- ***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 provided by issuance of COPs. The balance of the Division's estimated $126 million in revenues comes largely from various systems usage fees. The Division has an extensive rate schedule for the myriad 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 protect confidentiality and privacy, while ensuring that financial transactions and activity are properly safeguarded.

Governor's Budget

The Governor's recommended budget for the Division reflected 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 included some significant investments in information technology:

Description	FTE	Amount
Add 14 positions to implement the Oregon Center for Electronic Commerce and Government	14.0	$8,267,788
Add 1 Information Technology security officer (formerly limited-duration position)	1.0	$ 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	5.0	$ 716,908
Add 12 positions in Systems Development and Consulting to provide development services and support for new, mission-critical projects	12.0	$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	2.0	$ 188,228

Funding sources for all of the enhancements had not been identified at the time the budget was submitted.

Legislatively Adopted Budget

The Legislature reduced the Governor's budget for known savings in PERS employer contribution costs, Attorney General hourly rate reduction and telecommunications savings. It also reduced the budget for discretionary services and supplies by 1 percent. The Legislature expressed its desire that state agencies approach information technology issues in a unified, enterprise-wide manner. It reinforced the statutory policy that IRMD set standards and provide enterprise-wide support for non-proprietary applications. To this end, the Legislature approved increased General Government Data Center and Systems Development and Consulting staff for the division to carry out its responsibilities. It also approved a new project management group. The budget report for the Department's appropriation bill documented legislative expectation that the additional staffing "will provide valuable oversight to technology projects that have statewide implications." A report on the activities and accomplishments of the new group is expected as part of the budget presentation for the 2003-05 budget request.

During the legislative review process, it was determined that part of the initial development of the Oregon Center for Electronic Commerce and Government would be financed from carry forward cash balances and fees for services. A portion of the Systems Development and Consulting would be funded using $3.4 million in certificates of participation (COPs). The COPs would be repaid through development and consulting fees.

After additional review of staffing needs to implement the Oregon Center for Electronic Commerce and Government, the Legislature approved the 14 positions (14 FTE) requested, but required that eight be limited duration positions. The Legislature approved expenditure limitation sufficient for the first six months. The Department is to return to the Joint Legislative Committee on Information Management and Technology and the Emergency Board during the interim for additional limitation and project review.

DAS – Human Resources Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	7,890,801	9,078,210	10,276,266	9,826,768
Nonlimited	433,349	666,000	694,639	694,639
Total	**8,629,521**	**9,744,210**	**10,970,905**	**10,521,407**
Positions (FTE)	49.25	53.50	57.00	54.00

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 database. 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 reflected the transfer of one staff (1 FTE) and the accompanying expenditure limitation to the newly established Office of Information Technology. It also included three program enhancements detailed here. Funding for the increased expenditure limitation would come from assessments of state agencies.

Description	FTE	Amount
Add 1 position to work with agencies to help students become part of Oregon's workforce	1.0	$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	5.0	$594,685
Reclassify 4 positions to more accurately reflect job functions	-	$ 92,771

Legislatively Adopted Budget

As with the other divisions, the Legislature reduced the Governor's budget for known savings in PERS, Department of Administrative Services, and Attorney General charges, and reduced the budget for discretionary services and supplies by 1 percent. The Legislature did not approve the position to help students transition into the workforce, concluding that another coordinator of this type of activity was not warranted. It did approve three of five requested new positions for the Program Audit and Review Section. In approving these positions, the Legislature advised the Department that it expected the additional compliance reviews to be performed to result in more uniform application of state personnel laws, rules, and policies. The Legislature expressed concerns about the proliferation of position reclassifications and whether such actions are truly warranted or simply mechanisms to create jobs and increase pay. The Division was directed to report results of the additional compliance reviews when the budget is presented to the 2003 Legislature.

DAS – Public Employees Benefit Board

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	2,067,386	2,378,372	2,270,651	2,252,255
Nonlimited	49,566,217	46,500,000	49,377,206	49,377,206
Total	**51,633,603**	**48,878,372**	**51,647,857**	**51,629,461**
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

Board operations, like the 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 million is currently earning interest, while the Board seeks 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, provide wellness and education activities, and 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 was 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 provided additional funds for Attorney General costs based on expected need. The expenditure limitation requested was slightly less than 1999-01 estimated because of one-time costs that won't be incurred in 2001-03. The Nonlimited budget growth was due to increased open enrollment costs and use of the stabilization reserve. The budget did not provide for any use of the $19.5 million from the Standard Life Insurance Company demutualization. Following the court proceedings, if appropriate, the Board will seek expenditure authority to comply with court directive.

Legislatively Adopted Budget

As with the other divisions, the Legislature reduced the Governor's budget for known savings in PERS, DAS, and AG charges, and reduced the budget for discretionary services and supplies by 1 percent. Otherwise, it approved the budget as requested.

DAS – Transportation, Purchasing, and Printing Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	35,364,988	38,941,687	44,135,400	43,989,333
Nonlimited	30,877,983	37,302,193	39,716,409	39,716,409
Nonlimited Debt Service	2,328,677	2,176,288	0	0
Total	**68,571,648**	**78,420,168**	**83,851,809**	**83,705,742**
Positions (FTE)	219.44	235.01	265.21	265.21

Program Description

The Transportation, Purchasing and Printing Services Division is organized into the following 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 through 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 2001-03 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 on 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 obtained 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 for 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 reflected structural changes in the Division's budget due to a significant reorganization within the Department. Two positions (2 FTE) were 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 also were transferred. The budget contained a number of program enhancements, which are described below, to keep up with projected workload. Funding for the increased expenditure limitation would come from established service charges and fees of the various units of the Division.

Description	FTE	Amount
Add 8 positions and reclassify one position for Purchasing audit, oversight and workload	8.0	$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	3.0	$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	3.0	$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	1.0	$ 93,929

Legislatively Adopted Budget

The Legislature adopted the budget with some minor adjustments. It reduced the Governor's budget for known savings in PERS, DAS, and AG charges, and reduced the budget for discretionary services and supplies by 1 percent.

DAS – Facilities Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	21,489,530	25,306,863	29,009,466	28,571,375
Nonlimited	5,912,197	6,367,575	7,666,006	7,666,006
Nonlimited Debt Service	48,912,393	19,295,824	25,280,537	23,697,027
Total	**76,314,120**	**50,970,262**	**61,956,009**	**59,934,408**
Positions (FTE)	185.82	189.04	209.09	204.25

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 reflected structural changes in the Division's budget due to a significant reorganization within the Department. Four positions (4 FTE) were 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 also was transferred. The budget contained a number of program enhancements to keep up with projected workload. They are described below. Funding for the increased workload would come from existing uniform rent and rent charged when new facilities are completed.

Description	FTE	Amount
Add 6 positions to provide specialized facilities support services for existing facilities	6.0	$ 669,378
Add 11 positions to provide maintenance support for new facilities	11.0	$ 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

Legislatively Adopted Budget

The Legislature reduced the number of additional staff by 4.84 FTE because of cancellation of projects that had been anticipated in the Division's budget request. The Legislature also reduced the Governor's budget for known savings from the reduced PERS employer contribution rate, Attorney General hourly rates, audit assessments, and telecommunications rates. A 1% reduction was also made for discretionary services and supplies.

DAS – Risk Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	25,000	10,000	9,900
Other Funds	10,828,945	16,146,346	14,623,517	13,568,032
Nonlimited	46,281,998	43,600,000	44,264,000	44,264,000
Total	**57,110,943**	**59,771,346**	**58,897,517**	**57,841,932**
Positions (FTE)	22.34	24.00	22.00	22.00

Program Description

The Risk Management Division purchases insurance for the state, and also 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 for the 2001-03 biennium because the Division plans to use carryover fund balance in the Insurance Fund to support 2001-03 needs. Other Funds also are 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 is provided to pay for 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 included changes resulting from reorganization of the Department. Two positions and related expenditure limitation were 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 was eliminated. The budget was a current service level budget only. The General Fund reduction was based on revised estimates of the number of retired dentists who would provide volunteer dental care to the needy. The Governor's recommended budget also included a transfer of $26.5 million from the Insurance Fund to the General Fund.

Legislatively Adopted Budget

The Legislature adopted the budget with some adjustments for reduced employer PERS contribution rate and reduced assessments for audit and human resource services. Also, reduced Attorney General staff hourly billing rates resulted in a $930,000 reduction in the Division's budget. The Legislature also reduced the budget for discretionary services and supplies by 1 percent.

DAS – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	3,392,597	4,198,932	3,925,512	3,320,940
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

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; and
- $124,000 for Pendleton State Office Building roof improvements.

Legislatively Adopted Budget

The Legislature reduced the budget by approximately $605,000 by eliminating one project and reducing cost estimates for repairs to the executive residence.

DAS – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	22,425,514	6,969,642	58,270,780	11,644,780
Nonlimited	215,200	500,000	500,000	500,000
Total	**22,640,714**	**7,469,642**	**58,770,780**	**12,144,780**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Capital Construction Program includes major remodeling, renovation, and new construction or acquisition projects over $500,000. In 1997, 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 come from the depreciation component of uniform rent and service agreements ($10.3 million), and from the issuance of certificates of participation (COPs) ($48 million). The $500,000 Nonlimited Other Funds relate to issuance costs for COPs.

Governor's Budget

The Governor's recommended budget provided funds for two significant construction projects: a new Justice Center Building ($38 million) and a new Capitol Mall parking structure ($10 million). It also provided:

- $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 for each leased facilities acquisition and systems furniture acquisition.

Legislatively Adopted Budget

The Legislature reduced the budget by $48,250,000 for the elimination of the new Justice Center Building, a Capitol Mall parking structure, and renovation of the existing Justice Building. It also approved one additional project for heating, ventilation, and air conditioning improvements on the Capitol Mall.

DAS – Community Development Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	367,299	481,062	739,893	2,166,617
Other Funds	0	1,078,578	1,719,161	0
Total	**367,299**	**1,559,640**	**2,459,054**	**2,166,617**
Positions (FTE)	4.50	6.67	8.00	8.75

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 function 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 provided permanent funding for five regional coordinators and two support staff with Other Funds. It also took a 10% General Fund reduction from Services and Supplies, but added $300,000 General Fund to pay for a statewide sustainability coordinator to provide sustainability training to state agency personnel.

Legislatively Adopted Budget

The Legislature provided $100,000 General Fund and 0.75 FTE to fund activities of a new Sustainability Board as part of the office. It also provided General Fund and 8 FTE (limited duration) for continuation of the Community Development Office.

DAS – Oregon Progress Board

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	0	704,470
Other Funds	0	0	0	480,673
Total	**0**	**0**	**0**	**1,185,143**
Positions (FTE)	0	0	0	3.00

Program Description

The Oregon Progress Board previously was included in the budget of the Economic and Community Development Department. 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 has been 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 state agencies benchmarks and progress in meeting those benchmarks as part of the state budget process. The Board was specifically directed to help develop and implement the evaluation of programs that provide services to children and families and was provided $94,275 General Fund in 1999-01 for that effort.

Governor's Budget

The Governor's budget included the Oregon Progress Board in the budget of the Economic and Community Development Department. The budget funded the program at the current service level and added $100,000 General Fund for a literacy survey. The survey was to be conducted in collaboration with the Office of Community Colleges and Workforce Development. Increases to the 1999-01 estimated expenditures reflected standard current service level adjustments.

Legislatively Adopted Budget

The Legislature transferred the Oregon Progress Board to the Department of Administrative Services, also adding two legislative members and additional statutory guidance to the Board. The budget approved by the Legislature is a current service level budget reduced for known savings in PERS, DAS, and AG charges, and a 1% reduction for discretionary services and supplies. The Legislature did not approve the request for the literacy study.

DAS – Office for Oregon Health Policy and Research

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	872,497	1,329,179	1,624,655	1,618,386
Other Funds	2,357,093	1,800,791	1,462,949	1,495,083
Federal Funds	0	688,611	250,653	564,653
Total	**3,229,590**	**3,818,581**	**3,338,257**	**3,678,122**
Positions (FTE)	17.98	14.99	14.92	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. In 2001, the name was changed to the Office for Health Policy Research.

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 will end September 30, 2001. The Office also pursues other grant funding to support its research activities.

