

Budget Highlights

2003-05

Legislatively Adopted Budget



LEGISLATIVE FISCAL OFFICE
SEPTEMBER 2003

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September 25, 2003

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

The Legislative Fiscal Office staff has prepared the following *Budget Highlights: 2003-05 Legislatively Adopted Budget*. In addition to program area summaries, new sections to the document include "Legislative Actions Affecting the 2003-05 Budget" and "Potential 2003-05 Budget Risks and 2005-07 Tentative Budget Issues." A detailed analysis of the budget by program area and agency will be published later this year.

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

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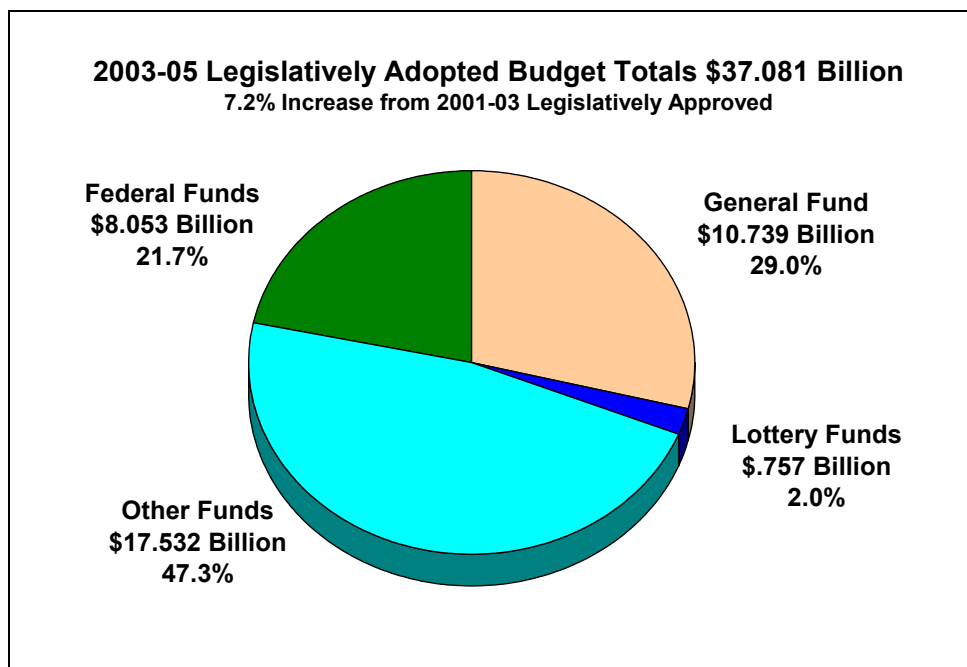
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Summary of 2003-05 Legislatively Adopted Budget

Total Budget

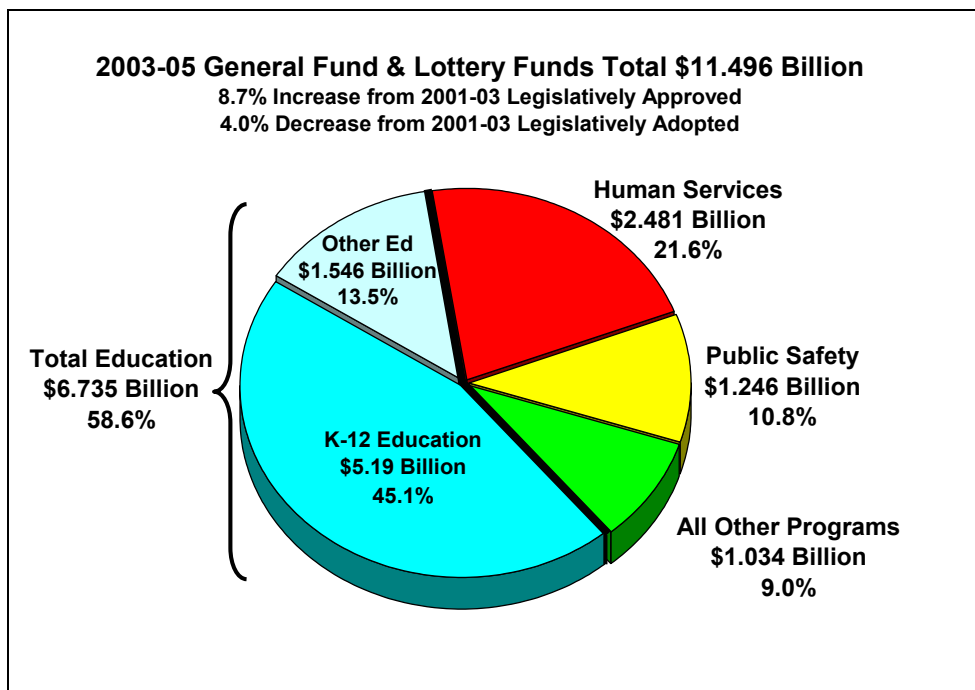
The total legislatively adopted budget (LAB) for the 2003-05 biennium is \$37.081 billion. The adopted budget includes \$11.496 billion in combined General Fund and Lottery Funds, \$17.532 billion Other Funds, and \$8.053 billion Federal Funds. The 2003-05 total budget represents a 7.2% increase over the 2001-03 biennium's legislatively approved total budget of \$34.605 billion.



In adopting the 2003-05 budget, the Legislature completed the longest session on record, 227 days (20 more than the 1993 session). The 2003 regular session followed five special sessions in 2002 as falling General Fund resources continued to force rebalancing actions by the Legislature. The length of the 2003 regular session was partly due to the need to rebalance the 2001-03 budget once again following the combination of the temporary income tax referral failure (Ballot Measure 28) in February 2003 and a continuing decline in 2001-03 revenues identified in the March 2003 revenue forecast as a result of persistent economic weakness. The Legislature was further challenged in developing a budget for the 2003-05 biennium when the May 2003 revenue forecast again reduced the amount of projected revenue available for the biennial budget period.

General Fund and Lottery Expenditures

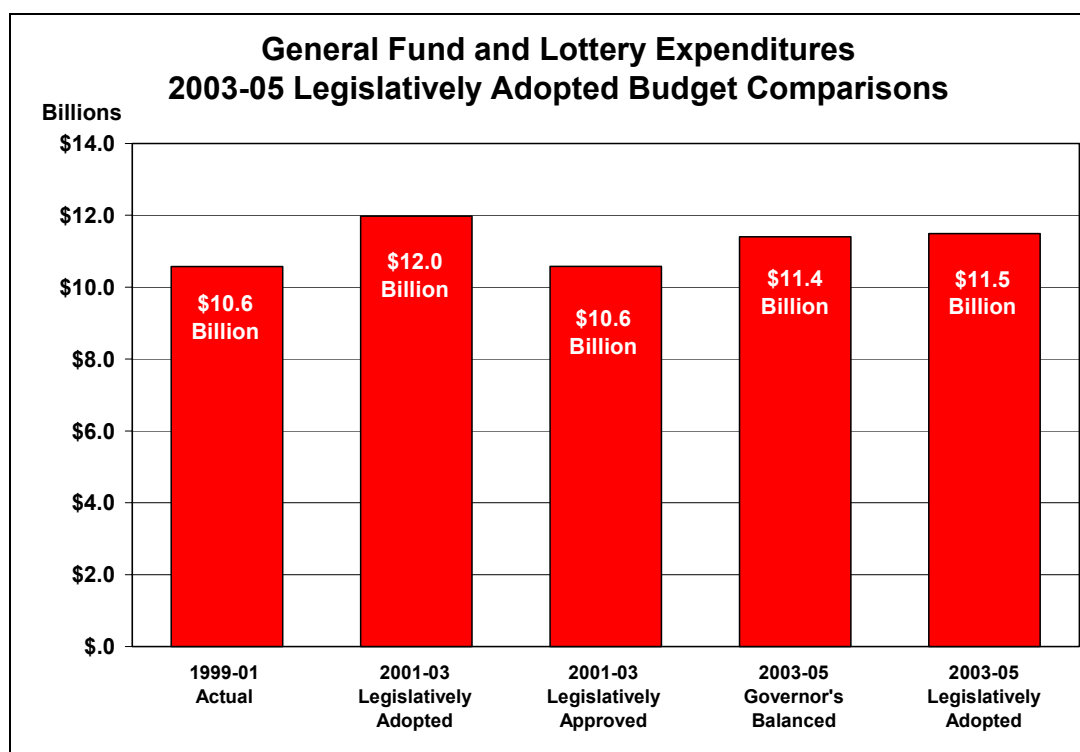
General Fund and Lottery Funds expenditures, which total \$11.496 billion for the 2003-05 biennium, represent approximately 30% of the total budget. The total represents an 8.7% increase from the 2001-03 legislatively approved budget, but a 4% decrease from what the Legislature adopted at the conclusion of the 2001 regular session. The legislatively approved budget for 2001-03 represents the authorized budget following all Emergency Board actions, the five 2002 special sessions, the December 2002 allotment reductions (ratified in SB 859), and legislative actions during the 2003 session to rebalance the budget and adjust limitations, including "Special Session 6" following the defeat of Measure 28 in February 2003 (SB 5548), and the latest Department of Human Services (DHS) rebalance (SB 5549).



Nearly 59% of the state's General Fund and Lottery expenditures are dedicated to education programs, including \$5.2 billion, or 45% of the total, to the K-12 State School Fund budget. More than 90% of the state's expenditures are found in the three major program areas of Education, Human Services, and Public Safety. The following table compares the 2003-05 LAB General Fund and Lottery expenditures to the 2001-03 adopted and approved budgets by major program area.

General Fund & Lottery Funds - 2003-05 Legislatively Adopted Budget - Historical Comparison							
(Dollars in Millions) ¹							
	1999-01 Actuals	2001-03 Legislatively Adopted Budget (LAB)	2001-03 Legislatively Approved Budget ²	2003-05 Governor's Recommended Budget	2003-05 Legislatively Adopted Budget (LAB)	% Change 2003-05 Leg. Adopted from 2001-03 Leg. Adopted	% Change 2003-05 Leg. Adopted from 2001-03 Leg. Approved
Education							
K - 12 (excl. ODE) ³	\$4,568	\$5,080	\$4,417	\$4,978	\$5,190	2.2%	17.5%
Higher Education ⁴	872	822	755	882	771	-6.1%	2.2%
Community Colleges ⁵	436	475	382	414	423	-10.8%	10.7%
All Other Education	287	372	337	353	351	-5.7%	4.2%
Total Education	6,163	6,748	5,891	6,627	6,735	-0.2%	14.3%
Human Services	2,287	2,641	2,451	2,299	2,481	-6.1%	1.2%
Public Safety	1,189	1,351	1,244	1,406	1,246	-7.8%	0.1%
Natural Resources	216	279	265	244	227	-18.8%	-14.4%
All Other Programs ⁶	716	955	727	828	807	-15.5%	11.0%
Total Expenditures	\$10,571	\$11,974	\$10,579	\$11,404	\$11,496	-4.0%	8.7%

¹ Amounts may not add due to rounding.
² The 2001-03 legislatively approved represents expenditure authorizations through all 2001-03 Emergency Board actions, the five 2002 special sessions, the allotment reductions due to the December 2002 revenue forecast (adopted in SB 859), the February 2003 statewide budget rebalance actions (referred to as "Special Session 6" and adopted in SB 5548), and the latest DHS rebalance (adopted in SB 5549). Not included are certain administrative actions taken by the Department of Administrative Services approving increases to Nonlimited Other Funds.
³ The 2001-03 legislatively approved numbers reflect a \$262 million Education Stability Fund transfer (now shown as Lottery Funds per HB 5077) to the SSF and a shift of \$211 million General Fund from the 2001-03 SSF payment to the 2003-05 biennium (SB 1022).
⁴ Includes Oregon Health and Science University Public Corporation.
⁵ The 2001-03 LAB reflects a shift of \$56 million of the 2001-03 CCSF payment to the 2003-05 biennium.
⁶ The 2003-05 LAB includes \$40 million General Purpose Emergency Fund; \$9 million for health benefits; and \$1.5 million for special election costs.



Most of the \$919 million increase in General Fund and Lottery expenditures from the 2001-03 approved budget reflects the use of General Fund to backfill one-time revenue from discretionary sources relied upon during the 2001-03 biennium budget rebalancing actions. These actions helped mitigate reductions in legislatively approved programs in the face of a \$1.7 billion drop in actual General Fund resources available for expenditure in 2001-03 from the 2001 close-of-session forecast. One-time resources used included:

- \$335 million of Medicaid Upper Payment Limit (MUPL) revenue (including \$242.1 million for K-12 education and \$92.9 million for the Oregon Health and Science University);
- \$335.2 million of Tobacco Master Settlement revenue (\$211.8 million – Oregon Health Plan; \$99.2 million – General Fund; \$17.2 million – Family Health Insurance Assistance Program; \$5 million – Oregon Resources and Technology Development; and \$2 million – Health Care Trust Fund);
- \$262 million Education Stability Fund transfer to K-12 education based on passage of Ballot Measure 19 in September 2002;
- \$450 million of Tobacco Master Settlement bond proceeds; and
- \$37 million in transfers from various Other Funds sources to the General Fund.

When these “discretionary” dollars are considered along with the General Fund and Lottery Funds, a slightly different budget picture emerges. The 2003-05 LAB is actually 5.1% below the 2001-03 adopted budget and is only 4.3% above the 2001-03 approved budget following all of the legislative actions taken to adjust that budget. Two of the largest sources of discretionary revenue, Tobacco Master Settlement funds and the Medicaid Upper Payment Limit resources, are not available to the extent they existed in the 2001-03 biennium.

The following table compares the 2003-05 LAB discretionary spending (General Fund, Lottery Funds, MUPL, Tobacco Master Settlement, the Education Stability Fund, and Tobacco Master Settlement Bond proceeds) to the 2001-03 adopted and approved budgets for each major program area.

Discretionary Spending - 2003-05 Legislatively Adopted Budget - Historical Comparison ¹

(Dollars in Millions) ²

	1999-01 Actuals	2001-03 Legislatively Adopted Budget (LAB)	2001-03 Legislatively Approved Budget	2003-05 Governor's Recommended Budget	2003-05 Legislatively Adopted Budget (LAB)	% Change 2003-05 Leg. Adopted from 2001-03 Leg. Adopted	% Change 2003-05 Leg. Adopted from 2001-03 Leg. Approved
Education							
K - 12 (excl. ODE)	\$4,568	\$5,179	\$4,659 ³	\$5,051 ⁴	\$5,190	0.2%	11.4%
Higher Education ⁶	872	923	947 ⁵	1,013	898	-2.6%	-5.1%
Community Colleges ⁷	436	475	382	414	423	-10.8%	10.8%
All Other Education ⁸	287	377	342	353	351	-6.9%	2.6%
Total Education	6,163	6,953	6,330	6,831	6,862	-1.3%	8.4%
Human Services ¹⁰	2,287	2,805	2,665 ⁹	2,299	2,533	-9.7%	-5.0%
Public Safety	1,189	1,351	1,244	1,406	1,247	-7.7%	0.2%
Natural Resources	216	279	265	244	227	-18.8%	-14.4%
All Other Programs ¹¹	716	955	727	828	849	-11.1%	16.8%
Total Expenditures	\$10,571	\$12,344	\$11,232	\$11,608	\$11,718	-5.1%	4.3%

¹ General Fund, Lottery, Education Stability Fund, Medicaid Upper Payment Limit (MUPL), Tobacco Master Settlement (TMSA), and TMSA bond proceeds.