Governor's Budget

The Governor's recommended budget continued 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 recognized the end of a three-year private grant program and related reduction in four positions (1.48 FTE) as of September 30, 2001. The budget continued 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 contained an additional $16,000 in General Fund to pay for increased computer support provided by the Oregon Department of Education. Additionally, $82,000 General Fund was provided to continue the collection and analysis of record-level data on hospital inpatient stays. This activity was financed previously by selling the data to users. However, the Attorney General opined that the data is public record and, as a result, only a nominal amount can be charged. The budget also included $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 be returned to the Office as Other Funds for continued program efforts. In the 1999-01 biennium, $196,000 was provided for this purpose.

Legislatively Adopted Budget

The Legislature reduced the Governor's budget for known savings and reduced the budget for discretionary services and supplies by 1 percent. It also transferred $314,000 of Federal Funds expenditure limitation from 1999-01 to 2001-03. Additionally, it provided $42,000 additional Other Funds expenditure limitation for the carryover balance of a private grant.

DAS – Arrest and Return

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	0	763,380	1,290,482
Other Funds	0	0	564,277	30,170
Total	**0**	**0**	**1,327,657**	**1,320,652**
Positions (FTE)	0.00	0.00	1.00	1.00

Program Description

The Arrest and Return program funds sending one officer to return Class A and B felons nationwide. Through the 1999-01 biennium, this program was funded through 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 were transferred from the Oregon State Police budget to locate this program in the Governor's Office.

Governor's Budget

The Governor's recommended budget consisted of the transferred funds and FTE and added $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 were expected from a Criminal Fines and Assessment Account distribution.

Legislatively Adopted Budget

The Legislature reduced the Governor's budget for known savings in PERS, DAS, and AG charges, and reduced the budget for discretionary services and supplies by 1 percent. The Legislature also shifted the Other Funds to General Fund because of changes made in the way the Criminal Fines and Assessment Account is distributed.

DAS – Miscellaneous Distributions

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 certain mass transit districts and transportation districts. The distribution is to reimburse the districts for the benefits they provide to the state government.

Governor's Budget

The Governor's recommended budget was a current service level budget.

Legislatively Adopted Budget

The Legislature adopted the budget without change.

DAS – Special Payments

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	430,124	615,000	250,000	1,890,000
Lottery Funds	0	0	0	534,003
Other Funds	3,973,823	0	0	6,198,954
Total	**4,403,947**	**615,000**	**250,000**	**8,622,957**
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 proposed 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.

Legislatively Adopted Budget

The Legislature, through several bills, approved a number of special payments through the Department. The General Fund special payments are for the Childrens Trust Fund ($1,350,000), World Affairs Council ($150,000), Lewis & Clark Bicentennial ($100,000), Southern Oregon Public Television ($100,000), two veterans monuments ($50,000), four libraries in Eastern Oregon ($80,000), and three rural fire protection districts ($60,000). The Lottery Funds special payment is for debt service on Lottery-backed bonds to finance improvements in public broadcasting. The Other Funds special payments are for the Oregon Resource and Technology Development Account ($5 million), Southern Oregon Public Television Corporation ($1 million), and $198,954 for bond issuance costs for the Lottery-backed bonds to be issued for public broadcasting.

DAS – Governor's Natural Resource Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,289,075	2,336,862	2,161,394	0
Other Funds	236,677	295,153	288,895	0
Total	**1,525,752**	**2,632,015**	**2,450,289**	**0**
Positions (FTE)	8.92	12.17	11.00	0.00

Program Description

The Governor's Natural Resource Office addresses important natural resource issues that have a major effect 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 was for current service level of activity reduced by $322,000 General Fund. The General Fund reduction was to be achieved by phasing out two positions at the end of calendar year 2002 (0.50 FTE), reduced contracted dispute resolution services, and less funding for Geographic Information System (GIS) products for the Oregon Plan for Salmon and Watersheds.

Legislatively Adopted Budget

Because the Legislature concluded that this policy office more properly belongs in the Office of the Governor, the budget for this office was transferred.

DAS – Office of Education and Workforce Policy

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	879,078	1,123,281	1,007,213	0
Other Funds	9,896	15,000	75,792	0
Total	**888,974**	**1,138,281**	**1,083,005**	**0**
Positions (FTE)	5.63	5.88	5.00	0.00

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 has been housed in DAS, like the Governor's Natural Resource Office and the Office for Oregon Health 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 was essentially a current service level budget with some General Fund reductions for services and supplies.

Legislatively Adopted Budget

As with the Governor's Natural Resource Office, the Legislature transferred the budget for this office to the Office of the Governor.

DAS – Pioneer Cemetery

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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.

Commission on Asian Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,759	131,384	142,950	141,508
Other Funds	63,374	17,806	30,586	30,586
Total	**89,133**	**149,190**	**173,536**	**172,094**
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 (Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women).

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 had been 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 in donations during the entire 1997-99 biennium. During the first year of the 1999-01 biennium, 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 2001-03 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 provided General Fund support at the current service level, and increased 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 provided 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. 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 transferred these funds back to the General Fund in the 2001-03 biennium.

Legislatively Adopted Budget

General Fund support in the Governor’s budget for the four advocacy commissions did not reflect the commissions’ projected costs. This was due primarily to turnover in the executive director positions and the fact that the commissions hire executive directors at different step levels. To address this, the adopted budget equalized General Fund support to the four commissions. The result of this equalization was to reduce the General Fund appropriation to the Commission on Asian Affairs by $1,082. The only other adjustment to the funding level was an additional $360 General Fund reduction to reflect standard cuts in support for PERS contributions, state government service charges, and 1% of services and supplies as was taken for all current service level budgets.

To promote private fund raising, the budget unschedules $10,000 of the General Fund appropriation for release to the agency as a dollar-for-dollar match to donation, grant or sales income. If the Commission continues to raise private funds at recent levels, it will receive enough to allow the full $10,000 to be rescheduled.

Commission on Black Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,777	128,860	139,339	141,508
Other Funds	76,121	28,859	20,054	20,054
Total	**101,898**	**157,719**	**159,393**	**161,562**
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 (Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). 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 was 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 – Oregon State Penitentiary, 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 to which the Commission had approved primary links to.

Governor's Budget

The Governor's recommended budget funded the Commission at the current service level. The budget, therefore, removed 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 was retained in the 2001-03 budget, 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.

Legislatively Adopted Budget

General Fund support in the Governor's budget for the four advocacy commissions did not reflect the commissions' projected costs. This was due primarily to turnover in the executive director positions and the fact that the commissions hire executive directors at different step levels. To address this, the adopted budget equalized General Fund support to the four commissions. The result of this equalization was to increase the General Fund appropriation to the Commission on Black Affairs by $2,426. The only other adjustment to the funding level was a $257 General Fund reduction to reflect standard cuts in support for PERS contributions and state government service charges.

To promote private fund raising, the budget unschedules $10,000 of the General Fund appropriation for release to the agency as a dollar-for-dollar match to donation, grant or sales income. The Commission has not identified any donation, grant or sales income sources for the upcoming biennium. Unless the Commission significantly increases its private fund raising, it may face severe restrictions in its ability to fund service and supply expenditures.

Capitol Planning Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	215,004	252,514	266,543	265,877
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 contained one enhancement over current service level. The $17,000 enhancement was to connect the Commission to the Capitol Wide Area Network and to develop and maintain a web site.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with some minor adjustments for reduced assessments, PERS employer contribution rates, and a 1% reduction for discretionary services and supplies.

Employment Relations Board (ERB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,147,317	1,277,152	1,344,745	1,339,602
Other Funds	1,151,504	1,298,067	1,639,913	1,637,166
Total	**2,298,821**	**2,575,219**	**2,984,658**	**2,976,768**
Positions (FTE)	18.00	17.73	16.00	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 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	921,861	1,060,393	1,231,586	1,229,524
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 anticipated using approximately $200,000 of carry-forward balance in addition to the assessments. It was a current service level budget increased slightly for office rent increases and instate travel costs. The increase over the prior biennium was due to increased personnel costs of $153,000 mostly attributable to a full biennium of salary adjustments provided in 1999-01.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with some minor adjustments for reduced assessments and a 1% reduction in discretionary services and supplies.

ERB – Local Government Labor Relations

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,147,317	1,277,152	1,344,745	1,339,602
Other Funds	229,643	237,674	408,327	407,642
Total	**1,376,960**	**1,514,826**	**1,753,072**	**1,747,244**
Positions (FTE)	10.88	10.61	8.88	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 was strictly a current service level budget. The budget eliminated two positions (1.73 FTE) that had been vacant most of the 1999-01 biennium. The savings from these reductions were used to maintain current service level for increased rent and instate travel costs and professional services for technology support.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with some minor adjustments for reduced assessments and a 1% reduction in discretionary services and supplies.

Government Standards and Practices Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	567,391	774,073	677,453	641,230
Other Funds	3,201	7,228	10,374	9,662
Total	**570,592**	**781,301**	**687,827**	**650,892**
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 received a total of $75,500 in supplemental General Fund appropriations during the 1999-01 biennium for such costs. The agency has had a series of high cost cases in court and before the Central Hearings Panel.

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 was a current service level budget and reflected a decrease of $17,974 or 2.55% from 1999-01 estimated expenditures. The decrease was due to the phase-out of one-time technology investments. As in previous biennia, the budget did not include funding for exceptional legal costs.

Legislatively Adopted Budget

The adopted budget is $641,230 General Fund and $9,662 Other Funds for a total of $650,892. This amount is a 5.4% decrease from the 2001-03 Governor's recommended budget and is primarily due to a special General Fund reduction of $31,500. These dollars, disappropriated for the 2001-03 biennium, are appropriated to the Commission for the 1999-2001 biennium to cover Attorney General expenditures exceeding the Commission's 1999-01 budget. The adjustments occur in House Bill 5014, as the Commission's budget bill (HB 5019) was already enrolled when the additional expenditures were brought forward. The $31,500 is on top of the $44,000 General Fund the agency received for Attorney General expenses at the January 2001 Emergency Board. The Commission may need to request supplemental funding from the Emergency Board during the 2001-03 interim if the agency continues to incur extraordinary Attorney General charges. The budget also includes minor adjustments for various rate changes, including those for PERS and Attorney General.

Office of the Governor – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,960,559	5,415,723	5,681,669	9,256,178
Other Funds	966,686	799,529	838,433	1,199,682
Total	**5,927,245**	**6,215,252**	**6,520,102**	**10,455,860**
Positions (FTE)	31.00	29.00	29.00	46.00

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. The Office also includes two policy offices formerly included in the Department of Administrative Services' budget: the Governor's Natural Resource Office and the Office of Education and Workforce Policy.

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. Additionally, about $240,000 is received from the Department of Transportation for the Governor's Natural Resource Office, and the Office of Education and Workforce Policy carried over $75,000 Other Funds to be expended in the 2001-03 biennium.

Budget Environment and Performance Measures

The budget is driven by the number of staff and programs operated out of the Governor's Office. No new programs have been placed in the Governor's Office in recent biennia. The transfer of budgetary accountability for the two policy offices was done to reflect actual programmatic responsibility and did not add new programs.

Governor's Budget

The Governor's recommended budget funded the current service level. Increases over the 1999-01 biennium were due to inflation and a full biennium of salary adjustments provided during the 1999-01 biennium. The Governor's recommended budget did not anticipate the transfer of budgetary responsibility for the two policy offices.

Legislatively Adopted Budget

The Legislature approved the Governor's initial request with minor adjustments for reduced PERS contribution rate, 1% reduction for services and supplies, and other minor cost reductions. Also included was additional General Fund for a salary increase provided the Governor (and other elected officials).

The Legislature increased the budget by transferring the staff of the Governor's Natural Resource Office and Office of Education and Workforce Policy from the Department of Administrative Services. The Legislature felt it more appropriate that these policy offices be included in the budget of the Office of the Governor. The Legislature also provided one additional limited duration position in the Office of Education and Workforce Policy. The additional position was offset by a reduction of one position in the Department of Education. The position was transferred to provide support to the State Board of Education. Additionally, a $218,000 General Fund special purpose appropriation was made to the Emergency Board to fund costs of the Post-Secondary Education Opportunity Commission. The budget of the Department of Higher Education was reduced by $218,000 General Fund to offset this increase.