² Amounts may not add due to rounding.

³ Includes \$242.1 million of MUPL; reflects a \$211 million General Fund shift from the 2001-03 State School Fund payment to 2003-05 (SB 1022).

⁴ Includes \$73.8 million MUPL funds. None actually available for 2003-05 LAB.

⁵ Includes \$93 million MUPL and \$99 million of TMSA bond receipts for Oregon Opportunity Grant program.

⁶ Includes Oregon Health and Science University Public Corporation. For 2003-05, it also includes \$117.4 million in TMSA bond proceeds and \$9.6 million TMSA funds (for debt service) for the Oregon Opportunity Program.

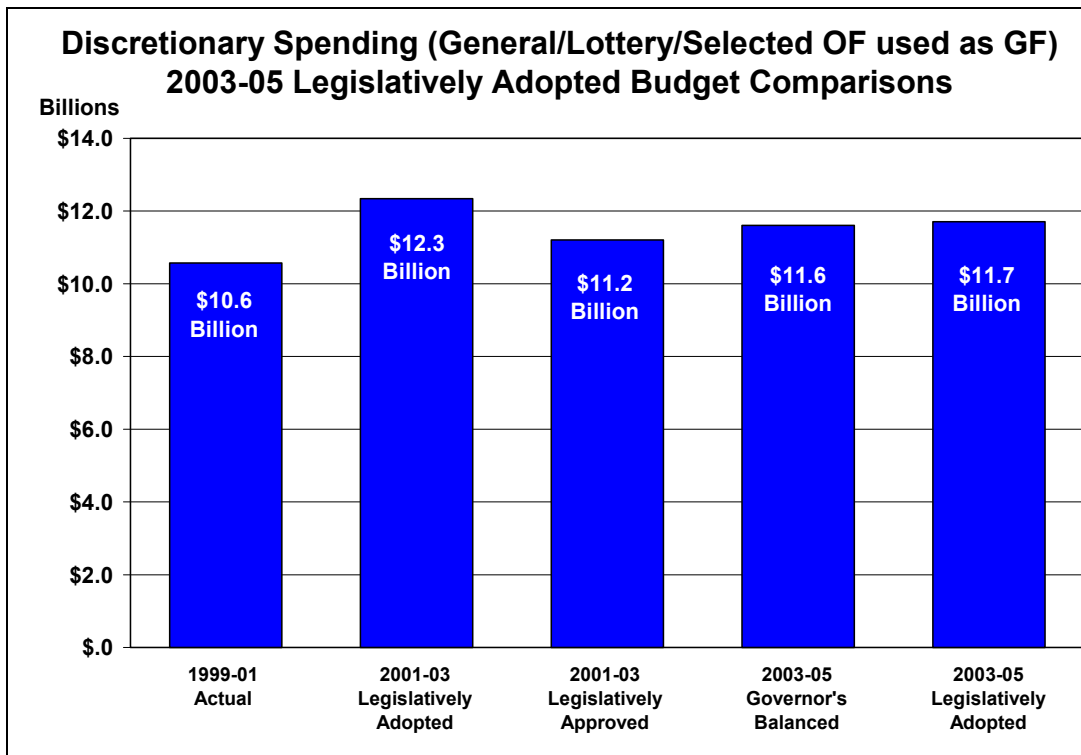
⁷ Reflects a shift of the final CCSF payment to the 2003-05 biennium.

⁸ Includes \$5 million in TMSA funds for the Oregon Resource and Technology Subaccount for 2001-03 adopted and approved columns.

⁹ Includes \$214 million of TMSA funds for the Oregon Health Plan.

¹⁰ Includes use of \$42.2 million in TMSA funds and \$10 million Tobacco Use Reduction Account Funds for the Oregon Health Plan.

¹¹ Includes \$40 million GF in general purpose Emergency Fund; \$9 million GF for salary adjustments/benefits; \$1.5 million GF for special election costs for 2003-05 LAB; \$41.8 million TMSA funds for debt on Appropriation Bonds and \$0.7 million for DOJ's TMSA compliance (HB 2094).



Tobacco Settlement and Medicaid Upper Payment Limit Funds

The 2001-03 biennium was the first budget period in which Tobacco Settlement and MUPL Funds were expended. Due to the timing of receipt of Tobacco Settlement funds, \$336 million was available when the 2001-03 budget was adopted. The Legislature decided to expend only \$254 million of these resources, and retained \$82 million in the Health Care Trust Fund. As the state's economic and revenue situation worsened after the close of session in 2001, the Legislature opted to use the amount held in reserve to help support continuing human services programs.

For the 2003-05 biennium, the amount of revenue received from the Tobacco Master Settlement agreement declined to about \$150 million. Decisions made in 2001 regarding the Opportunity Bond program of the Oregon Health and Sciences University Public Corporation and the issuance of Appropriation Bonds to replace lost General Fund during special session actions dedicated nearly \$107 million of this revenue stream per biennium to paying debt service on bonds.

In the case of Medicaid Upper Payment Limit funds, about \$335 million was available to the Legislature during the 2001 regular session and the 2002 special sessions. However, federal restrictions on MUPL financing nationally reduced the estimated 2003-05 revenue to only \$74 million when the Governor presented his budget in January 2003. The Governor directed the \$74 million to be used in the State School Fund. After further federal review of the mechanism used to calculate MUPL revenues in Oregon and the resultant funding uncertainty, the Legislature did not include any MUPL revenue in its adopted budget and used General Fund to backfill the proposed use of MUPL in the State School Fund.

The following tables show the historical uses of Tobacco Settlement and MUPL revenues:

Tobacco Master Settlement Fund Usage – 2003-05 Legislatively Adopted Budget				
(Dollars in Millions)				
	2001-03 Legislatively Adopted	2001-03 Legislatively Approved	2003-05 Governor's Balanced Budget	2003-05 Legislatively Adopted Budget (LAB)
Tobacco Prevention	5.0	-	-	-
Family Health Insurance Assistance Program	20.0	17.2	-	-
Health Care Trust Fund	95.0	2.0	-	-
Oregon Health Plan Medicaid Program	124.0	211.8	-	42.2
Oregon Resources and Technology Development	5.0	5.0	-	-
General Fund (for ending balance & Emergency Bd.)	99.2	99.2	-	-
DAS - Tobacco Securitization Bonds Debt Service (\$150 million - SS 5)	-	-	129.3	-
OHSU - Opportunity Program Bonds Debt Service - 2003-05	-	-	20.5	9.7
OHSU - Opportunity Program Bonds Debt Service - 2005-07 before next TMSA pym	-	-	-	12.6
DAS - Appropriation Bonds Debt Service (\$450 million - SB 856) - 2003-05	-	-	-	41.8
DAS - Appropriation Bonds Debt Service - 2005-07 before next TMSA pymt	-	-	-	42.8
DOJ - Tobacco Master Settlement Agreement Compliance (HB 2094)	-	-	-	0.7
Total	348.2	335.2	149.8	149.8

Medicaid Upper Payment Limit (MUPL) – 2003-05 Legislatively Adopted Budget				
(Dollars in Millions)				
	2001-03 Legislatively Adopted	2001-03 Legislatively Approved	2003-05 Governor's Balanced Budget	2003-05 Legislatively Adopted Budget (LAB)
K-12 Education	99.2	242.1	73.8	-
Oregon Health and Science University	101.3	92.9	-	-
Oregon Rural Health Association	15.0	-	-	-
Dept. of Administrative Services - MUPL Fund	118.1	-	-	-
General Fund	-	-	-	-
Total	333.6	335.0	73.8	-

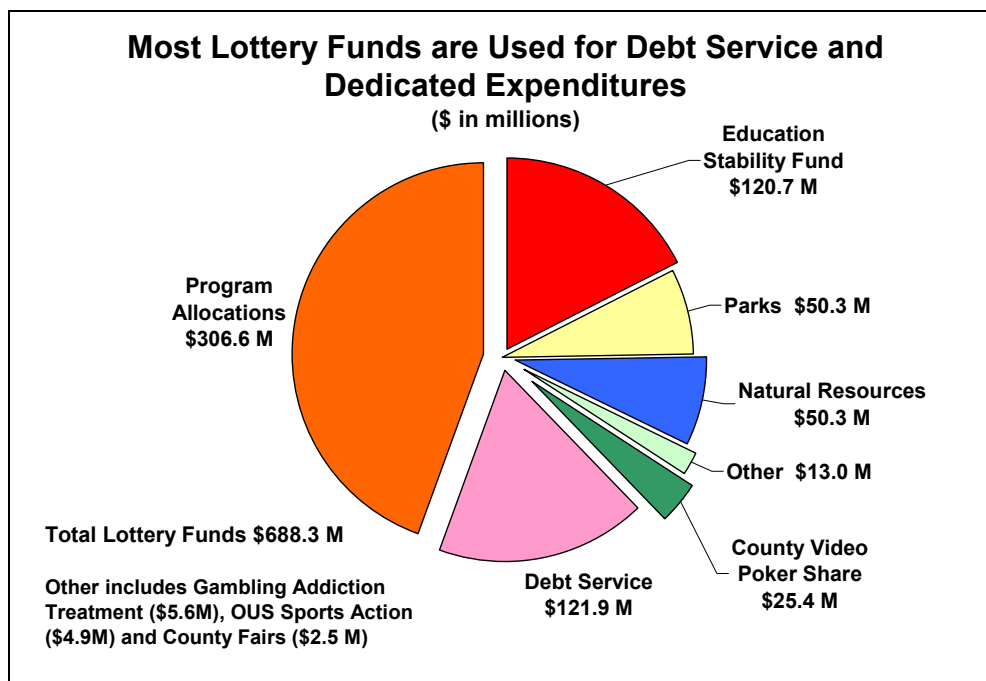
Lottery Revenues and Expenditures

Lottery Revenues – During the various special legislative sessions in the 2001-03 biennium, the Legislature used over \$80 million in debt service and administrative savings to offset reductions in the General Fund. This included \$65.8 million from Lottery Commission administrative savings and a contingency reserve for equipment purchases. This one-time infusion of resources is not available for the 2003-05 biennium. Further, revenues from the various lottery games are projected to decrease by approximately \$1.5 million, making the total Lottery Funds available \$63.2 million less than 2001-03 resources.

Difference between 2001-03 and 2003-05 Lottery Revenue			
(\$ in millions)			
	2001-03	2003-05	Difference
	(9/03 Forecast)	(5/03 Forecast)	
Total Earnings	\$672.3	\$670.7	(\$1.5)
Beginning Balance	6.4	11.3	4.9
Admin Savings & Contingency Transfers	65.8	0.0	(65.8)
Reversions	2.1	0.0	(2.1)
Interest Earnings	4.9	6.3	1.4
	\$751.5	\$688.3	(\$63.2)

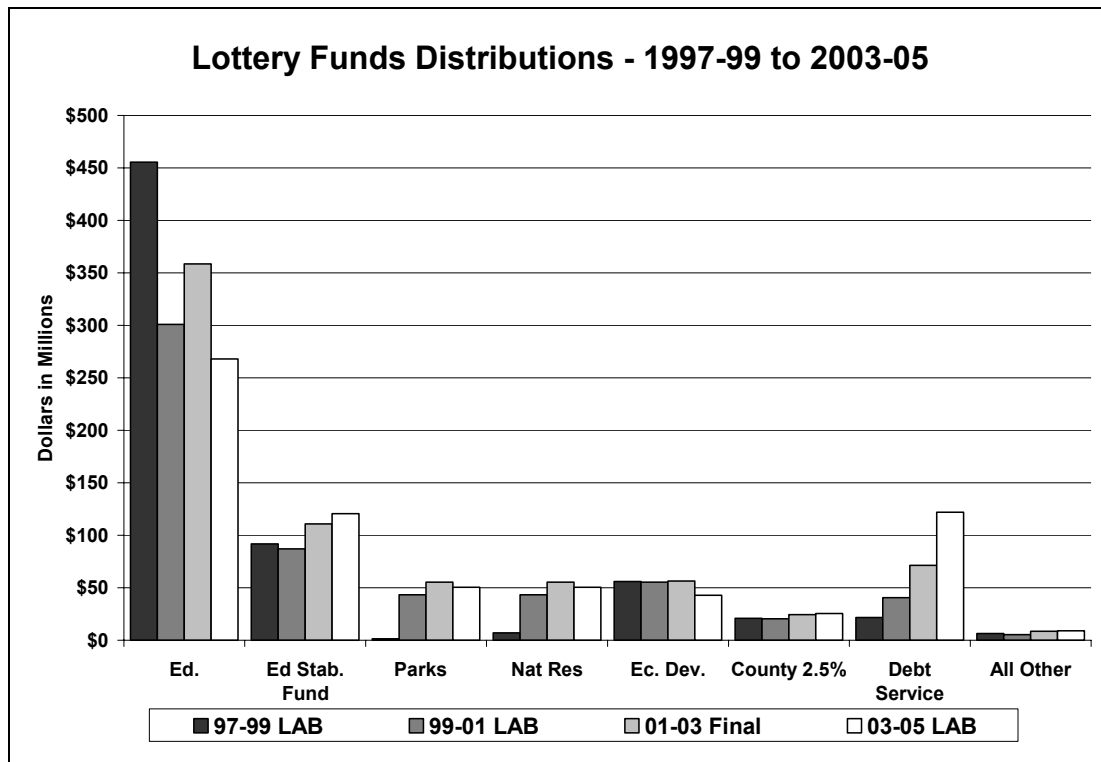
The 2003 Legislature provided that up to \$67 million in potential additional Lottery Funds would be allocated to the State School Fund. The Legislature increased the maximum number of video lottery terminals in retail establishments from five to six, but otherwise did not specify how the additional revenue would be generated. The expectation was that the Lottery Commission would generate this revenue by exercising several options, including reduction in retailer commissions, increased transfer of administrative savings, additional locations, and/or from the addition of new games.

Dedicated Funds – The 2003 Legislature allocated \$688.3 million in Lottery Funds revenue. This represented all of the resources available for allocation.



In 1996, the voters dedicated 15% of Lottery Funds to the Education Endowment Fund. In 2002, by a vote of the people, the Fund was renamed the Education Stability Fund and the percentage dedication was changed to 18%. In 2003-05, over \$120 million will be distributed to the Education Stability Fund. Another 15% of Lottery Funds was dedicated to parks and natural resources by a vote in 1998. The 1999 Legislature dedicated 1% of Lottery Funds to gambling addiction treatment programs.

These dedicated funds, combined with debt service on lottery-backed bonds which also has priority, make up 56% of lottery proceeds in the 2003-05 biennium. This percentage will increase in 2005-07 when debt service payments will increase from \$121.9 million to an estimated \$145 million.



Lottery Distributions – The 2003 Legislature continued to allocate most discretionary Lottery Funds to education, although the total amount is reduced from the peak allocation of \$450 million in 1997. In 2003-05, \$263.1 million was allocated to the State School Fund for K-12 education, and \$53.3 million was allocated for debt service on lottery-backed education bonds issued in 1999. When these allocations are combined with the 18% dedicated to the Education Stability Fund (\$120.7 million based on the May 2003 revenue forecast and \$122 million based on the September 2003 revenue forecast) and the Sports Action revenue and debt service allocated to the Oregon University System, just over 64.7% of all Lottery Funds are dedicated to education. This percentage does not include interest earnings on the Education Endowment Fund that are used to pay lottery-backed bond debt for education, and to fund Oregon State Scholarship Commission Need Grants. Also not included is the \$67 million of additional Lottery Funds anticipated by the 2003 Legislature for the State School Fund.

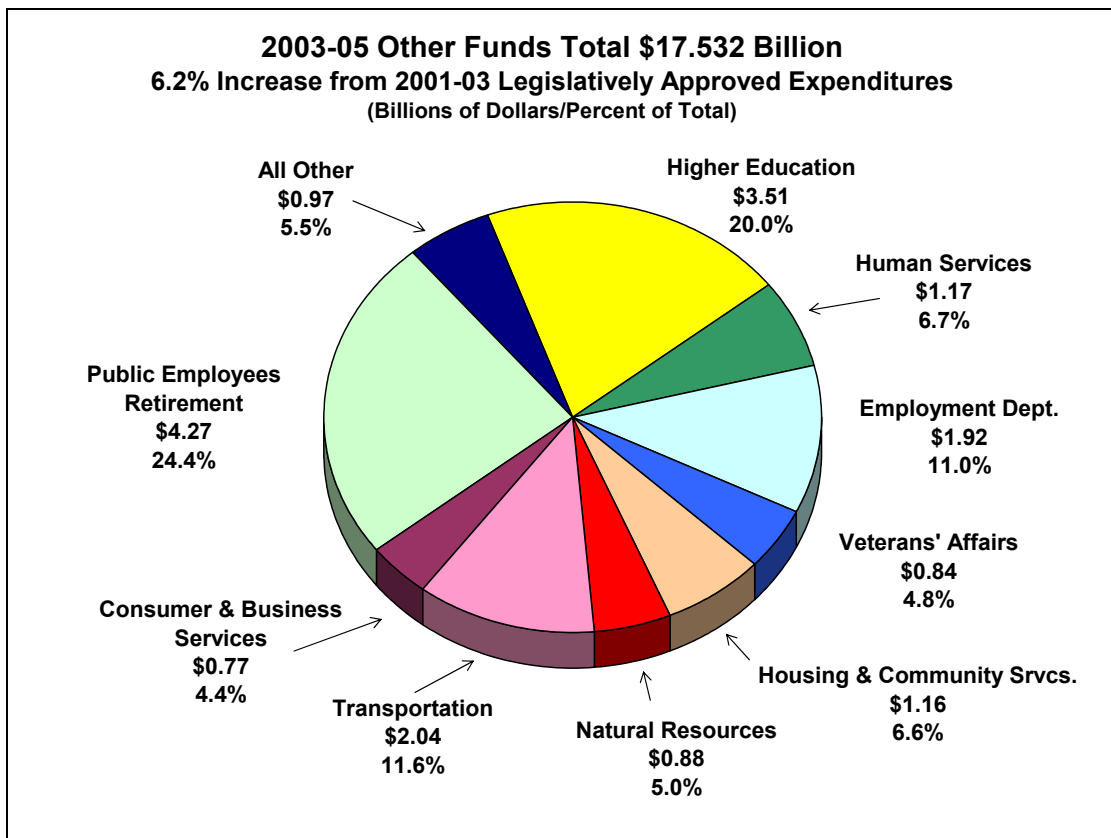
The primary change in the allocation of Lottery Funds, begun by the 2001 Legislature and continued by the 2003 Legislature, involves the expanded use of lottery-backed bonds and a corresponding increase in the debt service owed on those bonds. (A complete discussion of lottery-backed and other bonds approved by the 2003 Legislature is included in a separate section of this report.) The

Legislature also continued the funding of county fairs with \$2.5 million per biennium from Lottery Funds. This continues the shift initiated in the 2001-03 biennium from the historical General Fund support for this program. The Legislature also provided \$610,000 in one-time Lottery Funds as partial support for the Governor’s Economic Revitalization Team (formerly the Community Solutions Team). The Legislature directed that work be done in the 2003-05 interim to identify permanent funding for the Team.

Other Funds Expenditures

The 2003-05 legislatively adopted budget provides for the expenditure of \$17.529 billion of Other Funds. Other Funds consists of revenue received by a state agency other than General Fund, Lottery Funds, or Federal Funds, and is generally restricted by law to defined purposes. Examples include revenue from licenses and fees; charges for services; fines, rents, and royalties; interest earnings; bond sale proceeds; sales income; donations and contributions; loan repayments; and certain funds received from the federal government.

The 2003-05 adopted Other Funds budget represents an increase of \$1.02 billion, or 6.2%, over the 2001-03 legislatively approved budget at the close of the 2003 regular session.



Significant changes in Other Funds expenditure limitations include the following:

Education

- In 2001-03, the MUPL funding mechanism provided \$242.1 million to the State School Fund and approximately \$93 million to the Oregon Health and Science University. The General Fund will support these activities in 2003-05.

- The Department of Higher Education anticipates an increase of \$131 million from tuition rate increases and \$46 million in enrollment growth.

Human Services

- The DHS expenditure limitation was reduced by \$150 million to reflect the elimination of MUPL.
- Total available revenues from the tobacco settlement are expected to decline, with a reduced allocation of \$169.6 million to DHS.
- DHS' budget includes an additional \$133.4 million from tobacco tax receipts.
- Pending approval by the Centers for Medicare and Medicaid Services, DHS's budget includes a new nursing facility provider tax for \$38 million.

Public Safety

- Fewer capital construction projects were approved for the Department of Corrections (less \$94 million) and the Department of Public Safety Standards and Training (less \$77 million).
- In 2001-03, the Department of Corrections utilized construction project savings to fund debt service payments of approximately \$62 million. The General Fund will support the debt service requirements in 2003-05.
- By accounting for the child support program directly in the Department of Justice's budget, rather than through an interagency agreement, payments from DHS will be reduced by \$73 million.

Economic and Community Development

- Due to a weak economy and Oregon's high unemployment rate, nonlimited benefit payments within the Employment Department are estimated to increase approximately \$500 million over the 2001-03 approved level.
- With lower market interest rates and fewer veterans eligible to apply, the Department of Veterans' Affairs Loan Program has experienced a steady decline that accounts for most of the agency's \$146 million reduction.
- The Housing and Community Services Department's budget was increased by about \$464.6 million largely due to expansion of the single-family housing program and technical budget adjustments to the agency's nonlimited expenditures for financing and debt service.
- The Economic and Community Development Department's budget is \$94.9 million lower to reflect the anticipated bond bank activity and debt service requirements.

Natural Resources

- The Department of Forestry's budget reflects a decrease in extraordinary forest fire expenses of approximately \$94 million.
- Interest earnings from the Common School Fund are anticipated to be \$22.4 million lower in 2003-05, reducing the Division of State Lands distributions to counties.

Transportation

- Proceeds from the Oregon Transportation Investment Act bond sales will support an additional \$116 million for road and bridge preservation projects and an additional \$43 million for modernization projects in 2003-05. The Department of Transportation (ODOT) will also incur an additional \$28 million in debt service payment on these bonds.
- ODOT's budget includes \$35 million to support the Washington County Commuter Rail.

Consumer and Business Services

- Due to anticipated enrollment growth of 15% and premium increases of 10% in the Oregon Medical Insurance Program, the Department of Consumer and Business Services' budget includes an additional \$88 million.
- SB 622 (2001) established the Oregon Universal Service Charge to fund subsidies for basic telecommunications services in high cost areas. The Public Utility Commission estimates revenues will be \$121.9 million, or 50% lower than the 2001-03 legislatively approved level.

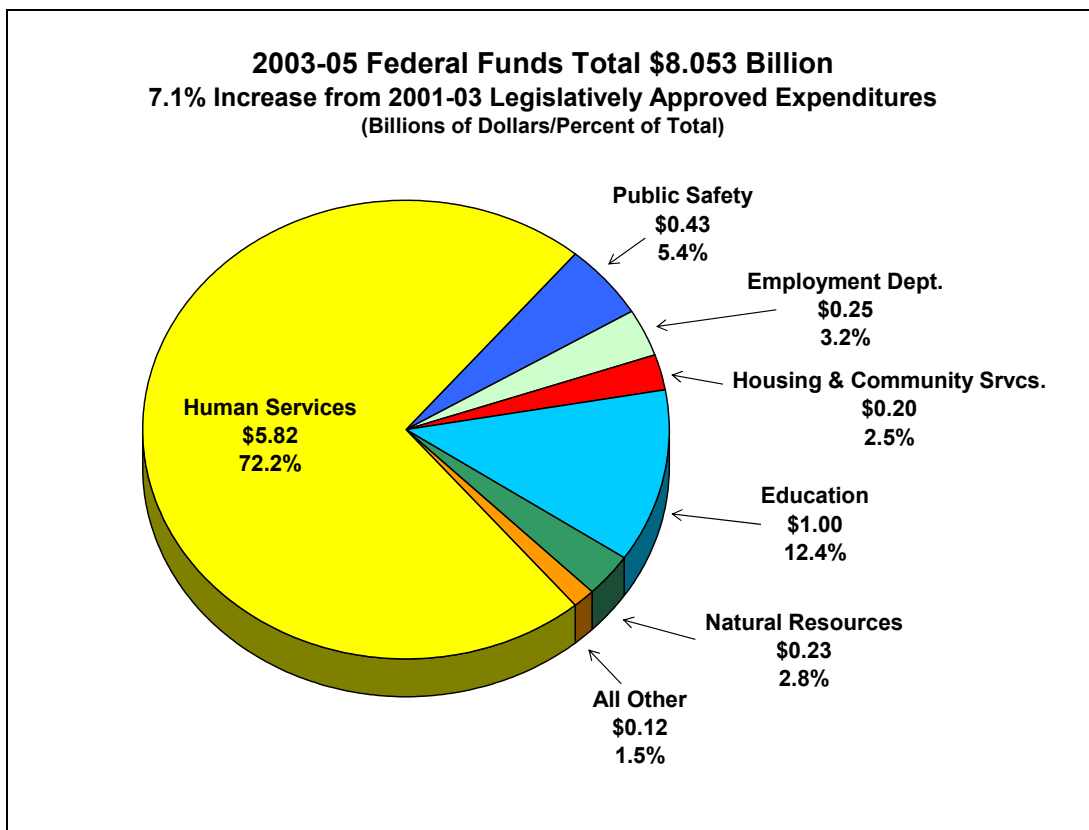
Administration

- An increase in the number of retirements and projected benefit payments accounts for most of the \$597.6 million growth in the Public Employees Retirement System.
- Tobacco Tax enforcement activities within the Department of Revenue will be supported by collection revenues of \$35 million, rather than General Fund.

Federal Funds Expenditures

The 2003-05 legislatively adopted budget authorizes expenditure of \$8.053 billion of Federal Funds. Federal Funds comprises revenue from the federal government sent to state agencies to pay for specific programs and activities. Examples include competitive grants, matching funds, block grants, pass-through funds, or special payments.

The 2003-05 adopted Federal Funds budget represents an increase of \$537 million, or 7.1%, over the 2001-03 legislatively approved budget at the close of the 2003 session.



Significant changes in Federal Funds expenditure limitations include the following:

Education

- The Department of Education anticipates an increase of \$150 million primarily in special education, Title I Low-Income, reading, and teacher quality grants.
- The decline in Community Colleges and Workforce Development of \$22.6 million is largely attributable to fewer dollars from the Workforce Investment Act, Title IB and II funds, including National Emergency Grants.

Human Services

- DHS expenditure limitation was reduced by \$227 million to reflect the elimination of MUPL.
- Caseload changes, primarily in the food stamps program, will generate an additional \$122.6 million in nonlimited benefits.
- The temporarily enhanced federal Medicaid match rate authorized under the Jobs and Growth Tax Relief Reconciliation Act of 2003 is expected to generate an additional \$78.3 million.
- Pending approval by the Centers for Medicare and Medicaid Services, DHS's budget anticipates a new nursing facility provider tax that will generate \$57.3 million in matching funds.
- General Fund appropriated for negotiated wage and benefit increases for workers who provide in-home care to Medicaid long-term care clients will be matched with an additional \$38.9 million.

Public Safety

- Approximately \$116 million allocated to Oregon under the Jobs and Growth Tax Relief Reconciliation Act of 2003 was used to replace the same amount of General Fund for the Department of Corrections.
- The Military Department's budget includes \$35.8 million in capital construction, which includes the Armed Forces Reserve Center in Springfield, Camp Rilea improvements, and facilities maintenance.
- The Oregon State Police anticipates receiving an additional \$22 million in Homeland Security Funds and will direct a minimum of 75% of those funds to local governments.

Economic and Community Development

- The Housing and Community Services Department expects the average payments received on HUD-financed, Section 8 Housing Assistance Program loans to be significantly lower than forecasted in 2001-03. This change accounts for most of the \$60.6 million decline in Federal Funds for this agency.

Summary of Legislative Actions Affecting the 2003-05 Budget

State Employee Salary Actions

The statewide balanced budget plan called for elimination of salary step (“merit”) increases and cost of living adjustments for all state employees. Based on this directive, the 2003 Legislature reduced state agency budgets by \$86.4 million total funds for the estimated savings of these actions. Specifically, General Fund appropriations were reduced by \$40.8 million; Lottery Fund allocations were reduced by \$0.7 million; Other Funds expenditure limitations were reduced by \$29.3 million; and Federal Funds expenditure limitations were reduced by \$15.6 million.