These changes resulted in the addition of $3.6 million General Fund, $362,000 Other Funds expenditure limitation, and 17 FTE to the budget of the Office of the Governor. Since the increases were offset by reductions in other agency budgets, they did not increase the overall size or cost of state government.

Commission on Hispanic Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,739	128,216	159,160	141,508
Other Funds	96,876	118,228	162,751	42,541
Total	**122,615**	**246,444**	**321,911**	**184,049**
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 (Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). 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 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.

The Audits Division of the Secretary of State is currently auditing the agency's expenditures and operations. The Division did not complete this report during the legislative session. The report is likely to find serious irregularities in the expenditures of the Commission.

The previous executive director resigned in October 2000. Although the agency's 1999-01 General Fund appropriation should have been sufficient to finance the agency's operating costs for the full 24 months of the biennium, the agency's General Fund was depleted well before the biennium ended. Also, the agency's Other Funds (Spanish language course revenues) were close to being depleted. The agency had a number of unpaid bills as well, and was able to continue operations only because an interim executive director served on a job rotation basis.

The report by the Audits Division will address these issues and make recommendations to the Commission and to state government to improve the Commission's financial operations.

Governor's Budget

The Governor's budget included General Fund support at the current service level, and increased 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, were expected to increase further to $160,000 in 2001-03. Approximately two-thirds of the funds were to be used to pay the costs of the Spanish classes. The remainder would finance ESL courses, Spanish language pre-school classes, and the annual Latino Youth Summit. The Audits Division report should contain better information on agency revenues. The budget also allowed $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, was 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.

Legislatively Adopted Budget

The Secretary of State Audits Division is conducting a review of the Commission on Hispanic Affairs. The results of this review are not yet available, but are expected to show serious financial irregularities in the

Commission's finances. The adopted budget provides only one year of General Fund support to the Commission pending release of the audit. Second-year funding for the Commission was appropriated to the Emergency Board. The Commission will request release of the second-year funds from the Emergency Board after demonstrating that it has successfully addressed the concerns raised in the audit. The adopted budget also provides Other Funds expenditure limitation for only the first year of the biennium. The Emergency Board may increase this limitation after the audit is addressed.

General Fund support in the Governor's budget for the four advocacy commissions did not reflect the commissions' projected costs. This was due primarily to turnover in the executive director positions and the fact that the commissions hire executive directors at different step levels. Support for the Commission on Hispanic Affair was especially high because the executive director position was funded at the top step even though the position was vacant. To address this, the adopted budget equalized General Fund support to the four commissions. The result of this equalization was to reduce the General Fund appropriation to the Commission on Hispanic Affairs by $17,186. Other adjustment to the funding level included an additional $466 General Fund reduction to reflect standard cuts in support for PERS contributions, state government service charges, 1% of services and supplies as was taken for all current service level budgets, and 1% of out-of-state travel.

To promote private fund raising, the budget unschedules $10,000 of the General Fund appropriation for release to the agency as a dollar-for-dollar match to donation, grant or sales income. The Commission receives Other Funds from its Spanish language course program, but these funds are ineligible to meet the private fund match because they are paid by other state agencies. Therefore, the Commission will have to pursue additional fund raising activities to get the $10,000 rescheduled.

Oregon State Library (OSL) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,738,955	3,125,068	3,194,359	3,191,312
Other Funds	4,226,259	4,787,100	5,108,984	5,102,149
Federal Funds	3,210,183	3,566,960	3,632,847	3,932,219
Total	**10,175,397**	**11,479,128**	**11,936,190**	**12,225,680**
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 was approximately $11.9 million total funds, a 4% increase over 1999-01 estimated expenditures. The budget essentially maintained the current level of services.

Legislatively Adopted Budget

The Legislature approved a budget of $12.2 million total funds, a 2.4% increase over the Governor's recommended level. The increase is primarily due to additional Federal Funds expenditure limitation added in the Library Development Services Division for grants unanticipated at the time the Governor's budget was developed.

OSL – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	389,017	393,297	404,003	403,252
Other Funds	420,025	542,113	553,644	552,539
Total	**809,042**	**935,410**	**957,647**	**955,791**
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. Previously, the agency expected a decline in the number of volunteer hours: from 32,450 in 1997-99 to a projected 31,300 for 1999-01. However, actual data for 1999-01 shows an increase to 34,995. The Library's goal for 2001-03 remains at 30,000 hours.

Governor's Budget

The Governor's recommended budget continued this program at the current service level. The recommended budget was a 2.4% increase over 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended budget for the following: a revision in the Public Employees Retirement System (PERS) contribution rate ($1,431 total funds), a lower Attorney General hourly rate approved by the Legislature ($228 total funds), and other revised interagency assessments ($197 total funds).

OSL – Library Development Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	1,388,775	1,666,599	1,676,005	1,675,574
Other Funds	17,081	26,255	50,756	50,679
Federal Funds	3,210,183	3,566,960	3,632,847	3,932,219
Total	**4,616,039**	**5,259,814**	**5,359,608**	**5,658,472**
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 in improving children's services, information technology, and fundraising;
- 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 $3.9 million.

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 1999 was 84 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 birth through age fourteen (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 a goal of 10% for 2001-03.

Governor's Budget

The Governor's recommended budget continued the current service level for this program. It eliminated inflation (-$35,216) in the Ready to Read Grant program, but based on revised population estimates as of September 2000 for children birth through age fourteen, the program was still funded at approximately $1.00 per child. The recommended budget was a 1.9% increase over 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget for reductions in the PERS contribution rate ($1,032 total funds) and interagency assessments ($104 total funds). The budget was increased by $300,000 Federal Funds expenditure limitation for LSTA grants unanticipated at the time the Governor's budget was developed.

OSL – Talking Book and Braille Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	961,163	1,065,172	1,114,351	1,112,486
Other Funds	101,840	107,315	173,442	173,234
Total	**1,063,003**	**1,172,487**	**1,287,793**	**1,285,720**
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 covered 88% of the TBABS budget and the remaining 12% was funded through Other Funds, which represent donations generated through a fund-raising program. Actual donations for 1997-99 were $168,000. The State Library reported $240,000 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.

In the 1999-01 biennium, the Library contracted with the Department of Corrections (DOC) to have inmates at Eastern Oregon Correctional Institution clean and repair the TBABS machines on a limited basis. The Library estimated that in 1999-01 about 1,560 machines would have been serviced under this contract, which was terminated in October 2000 by the DOC, apparently as part of its reassessment of the inmate work programs. The Library is exploring other sources for machine service but funding constraints have limited its options. Currently, volunteers and staff service the machines.

Performance measures for this program include:

- Number of individuals registered to receive TBABS – 6,599 Oregonians were registered in 1997-99 and 6,574 in 1999-01, with a target of 7,000 for 2001-03; and
- Percentage of TBABS customers rating the service as "very good" or "excellent" – 93% of users gave this rating in 1997-99 and 92% in 1999-01, with a goal of 95% for 2001-03.

Governor's Budget

The Governor's recommended budget was a 9.8% increase over 1999-01 estimated expenditures and maintained the current service level. The Governor's budget did 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.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget for reductions in the PERS contribution rate ($1,627 total funds) and interagency assessments ($446 total funds).

OSL – Government Research and Electronic Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	3,687,313	4,111,417	4,331,142	4,325,697
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 state government publications, Oregon history, and genealogy.

GRES develops and maintains the State Library collection and SmartOR.gov, the Library's 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 this 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 (SmartOR.gov). For CALLsmart as well in-person and e-mail requests, reference transactions for state employees increased from 17,106 in 1993-95 to 31,184 in 1997-99. During the first twelve months of the 1999-01 biennium, Library staff answered 11,573 requests for information. The Library expected significant growth in the second half of the biennium, in part due to reductions in staff and resources for an internal library at the Oregon Department of Transportation. Approximately 14,209 requests were received during 2000-01.

SmartOR.gov allows state agencies to access digital information from numerous sources, including electronic newspapers and magazines, databases, library catalogs, and websites. There are approximately 4,348 state employees who are registered users of SmartOR.gov. 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.

Performance measures for this program include:

- Number of information requests transacted for state employees – 31,184 transactions were executed for 1997-99 and 25,782 for 1999-01, with 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 and 84% for 1999-01, with a goal of 75% for 2001-03; and
- Percentage of state employees registered to use SmartOR.gov – 10% of state employees were registered in 1997-99, 12% in 1999-01, and a goal of 18% for 2001-03.

Governor's Budget

The Governor's recommended budget continued the current level of service. The recommended budget was a 5.5% increase over 1999-01 estimated expenditures.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget for reductions in the PERS contribution rate ($4,601 total funds) and interagency assessments ($844 total funds).

Oregon Liquor Control Commission (OLCC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	64,717,455	71,868,001	77,284,975	77,148,773
Nonlimited	0	69,516	2,087,000	2,087,000
Total	**64,717,455**	**71,937,517**	**79,371,975**	**79,235,773**
Positions (FTE)	214.35	215.02	217.02	217.02

Program Description

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 was $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 was 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 included reduction packages totaling $274,256 from the current service level. Program enhancements totaling $1.9 million were recommended for the Regulatory Program's administrative support services and information technology support in the Support Services and Agents Compensation programs.

Legislatively Adopted Budget

The Legislature approved a total funds budget of $79,235,773 and 217.02 FTE. The budget is 0.2% below the Governor's recommended budget and 0.4% above the current service level. The Legislature approved $2 million for the cost of credit cards in the Non-limited budget. The approved budget provides $154,676 Other Funds and adds two positions to provide administrative support for regulatory specialists in regional field offices. Funding of $308,038 Other Funds was approved for five new technology upgrades and ongoing hardware and software maintenance. The Legislature also approved increasing the base budget by $198,990 Other Funds for various ongoing small facility maintenance projects.

OLCC – Merchandising

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	7,298,925	6,303,995	5,570,277	6,391,116
Nonlimited		44,015	2,087,000	2,087,000
Total	**7,298,925**	**6,348,010**	**7,657,277**	**8,478,116**
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.

Governor's Budget

The Governor's recommended budget of $7,657,277 was $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 included 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.

Legislatively Adopted Budget

The Legislature approved a total funds budget of $8,478,116 and 48.42 FTE. The approved budget includes $832,304 Other Funds expenditure limitation carried forward from the 1999-2001 biennial budget for delayed implementation of information technology projects. A personal services reduction in the amount of $8,340 was made to reflect a lower Public Employee Retirement Services (PERS) employer contribution rate. A reduction in services and supplies in the amount of $3,125 was made to reflect reductions in long distance telephone rates.

OLCC – Regulatory

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	11,119,635	14,310,659	13,140,331	13,752,628
Total	**11,119,635**	**14,310,659**	**13,140,331**	**13,752,628**
Positions (FTE)	97.33	102.00	104.00	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.
- 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.
- 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.

- 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.

Governor's Budget

The Governor's recommended budget of $13,140,331 was $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 included a reduction of $40,000 in services and supplies from the current service level and a proposal to establish three positions (2 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.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $13,752,628 and 104 FTE. The approved budget is $612,197 higher than the Governor's recommended budget reflecting an increase of $700,000 in Other Funds expenditure limitation carried forward from the 1999-2001 biennium for delayed implementation of information technology projects. The personal services budget was decreased $21,583 Other Funds reflecting a rate reduction in the PERS employer assessment and the services and supplies budget was decreased $66,120 reflecting reductions in the Department of Administrative Services Human Resources Services assessment, long distance telephone rates and excess limitation in the education programs. The Legislature approved the Nonlimited budget for credit card fees.

OLCC – Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	10,529,501	12,040,769	12,516,607	12,449,279
Nonlimited		25,501	0	
Total	**10,529,501**	**12,066,270**	**12,516,607**	**12,449,279**
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 Supports 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.
- 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.

Governor's Budget

The Governor's recommended budget of $12,516,607 was $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 included 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 proposed that this level of funding be included in future budgets as a base level for ongoing technology system maintenance.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $12,339,279 and 64.60 FTE. The approved budget is 0.54% lower than the Governor's recommended budget reflecting reductions in personal services of $14,492 Other Funds for the reduced PERS employer rate, $49,724 Other Funds for reductions in state government service charges for the Secretary of State Audit, Attorney General rates and long distance telephone rates. Funding for the information technology on-going hardware and software maintenance budget is reduced by $3,112 Other Funds.

OLCC – Agents Compensation

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	35,471,298	38,541,532	45,856,760	44,356,760
Total	**35,471,298**	**38,541,532**	**45,856,760**	**44,356,760**

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); 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 was $7,315,228 or 19% higher than the 1999-01 estimated budget level and $1,500,000 or 3% higher than the 2001-03 current service level. The current service level reflected a 6.9% increase in agents' compensation at the existing 8.54% compensation rate generated by increased sales volume. The recommended budget provided $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.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $44,356,760. The Legislature approved a concept to increase liquor sales by 4-cents per bottle to fund a retail system technology project. A budget note requires the agency to seek approval of the Retail Modernization project from the interim Joint Legislative Committee on Information Management and Technology. The Legislature directed the agency to address concerns about adequate oversight of implementing the technology project and consistent application among 236 liquor store agents before seeking expenditure authority from the Emergency Board.

OLCC – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	298,096	671,046	201,000	198,990
Total	**298,096**	**671,046**	**201,000**	**198,990**

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 was $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.

Legislatively Adopted Budget

The Legislature approved a total funds expenditure limitation of $198,990 Other Funds, reducing the Governor's recommended budget by 1% ($2,010).

Public Employees Retirement System – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
Other Funds	33,499,864	47,091,055	49,464,101	39,486,795
Nonlimited	3,010,023,256	3,187,519,305	3,625,013,878	3,623,591,048
Total	**3,043,523,120**	**3,234,610,360**	**3,674,477,979**	**3,663,077,843**
Positions (FTE)	191.70	217.08	228.08	216.08

** 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 (PERS) 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 0.09 of 1% 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 current biennium, 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 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 acknowledged it will likely cost more than originally estimated, and expected to have better cost estimates to present during its budget hearings. The project was to 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 was $7.2 and $2.8 million over the 1999-01 estimate and 2001-03 current service level, respectively. The $437.5 million increase in Nonlimited Other Funds 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 included $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 included five limited-duration staff (4.5 FTE) and $9.5 million to continue work on the OPAS project. Inflation, overtime, additional Attorney General costs, and other services and price list adjustments accounted for another $1.8 million of the increase. The budget continued the additional permanent position (1 FTE) approved by the Emergency Board for the Oregon Savings Growth Plan ($0.2 million). The Governor's budget further included 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
Add one limited-duration position to assist in workload and communications about beneficiary changes due to divorce decrees (enabling legislation required)	1	.5	$ 53,000
Temporary staff and programming changes for pooling of local government accounts (enabling legislation required)			$119,000
Temporary staff and programming changes for change in mandatory minimum payout (enabling legislation required)			$ 80,000
Totals	**11**	**10.0**	**$1,528,000**

Legislatively Adopted Budget

The Legislature made a significant number of changes to the budget request. The adopted budget included reductions for the PERS employer contribution rate, DAS and Secretary of State assessments, and a 1% reduction for services and supplies. The Legislature did not approve funding for enhancements reliant upon proposed statutory changes. Because a number of different legislative bills that would affect PERS, the Legislature felt that PERS should return to the Emergency Board for additional staffing and expenditure limitation after the effects of all legislation passed could be assessed. Additionally, a significant adjustment was made to the request for continued funding of the OPAS project. The Legislature also made adjustments that reflected concerns about the nature, extent, and level of services provided.

With respect to the OPAS project, the Legislature expressed concerns about the project scope, cost, and management's ability to manage the project. The Department of Administrative Services, Information Resources Management Division reviewed the project plans and recommended that PERS cease project activities. It estimated the total project, as presented by PERS, could cost up to $100 million, and cited concerns about PERS ability to manage a project of the magnitude presented. The Legislature reduced the budget for the project to $1 in the budget bill and included in the bill language that PERS was not to spend any more funds on the project "unless a specific proposal for the expenditure of the funds is submitted to the Joint Legislative Committee on Information Management and Technology and a change to the expenditure limitation . . . is approved by the Emergency Board or by the Legislative Assembly." The Legislature also directed PERS to work with the Department of Administrative Services, Information Resources Management Division to ensure that the project meets state standards.

Concerns about growth in staff size and level of services provided caused the Legislature not to approve certain requests for additional staff and personnel reclassifications. Instead, the Legislature directed the Department of Administrative Services to complete a review of the existing agency organization structure at PERS, along with a review of the activities and classifications of authorized positions. The review is to compare activities conducted against statutory service requirements. The Legislature did approve staffing and reclassifications that would strengthen internal management. However, the Legislature also reduced the number of one-on-one retirement counselors and directed PERS to look at alternatives to its service delivery practices. Concerns about the amount of in-state travel for purposes of educational meetings and forums caused a reduction in the in-state travel budget and a directive to use video- and tele-conferences for such meetings. Finally, the Legislature requested that the Joint Legislative Audit Committee review the administration of the deferred compensation plan with an eye towards whether it would be more cost effective and efficient to contract with a private corporation or institution to administer the plan.

Oregon Racing Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	493,800	0	0	0
Other Funds	3,711,074	3,458,269	4,111,571	3,898,643
Total	**4,204,874**	**3,458,269**	**4,111,571**	**3,898,643**
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.

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 fee of 0.25% of the pari-mutuel Hub tax, and estimates $333,333 in General Fund revenue 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 has been in financial difficulty, and unable to 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 a $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 funded the Commission at the current service level and added $566,667 in expenditure limitation for potential Hub revenue. This was an increase of $150,000 above the limitation requested by the Commission. In addition, the Governor's budget assumed an additional $500,000 in General Fund revenue would be transferred by the Commission, raising the total General Fund revenue to $833,333. 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 was unlikely that this revenue level could be achieved. In order to accommodate the increased General Fund transfer, the Governor reduced the Commission's ending balance to less than 3 months of operating expenditures. However, the Commission revised its revenue estimates, resulting in an increase of $596,772 in the available revenue. As a result of this revised estimate, the Commission's ending fund balance was increased to $1.3 million.

Oregon Racing Commission Revised Revenue & Expenditure Estimates

	All Revenues	Hub Parimutuel	Operating	Change to Gov's Rec
Revenues				
Beginning Balance	1,544,887		1,544,887	835,597
Licenses and Fees	534,000		534,000	212,130
Unclaimed Winnings	715,960		715,960	(17,640)
Parimutuel Receipts	3,276,189	1,000,000	2,276,189	(433,315)
General Fund Transfer	(833,333)	(333,333)	(500,000)	-
Total Available	5,237,703	666,667	4,571,036	596,772
Expenditures				
Personal Services	2,179,851		2,179,851	(3,966)
Services and Supplies	1,102,125		1,102,125	(8,962)
Special Payments	616,667	(666,667)	(50,000)	(200,000)
Capital Outlay	-		-	-
Total Expenditures	3,898,643	(666,667)	3,231,976	(212,928)
Ending Balance	**1,339,060**	**-**	**1,339,060**	**809,700**

Legislatively Adopted Budget

The Legislature funded the Commission at the Governor's budget level with standard adjustments for reductions in PERS contributions, telephone rates, state government service charges and Audits Division assessments. The Legislature was concerned about the revenue estimates on which the Governor's budget was based. The Legislature reduced the Hub expenditure limitation for revenues transferred to support the pari-mutuel industry, to reflect current revenue projections. The Legislature also directed the Commission to maintain not less than six months of operating funds and to report to the Emergency Board every nine months on the status of its revenues and the transfers to the General Fund. If the Commission is unable to maintain six months of ending balance and accommodate the increased General Fund transfer, the Commission will return to the Emergency Board with an expenditure reduction plan.

Department of Revenue (DOR) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	94,510,554	111,634,118	118,133,103	119,365,959
Other Funds	14,031,053	17,578,310	19,378,417	19,140,313
Nonlimited	152,176	186,544	186,544	186,544
Total	**108,693,783**	**129,398,972**	**137,698,064**	**138,692,816**
Positions (FTE)	896.18	929.09	949.37	959.72

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)	$ 4,968,200
State Agency Collections	$ 4,252,000
Timber Privilege Taxes	$ 3,450,000
Assessor Funding Program	$ 3,209,000
ORMAP	$ 122,100
Senior and Disabled Citizens' Property Tax Deferral	$ 1,152,680
Other Business Fees (including hazardous substance fees, petroleum load fees, and dry cleaning fees)	$ 503,570
Fines and Assessments	$ 580,800
Other Tobacco Products Tax (products other than cigarettes)	$ 229,000
Other Taxes (emergency communications; gas and oil production)	$ 145,400
Miscellaneous (includes Department's kicker cost reimbursement of $885,000)	$ 1,156,700
TOTAL REVENUES	**$ 19,769,450**

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 was a 6.4% increase over 1999-01 estimated expenditures (5.8% General Fund and 10.1% Other Funds). It eliminated 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 was 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 added 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 originally was expected to generate approximately $18.5 million General Fund for the State (but no additional funds for local governments). Subsequent to the development of the Governor's budget, the agency revised this projection to $20 million.

Legislatively Adopted Budget

The legislatively adopted budget is a 7.2% increase over 1999-01 estimated expenditures (6.9% General Fund increase and 8.8% Other Funds increase). The Legislature approved the taxpayer compliance package in the Governor's budget. It added another 16 positions (14.6 FTE) with the goal of increasing General Fund revenues by an additional $7.9 million at a cost of $1.6 million, resulting in a net increase of $6.3 million. In total, the Legislature invested $5.5 million General Fund to generate $27.9 million in General Fund revenues, for a net gain of $22.4 million.

DOR – Executive Section

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	2,483,058	1,770,685	1,813,827	1,760,872
Other Funds	37,360	88,597	54,177	54,136
Total	**2,520,418**	**1,859,282**	**1,868,004**	**1,815,008**
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 was a slight increase (0.5%) over 1999-01 estimated expenditures and maintained the current level of services. Increases for inflation and personnel costs were provided but were 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 were to be reassigned within the Department.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget by $52,996 total funds ($52,955 General Fund and $41 Other Funds) for a reduced Public Employees Retirement System (PERS) contribution rate, a lower Attorney General hourly rate approved by the Legislature, and reduced charges from the Secretary of State's Audits Division.

DOR – Administrative Services Section

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	3,684,912	3,493,748	3,499,151	3,490,144
Other Funds	1,057,631	1,102,454	375,809	375,012
Total	**4,742,543**	**4,596,202**	**3,874,960**	**3,865,156**
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 maintained the current service level, was a 15.7% decrease from 1999-01 estimated expenditures. This was 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 were 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.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget by $9,804 total funds ($9,007 General Fund and $797 Other Funds) for the reduced PERS contribution rate and Attorney General hourly rate.

DOR – Information Processing Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	29,247,301	31,839,512	35,177,653	35,217,141
Other Funds	3,837,057	3,923,692	3,708,834	3,703,099
Total	**33,084,358**	**35,763,204**	**38,886,487**	**38,920,240**
Positions (FTE)	289.98	302.26	290.84	291.34

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 was an 8.7% increase over 1999-01 estimated expenditures. The budget included a reduction of $1.6 million ($1,532,219 General Fund and $28,821 Other Funds) primarily due to elimination of 33 positions (15.87 FTE), resulting from process improvements implemented during 1999-01 and earlier. The budget added $355,924 General Fund and 5 positions (3.5 FTE) as part of the taxpayer compliance package. It also added $94,899 General Fund and $8,122 Other Funds for increased costs in federal bulk mailing rates.

Legislatively Adopted Budget

The Legislature modified the Governor's recommended budget by $61,918 total funds ($56,183 General Fund and $5,735 Other Funds) for revised PERS contributions, reduced charges from the Department of Administrative Services' Human Resource Services Division, and a 1% reduction in out-of-state travel. The Legislature added one administrative specialist position (0.50 FTE) at a cost of $95,671 General Fund to complement the other positions in the taxpayer compliance package.

DOR – Property Tax Division

	1997-99 Actual	1999-01 Estimated *	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	13,411,543	19,750,969	19,796,681	19,859,608
Other Funds	3,986,400	6,329,743	7,988,704	7,775,085
Total	**17,397,943**	**26,080,712**	**27,785,385**	**27,634,693**
Positions (FTE)	144.29	140.46	144.71	142.71

* *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 was a 6.5% increase over 1999-01 estimated expenditures. The nominal increase in General Fund support reflected 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 added 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 (To support this package, the budget also included a transfer of $406,402 General Fund in the base budget from special payment to counties.);
- $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.