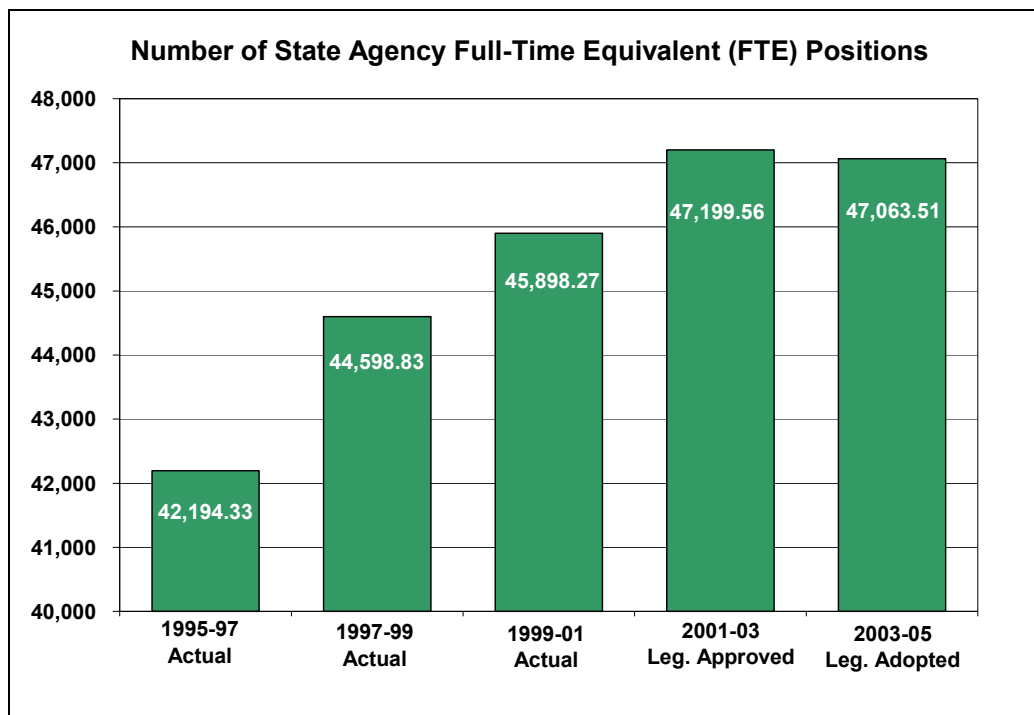
Vacant Position Elimination

The statewide balanced budget plan called for elimination of vacant positions, unless justified as necessary to 1) maintain public safety, health, and welfare, 2) maintain minimally adequate oversight to essential programs, business functions, or funding streams, 3) fulfill constitutional requirements, 4) address mandated caseloads, 5) comply with court orders, or 6) meet federal maintenance of effort requirements. Vacant positions exist for a variety of reasons such as attrition and turnover, seasonal work, recruitment difficulties, revenue shortfalls, hiring freezes, double-filling, newly established but not yet filled, reorganization, and phase-in of programs.

At the time this component was included in the budget plan, there were an estimated 6,800 vacant 2001-03 positions. A reduction target of 800 positions was established. After reviewing these vacancies to determine if the vacant positions were included in the 2003-05 Governor’s budget, and evaluating continued staffing needs, the 2003 Legislature eliminated 1,016 of 4,679 actual vacant positions. This action reduced state agency budgets by \$68.8 million total funds. Specifically, General Fund appropriations were reduced by \$37.4 million; Lottery Fund allocations were reduced by \$0.5 million; Other Funds expenditure limitations were reduced by \$19.3 million; and Federal Funds expenditure limitations were reduced by \$11.7 million. The number of vacant positions eliminated by program area is illustrated in the following table.

PROGRAM AREA	Number of Vacant Positions Eliminated	Total Number of Actual Vacant Positions
Education	112	210
Human Services	207	1,126
Public Safety	146	694
Economic and Community Development	22	107
Natural Resources	294	1,732
Transportation	144	318
Consumer and Business Services	5	27
Administration	38	315
Legislative Branch	36	106
Judicial Branch	12	44
Total	1,016	4,679

In recent biennia, the number of state agency full-time equivalent positions (FTE) grew between three and 5%. The elimination of vacant positions and associated FTE helped reverse this trend for the 2003-05 biennium. The adopted budget includes 136.05 FTE less than the 2001-03 approved level. If Higher Education is excluded, there is a net decline of 441.89 FTE between 2001-03 and 2003-05.



In addition to the elimination of vacant positions, 759 state employees were laid off and another 149 demoted in lieu of layoff as a result of budget rebalancing actions during the 2001-03 biennium. The majority of the layoffs occurred in the Department of State Police (247) and the Oregon Youth Authority (218).

Effects of Reforms to the Public Employees Retirement System

Reforms to the System – The Legislature passed a number of reforms to the Public Employees Retirement System (PERS) that had a direct impact on budgets of all participating employers. HB 2001 capped the amount that could be credited to Tier 1 member accounts at 8% for the foreseeable future. HB 2003 made statutory adjustments that effectively negated the “money match” cost to employers. HB 2004 required implementation of updated mortality tables. The Legislature also approved a successor plan for new employees. While legal challenges have been filed against all or a part of HB 2003 and HB 2004, the PERS Board was required to adjust employer contribution rates for the effects of the bills. The reductions to employer contribution rates that resulted from these reforms were significant. Substantial savings to state and local employers for the 2003-05 biennium have been recognized as a result.

It should be noted that any adjustments to employer contribution rates that may be necessary because of court determinations on the challenges will be reflected in future contribution rates and will not affect employer contribution rates for the 2003-05 biennium.

Reform to paying state’s unfunded actuarial liability – The Legislature approved the use of less costly long-term debt to pay down the state’s portion of the PERS unfunded actuarial liability. The state expects to issue the debt and pay down the unfunded liability by the end of October 2003. PERS will cause the state’s employer contribution rate to be adjusted downward effective November 2003 to reflect the reduced unfunded actuarial liability. Savings from reduced employer contribution rates will be greater than the debt service required on the amount borrowed. The Legislature also placed this issue before the voters to achieve even more savings. Voter approval of the measure in the September

2003 special election allows the state to issue general obligation bonds that will result in a lower borrowing cost than other forms of debt. The lower contribution rates are expected to save the state \$34 million General Fund over the current biennium and up to \$1 billion over the next 24 years.

Savings from PERS reform – Combined, the above legislative actions will produce savings of approximately \$300 million General Fund for the biennium. Most of this (\$218 million) is savings to the State School Fund for support to K-12 education. Local school districts were allowed to retain these savings in the 2003-05 budget. The state was also able to reduce its support for community colleges by \$7 million to reflect their savings from reduced employer contribution rates. The remaining \$75 million in savings will be realized throughout state agencies supported with General Fund. Corresponding Other Funds and Federal Funds savings of \$127 million were also recognized in state agency budgets. Of this, about \$40-\$50 million will be transferred to the General Fund with the balance being kept by agencies for their operations.

Other Funds Ending Balance Actions

Other Funds ending balances were extensively reviewed by the 2003 Legislature. These actions resulted in approximately \$170 million in Other Funds being utilized in the statewide balanced budget plan. As individual agency budgets were approved, \$4.7 million in Other Funds were used in lieu of General Fund and \$27.7 million in Other Funds were transferred to the General Fund. Additionally, based on passage of HB 2148, \$64.1 million of 2001-03 Other Funds ending fund balances were transferred to the General Fund; \$52.2 million of Other Funds (\$42.2 million of Tobacco Settlement funds and \$10 million of Tobacco Use Reduction Account funds) were transferred to the Oregon Health Plan; and \$4.9 million of Other Funds revenue derived from registration of specialty vehicle license plates were transferred within the Department of Transportation to support the Willamette Valley Train Program.

Transfer of Public Employee Retirement System (PERS) Other Funds Savings

HB 2148 requires all state agencies to identify Other Funds savings from implementation of PERS reforms and transfer these amounts, with few exceptions, to the General Fund to be available for general governmental purposes. This action is expected to generate approximately \$40-\$50 million in one-time General Fund revenue to assist with the statewide balanced budget plan.

Other Significant HB 2148 Actions

In addition to the above actions, HB 2148 included two other significant budget-related items. Specifically, it temporarily requires that net receipts from video lottery games that would be transferred from the State Lottery Fund to counties for economic development activities be otherwise allocated by law. It also requires all state agencies to track and revert General Fund savings achieved from compliance with various administrative restrictions and from actions taken to increase government efficiency.

2003-05 Program Suspension

Due to constraints on the state budget, General Fund support for certain agencies and programs determined to be non-essential for the health, safety, and welfare of Oregonians was suspended for the 2003-05 biennium. In most cases, these programs were provided expenditure authority for non-General Fund resources that may become available from gifts, grants, or donations in order to continue services. The suspended programs include the Capital Planning Commission, the Commission on Asian Affairs, the Commission on Black Affairs, the Commission on Hispanic Affairs, and the

Commission for Women. General Fund support was also withdrawn from the Oregon Disabilities Commission. The Dispute Resolution Commission was not funded, but responsibility for its major functions was transferred to the Department of Higher Education.

HB 2152 Tax Changes

Even with the legislative actions described above to reduce expenditures and transfer Other Funds to the General Fund, available resources were inadequate to continue all services and programs. Thus, the Legislature passed HB 2152, which included a variety of temporary and permanent tax changes, as a way to generate additional revenue for state-provided services. The measure imposed a graduated temporary income tax assessment with rates ranging from 1% to 9%, established a new corporate minimum tax based on business sales, changed corporate income tax treatment of extraterritorial income and dividends paid by subsidiaries, and proportionally reduced most corporate income tax credits by 20% for three years. The measure also included a reduction in the discount allowed for early payment of property taxes, established a provider tax on nursing homes, and extended the sunset date of the temporary 10 cent per pack cigarette tax dedicated to the Oregon Health Plan. For more detailed information, see the Legislative Revenue Office report “Revenue Measures Passed by the 2003 Legislature.”

Selected Impacts of House Bill 2152 Tax Changes		
(\$ millions)		
	2003-05	2005-07
<u>General Fund</u>		
Income Tax Assessment (3 Years)	\$544.6	\$156.7
Oregon Elderly Medical Deduction	42.0	44.5
Treatment of SUV Depreciation	4.7	4.3
Extraterritorial Income	18.0	18.0
Corporate Tax Credit Reduction	16.4	(8.7)
New Graduated Corporate Minimum Tax	73.4	76.3
Reduction in Corporate Dividend Subtraction	38.4	21.9
Property Tax Discount Rate Reduction	43.0	0.0
Long-Term Care Provider Tax	12.5	0.0
Sunset Extension on \$.10 Cigarette Tax	(1.0)	(1.5)
Total	\$792.0	\$311.5
<u>Other Funds</u>		
Cigarette Tax Extension		
Oregon Health Plan	23.4	10.2
TURA	(0.2)	(0.1)
Long-Term Care Provider Tax	38.9	77.9
Managed Care Assessment	34.0	54.4

General Fund Disappropriation for Potential Tax Referral

Sections 88 and 89 of HB 5077 provide for General Fund disappropriations from the legislatively adopted budget if all, or the major portion, of the tax increases associated with HB 2152 are referred to the voters and are subsequently rescinded at a special election. The disappropriations were generally structured to be in proportion to the negotiated additions to the original budget proposed by the Co-Chairs of the Joint Committee on Ways and Means.

According to the Legislative Revenue Office, the General Fund revenue impact of HB 2152 is \$792 million in 2003-05 with an additional \$311.5 million available for 2005-07. The largest single component of the tax increase originates from the income tax assessment portion of the measure. This is valued at \$545 million General Fund in 2003-05 and at \$157 million in 2005-07 (the assessment

phases out after three calendar years). In addition to the income tax assessment, HB 2152 includes 10 other individual tax changes with a General Fund effect. Since any piece of the measure can be referred to the voters, the possible combinations of referrals is complex.

Section 88 of HB 5077 provides that if the entire measure is referred to the voters and the tax increases are rescinded, the total amount of direct General Fund revenue associated with HB 2152, or \$792 million, is disappropriated proportionally from the programs that received negotiated budgetary increases. Section 89 of HB 5077 provides that if any referral to the voters is less than the entire measure but includes the referral of the income tax assessment, then \$545 million is to be proportionally disappropriated from the programs that received negotiated budgetary increases. In both cases, the disappropriations would take effect on May 1, 2004.

The following table illustrates the amounts to be disappropriated by agency under these scenarios. If the actual loss of tax revenue is greater than \$545 million due to the particular combination of referred sections of HB 2152, a balanced budget can be maintained through the Governor's use of the statutory across-the-board allotment reduction authority. This would affect all agencies receiving General Fund.

Referral Disappropriation	Reduction using HB 2152 total (section 88, HB 5077)	Reduction using HB 2152 income tax assessment only (section 89, HB 5007)
State Commission on Children and Families	(\$7,048,800)	(\$4,846,940)
Department of Human Services	(\$265,795,200)	(\$182,767,760)
Section 1(2) - Children, Adults and Families	(\$17,424,000)	(\$11,981,200)
Section 1(3) - Community Human Services	(\$79,200)	(\$54,460)
Section 1(4) - Health Services	(\$224,136,000)	(\$154,121,800)
Section 1(5) - Seniors and People with Disabilities	(\$18,612,000)	(\$12,798,100)
Section 3, Lottery Funds - Gambling Addiction Treatment	(\$5,544,000)	(\$3,812,200)
Oregon State Police	(\$5,702,400)	(\$3,921,120)
Forensic services and State Medical Examiner		
Oregon Youth Authority	(\$8,474,400)	(\$5,827,220)
Oregon Judicial Department	(\$18,928,800)	(\$13,015,940)
Public Defense Services Commission	(\$14,414,400)	(\$9,911,720)
District Attorneys and their Deputies	(\$1,108,800)	(\$762,440)
Community Colleges	(\$9,900,000)	(\$6,807,500)
Community College Support Fund		
Department of Corrections	(\$35,798,400)	(\$24,615,920)
Institutions and correctional programs	(\$9,900,000)	(\$6,807,500)
Community corrections	(\$25,898,400)	(\$17,808,420)
Department of Higher Education	(\$10,929,600)	(\$7,515,480)
State School Fund	(\$413,899,200)	(\$284,607,960)
TOTAL DISAPPROPRIATION	(\$792,000,000)	(\$544,600,000)

Performance Measures

During the 2001-03 interim, a Performance Measures Advisory Group was convened to establish a set of guidelines for performance measures that was to be used by all state agencies when developing, reviewing, and reporting their performance. This Advisory Group included legislators, agency heads, and private sector specialists, and was staffed by the Department of Administrative Services (DAS), the Legislative Fiscal Office (LFO), and the Audits Division of the Secretary of State. The Advisory Group determined a set of guidelines was needed to ensure a uniform approach to identifying and reporting agency performance within a system of performance measures that:

- is based on legislative expectations;
- is useful to managers and line staff;
- is affordable by building on what currently exists;
- includes a mix of effectiveness and efficiency measures; and
- systematically and meaningfully links to the Oregon Benchmarks.

The Advisory Group recommended the creation of a review process through which agencies could receive feedback on their performance measures before they were submitted with their budget request to the Legislature. This review work was done by the DAS Performance Measure Review Team. Nearly all agencies' performance measures were reviewed at least once, with many agencies resubmitting their measures after the initial review suggested changes. The Review Team completed a review of agency measures based on the guidelines adopted by the Advisory Group. The review document was submitted to the Joint Committee on Ways and Means along with the agency performance measures and the Governor's recommended budget.