Legislatively Adopted Budget

The Legislature eliminated three of the seven positions in the policy option package for the Division's Industrial and Utility Valuation Section. It redirected the General Fund supporting these positions to special payments to counties to restore the reduction taken in the Governor's budget.

The Legislature reduced the limitation for disbursing mapping fees to $1.8 million based upon updated revenue projections. It also approved a reduction of $146,849 total funds ($133,230 General Fund and $13,619 Other Funds) for revised PERS contributions, the lower Attorney General hourly rate, and 1% of the out-of-state travel budget.

House Bill 3537 from the 2001 Session continues a program developed under House Bill 3575 (1999) for forestland valuation. The measure appropriates $196,157 General Fund and authorizes the continuation of two timber analyst positions (1 FTE) that had been phased out as of July 1, 2002 in the Governor's budget.

DOR – Personal Tax and Compliance Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,936,499	32,312,823	35,010,345	35,619,624
Other Funds	947,888	1,412,680	1,579,726	1,578,090
Total	**26,884,387**	**33,725,503**	**36,590,071**	**37,197,714**
Positions (FTE)	270.62	293.26	309.91	318.01

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 positions added by the 1999 and 2001 Legislatures to enhance revenue collections.

Performance measures for this section are discussed in the department-wide "Budget Environment and Performance Measures" section.

Governor's Budget

The Governor's budget was an 8.5% increase over 1999-01 estimated expenditures. The change from 1999-01 estimated expenditures to the Governor's budget included 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 added 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).

Legislatively Adopted Budget

In addition to approving the taxpayer compliance package in the Governor's budget, the Legislature added nine new positions (8.10 FTE) at a cost of $749,332 General Fund to improve revenue collections. It approved a reduction of $141,689 total funds ($140,053 General Fund and $1,636 Other Funds) for revised PERS contributions, the lower Attorney General hourly rate, and 1% of the out-of-state travel budget.

DOR – Business Division

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	9,542,401	12,186,380	13,835,445	14,418,569
Other Funds	4,164,717	4,721,144	5,671,167	5,654,891
Total	**13,707,118**	**16,907,524**	**19,506,612**	**20,073,460**
Positions (FTE)	141.58	151.95	166.90	170.65

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 and 2001 Legislatures added positions to enhance revenue collections.

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 was a 15.4% increase over 1999-01 estimated expenditures. The budget included 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 added $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 added $996,890 General Fund and nine positions (9 FTE) to increase compliance with the cigarette tax stamp program. This package was 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.

Legislatively Adopted Budget

In addition to approving the taxpayer compliance package in the Governor's budget, the Legislature added six new positions (6 FTE) to enhance revenue collections at a cost of $701,363 General Fund. It also approved a reduction of $72,114 total funds ($55,838 General Fund and $16,276 Other Funds) for revised PERS contributions, the lower Attorney General hourly rate, and 1% of the out-of-state travel budget.

The Legislature modified the package in the cigarette tax stamp program. It reduced the number of positions from nine to seven (-2.25 FTE), with a decrease of $62,401 General Fund. It approved funding and positions for the Oregon State Police and the Department of Justice (reflected in their respective budgets) to complement the efforts of the Department of Revenue in this area. The three agencies are directed to form a task force to address the increasing noncompliance issue and report periodically to the Emergency Board on the results of the task force's efforts.

This package is expected to generate at least $8 million in cigarette taxes and $600,000 in other tobacco products taxes. The additional cigarette tax revenue is distributed as follows: General Fund, $3.03 million; Oregon Health Plan, $3.72 million; Tobacco Use Reduction Account, $413,824; cities and counties, $276,000 each; and Oregon Department of Transportation's Elderly and Disabled Transport Program, $276,000. The additional $600,000 from other tobacco products tax revenue will be distributed as follows: General Fund, $323,040; Oregon Health Plan, $249,240; and Tobacco Use Reduction Account, $27,720.

DOR – Multistate Tax Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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 expenditures 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 continued the current service level.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget for this program.

DOR – Elderly Rental Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	10,204,840	10,280,000	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 and $530,000 added by a January 2001 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 measures for this program.

Governor's Budget

The Governor's budget was a 12.5% decrease (-$1.28 million General Fund) from 1999-01 estimated expenditures. The budget did not reflect current Department projections for this program's funding needs, which are in excess of $10 million.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget for this program. Given the Department's projections for the program, it will be necessary to reduce assistance payments to renters on a pro rata basis as provided for in current law.

DOR – Senior Citizens' and Disabled Citizens' Property Tax Deferral

	1997-9 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
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. House Bill 2208 raises the household income limit to no more than $32,000 beginning in 2002-03 and indexed to inflation thereafter.

House Bill 2901 (1999) expanded this program to disabled persons meeting household income limits and is 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 reserve balance at June 30, 2001 is $28 million.

House Bill 2901 will have an impact on the program's reserves. This legislation grants eligibility to disabled persons meeting household income limits as noted above. 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 was provided for the program to highlight the State's responsibility for payments should they become necessary.

Legislatively Adopted Budget

The Legislature adopted the recommended budget for this program.

Secretary of State (SOS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended[1]	2001-03 Legislatively Adopted
General Fund	10,844,271	11,858,258	11,029,034	14,199,074
Other Funds	21,235,273	23,608,379	28,005,813	28,054,465
Federal Funds	0	0	1	1
Nonlimited	86,417	103,788	166,678	166,678
Total	**32,165,961**	**35,570,425**	**39,201,526**	**42,420,218**
Positions (FTE)	198.42	201.42	212.67	208.67

[1] 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.

Program Description

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 Agency Request	2001-03 Legislatively Adopted
General Fund	1,031,123	1,106,890	1,157,211	2,270,616
Positions (FTE)	6.00	6.00	6.00	8.00

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. The 2001 Legislature established the Cultural Development Grant Program, also to be housed within the offices of the Secretary of State.

Governor's Budget

The Secretary of State's budget request for the Executive Office was only to fund its current service level. The $51,000 increase over 1999-01 estimated expenditures was 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% had been applied to the Executive Office, it would have reduced the amount requested by $27,773 and resulted in a budget of $1,129,438.

Legislatively Adopted Budget

The Legislature approved the amount requested by the Secretary of State with some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate. The Legislative Assembly also created a Trust for Cultural Development Board to oversee the activities of a newly established Trust for Cultural Development Account. By law, the Secretary of State will provide the staff support to the Trust for Cultural Development Board. In connection with this, the Legislature provided $1.1 million to the Secretary of State for these purposes: $300,000 and 2 FTE for staff support to the Board, and $800,000 for the Board to provide grants for cultural purposes. The Legislature also provided $15,539 to fund a statutory salary increase provided to the Secretary of State (and other elected officials).

SOS – Archives Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	2,737,486	3,183,425	3,584,985	3,574,512
Other Funds	852,623	841,905	1,536,977	1,540,497
Federal Funds	0	0	1	1
Nonlimited	36,963	38,488	99,288	99,288
Total	**3,627,072**	**4,063,818**	**5,221,251**	**5,214,298**
Positions (FTE)	21.17	21.92	23.17	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 expenditure limitation 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 was 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: a) legislatively approved position reclassifications, and b) 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 included 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% had been applied to the Division's request, it would have reduced the amount requested by $91,218 and produced a budget of $3,493,767.

Legislatively Adopted Budget

The Legislature approved the amount requested by the Secretary of State with some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate. The Legislature also approved the Secretary of State's request that funding for the position reclassification be transferred from General Fund to Other Funds expenditure limitation.

SOS – Audits Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	0	0	214,879	0
Other Funds	9,646,127	11,213,257	12,384,067	12,360,123
Total	**9,646,127**	**11,213,257**	**12,598,946**	**12,360,123**
Positions (FTE)	79.00	78.00	80.00	78.00

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 included two additional positions and $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 was 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 provided no General Fund for the two additional positions.

The $12.4 million Other Funds expenditure limitation request did not include $2,382,000 of revenue to be 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 was to be transferred to the Business Services Division to help fund a new procurement manager position in that division.

Legislatively Adopted Budget

The legislatively adopted budget does not include General Fund or position authority for Municipal Audit support. Otherwise, the Legislature approved the amount requested by the Secretary of State with some minor reductions for Attorney General billing rates, DAS assessments, and PERS employer contribution rate.

SOS – Business Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	398,806	535,800	602,424	570,844
Other Funds	1,309,786	1,604,035	1,818,049	1,846,063
Total	**1,708,592**	**2,139,835**	**2,420,473**	**2,416,907**
Positions (FTE)	14.00	16.00	17.00	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 Other Funds expendiutre 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 included 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) were 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 have resulted in a $44,398 decrease and a budget of $558,026.

Legislatively Adopted Budget

The legislatively adopted budget essentially approved the amount requested by the Secretary of State with some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate. The Legislature also approved the Secretary of State's request that funding for the contract management position be transferred from General Fund to Other Funds expenditure limitation because the increased workload necessitating the position comes from Corporations and Audits Divisions, which are supported with Other Funds.

SOS – Corporations Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
Other Funds	5,850,036	6,232,044	6,264,453	6,253,895
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 reflected a nominal increase to fund current service level only. What is not included in the Division's budget request is $5,435,000 of revenues transferred to other internal support divisions. Of this amount, $2,377,000 was 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 was for the additional Procurement Manager position requested by the Business Services Division. The remaining revenue transfers of $2,982,000 were to used by 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 had no impact on the Division's budget request.

Legislatively Adopted Budget

The Legislature approved the amount requested by the Secretary of State with some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate.

SOS – Elections Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	6,040,221	6,109,426	6,137,915	5,021,852
Nonlimited	49,454	65,300	67,390	67,390
Total	**6,089,675**	**6,174,726**	**6,205,305**	**5,089,242**
Positions (FTE)	15.00	15.00	19.00	15.00

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 voter's 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 $1,428,000 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 was substantially more than current service level. The request included four additional positions ($423,000) and anticipated another two-volume voters' pamphlet ($700,000). The additional positions were 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 was $637,000 additional General Fund which was included in the Information Systems Division budget request for an additional programmer 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.

Legislatively Adopted Budget

The legislatively adopted budget did not include the four positions requested, nor additional funds for a possible two-volume voters' pamphlet. The Legislature made some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate. The Legislature acknowledged the increased workload by establishing a reservation of $80,000 in the Emergency Fund for the Secretary of State to fund a temporary Elections Division position as full-time. In addition, the Legislature passed Senate Bill 457 which requires the Secretary of State to conduct a study of the need for and feasibility of supplying voting materials, including ballots, in languages other than English. The bill provided $54,500 General Fund to conduct the study.

SOS – Information Systems Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	569,502	840,193	1,547,196	2,885,594
Other Funds	3,296,706	3,459,996	5,681,856	5,734,221
Total	**3,866,208**	**4,300,189**	**7,229,052**	**8,619,815**
Positions (FTE)	16.00	17.00	22.00	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 was 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 included $75,000 for hardware and $2,933,000 for computer software and supplies. These costs were apportioned to Audits Division ($652,000 Other Funds), Corporations Division ($2,377,000 Other Funds), and Elections Division ($687,000 General Fund).

If the Governor's recommended reduction in General Fund support were followed, the net result would be a General Fund reduction of $679,405, and a budget of $867,791.

Legislatively Adopted Budget

The legislatively adopted budget did not include any of the General Fund enhancements requested in the budget. The Legislature made some minor reductions to the division's budget request for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate. The Legislature did approve additional General Fund to begin development of a centralized voter registration system. House Bill 2002 requires the Secretary of State to work with county elections officials to establish a centralized voter registration system. The system is to be completed during the 2003-05 biennium at a cost of approximately $7 million. The Legislature provided $2 million General Fund for system planning and design costs during 2001-03.

SOS – Personnel Resources Division

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	67,133	82,524	89,527	89,312
Other Funds	279,995	257,142	320,411	319,666
Total	**347,128**	**339,666**	**409,938**	**408,978**
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 and provides periodic reports on recruitment efforts and other agency human resources matters.

Governor's Budget

The Division's budget request was a current service level request only. During the 1999-01 biennium, the Secretary of State transferred funding 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 was attributed to the additional position in the Division. The balance of the current service level increase was due to inflation and increased personal services costs.

If the Governor's 2.4% General Fund reduction were applied, it would have resulted in a General Fund budget of $87,378, or $2,149 less than requested.

Legislatively Adopted Budget

The Legislature approved the amount requested by the Secretary of State with some minor reductions for reduced Attorney General billing rates, DAS assessment, and PERS employer contribution rate.

SOS – Unspecified General Fund Reduction

	1997-99 Actual	1999-01 Estimated	2001-03 Agency Request	2001-03 Legislatively Adopted
General Fund	0	0	0	(213,656)
Total	**0**	**0**	**0**	**(213,656)**
Positions (FTE)	0.00	0.00	0.00	0.00

Legislatively Adopted Budget

The Governor's recommended budget included an unspecified $2,305,103 reduction in the agencies General Fund request. The reduction was not identified to any particular programs or operations. As a result of the reduction, the Governor's recommended budget was $271,206 below current service level. The Legislature reduced the agency request budget by $213,656 General Fund and directed the Secretary of State to decide where to take the reduction. When this reduction is combined with the $57,550 General Fund reduction already taken (based on changes in Attorney General hourly rates, PERS employer contribution rates and DAS assessments), the net effect is a legislatively adopted General Fund budget that is equal to the Governor's original recommended level.

Treasurer of State – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	0	130,000	271,314	281,771
Other Funds	15,884,090	16,970,780	18,112,313	17,962,702
Nonlimited	3,428,236	4,400,000	4,500,000	4,500,000
Total	**19,312,326**	**21,500,780**	**22,883,627**	**22,744,473**
Positions (FTE)	76.33	77.00	78.00	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 1999-01 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 was only for current service level needs. The budget increase was 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 continued support of the administration of the Oregon Qualified Tuition Savings Program.

Legislatively Adopted Budget

The Legislature adopted the Governor's recommended budget with minor adjustments for reduced Attorney General hourly rates, PERS employer contribution rate, Secretary of State and DAS assessments, and anticipated savings from reduced long distance telephone rates. Discretionary services and supplies also were reduced by one percent. The Legislature provided additional General Fund support for a statutory salary increase provided to the Treasurer of State (and other elected officials). The salary increase was not included in the Treasurer's budget request or rate structure, therefore, General Fund support in the amount of $15,539 was provided for the increase. The $266,232 General Fund support for the Oregon Qualified Tuition Savings Program brought the total General Fund support provided to $396,000 ($130,000 provided in the 1999-01 biennium). No additional General Fund support is expected and the Treasurer anticipates the General Fund will be repaid by the end of calendar 2005.

Commission for Women – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	25,746	127,456	125,971	141,508
Other Funds	151,773	88,038	92,973	79,408
Federal Funds	0	5,000	0	0
Total	**177,519**	**220,494**	**218,944**	**220,916**
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 (Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). 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 included General Fund support at the current service level, and increased 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 did 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 used approximately $14,000 of the agency's Other Funds instead. If Other Funds revenues equal the projection in the budget, the agency would have to reduce its Other Fund ending balance to finance this support of the executive director's compensation.

Legislatively Adopted Budget

General Fund support in the Governor's budget for the four advocacy commissions did not reflect the commissions' projected costs. This was due primarily to turnover in the executive director positions and the fact that the commissions hire executive directors at different step levels. The Commission for Women budget was particularly underfunded because it did not finance the standard step-increases that the executive director would typically receive for continued service. To address this, the adopted budget equalized General Fund support to the four commissions. The result of this equalization was to increase the General Fund appropriation to the Commission for Women by $15,841. Funding was reduced by $304 General Fund and by $24 Other Funds to reflect standard cuts in support for PERS contributions, state government service charges, and 1% of services and supplies as was taken for all current service level budgets. Also, the adopted budget does not include the approximate $14,000 of Other Funds requested to support the executive director's compensation, because the added General Fund made this unnecessary.

To promote private fund raising, the budget unschedules $10,000 of the General Fund appropriation for release to the agency on a dollar-for-dollar match to donation, grant or sales income. The fund raising history of this Commission would indicate that it will likely have no difficulty getting the full $10,000 rescheduled.

LEGISLATIVE BRANCH

Legislative Branch (LEG) – Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	42,352,698	57,475,736	53,082,112	52,756,468
Other Funds	1,642,535	2,380,530	2,393,894	3,057,366
Nonlimited	2,546,127	2,518,951	2,358,237	2,212,596
Total	**46,541,360**	**62,375,217**	**57,834,243**	**58,026,430**
Positions (FTE)	388.49	416.67	417.23	417.63

** 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 97.6% of the General Fund current service level and eliminated funding for policy option packages. The net effect was a $6.9 million reduction to the Legislative Branch General Fund budget request. All of the reductions were 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 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	18,584,884	26,932,102	26,270,776	25,968,772
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**	**26,550,667**	**26,248,663**
Positions (FTE)	211.43	225.20	225.22	223.62

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.

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 funded the Legislative Assembly at 2.5% below estimated 1999-01 expenditures. This amount would have funded the current service level and added a policy package of $592,608 General Fund for computers for legislators. Reflected in the current service level was 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 in the request was just under $200,000 and two positions (1.6 FTE) for the Natural Resources Policy Administrator authorized in 1999 in Senate Bill 1320.

If the Governor's 2.4% reduction to the Legislative Branch current service level and elimination of policy packages had been applied to the Legislative Assembly budget, funding for the computers would have been eliminated, and the operating budget would have been reduced another $616,276.

Legislatively Adopted Budget

The Legislature adjusted the Governor's recommended General Fund budget to reflect reductions in the Public Employees Retirement System (PERS) employer rate (-$33,984) and to reduce services and supplies and out-of-state travel expenditure categories by 1% (-$68,421). Two Natural Resources Administrator positions (1.60 FTE) and related services and supplies were eliminated. The resulting General Fund savings ($199,599) was used to refinance reclassifications in the Legislative Fiscal Office and Legislative Revenue Office.

The budget includes $592,608 General Fund to purchase computers for legislators.

LEG – Legislative Administration Committee

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	14,874,083	20,033,609	15,678,388	22,258,634
Other Funds	1,498,284	1,793,247	1,827,618	2,351,984
Nonlimited	489,802	715,795	730,072	730,072
Total	**16,862,169**	**22,542,651**	**18,236,078**	**25,340,690**
Positions (FTE)	107.37	118.97	119.51	118.51

The Governor's budget included $15,678,388 General Fund for the Legislative Administration Committee—a reduction of $6,915,432 from the adjusted current service level. The reduction consisted 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 88% 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 request showed only a 4.3% increase in rental receipts from occupants of the Capitol. Correcting this discrepancy increases 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 earlier, the Governor's budget did 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 was taken from the LAC budget. If this reduction had been pro-rated among the legislative agencies, LAC's share would have been $421,831.

The agency request included the following General Fund policy option packages, which were 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.

Legislatively Adopted Budget

The legislatively adopted budget for all fund sources increases 12.4% compared to 1999-01 estimated expenditures. The General Fund increase is 11.1% and includes most of the enhancement packages requested by the agency and described above. Following are major elements of the budget:

- The General Fund budget was reduced by $31,638 for adjusted PERS, Secretary of State Audits Division, and Department of Administrative Services Human Resource Services Division (DAS-HRSD) assessments and by $66,077 for a 1% reduction to the services and supplies and out-of-state travel expenditure categories.

- Funding of $2.3 million General Fund was approved to continue the multi-biennium technology transition program designed to replace the Legislature's aging system with a new system that uses "open architecture" standards. The project is scheduled for completion during the 2003-05 biennium.
- The agency request budget was reduced by $304,316 General Fund due to elimination of the three policy options that would have: 1) added a new Web Editor position; 2) reclassified two positions in the Committee Services program; and 3) enhanced lighting for the House and Senate chambers.
- Savings from not funding the three policy options packages mentioned above were combined with savings from three building improvement policy option packages to come up with $821,845 for 2001-03 debt service on $13.8 million in Certificates of Participation (COPs). The COPs were authorized in House Bill 5029, which also includes an Other Funds expenditure limitation of $525,000 for planning the Capitol remodeling projects. The building improvement projects that were eliminated to produce funding for debt service were incorporated into the COP-funded projects.
- In addition to funds for planning, the $13.8 million authorized for COPs is for two major projects: 1) $1.6 million for remodeling hearing rooms A through F and the galleria of the Capitol, and 2) $11.8 million to upgrade the infrastructure of the two wings of the Capitol.

LEG – Legislative Counsel

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	4,849,957	5,505,402	5,862,137	5,836,547
Other Funds	0	393,666	367,388	506,494
Nonlimited	1,995,371	1,718,485	1,541,376	1,395,735
Total	**6,845,328**	**7,617,553**	**7,770,901**	**7,738,776**
Positions (FTE)	45.20	47.50	47.50	50.50

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, following 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.

Legislative Counsel has statutory authority to charge state agencies and other entities for drafting legislation but so far has not implemented such charges. The concept was discussed during 2001 budget hearings, and LC was encouraged by the General Government Subcommittee of the Joint Committee on Ways and Means to develop a plan for implementing drafting charges. If charges are implemented during the 2001-03 biennium, the agency will need Emergency Board approval of an Other Funds expenditure limitation increase in order to spend the newly generated revenue.

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 funded added services for the last half of the 1999-01 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 would have funded 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 had been pro-rated among all legislative agencies, Legislative Counsel’s share would have been $140,691.

Legislatively Adopted Budget

Overall, the legislatively adopted budget of $7.7 million is a 1.6% increase compared to estimated 1999-01 expenditures. General Fund expenditures increase 6 percent. The budget was reduced by a total of $17,736 for a technical correction and adjustments in PERS rates, Audit Division charges, telecommunications rates, and the DAS-HRSD assessment. The General Fund was further reduced by $7,934 for 1% reductions to the services and supplies and out-of-state travel expenditure categories.

A technical adjustment resulted in an Other Funds expenditure limitation increase of $145,641 due to a shift from the Other Funds Nonlimited category. Also, three attorney positions were established (3 FTE) to end the long-time practice of double filling existing positions. Funding for the positions was already in the budget, so no new resources were added. The budget continues funding for the contract services to support activities of the Oregon Law Commission.

LEG – Legislative Fiscal Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor’s Recommended	2001-03 Legislatively Adopted
General Fund	2,781,738	3,360,474	3,673,814	3,855,839
Total	**2,781,738**	**3,360,474**	**3,673,814**	**3,855,839**
Positions (FTE)	16.49	17.00	17.00	17.00

Program Description

The Legislative Fiscal Office is a non-partisan legislative service agency created by statute in 1959. The Office researches, analyzes, and makes recommendations concerning state expenditures, financial affairs, program administration, and agency organization. The Office reports to the Joint Committee on Ways and Means during legislative sessions and to the Emergency Board 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 six months of the 2001 Legislative Session, LFO analysts reviewed over 4,900 bills to determine their fiscal impact. They researched and wrote fiscal impact statements on 1,233 bills—an average of 206 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 provided for continuation of the current level of agency operation and phased in the 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 Senate Bill 555 (1999). The recommended budget reflected a 9.3% increase over 1999-01 estimated expenditures. Were it not for the phase-in costs related to the Senate Bill 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 was used to compute rent charges, which increased 13.3 percent. State Government Services Charges decreased 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 have been $88,172. Excluding funding for the second phase of the Senate Bill 555 audit, this level of reduction would constitute 22% of non-salary costs.

Legislatively Adopted Budget

The legislatively adopted budget of $3.9 million is a 14.7% increase over estimated 1999-01 expenditures. Three enhancements account for the increase. They are:

- The appropriation of $75,000 in Senate Bill 973 for contracting for an evaluation of Oregon's economic development programs.
- The addition of $66,400 for carrying out the second phase of an audit of children's programs mandated by the 1999 Legislative Assembly (Senate Bill 555).
- An increase of $118,272, from savings in the Legislative Assembly budget, to implement a revised classification plan for LFO staff. The reclassifications bring LFO analyst salary ranges in line with those of senior policy committee staff in the Legislative Administration Committee.

LEG – Legislative Revenue Office

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	975,700	1,327,870	1,269,466	1,452,986
Total	**975,700**	**1,327,870**	**1,269,466**	**1,452,986**
Positions (FTE)	6.00	6.00	6.00	6.00

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 funded the Legislative Revenue Office at the current service level. The budget was 4.3% below 1999-01 estimated expenditures due to the phase-out of costs related to the 1999 special appropriation for development of a tax incidence model (Senate Bill 5511). 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 current service level were applied to LRO, it would have meant a reduction of $30,467. The cut would have likely necessitated a reduction in staff because, if applied to non-salary expenditures, it would have constituted a 21% reduction.