While Oregon has been developing and tracking performance measures for over 10 years, never before has the Legislature been as involved in the review and adoption of agency performance measures as it was during the 2003 session. To ensure that agencies were tracking measures that were important to the legislature, each agency's performance measures were presented to the appropriate Ways and Means subcommittee along with the budget request. Each subcommittee then reviewed and formally adopted the measures for each agency. In many instances, performance measures were approved only after changes were made to modify or add measures. In at least one case, the Joint Committee on Ways and Means did not approve the submitted measures, but required the agency to rework the measures, add some new specified measures, and return to the Joint Legislative Audit Committee (JLAC) during the 2003-05 interim for approval of the new set of measures. Other agencies were also required to submit revised performance measures to JLAC for review. The formal legislative review of performance measures should produce measures that are important to policy makers and establish a set of measures that can be tracked over time since future changes to measures can only be approved the Legislature. It is hoped that the approved measures will prove useful to future decision makers when they are considering agency funding requests.

The Budget and the Statutory Appropriations Limit

The 2001 Legislature created a new statutory appropriations limit that caps biennial expenditures for governmental activities at 8% of projected biennial personal income. Based on the June 2003 economic forecast of personal income for the 2003-05 biennium, the statutory limit on appropriations for governmental activities is \$17.6 billion. The legislatively adopted budget for 2003-05 provides for expenditures of \$16.8 billion for governmental activities, \$800 million under the limit.

The 2003-05 legislatively approved budget totals \$37.1 billion. For purposes of the appropriation limit, however, governmental activities exclude the fiduciary and business activities of government.

The largest fiduciary activity budget is PERS, with a total budget approaching \$4.3 billion, most of which is for payment of retirement benefits. Business activities include various loan programs and insurance programs such as workers' compensation and unemployment insurance. Business activity budgets total \$6.4 billion. Also excluded are Federal Funds of \$8.1 billion and about \$800 million from other excluded financing sources, such as donations, revenues from a voter approved tobacco tax increase, and borrowings for capital construction and asset acquisition.

Program Area Summaries

Education Program Area

The Education program area includes pre-Kindergarten, K-12, and post-secondary education. All levels of education receive significant monies from federal and other sources. With the exception of the Oregon University System, the state does not generally provide education services. Instead, state support funds are passed through state agency budgets to education providers, which include school districts, education service districts (ESDs), community colleges, and the Oregon Health and Science University (OHSU) public corporation.

Because education services are provided in this manner, most non-state funds that support education do not appear in the state budget. Funds that do not show up in the budget include property taxes that support schools, ESDs, and community colleges; as well as the tuition and service charges that support community colleges and OHSU. Certain other non-state funds for education do show up in the state budget, however, because they are passed through a state agency before being distributed to the ultimate user. These types of funds include Federal Funds distributed to school districts, Federal Funds to support work force training programs which are distributed through the Department of Community Colleges and Workforce Development budget, and the funds that support the student loan guarantee program of the Oregon Student Assistance Commission.

Unlike other types of education, the post-secondary programs of the Oregon University System are offered directly by a state agency: the Department of Higher Education. Therefore, for the Department of Higher Education, all funds are included in the state budget. These other funds include tuition, bond funds for capital construction, grant funds (including research grants), and auxiliary activity funds that finance student housing and food services, student loan programs, bookstores, and health centers.

K-12 Education

The Legislature approved a base amount of \$5.2 billion for State School Fund grants to school districts and education service districts (ESDs) in 2003-05. This funding level is essentially the same as that approved by the 2001 Legislature prior to 2002 special session reductions, but it represents an increase of approximately \$520 million, or 11%, over the 2001-03 legislatively approved level of \$4.7 billion after special session reductions.¹ The 2003-05 legislatively adopted budget is about \$150 million higher than the \$5.05 billion level in the Governor's recommended budget.

The adopted budget includes \$4.74 billion General Fund, \$452.1 million Lottery Funds, and \$17.2 million Other Funds from local revenues deposited into the State School Fund. Other Funds include \$14.3 million from a reduced discount on early payment of property taxes. Lottery Funds include a \$122 million transfer to the State School Fund from the Education Stability Fund in May 2005. Also included in Lottery Funds is \$67 million that is contingent upon the effects of legislation passed to

¹ As a result of 2002 special session actions, districts also could accrue, collectively, up to \$211 million as revenue for 2002-03, with the actual cash payment received in the 2003-04 school year. Thus, if all districts accrued so that 2001-03 resources are \$4.9 billion, the 2003-05 adopted budget of \$5.2 billion represents a 6.4% increase over 2001-03 resources.

expand the number of lottery machines at authorized locations, and other actions to be taken by the Lottery Commission to increase lottery revenues.

To potentially reach a K-12 funding level of \$5.3 billion, the Legislature provided that the State School Fund could receive additional funding if economic recovery occurs. If General Fund growth occurs, and as long as the state's 2003-05 General Fund ending balance is at least \$100 million as of the June 2004 forecast, then the State School Fund is eligible to receive 50% of any excess over the \$100 million ending balance, until the State School Fund support reaches a total of \$5.3 billion. Even absent any General Fund growth, if lottery revenues exceed those allocated by the Legislature during the 2003 regular session, the State School Fund will receive 100% of the excess net lottery revenues up to a capped amount. Thus, an additional \$100 million over the legislatively adopted budget could be from the General Fund, lottery revenues, or both. The following table summarizes state support for K-12 funding in 2003-05:

2003-05 State School Fund(\$ in millions)	2003-04	2004-05	Total
General Fund	\$2,460.1	\$2,277.1	\$4,737.2
Lottery Funds	128.9	201.2	330.1
Other Funds - local revenues deposited into the State School Fund (HBs 2197 & 2152)	2.0	15.2	17.2
Education Stability Fund	0.0	122.0	122.0
Subtotal	\$2,591.0	\$2,615.5	\$5,206.5
Additional amount subject to trigger	0.0	100.0	100.0
Total State School Fund with Potential Trigger Revenues	\$2,591.0	\$2,715.5	\$5,306.5

The Legislature also appropriated \$400,000 for local option equalization grants for eligible school districts meeting the criteria established by 2001 legislation (HB 2300). This amount is not included in the above figures.

The funding increase over the 2001-03 biennium compares with a 10% increase in 1999-01, a 23% increase in 1997-99 and a 37% increase in 1995-97. During the two earliest biennia, the state increased funding to offset the decline in property taxes under the Measure 5 and Measure 50 tax limitations. In 1999-01, 2001-03, and 2003-05, however, the impact from the implementation of these two property tax measures is relatively minor.

The 2003-05 state support monies, along with property tax and other local funds distributed through the equalization formula, increase revenues available to schools and ESDs above the 2002-03 school year (not including accrued state resources) by 14.4% in 2003-04 and by an additional 2% in 2004-05. (If accrued resources are included in the funding total for 2002-03, the increase from 2002-03 to 2003-04 is 7.4%.) These percentages do not reflect any funding potentially available under the trigger nor any increases in federal dollars available to schools. Approximately \$100 million in federal funds is expected over the amount assumed in the Governor's budget.

The statewide average for per-student (weighted) spending in 2003-04 is projected to be \$5,289. This is about a 13% increase over the 2002-03 statewide average of \$4,700, which reflects special session reductions without any accrued resources. With accrued resources, it is about a 6% increase. The 2003-04 per student amount of \$5,289 is 0.2% below the 2001 close-of-session per-student amount of \$5,297 estimated for 2001-02.

Oregon Department of Education

The Legislature approved a budget of \$1.23 billion for the Department of Education (not including the State School Fund), which is an 11.5% increase over the agency's 2001-03 legislatively approved level. This overall growth is mainly due to increases in federal funding, with General Fund, Lottery Funds, and Other Funds support approximately equal to or below 2001-03 levels. From 2001-03 to 2003-05, limited Federal Funds have increased by about \$149 million – to a total of \$688 million – primarily for special education, Title I Low-Income, Title II Teacher Quality, and reading grants for school and education service districts.

The Legislature reduced the level of General Fund support in the Governor's budget for the Department from \$259 million to \$242 million, or \$17 million. Of this decrease, \$7.8 million was appropriated to the Emergency Board as special purpose appropriations as follows: \$6.5 million for the Early Intervention/Early Childhood Special Education program serving children with disabilities from birth to school age and \$1.3 million for agency operations, including the statewide student assessment system. The agency is directed in budget notes to provide certain information to the Emergency Board when requesting allocation of the special purpose appropriations. The remaining General Fund decrease includes reduced support for specific grant-in-aid programs (Start Making A Reader Today and the Oregon Public Education Network) and unspecified cuts to meet budget reduction targets.

The Legislature reduced positions in the agency by 87, largely due to approval of a supplemental policy package the agency submitted to better align its budgeted positions with actual operations. Most of these positions had a very small corresponding FTE, so that the total decrease in FTE was 12.59.

Post-Secondary Education

The state budget supports post-secondary education through the Department of Higher Education, the Department of Community Colleges and Workforce Development, the Oregon Health and Science University public corporation, and the Oregon Student Assistance Commission. The adopted budget includes a total of \$1.37 billion of state discretionary funding support for post-secondary education. This is an effective decrease of \$55.4 million (or 3.9%) from the 2001-03 biennium level remaining after special session and rebalance reductions, and an effective decrease of \$172 million (or 11.2%) from the 2001-03 biennium level as originally adopted in the 2001 session.

The budgets of the post-secondary education agencies also include \$3.67 billion of Other and Federal Funds. These funds support various programs in the agency budgets, including:

- federally-funded programs, primarily relating to job training under the Workforce Investment Act, in the Department of Community Colleges and Workforce Development budget;
- auxiliary, student loan and grant activities, and capital construction in the Department of Higher Education budget; and
- federal loan guarantee programs and private donation awards in the Oregon Student Assistance Commission budget.

The preponderance of these funds – including those associated with higher education student loan, auxiliary and grant programs, and the Oregon Student Assistance Commission's loan guarantee program – are not limited by the Legislature. The Other Funds-supported programs in the post-secondary education budgets are generally distinct from the state-supported programs. The exception to this is in the Department of Higher Education, where tuition is combined with state support monies

to finance the Education and General programs and where state monies support activities also funded by Other Funds in the Statewide Public Service Program budgets.

Department of Higher Education

State support for the Department totals \$687.1 million. This is a decrease of \$65 million (or 8.6%) from the 2001-03 biennium level remaining after special session and rebalance reductions, and a decrease of \$131.2 million (or 16%) from the 2001-03 biennium level as originally adopted in the 2001 session. The Department budget also includes \$3.38 billion Other Funds for a total of \$4.06 billion from all fund sources.

General Fund support for the Education and General program totals \$550.7 million, which is \$99 million less than the level in the Governor's recommended budget. This level equals a 20.7% reduction from the amount approved in the 2001 session, and a 10.8% reduction from the final level for 2001-03 remaining after special session reductions.

The \$100.1 million in General Fund cuts from the Governor's recommended budget level were made to a number of programs specified in the Department's Resource Allocation Model, which is used to allocate the state General Fund appropriation to the campuses and central programs of the Oregon University System. Most of the reduction, in dollar amounts, were made to the per-student funding that campuses receive for undergraduate and graduate education. The General Fund supports one new initiative: Signature Research Centers. The budget includes \$1 million General Fund for operations and \$40 million Other Funds for capital projects for this initiative, which funds the expansion of research programs in Multi-scale Materials and Devices at the University of Oregon, Oregon State University, and Portland State University. The research will focus on integrating nanotechnology and microtechnology into product engineering and design. The overall mission of the initiative is to create high-wage jobs and quality economic development in the state. The budget also adds \$100,000 General Fund to support the Oregon Council for Knowledge and Economic Development.

The \$100.1 million of General Fund reductions from the Governor's recommended budget is more than offset by a \$138.2 million increase in the Other Funds that are combined with General Fund to support education and general programs. The majority of these Other Funds will be generated from tuition and fee revenue that will be higher than the Governor anticipated because of tuition rate increases and enrollment growth. The Other Funds expenditure limitation accommodates the tuition rate increases approved by the State Board of Higher Education for the 2003-05 biennium, plus approximately \$12 million of expenditures from fund balances. An additional \$14 million from fund balances will be transferred to the General Fund to recapture a portion of the Other Funds savings the Department will realize from PERS rate reductions. The transfer was limited to \$14 million to preserve Department fund balances. If the calculation of transfer as applied to other state agencies had been used, the transfer amount would have totaled \$29.9 million. The Other Funds expenditure limitation was separately increased by approximately \$2 million to allow the Department to assume the responsibilities of the Dispute Resolution Commission, which was dissolved.

The combined impact of the General Fund reductions and Other Fund increases will allow the Department to budget 13.6% more for education and general programs this biennium than was spent in 2001-03. Program services, therefore, are preserved. Only 36% of expenditures will be financed by the General Fund, however, down from 46% in the prior biennium. Tuition rates will continue to increase to support program levels. For resident undergraduate students, tuition rate increases will average 12.5% over the two-year biennium. These increases are on top of increases averaging 19% in

the 2002-03 academic year. Even with these large tuition rate increases, 2003-05 full-time equivalent enrollment is expected to grow about 7% above the 2001-03 level.

The budget also reduces General Fund support for the Statewide Public Service Programs (Agricultural Experiment Station, Extension Service, and Forest Research Laboratory). General Fund for these programs will decline between 0.6% and 1.8% from prior biennium levels. Because these budgets do not receive revenue from tuition increases, there are generally not funds available to offset these reductions. Overall, combined General Fund/Other Funds support for the Statewide Public Service Programs is essentially flat at the 2001-03 biennium level. The program with the largest reduction is the Extension Service, which is implementing layoffs of tenured faculty (among other cost reduction measures) to adjust to a 1.6% decline in total funds.

Capital construction for the Department is discussed in the Capital Construction section of this report.

Community Colleges

State support for the Department of Community Colleges and Workforce Development totals \$423.2 million. This is a decrease of \$15.1 million (or 3.4%) from the 2001-03 biennium level that effectively remained after special session and rebalance reductions (i.e., excluding a \$56 million reduction from shifting the last support fund payment to the 2003-05 biennium), and a decrease of \$51.3 million (or 10.8%) from the 2001-03 biennium level originally adopted in the 2001 session. The state provides funding to community colleges through the Community College Support Fund (CCSF). These monies are not dedicated to any particular purpose and are used by the colleges to support all of their operations. The funds are distributed to the colleges primarily on an enrollment basis. Most state support funds in the Department budget, \$417.9 million, are appropriated for the CCSF. The Department budget also includes \$138.9 million of Federal and Other Funds for a total of \$562.1 million from all fund sources. Expenditure limitations were approved to allow the Department to spend all projected revenue from federal Workforce Investment Act and Carl Perkins Technical and Applied Technology Act funds. The budget transfers the federally-funded Even Start Family Literacy Program out of the Department to the Department of Education.

The adopted budget provides support through the CCSF of \$418.2 million. Community colleges are increasing tuition rates in an attempt to maintain services at this reduced level of state support. Nonetheless, college enrollments are projected to decline in the biennium as colleges reduce course offerings and sections. Colleges are likely to reduce professional/technical course offerings the most, as these are the most expensive to provide. These decisions are not included in the approved budget, but instead will be made by the community college district boards.

Although the level of CCSF support is below prior biennium levels, it is higher than the level proposed in the Governor's recommended budget. The Legislature added \$20.7 million of General Fund above that level. Of this amount, \$10.7 million was provided as a special purpose appropriation to the Emergency Board. The Emergency Board will allocate this money to the CCSF after the State Board of Education acts on a new CCSF distribution formula proposal that is being developed by the Department and community college presidents to address equalization issues. The \$20.7 million enhancement was partially offset by a \$3.3 million General Fund reduction for higher than anticipated property tax projections, and by a \$7.2 million reduction in response to PERS reform that will reduce the contribution rate that community colleges will have to pay to cover their employees. This amount is calculated to reflect a portion of the actual reduction in PERS costs to community colleges, as paid from the state General Fund portion of their budgets. The amount reflects only the direct impact of

PERS legislation passed this session. Unlike how the PERS reduction was calculated for state agency budgets, it does not reflect contribution rate reductions from refinancing the PERS liability. The actual savings to community colleges should therefore exceed the \$7.2 million that was removed from the budget. The other \$3.3 million reduction is offset by an equal amount of property tax collections.

The budget also suspends General Fund support for the Oregon Youth Conservation Corps program. The associated reduction amounted to \$391,000 General Fund. The program will continue to operate, albeit at a reduced level, with the \$2 million of Other Funds available to it.

OHSU Public Corporation

The state grant to the Oregon Health and Science University (OHSU) public corporation totals \$85.8 million, including \$84.4 million General Fund and \$1.4 million from the Criminal Fines and Assessment Account. This is a decrease of \$10.2 million (or 10.6%) from the 2001-03 biennium level that remained after special session and rebalance reductions, and a decrease of \$18.8 million (or 18%) from the 2001-03 biennium level originally adopted in the 2001 session. The OHSU Board of Directors will determine the distribution of the state support dollars and determine whether program reductions are necessary as a result of the decline in state funding, subject to certain restrictions described below.

State support supplies only a small portion of OHSU's operating budget, which totals over \$2 billion on a biennial basis. OHSU agreed to meet the following commitments within the approved budget:

- A minimum of \$11 million General Fund support will be allocated for the direct expenses of the School of Nursing. This reflects a smaller funding cut for this program than for other programs receiving General Fund support.
- OHSU will expand enrollment in Nursing programs and at least maintain enrollment levels in the MD and DMD programs. Tuition rate increases and other sources of revenue will be used to accomplish this.
- The services of the Oregon Poison Center will be maintained throughout the biennium.

The Legislature also completed funding of OHSU's Oregon Opportunity Program. This is an initiative to expand the university's research programs in biotechnology and genetics, and to expand its rural health programs. The state will issue Article XI-L general obligation bonds to provide \$106.3 million of proceeds to OHSU. These proceeds, along with those already transferred to OHSU in the 2001-03 biennium, total \$200 million to OHSU and exhaust the state's authority to issue bonds for the Oregon Opportunity Program under Article XI-L of the state constitution.

Oregon Student Assistance Commission

State funding for the Oregon Student Assistance Commission totals \$45.5 million. This is an increase of \$6.6 million (or 17.1%) over the 2001-03 biennium level that remained after special session and rebalance reductions, and an increase of \$978,000 (or 2.2%) from the 2001-03 biennium level originally adopted in the 2001 session. The budget increases funding for the state's principal student aid program, the Opportunity Grant, by \$7.9 million total funds (or 21.2%) over the prior biennium, and by \$1.4 million (3.2%) over the level approved in the 2001 session. The amount of Lottery Funds available for the Opportunity Grant fell by \$3.1 million from the level in the Governor's recommended budget proposal, because Education Stability Fund moneys were withdrawn to support the State School Fund, and because of declining interest rates. The Legislature added \$11.5 million of General Fund to the Opportunity Grant to offset this reduction and the General Fund cuts in the Governor's recommended budget. The net funding increase will fund an estimated 7,800 more Opportunity Grant

recipients than possible under the Governor's budget. The approved level of state support provides sufficient match to receive the maximum amount of Federal Funds available for the Opportunity Grant (\$1.2 million). The budget approves another transfer of funds from the Education Stability Fund to the State School Fund in May 2005. This will reduce Lottery Funds available for the Opportunity Grant in the 2005-07 biennium by an estimated \$1.9 million.

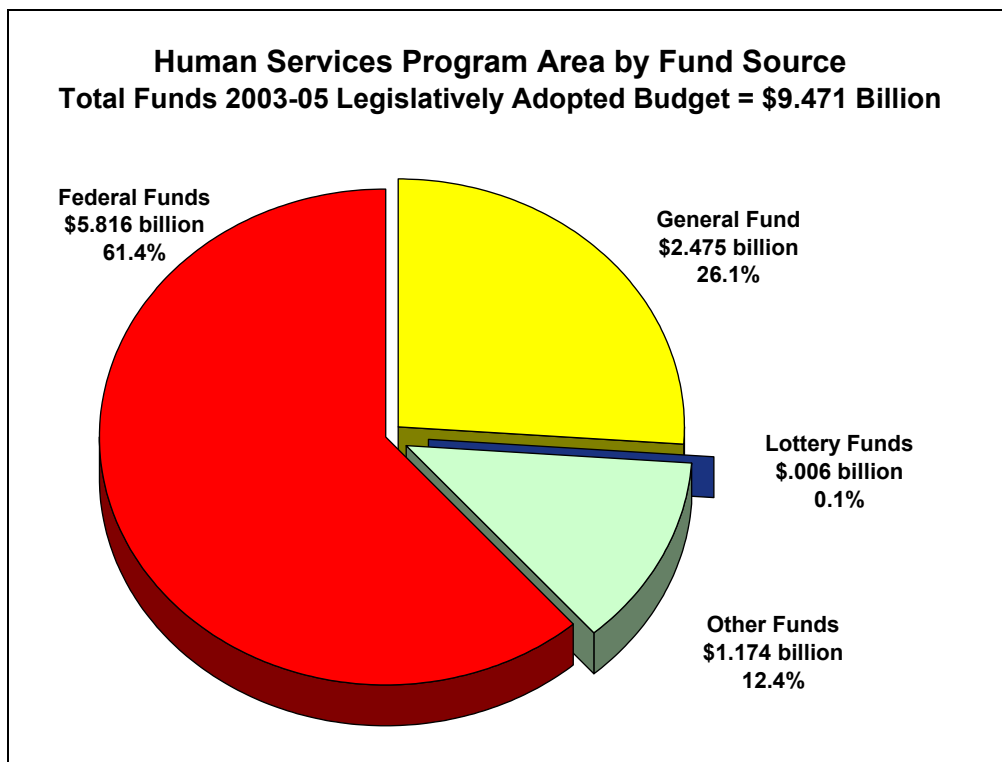
The budget reduces funds for other General Fund-supported scholarship programs. The Nursing Services Program was reduced by \$200,000 General Fund. This will not reduce the number of awards in the 2003-05 biennium, but will commit the state to provide General Fund in future biennia to cover the multiple-year awards in the program. The budget suspended funding of the Former Foster Youth Scholarship. The budget also reduced funding for the Office of Degree Authorization/Policy Research Section by \$200,000 General Fund, allowing the same amount of fee revenue to be spent instead. The agency expressed concern about the feasibility of raising this much revenue through fees, however, and program levels may need to be reduced.

The agency's Other Funds primarily support the Federal Family Education Loan Program (FFELP). The budget reduced expenditures in this program and eliminated a number of vacant positions. Toward the end of the session, the Legislature learned that revenue in the FFELP will likely be insufficient to support even the reduced budget level. The Commission is evaluating its role in that program and will likely contract portions of its functions out to other entities. The Commission is required to report to the Emergency Board on actions it is taking in this area.

Human Services Program Area

The agencies in the Human Services program area work with local governments, private for-profit and non-profit organizations, local communities, and individuals to provide cash assistance, food stamps, medical coverage, long-term care and other supports to low-income and disabled Oregonians; intervene in cases of child abuse and neglect; offer treatment services to persons with mental disorders, alcohol or drug addictions; regulate the state's public health systems; support local planning efforts and services for children and families; determine placements for persons with mental illness who have been found guilty of committing a crime; and advocate for services for seniors and persons with disabilities.

The 2003-05 legislatively adopted budget for this program area is \$9.471 billion total funds, including \$2.475 billion General Fund and \$5.6 million Lottery Funds. The combined General Fund and Lottery Funds budget is 6.1% less than the original 2001-03 legislatively adopted budget for this program area, but 1.2% more than the legislatively approved budget at the close of the 2003 session. Other Funds make up \$1.174 billion of the total budget; \$415.9 million of this amount is from tobacco tax revenues and \$43.7 million from tobacco settlement receipts. The budget includes \$5.8 billion Federal Funds, primarily from federal matching funds such as Medicaid, and block grants such as Temporary Assistance to Needy Families (TANF).



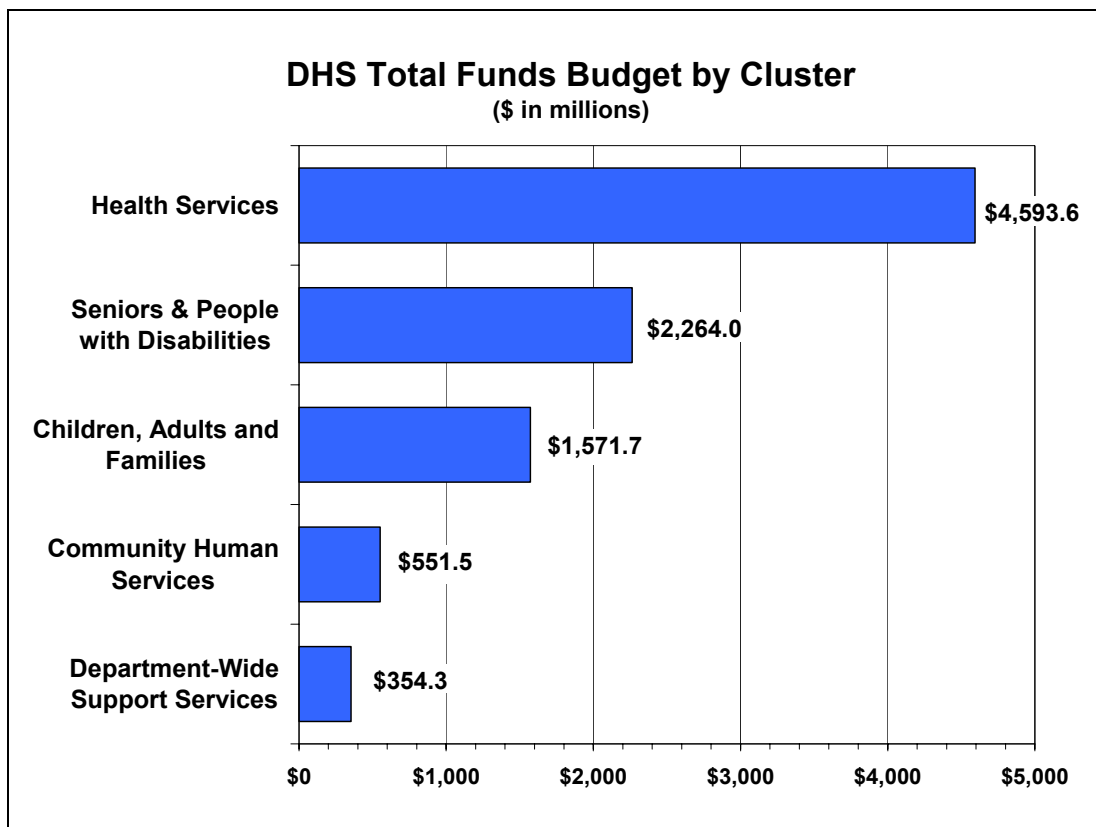
Department of Human Services

The Department of Human Services, with a 2003-05 total funds budget of \$9.321 billion, makes up almost 99% of the program area budget. The total includes \$14.3 million General Fund allocated as special purpose appropriations to the Emergency Board for the Oregon Health Plan and services for persons with developmental disabilities. The General Fund/Lottery Funds budget is \$18.8 million, or 0.8%, more than DHS's 2001-03 legislatively approved budget at the close of the 2003 session. The total funds budget is up \$143.9 million, or 1.6%, from the 2001-03 approved level.

Notable revenue adjustments in the 2003-05 budget include the following:

- Tobacco settlement revenue is down \$169.6 million from the 2001-03 biennium. Only \$42.2 million is included in the DHS budget for 2003-05.
- Tobacco tax receipts are expected to total \$415.9 million, \$133.4 million higher than in 2001-03. This total assumes continuation of the 10 cents per pack surcharge included in HB 2152. The increase reflects the 2003-05 effect of tobacco tax increases approved during the latter part of the 2001-03 biennium.
- Other Funds are reduced to eliminate expenditure limitation associated with the Medicaid Upper Payment Limit mechanism.
- Federal Funds are expected to be \$151.4 million higher than in the 2001-03 approved budget. This is primarily the result of improved federal match rates for various Medicaid programs, including \$78.3 million in 2003-05 from the temporary enhanced federal Medicaid match rate authorized in the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.
- Federal Food Stamps benefits will increase significantly, but funding for the Women's, Infants, and Children's (WIC) program is down slightly, for a net \$122.6 million increase in nonlimited Federal Funds.

The DHS budget is divided into five program clusters, as shown in the chart below. Program highlights of the legislatively adopted budget for each cluster follow.



DHS Department-Wide Support Services

The Department-Wide Support Services budget funds central operations and support for DHS. The budget for the 2003-05 biennium is \$354.3 million total funds. This is 11.2% more than the 2001-03 legislatively approved budget, due to more extensive work on the Medicaid Management Information System (MMIS) replacement project. Without the extra MMIS costs, the 2003-05 budget would be 5.7% below the 2001-03 budget level. The Legislature approved the use of Certificates of Participation (COPs) for the MMIS project, which allows \$7.4 million from COPs to be matched with \$63.2 million Federal Funds to cover project costs during the biennium. The budget includes \$1.4 million General Fund for the 2003-05 debt service costs.

DHS Community Human Services

The Community Human Services cluster includes the state staff who deliver program services through local field offices in communities throughout the state, and the Office of Vocational Rehabilitation Services. The \$551.5 million budget is 13.4% higher than the 2001-03 legislatively approved budget, reflecting staffing increases for the Food Stamps program and child welfare services. The budget funds staff for expected caseload growth in these programs, but does not include 38 new positions (\$3.3 million General Fund) requested to support expected growth in the Temporary Assistance to Needy Families, Emergency Assistance and Employment Related Day Care programs. The Legislature added \$0.5 million General Fund to the budget to partially restore state grants to Independent Living Centers.

DHS Children, Adults, and Families

The Children, Adults and Families cluster provides family self-sufficiency, child welfare and adoption services. The legislatively adopted budget of \$1.572 billion total funds is 3.1% more than the 2001-03 legislatively approved budget. The increase results from continued growth in nonlimited federal Food Stamps benefits, which are expected to increase \$124.1 million during the biennium, for a total of \$797.7 million. Food Stamps expenditures are expected to make up more than half of this cluster's budget for 2003-05. Excluding Food Stamps, the budget for all other expenditures is 9% less than in 2001-03.