Legislatively Adopted Budget

The adopted budget of $1.4 million is a 9.4% increase compared to 1999-01 estimated expenditures. The budget was reduced for PERS, Audits Division, and DAS-HRSD assessments and for 1% reductions to the service and supplies and out-of-state travel expenditure categories (-$3,787). The budget was increased by $33,585 to reflect interim reclassification and copier costs that were inadvertently left out of the budget request and by $23,722 for reclassifying revenue analyst positions. Funding for the reclassifactions comes from savings in the Legislative Assembly budget due to elimination of two Natural Resources Administrator positions. The Legislature disappropriated $100,000 from the 1999-01 $300,000 General Fund appropriation for development of a tax incidence model. The funds were added to the 2001-03 budget for continuation of the project.

LEG – Commission on Indian Services

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	286,336	316,279	327,531	326,338
Other Funds	0	5,645	5,786	5,786
Total	**286,336**	**321,924**	**333,317**	**332,124**
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 funded the Commission at the current service level, which was 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 have resulted in a reduction of $7,861. This would have been a 16% cut if applied to non-salary categories.

Legislatively Adopted Budget

The Legislature reduced the Governor's recommended budget for lower PERS and telecommunications rates (-$699) and for a 1% reduction to the services and supplies expenditure category (-$494). The resulting General Fund budget is 3.2% higher than 1999-01 estimated expenditures.

JUDICIAL BRANCH

Council on Court Procedures – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	91,130	100,199	90,596	90,340
Other Funds	7,344	8,000	8,000	8,000
Total	**98,474**	**108,199**	**98,596**	**98,340**
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 funded the Council at the current service level.

Legislatively Adopted Budget

The Legislature funded the Council at the current service level with a 1% reduction in the services and supplies budget and standard adjustments for reductions in PERS contributions, state government service charges and Audits Division assessments.

Oregon Judicial Department (OJD) – Agency Totals

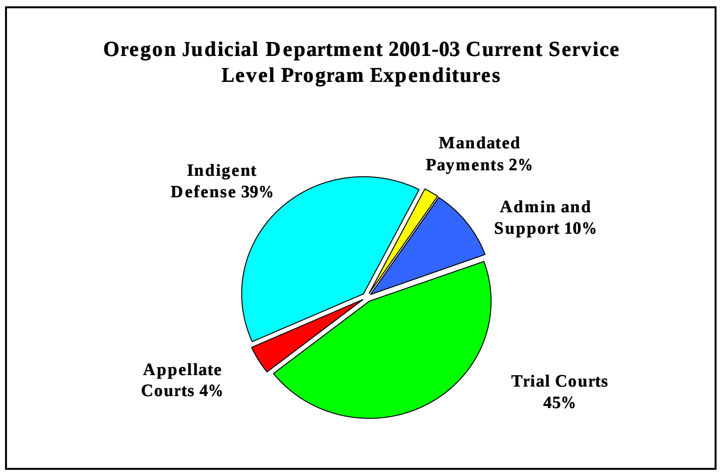
	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended[1]	2001-03 Legislatively Adopted
General Fund	311,412,298	359,250,343	396,693,326	406,877,224
Other Funds	4,876,718	8,468,596	13,553,579	19,709,047
Federal Funds	411,200	842,428	455,138	871,495
Total	**316,700,216**	**368,561,367**	**410,702,043**	**427,457,766**
Positions (FTE)	1622.92	1752.74	2068.87	1824.24

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 was $5.1 million. The budget was adjusted to restore that reduction, subsequently revised to $3.8 million.*

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, resulted 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.
- ***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 fees including the Indigent Defense application fee ($3.6 million); State Law Library fees ($1.4 million); fees charged for the interpreter and shorthand 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 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 the Klamath Falls Drug Court ($65,000). The Department also receives $416,357 from other federal grant programs.

Budget Environment and Performance Measures

The 2001 Legislature established six additional judicial positions to support caseload increases, and provided funding for salary increases for elected positions, including judges.

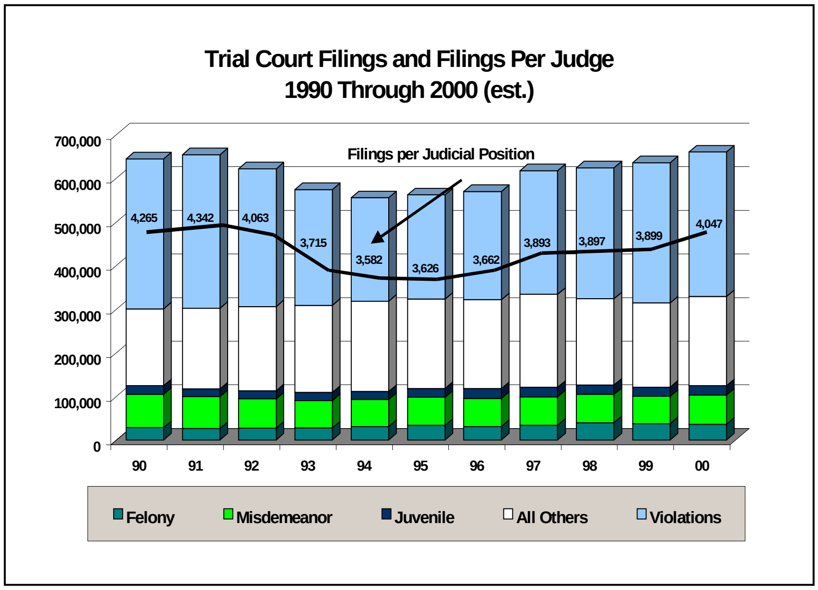
The Department has several budget notes, including:

- Establish an intergovernmental agreement with the Public Defense Services Commission to provide staff support during the interim and to prepare for the transition of the Indigent Defense Services Division to the

Commission on 10/1/03. The Department was given a $250,000 General Fund appropriation for this activity.
- Report to the Emergency Board in July 2002 and January 2003 on the revenue in the Collections Account and Multnomah delinquent collections, and to review the current statutory fines structure in conjunction with the Joint Interim Judiciary Committee.
- Develop a permanent plan for the staffing not directly required for the new judicial positions.
- Convene a work group to conduct a comprehensive evaluation of judicial benefits and develop a long-term solution to retirement and benefits issues.
- Work with other public safety agencies on the comprehensive integration of public safety data into the Criminal Justice Information System (CJIS).
- Defer expenditure of 15% of the base technology budget until the public safety agencies present a CJIS plan to the Joint Legislative Committee on Information Management and Technology.
- Purchase new and replacement personal computers through the consolidated state purchasing system, to reduce purchase costs.
- Match up to $50,000 of Multnomah County funds, out of the operating funds of the Multnomah Circuit Court, to fund the childcare pilot project.

The 2001 Legislature established two Emergency Board special purpose appropriations:
- $275,000 for insurance benefits for Plan B judges, contingent on submission of the long-term retirement and benefits plan required by budget note; and
- $369,842 for pro tem judges and staff, contingent on submission of the staffing plan required by budget note.

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 provided six new judgeships to address these issues.



Governor's Budget

The Governor's budget was 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 was 2.4% below current service level. 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 was $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 had 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 did 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 reduced current service level adjustments for indigent defense caseload growth, and for juror compensation increases approved by the 1999 Legislature. The Governor's budget contained no funding for technology improvements, furnishings for renovated courthouses, or capital improvements needed to renovate the Supreme Court building. The Governor's budget included over 320 unfunded FTE.

Legislatively Adopted Budget

For the purposes of this analysis, the legislatively adopted adjustments to trial and appellate courts and court operations will be included in the Appellate and Administration budget. The State Court Administrator has the authority to manage these funds, and will distribute the adjustments to the appropriate programs during the biennium.

The 2001 Legislature partially restored the current service level reductions in the Governor's budget, and added judicial compensation adjustments and six new judgeships effective January 2003. The Legislature also approved legislation that will transfer indigent defense services to the Public Defense Services Commission in October 2003 and deferred implementation of juror compensation increases for six months to enable the Department to maintain jury services within the adopted budget.

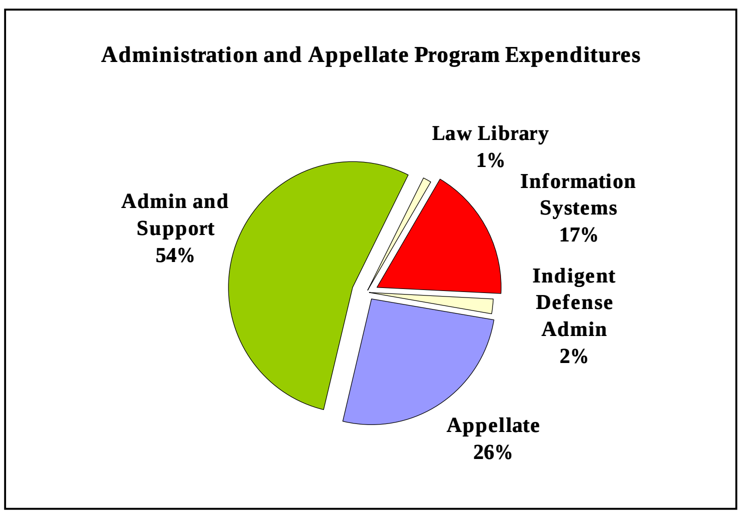
OJD – Appellate and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Chief Justice's Recommended	2001-03 Legislatively Adopted
General Fund	41,042,667	54,821,654	70,379,375	63,232,426
Other Funds	3,820,758	7,314,091	8,402,833	16,623,122
Federal Funds	257,898	306,977	390,138	806,495
Total	**45,121,323**	**62,442,722**	**79,172,346**	**80,662,043**
Positions (FTE)	250.84	283.83	347.80	388.27

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 2001-03, 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 17% 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 are used for assessments of state foster care and adoption laws and judicial processes and for other grant programs.

Budget Environment and Performance Measures

The number of cases filed in the Court of Appeals for 2000 decreased by 43 cases over 1999. The 2000 case filings were 3,976 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, expansion of the 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 93% in 2000.
- 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 90% in 2000.
- 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 2000, the percentage had declined to 80 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 2000, 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 Department continues 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 included measures of self-sufficiency, recidivism, and timeliness.

Governor’s Budget

The Governor’s budget was 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 was 2.4% below current service level and did not fund any of the Chief Justice’s General Fund budget packages. The PERS error further reduced this budget by $950,000 General Fund.

The Chief Justice’s budget for Appellate and Administrative Operations included over $12.4 million General Fund in budget packages to address various workload issues, technology improvements, and judicial compensation increases. The Governor’s budget included $1.1 million Other Funds for public access support to OJIN, funded with user fees, and also included over 50 unfunded FTE.

Legislatively Adopted Budget

The 2001 Legislature partially restored the current service level reductions in the Governor’s budget, but did not fund the Chief Justice’s policy packages or unfunded FTE. The PERS reduction error was fully restored. Because of an additional decline in the PERS assessment rate, full restoration was $3.7 million General Fund. It was the intention of the Legislature that a portion of the current service level restoration be specifically used to fund the following:

- $3.2 million and 33.45 FTE to partially restore of the current service level reduction in trial court operations. Total restoration was $3.5 million and 37.25 FTE. The difference was used to fund an incremental adjustment to judicial salaries above that proposed by the Legislature, through agreement with the Department.

- $3.5 million General Fund and 35.25 FTE for Family and Drug Courts.
- $367,170 General Fund and 3.5 FTE for Gresham Night Court.

The State Court Administrator has flexibility to use these funds. However, the State Court Administrator was requested to separately identify how the funding was used and to include that identification in the 2003-05 budget request. Funding, positions, and FTE for one-time automation needs for the implementation of Family and Drug Courts should not be carried forward in the 2003-05 current service level calculation.