The budget carries forward reductions made during the 2001-03 interim for employment and training, child welfare residential treatment and special contract costs. However, the Legislature added funding to partially restore other reductions made during the 2001-03 interim to family self-sufficiency and child welfare services, as follows:

- reversing the average \$5 monthly cash grant reduction for TANF clients to maintain payments at 1991 levels;
- waiving the first month's co-payment for new Employment Related Day Care (ERDC) families;
- returning the minimum ERDC monthly co-payment to \$25 from \$43;
- making \$1 million available for child day care for post-secondary students;
- reversing, effective November 2003, the 7.5% payment reductions for foster care and special rates for foster care providers, and families receiving Adoption Assistance for special needs children; and
- allocating \$8 million General Fund for 2003-05 System of Care flexible funding for child welfare services. The Community Human Services budget also includes \$2 million General Fund for System of Care field staff.

DHS Seniors and People with Disabilities

The Seniors and People with Disabilities cluster includes the Medicaid long-term care program and expenditures for persons with developmental disabilities. The legislatively adopted budget for the 2003-05 biennium is \$2.264 billion total funds, including a \$6.3 million special purpose appropriation for developmental disability services. The total funds budget is 7.7% less than the 2001-03 legislatively approved budget. The reduction reflects elimination of services for elderly and disabled persons in Medicaid long-term care survival priority levels 14-17 for the full biennium, and elimination of expenditures for the MUPL mechanism.

The legislatively adopted budget is almost a net \$50 million General Fund above the Governor's recommended budget. The Legislature took action to address program reductions made during the 2001-03 interim and other issues, as follows:

- restore services for persons in survival priority levels 10-13 (\$29.9 million General Fund, \$46.8 million Federal Funds);
- partially restore the Oregon Project Independence program to a total \$7.3 million General Fund;
- accommodate higher wages and health and worker's compensation benefits for workers who provide in-home care to Medicaid long-term care clients (\$25 million General Fund, \$38.9 million Federal Funds);
- restore rates to June 30, 2003 levels for all Medicaid long-term care providers;
- increase assisted living facility rates by 2.6% each year of the biennium;
- allow for a nursing facility provider tax to enhance reimbursement rates and generate \$12.5 million for transfer to the General Fund;

- implement a revised agreement governing services to developmentally disabled persons (\$34.4 million General Fund, \$34.8 million Federal Funds); and
- establish a special purpose appropriation to the Emergency Board for services to developmentally disabled persons (\$6.3 million General Fund).

DHS Health Services

This budget cluster includes Oregon Health Plan, mental health, alcohol and other drug treatment, and public health expenditures. The 2003-05 budget is \$4.594 billion total funds. This includes \$1.2 million General Fund for capital needs at the Oregon State Hospital and an \$8 million special purpose appropriation to the Emergency Board for the Oregon Health Plan. The total funds budget is 4.2% higher than the 2001-03 legislatively approved budget.

The Oregon Health Plan was the focus of extensive review during the 72nd Legislative Session. In the end, the Legislature added more than \$325 million General Fund to the budget proposed by the Governor for the Oregon Health Plan. This will provide health benefits for federally required groups of eligible persons as well as all adults (without Medicare coverage) with incomes up to 100% of the federal poverty level (FPL), children in households with incomes up to 200% of the FPL, and pregnant women with incomes up to 185% of the FPL.

The Legislature also appropriated General Fund for a number of other services or programs not included in the Governor's budget to:

- restore mental health crisis services and community services, and partially restore adolescent day treatment services (\$20.6 million);
- restore state support for school-based health clinics (\$2.7 million);
- partially restore alcohol and drug treatment services (\$2.7 million);
- revive the juvenile diabetes data system and children's emergency services programs that were approved by the 2001 Legislature (\$0.3 million); and
- finance additional health plan participants who will be eligible for Medicaid long-term care in survival priority levels 12-13 (\$2.8 million).

State Commission on Children and Families

The Commission on Children and Families leads statewide planning for a system of services for children and families; supports 36 local commissions with policy direction, program information and technical assistance; and distributes state and federal funds for local programs. The Commission's 2003-05 legislatively adopted budget is \$48.7 million General Fund and \$72.5 million total funds, a 7% and 5.3% reduction, respectively, from its 2001-03 General Fund and total funds legislatively approved budget levels.

The 2003-05 total funds budget reflects the following legislative actions:

- reduction of grants to local commissions for staff and planning by 12% (\$1.4 million);
- elimination of one-third of the State Commission staff, affecting planning, technical assistance and administration (\$1.4 million, 11 positions, 11.50 FTE);
- reduction in funding for the Healthy Start voluntary home visitation program to maintain services for 50% of first-birth families in each county, rather than the 65% service level anticipated in the Governor's budget (\$4.0 million);
- elimination of \$0.7 million for publications and program evaluation for the Oregon Children's Plan;
- reduction in funding for Youth Investment program grants by 12.5% (\$1 million);

- addition of \$0.9 million to maintain crisis relief nurseries and Court Appointed Special Advocates (CASA) programs at their original 2001-03 levels; and
- establishment of one Resource Developer position (1.0 FTE), funded with Other Funds, to generate grants and other resources.

Insurance Pool Governing Board

The primary function of the Insurance Pool Governing Board (IPGB) is to manage the Family Health Insurance Assistance Program (FHIAP). FHIAP provides health insurance premium subsidies to eligible low-income individuals or employees. IPGB's 2003-05 budget is \$15 million General Fund and \$47.8 million total funds. The \$15 million General Fund appropriation replaces most of the \$17.2 million in tobacco settlement revenue that was used to support the program in the 2001-03 biennium but is committed elsewhere for 2003-05. Although state funding for FHIAP has been reduced for the 2003-05 biennium, the total funds budget is 63.8% more than in 2001-03. This increase reflects recent federal action that allows the state funds to be matched with federal Medicaid and Children's Health Insurance Program funds for the full 2003-05 biennium. The 2003-05 legislatively approved budget is expected to allow FHIAP to serve an average of 8,000 to 9,000 persons monthly during the biennium.

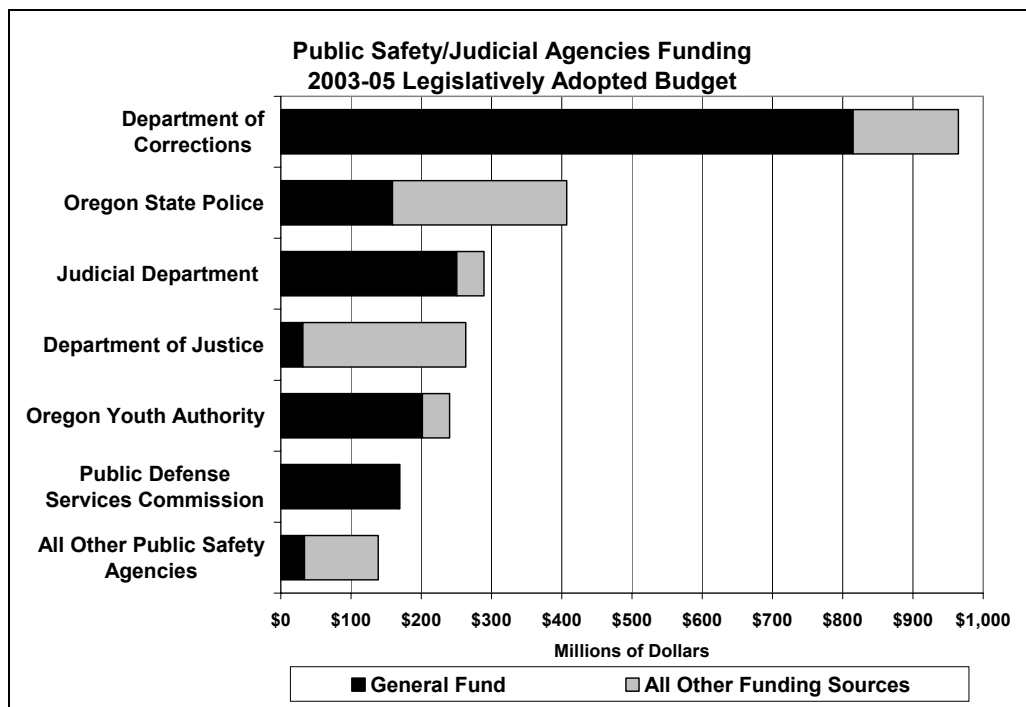
Public Safety/Judicial Program Area

The Legislature recognized the importance of a systemic approach in developing the budgets for the public safety/judicial area, including agencies representing four major interconnected components.

- **Community Safety and Law Enforcement** involves the investigation of crimes, de-escalation of volatile confrontations, and parole and probation supervision. Agencies include state and local law enforcement, community corrections, local prosecutors, and mental health professionals.
- **Court Process** involves the prosecution and defense services related to the adult and juvenile court systems. Agencies include state and local courts, District Attorneys, and the Public Defense Services Commission.
- **Corrections** involves the incarceration of adult and youth offenders and their treatment for mental health, alcohol and drug, education, and other services to reduce future criminal activity. Agencies include local jails, the Department of Corrections, and the Oregon Youth Authority.
- **Prevention and Intervention** involves treatment services, crime prevention, and insuring safe and secure housing for children and others. Agencies include the Criminal Justice Commission, counties, the Commission on Children and Families, local law enforcement, and the Department of Human Services.

Overall, the legislatively adopted budget for this combined public safety/judicial area (not including the related human services programs) is \$1.66 billion General Fund and \$2.4 billion total funds, a 2.5% increase and 2.6% increase respectively from the 2001-03 legislatively approved budget. Major restorations of reductions made during 2001-03 include funds to:

- operate state courts five days a week and fully fund public defense services;
- fully fund the Community Corrections system;
- restore the majority of the 2001-03 cuts to the Oregon State Police forensic laboratory system; and
- reopen 100 beds by the end of 2003-05 in two of the four Oregon Youth Authority facilities closed in 2001-03, and restore the related community services.



Department of Corrections

The Legislature adopted a Department of Corrections budget of \$964.5 million total funds, a 2.1% decrease from the 2001-03 legislatively approved budget. The decrease reflects no new capital construction limitation for 2003-05. After factoring out capital construction, the 2003-05 total funds budget is 8.2% larger than the final 2001-03 budget, reflecting the anticipated prison population increasing from just under 12,000 for July 2003 to over 13,000 for July 2005. The General Fund budget for 2003-05 is 3.7% higher than the amount in the 2001-03 legislatively approved budget. However, this comparison is misleading since (1) the 2001-03 budget included \$50 million Other Funds construction and debt service savings used to backfill General Fund and (2) the 2003-05 budget includes a one-time use of federal funds available to all states through the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 offsetting the need for \$116 million of General Fund resources.

The 2003-05 budget has sufficient resources to incarcerate the growing number of inmates, including the increase reflected in the April 2003 prison population forecast. The long-term prison construction plan, which assumes over 15,000 inmates by 2010, had originally called for construction and completion of new facilities at Lakeview and Madras during 2003-05. The adopted budget relies instead on the use of over 400 new temporary beds at existing facilities (in addition to the 586 temporary beds already in use) and the rental of 200 local jail beds. To meet the continued growth, the Legislature approved the continued construction of the Lakeview facility (400 beds) for completion early in the 2005-07 biennium.

The 2003-05 legislatively approved budget restored \$30.6 million General Fund to the community corrections program, an amount sufficient to prevent counties from opting out of their SB 1145 responsibilities. Major General Fund reductions adopted by the Legislature include:

- \$11.4 million in expected savings through aggressive management of vacancies and use of over-time;
- \$8.9 million in correctional programs including work-based training, cognitive services, transitional services, education programs, and religious services;

- \$16.9 million from not including inflation adjustments in the budget, including increases for energy costs, health services, and community corrections grants; and
- \$10 million (and \$4.3 million Other Funds) from eliminating 131 positions across the agency but minimizing the impact on security related staff.

Oregon State Police

The Legislature adopted a total funds budget of \$406.9 million, 3.9% more than the 2001-03 legislatively approved budget due to an increase in federal funding for homeland security. The 2003-05 General Fund budget of \$159 million is a 7.6% decrease from the 2001-03 legislatively approved budget and a 13.1% decrease from the budget approved by the 2001 Legislature. The 2003-05 budget generally reflects the “roll-up” of the 2001-03 reductions with the exception of the Forensics program where 58 positions of the original 93 eliminated positions were restored. The agency-wide decrease is demonstrated by the loss of almost 300 positions (not including seasonal and limited duration) during that period as summarized in the following table:

Change in Funded Positions for State Police 2001-03 to 2003-05										
Does Not Include Seasonal and Limited Duration										
	Patrol	Fish & Wildlife	Criminal Investigation	Forensics & Medical Examiner	Gaming	Info Mgmt & LEADS	Human Resources, CJC, & Training	Fire Marshal	Emergency Mgmt	Total
Legislatively Adopted 2001-03 Budget after Reorganization	447	120	157	149	42	159	236	82	34	1,426
Legislatively Approved Budget as of March 2003	333	108	147	96	42	94	166	73	32	1,091
Governor's 2003-05 Budget	333	108	142	61	42	94	166	73	32	1,051
2003-05 Legislatively Adopted Budget	333	120	155	113	42	107	166	77	37	1,150

Other major features of the budget adopted by the 2003 Legislature include:

- no restoration of any patrol trooper positions that were reduced during 2001-03 (the number of Patrol sworn officers is 329 compared to over 500 in the early 1990s);
- backfilling \$2.4 million of General Fund in the Patrol Division with federal truck safety funding, which effectively reduces general purpose patrol by another 11 positions;
- restoring only a small number of the positions lost during the 2001-03 biennium in basic criminal investigative resources to assist local major crime and drug teams, identification services, Law Enforcement Data Systems (LEADS), information management, wireless communications, business services, personnel, training, and support for the field system;
- restoring the five positions cut during 2001-03 for the Tobacco Tax Compliance Task Force and adding another six positions for this function;
- providing the necessary debt service and financing costs (\$627,500 General Fund) for the Certificates of Participation issued for \$3.6 million of equipment at the new forensics lab and medical examiner facility scheduled to open during 2003-05;
- restoring almost all of the Fish and Wildlife Division positions lost during 2001-03, including positions dedicated to the enforcement of commercial fisheries regulations; and
- reducing capital outlay resources for wireless communications and information systems from over the \$3.3 million in the 2001-03 legislatively adopted budget to \$540,000 in the 2003-05 budget.

Oregon Youth Authority

The 2003-05 legislatively adopted budget for the Oregon Youth Authority is \$201.6 million General Fund and \$240.3 million total funds. This is a reduction of 7.2% General Fund and 7.8% total funds from the agency's final 2001-03 legislatively approved budget. The decrease reflects reductions made during 2001-03 in close custody facilities and community programs that are partially carried forward into 2003-05, as well as other staff and operational savings approved by the Legislature.