The 2001 Legislature also added funding for the following:

- $3.5 million General Fund for judicial salary adjustments. This will provide trial and appellate judges with a 6% increase on July 1, 2001 and July 1, 2002. The estimated roll-up cost for this adjustment is approximately $1.2 million.
- $703,192 General Fund for 6 new judges and staff and $514,350 for equipment for these positions. The judicial positions are effective January 1, 2003. Roll-up cost is approximately $3 million.
- $250,000 and 2 FTE to prepare for the transition of the Indigent Defense Services Division to the Public Defense Commission established in SB 145 (2001).
- Two Emergency Board special purpose appropriations: $275,000 for insurance benefits for Plan B judges, contingent on submission of the long-term retirement and benefits plan required by budget note; and $369,842 for pro tem judges and staff, contingent on submission of the staffing plan required by budget note.

The 2001 Legislature created a Collections Account in the Judicial Department and transferred revenue and collections staff from the General Fund to be funded out of revenue collected. This resulted in a $6 million reduction in General Fund and a corresponding increase in Other Funds. The delinquent collections program in Multnomah County was approved with $790,125 Other Funds and 8.8 limited duration positions. The Legislature also approved an increase of $1.4 million Other Funds and $416,357 Federal Funds to reflect grants and other receipts that the Department did not anticipate at the time that the budget was adopted. These adjustments added 5.6 FTE.

OJD – Trial Court Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Chief Justice's Recommended	2001-03 Legislatively Adopted
General Fund	146,026,287	156,175,641	214,988,435	164,045,200
Other Funds	1,055,960	1,154,505	3,196,338	3,085,925
Federal Funds	153,302	535,451	65,000	65,000
Total	**147,235,549**	**157,865,597**	**218,249,773**	**167,196,125**
Positions (FTE)	1372.08	1468.91	1721.07	1422.97

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 were 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

Case filings in 2000 show an increase of 17,866 (2.8%) compared to 1999. Overall filings have increased from a low of 555,141 in 1994 to 653,367 in 2000, an increase of 17.7 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 35,749 in 2000 (16%) and civil cases increased from 68,469 in 1994 to 69,317 in 2000, or just over 1 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 4,008 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. However, the 2001 Legislature approved the creation of six new judgeships, effective January 1, 2003. These new judgeships will be located in Jackson, Marion, Yamhill, Multnomah, Washington, and Deschutes Counties.

Governor’s Budget

The Governor’s budget was 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 was a reduction to the current service level of $3.9 million (2.4%) General Fund and did not include any of the Chief Justice’s General Fund budget packages. The PERS error further reduced this budget by $4,050,000 General Fund.

The Chief Justice’s budget for Trial Court Operations included 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 included:

- $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 included a $1.3 million increase in Other Funds limitation primarily for collections and pretrial release programs. The Governor’s budget also included 274.34 in unfunded FTE.

Legislatively Adopted Budget

The legislatively adopted budget is summarized under Appellate and Administration.

OJD – Mandated Payments

	1997-99 Actual	1999-01 Estimated	2001-03 Chief Justice’s Recommended	2001-03 Legislatively Adopted
General Fund	7,387,843	8,653,255	15,874,780	15,868,536
Positions (FTE)	0.00	0.00	0.00	13.00

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 were to change the 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 included:

- Maintaining the 1999-01 juror fee of $10 per day for first two days of service in circuit court;
- Increasing 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
- Requiring payment for mileage to any juror serving in a circuit court that must travel more than ten 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.
The 2001 Legislature deferred implementation of these changes for six months, to enable the Department to provide jury services within the adopted budget.

Governor's Budget

The Governor's budget had 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 was 2.4% below current service level, and did not fund any of the Chief Justice's budget packages. These policy packages included translation and Americans with Disability Act compliance, and funding for workload growth.

The Governor's reduction to current service level reduced funds available for the juror compensation increases approved by the 1999 Legislature.

Legislatively Adopted Budget

The 2001 Legislature deferred the juror compensation increase for six months, so that the Department could continue to provide juror services within the legislatively adopted budget. The Legislature also approved the transfer of contractual interpreter services to permanent staff and approved 13 positions to be funded out of existing General Fund resources that had been used for these contracts. The Department had identified efficiencies that could be gained through this conversion.

OJD – Indigent Defense

	1997-99 Actual	1999-01 Estimated	2001-03 Chief Justice's Recommended	2001-03 Legislatively Adopted
General Fund	116,955,501	139,599,793	186,357,675	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 was $11.2 million. The Department submitted a request to fund this increase, which was not approved.

The 2001-03 current service level increase for indigent defense was 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 to make recommendations to the 2001 Legislature. The Commission's recommendations, which included establishment of a trial and appellate defender office separate from the Judicial Department, was adopted by the Legislature in SB 145 (2001).

Governor's Budget

The Governor's budget had 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 included a reduction of $4 million (2.4%) 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.

Legislatively Adopted Budget

The Legislature approved the Governor's budget recommendations and reduced the General Fund by $106,725 from reduced trial representation costs anticipated from restructuring appeals of the orders of the Board of Parole and Post-Prison Supervision in HB 2348 (2001). The Legislature also approved SB 145, which will transfer the Office of the Public Defender to the newly created Public Defense Commission on October 1, 2001. This transfer will occur within the adopted budget for the Public Defender. The Judicial Department trial court indigent defense program will transfer in October 2003. The Legislature provided $250,000 General Fund and 2 FTE to the Judicial Department to facilitate these transfers.

OJD – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Chief Justice Recommended	2001-03 Legislatively Adopted
General Fund	0	0	193,681	0
Other Funds	0	0	2,075,000	0
Total	**0**	**0**	**2,268,681**	**0**

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 authorized the issuance of COPs but did not provide any General Fund for payment of the debt service.

Legislatively Adopted Budget

Due to the lack of funding for debt service, the Department deferred action on the issuance of COPs and the renovation of the Supreme Court building.

Commission on Judicial Fitness and Disability – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	181,951	201,733	210,801	198,407
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 funded the Commission at the current service level.

Legislatively Adopted Budget

The Legislature funded the Commission at the current service level with a 1% reduction in the services and supplies budget and standard adjustments for reductions in PERS contributions, state government service charges, and Audits Division assessments. The Legislature also reduced the General Fund by $11,000 to reflect current expenditure patterns for investigation expense, with the understanding that if a higher than expected number of complaints are filed, the Commission can return to the Emergency Board for additional resources to pay these expenses.

Public Defender – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Governor's Recommended[1]	2001-03 Legislatively Adopted
General Fund	4,630,341	5,761,363	5,765,923	5,914,734
Other Funds	1,122	0	0	0
Total	**4,631,463**	**5,761,363**	**5,765,923**	**5,914,734**
Positions (FTE)	34.75	41.00	41.00	39.77

1 *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 the 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.

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 interim Public Defense Services Commission, which was established by the 1999 Legislature in HB 3598.

Governor's Budget

The Governor's Budget was 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 working to reduce the appeals backlog, and expected the backlog to be significantly reduced by the end of the 1999-01 biennium; and
- Funding for facilities and technology needs ($257,007), including 1 FTE technology position.

The budget included a reallocation of $64,996 from personal services to services and supplies and a reduction of 1 FTE. The current service level was reduced by $11,000 to remove one-time Emergency Board funding for staff training and a computer consultant.

Legislatively Adopted Budget

The 2001 Legislature adopted the Governor's budget recommendations, with adjustments for PERS and other assessment rate reductions.

The Legislature adopted HB 2348 that restructured appeals of orders by the Board of Parole and Post-Prison Supervision. While reducing appellate workload overall, it added workload for the Public Defender. The Legislature appropriated $174,088 General Fund and added 2 positions (1.07 FTE) to handle this workload.

The Legislature also approved SB 145, which will transfer the Office of the Public Defender to the newly created Public Defense Commission on October 1, 2001. This transfer will occur within the adopted budget for the Public Defender. The trial court indigent defense program in the Judicial Department will transfer in October 2003. The Legislature provided $250,000 General Fund and 2 FTE to the Judicial Department to facilitate these transfers.

Emergency Fund

Emergency Fund – Totals[1]

	1997-99 Approved	1999-01 Approved	2001-03 Governor's Recommended	2001-03 Legislatively Adopted
General Fund	100,700,000	81,900,000	130,000,000	140,000,000
Positions (FTE)	0.00	0.00	0.00	0.00

1 Emergency Fund totals in the above table do not reflect special purpose appropriations for agencies. These amounts are included in the agency-specific tables elsewhere in this document.

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 LAB
General Purpose Emergency Fund	35,500,000	38,200,000	41,900,000	40,000,000
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	85,860,033
Total	87,500,000	100,700,000	146,167,351	225,860,033

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 included a $30 million general purpose Emergency Fund and a $100 million salary and benefit appropriation. The recommended budget contained no special purpose appropriations. The Governor proposed 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, in addition to 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 the elderly and disabled receiving publicly-funded personal care. The 2001-03 cost of establishing this agency is unknown but was estimated at $1 million in the Governor's budget.
- Late in the budget development process, the Public Employees Retirement System Board established the 2001-03 employer rates required to fund the retirement system. The state portion of the employer rate adjustment was estimated to cost $1.5 million General Fund. (Subsequently the rate was reduced, negating the need for coverage by the Emergency Fund as well as producing savings in agencies' legislatively adopted budgets.)
- The Young v. Oregon court decision made certain exempt state employees eligible to make claims for overtime worked for the period June 1995 to August 1997. Although the claims process has been initiated, the potential liability for 2001-03 is not known.

Legislatively Adopted Budget

The Legislature appropriated a total of $225.9 million to the Emergency Board: $40 million for general purpose allocation, $100 million for salary and benefit adjustments, and $85.9 million for special purposes. The Legislature established two reservations totaling $980,000 in the general purpose Emergency Fund as follows:

- $900,000 for the Department of Human Services if the agency is unable to absorb the costs of reimbursing institutional pharmacies; and
- $80,000 for the Secretary of State to fund a full-time Elections Division position.

The Legislature established special purpose appropriations in House Bill 5014 (the appropriations bill for the Emergency Fund), in various agency budget bills, and in other legislation. These appropriations total $85.9 million as follows:

Agency/Purpose	Amount
1. Department of Human Services – universal access plan community program costs (SB 5527)	$19,172,200
2. Department of Education – Data Integrity Assurance project (SB 5514)	10,325,000
3. Department of Education – Early Intervention / Early Childhood Special Education (SB 5512)	8,548,591
4. Department of Human Services - local mental health planning and services (HB 5014)	7,500,000
5. Department of Human Services – Senior Prescription Drug Assistance Program (HB 5014)	7,016,628
6. Department of Human Services – medical assistance programs / prescription drug plan (SB 5527)	6,700,000
7. Department of Human Services – Adult and Family Services caseload (SB 5527)	4,300,000
8. Department of Higher Education – Veterinary Medicine program at Oregon State Univ. (HB 5014)	4,000,000
9. Department of Education – Oregon Prekindergarten Program growth (SB 5512)	3,900,000
10. Department of Education – technology projects (SB 5511)	2,500,000
11. Department of Human Services – safety net clinics (SB 5527)	2,200,000
12. Secretary of State – centralized voter registration system (HB 2002)	2,000,000
13. Department of Agriculture – Pesticide Use Reporting System (SB 5504)	1,484,228
14. Oregon Watershed Enhancement Board – 1999-01 assessment / monitoring projects (HB 5043)	1,126,788
15. Office of Energy – Oregon Museum of Science and Industry support (SB 5515)	900,000
16. Forestry Department – emergency forest fire suppression (SB 5519)	800,000
17. Department of State Police – tobacco tax compliance task force (HB 5047)	703,336
18. Department of Justice – tobacco tax compliance task force (HB 5047)	479,915
19. Department of Corrections – April 2002 population forecast (HB 2646 / 2918)	375,148
20. Judicial Department – new judgeships (SB 70)	369,842
21. Department of Human Services – services to adults with developmental disabilities (SB 5527)	317,124
22. Department of Human Services – Home Care Commission (HB 5014)	300,000
23. Judicial Department – health benefits costs of retired judges (SB 70)	275,000
24. Office of the Governor – Post-Secondary Education Opportunity Commission (HB 2015)	218,000
25. Department of State Police- DNA sample analysis (HB 2664)	200,000
26. Commission on Hispanic Affairs – second-year budget (HB 5503)	70,800
27. Columbia River Gorge Commission – operating expenses (HB 5007)	40,000
28. Land Use Board of Appeals – publication editor position (SB 5531)	37,433
Total Special Purpose Appropriations	**$85,860,033**

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