During the 2001-03 interim, 250 close custody beds were closed at youth correctional facilities in Albany, Burns, Prineville, and Warrenton. The Legislature restored \$7.9 million General Fund to reopen 100 beds in the Burns and Warrenton facilities. The beds will be phased in beginning November 2003. This will bring the average close custody capacity to 849 beds for the biennium, about a 24% reduction from the average 1,113 beds originally funded for the 2001-03 biennium.

Community services were also reduced during the 2001-03 interim, affecting county juvenile crime prevention and diversion grants, residential care and treatment, individualized services, and parole and probation staff. The 2003-05 budget carries forward most of these reductions, but the Legislature added back \$2.1 million General Fund for community services such as foster care, residential treatment, individualized services, and parole and probation staff to support the restored close custody beds at the Burns and Warrenton facilities. The budget also eliminates \$1.2 million General Fund earmarked to support the Deschutes County delinquent youth demonstration project.

Oregon Judicial Department

The 2003 Legislature approved a budget of \$289.3 million total funds and \$250.7 million General Fund for the Oregon Judicial Department. The total budget is an increase of 7.7% above the Governor's budget of \$268.5 million total funds, and an increase of 232.36 FTE (14.5%) above the Governor's budget staffing level of 1,604.47 FTE. However, the legislatively adopted budget is almost 12% below the Chief Justice's recommended budget of \$328.6 million total funds and is 6.6% below the Chief Justice's recommended staffing level of 1,965.66 FTE. The Legislature expects the Judicial Department to use existing resources in its 2003-05 budget to fund the judges' second year salary adjustment granted during 2001-03 since the Legislature did not include the \$2.4 million necessary to fund these increases. The budget includes reductions of \$4.95 million in services and supplies and unspecified savings and the elimination of vacant positions (5.68 FTE). The budget has an increase of \$2.1 million in Federal and Other Funds and related positions (7.2 FTE) from a variety of grants, including family and drug court services.

The Department is requested to report on the use of pro tem judges, a plan to improve automated accounting, and on person-based access to court information. The Department is also requested to develop and report on performance standards for the trial courts and central administration, including reporting on individual trial court and administrative unit performance. The Department, in cooperation with the Public Defense Services Commission, is also required to develop an intergovernmental agreement and report on the application contribution program that provides Other Funds support for indigent defense eligibility verification.

Public Defense Services Commission

On July 1, 2003, the Indigent Defense Account and support staff from the Judicial Department transferred into the Public Defense Services Commission (PDSC). This completed the consolidation

begun by 1999 Legislature, which established the Commission. This consolidation arose from the work of an interim Public Defense Services Commission which, after a number of public hearings and meetings, recommended that all trial and appellate indigent defense services be consolidated into one state agency. The appellate function transferred to the Commission on October 1, 2001.

The 2003 Legislature approved a budget of \$168.3 million total funds for the Public Defense Services Commission, which includes a \$7 million special purpose appropriation to the Emergency Board for public defense caseload growth. This level of funding is \$4 million below the 2001-03 legislatively adopted close of session budget, but was equivalent to the level of General Fund support requested by the Governor. However, the budget is \$14.4 million (8%) below the level of funding recommended by the Judicial Branch. Adjustments reflect a revised transfer date of July 1, 2003 for the Judicial Department public defense program (from the original date of October 1, 2003), and the cost for representation of defendants whose cases were deferred into the 2003-05 biennium due to funding constraints in the 2001-03 biennium. This estimated cost was used as the basis for the special purpose appropriation.

The Commission is directed to report on workload, including deferred cases. PDSC can request release of the special purpose appropriation based on this workload report. PDSC is also directed to report on an intergovernmental agreement with the Judicial Department to support indigent defense verification staffing with \$1.1 million in anticipated Other Funds from application contribution fees.

Oregon Military Department

The Oregon Military Department budget is \$105.8 million total funds. The budget includes funding to support the provisions of combat-ready units and equipment to be deployed in support of national defense under the direction of the President of the United States, and trained personnel and equipment to protect life and property in Oregon during natural disasters or civil unrest under the direction of the Governor. General Fund is used to pay wages and salaries of state employees, state matching funds for various facilities management activities, and matching funds for various Oregon National Guard activities.

The approved budget includes:

- \$96,445 General Fund to insure current obligations of the tuition assistance program are met;
- \$633,922 General Fund to fully fund the Youth Challenge Program; and
- \$25 million Federal Funds for Operations program positions, repair and maintenance of federally supported facilities, custodial services at the Portland Air National Guard Base, establishing family readiness and support coordinators at the National Air Guard facilities in Portland and Klamath Falls, and capital construction for Camp Rilea and Boardman facilities.

Other Public Safety Agencies

The 2003-05 General Fund budget for the ***Criminal Justice Commission*** is nearly 55% less than the 2001-03 legislatively approved budget. The primary reason for the change is a decrease in the Juvenile Crime Prevention grants paid to counties. Funding for these grants is approximately 30% of the amount originally adopted for 2001-03.

The 2003-05 budget for the ***Department of Public Safety Standards and Training (DPSST)*** eliminates 16 positions from 2001-03 levels in the criminal justice program. This reduces DPSST's capacity to train law enforcement personnel from across the state affecting regional training, curriculum development, accreditation, and leadership training. The Legislature did approve the

continued construction of the new DPSST training facility in Salem. Criminal Fines and Assessment (CFAA) revenue will be used to pay \$546,146 of the 2003-05 debt service and issuance costs with the remaining \$2.5 million capitalized in the COP sales. Revenues from CFAA or another source will be required to pay the \$11 million roll-up debt service costs for 2005-07.

The 2003 Legislature abolished the *Dispute Resolution Commission*. The duties associated with state mediation are transferred to the Hatfield School of Government at Portland State University, and the duties associated with community mediation are transferred to the University of Oregon School of Law. The existing filing fee surcharge revenue that supports community dispute resolution will be used to support these programs. Filing fee surcharge revenue of \$800,000, which was previously used for public policy dispute resolution, was used to offset a corresponding amount of General Fund in the Judicial Department to fund alternative dispute resolution in the courts.

The adopted budget for the *Department of Justice* (DOJ) reflects the final step in transferring the Child Support program from the Department of Human Services to DOJ, increasing DOJ's 2003-05 General Fund budget by about \$11 million. The 2003-05 budget also includes a \$1.9 million General Fund reduction by eliminating all General Fund support for the consumer protection and financial fraud program. This reduction is partially offset by additional use of Other Fund resources from the Consumer Protection Fund, but overall capacity for the program is reduced by about 15%. The Legislature also increased DOJ's role in the Tobacco Tax Compliance Task Force by adding five new positions (\$0.9 million).

The Legislature adopted a \$10 million General Fund budget for the *District Attorneys (DAs) and Their Deputies*, which restores the reductions made during 2001-03 for deputy DA salary supplements. The budget does not include any funding for prosecution witness fees, which will continue as a responsibility of counties.

Economic Development and Consumer Services Program Area

Economic and Community Development Department

The 2003 Legislature reauthorized \$64.7 million in bonding authority for the Economic and Community Development Department (OECDD). Approximately half of the reauthorization was for infrastructure bonds. The purpose of the infrastructure bonds was to assist communities to meet needs for clean water and wastewater disposal and other public infrastructure and community facilities, particularly in the areas of rural Oregon that lack adequate services. The reauthorization also included \$31.4 million in bonds for Columbia River channel deepening, which will proceed only if there is congressional authorization and a commitment from the State of Washington for its share of costs, and \$890,000 to be used for a study of the Columbia River estuary and renovation projects. The 2003 Legislature approved \$4 million in new bonding authority for small port improvement projects.

The 2003 Legislature directed OECDD to focus its efforts on the primary goal of assisting business to create new jobs and retain existing jobs. The agency was directed to report to the Emergency Board on the use of the Strategic Reserve fund, including planned and actual outcomes. OECDD and the counties entered into an agreement that ensures that \$1.69 million from the Strategic Reserve fund will be dedicated to job creation and retention in rural and distressed communities. A further agreement funds the Governor's Economic Revitalization Team (formerly the Community Solutions Team) with \$610,000 in Lottery Funds that would otherwise have been distributed to regions, and with \$360,000 from interest earnings on the Special Public Works Revolving Loan Fund that would otherwise have

been used for related grants. These funds were reduced in OECDD's budget and were reflected in the budget for the Governor's Office. The Governor's Office was directed to work in the interim to identify permanent funding for the Team.

The 2003-05 budget reflects actions taken by the Economic and Community Development Department to streamline its operations and to refocus its efforts towards the primary goal of assisting businesses to create and retain jobs. The total reduction resulting from this effort was \$27 million and 10.62 FTE. The Department has committed to a level of job creation and retention for its core programs based on this internal restructuring, and will report on the outcome of this plan to the 2005 Legislature.

Department of Consumer and Business Services

The 2003 Legislature approved a total budget for the Department of Consumer and Business Services (DCBS) of \$559.9 million total funds. This represents a 17% increase from the 2001-03 legislatively adopted budget, but a 12.4% decrease in total funds from the Governor's budget. Adjustments included reductions in inflation and pay adjustments, the elimination of three vacant positions, reduced estimates of enrollment in the Oregon Medical Insurance Pool, and PERS assessment rate reductions. The adopted budget included the Governor's recommended policy option package to restore 9.58 FTE and \$1.6 million Other Funds in the Building Codes program. This action partially funded staffing reductions taken to balance the budget, as a result of revenue reductions. The partial restoration included passage of HB 5059, which was the DCBS fee bill. In addition, the 2003 Legislature approved SB 468 that transferred duties relating to titling and registration of manufactured structures from the Department of Transportation to DCBS Building Codes Division effective May 1, 2005.

The 2003 Legislature, in HB 2148, transferred \$15.7 million from the primary operating fund for the Department of Consumer and Business Services (DCBS), which includes dedicated accounts for the Workers' Compensation Premium Assessment Account. The workers' compensation assessment rate is established by the Director pursuant to ORS 656.612 and 656.614, which provide that, in part, the DCBS Director will set and collect assessments from all insurers, self-insured employers, and self-insured employer groups in an amount sufficient to pay the agency's expenses. The Director must report to the Emergency Board annually on the anticipated rate for the following year. The current assessment rate is 8% of premiums. That rate was anticipated to decline to 6.7%. With the \$15.7 million transfer, a rate reduction will still occur, but the rate will be higher than the 6.7% that was anticipated and reported in budget presentation by DCBS.

The anticipated rate reduction includes the effect of HB 3630, which directs the State Accident Insurance Fund Corporation (SAIF) to develop and implement a short-term program of reinsurance for medical professional liability insurance for qualified rural medical doctors and doctors of osteopathy. The reinsurance program provides premium relief to the qualified insureds for calendar years 2004 through 2007. The costs are covered by a credit against SAIF's workers' compensation premium assessment, in an amount not to exceed an average of \$10 million for each of those years.

Natural Resource Program Area

The 2003-05 legislatively adopted budget for the Natural Resources program area totals \$1.329 billion, including \$117.8 million General Fund and expenditure limitation for \$109 million Lottery Funds, \$574.8 million limited Other Funds, and \$226.5 million Federal Funds. Slightly more than \$300

million in nonlimited Other Funds also is included in the total budget, primarily representing the proceeds from bond sales, loan program activity, and transfers from the Common School Fund to counties for K-12 education. Including nonlimited Other Funds, the total program area budget for the 2003-05 biennium is approximately \$136.4 million, or 9.3%, below the 2001-03 approved budget after special session actions. The combined limited budget for the natural resource agencies, which is more representative of agency operational activities, is 10% below that of the previous biennium.

The total General Fund provided for natural resource agencies decreased by nearly \$28 million, or 19.1%, from the 2001-03 approved levels. This decrease is primarily due to reductions in the budgets for the Department of Environmental Quality (-\$12.5 million), the Department of Agriculture (-\$6.2 million), the Department of Fish and Wildlife (-\$3.8 million), and the Water Resources Department (-\$3 million). Approximately \$20 million of the overall reduction is due to a shift in funding sources from General Fund to Lottery and Federal Funds, as described in the following section. Lottery Funds limitation decreased by a net \$10.4 million, or 8.7%, largely due to 1) a \$15.8 million decrease in the budget for the Oregon Watershed Enhancement Board from the phase-out of limitation needed in 2001-03 to complete capital construction projects carried over from 1999-01 and 2) an increase of \$6 million for the State Parks and Recreation Department for land acquisition and local grants.

Limited Other Funds decreased by 12.9%, mainly due to the phase-out of one-time limitation provided to the Department of Forestry in 2001-03 for the 2002 fire season. Expenditure limitation for Federal Funds, the only fund type to increase over the previous biennium, grew by 4.1%. Nonlimited Other Funds decreased by a net \$22.5 million, or 7%, primarily due a decline in transfers from the Common School Fund to counties for K-12 support, but also due to changes in loan program activity within the Office of Energy and the Department of Environmental Quality and to an increase in nonlimited expenditures from the Oregon Forest Land Protection Fund.

Shift in Funding Sources

Federal funds from the Pacific Coastal Salmon Recovery Fund (PCSRF) and Lottery Funds dedicated for watershed, habitat, and salmon restoration by Ballot Measure 66 were used to support a variety of salmon recovery activities in the Department of Fish and Wildlife, the Department of Environmental Quality, the Water Resources Department, the Department of Forestry, and the Department of Agriculture. These actions made \$20.4 million General Fund available for use in the statewide balanced budget plan and at the same time made it possible to fund state agency responsibilities under the Oregon Plan for Salmon and Watersheds at previous levels of support and avoid any significant reductions. The table on the following page displays the allocation of the funds to various state agencies:

2003-05 Measure 66 Lottery and PCSRF Federal Allocations				
		M-66		
	General Fund	Operations	M-66 Capital	PCSRF
Available Resources (May '03 M-66 forecast and 01-03 unallocated)		\$ 18,244,226	\$ 36,498,645	\$ 25,852,000
Congressional Earmarks (Fish marking equipment)				3,194,323
Oregon Dept. of Fish & Wildlife (ODFW)	\$ (2,133,559)	276,200	8,000,000	6,628,995
Oregon State Police/ODFW	0	4,926,750	846,821	0
Dept. of Environmental Quality	(4,754,253)	3,375,000	0	1,379,253
Water Resources Department	(2,000,000)	0	0	2,000,000
Oregon Watershed Enhancement Board	0	5,205,410	24,221,497	4,829,519
Dept. of Forestry	(4,719,910)	0	0	4,719,910
Dept. of Agriculture	(6,792,875)	4,375,000	3,430,327	3,100,000
Total Allocated	\$ (20,400,597)	\$ 18,158,360	\$ 36,498,645	\$ 25,852,000
Remaining Unallocated		\$ 85,866	\$ -	\$ -

Other Significant Legislative Actions

For the Department of Forestry, the Legislature added \$4.2 million General Fund to the budget to provide an adequate level of base fire protection and established a \$5.7 million General Fund special purpose appropriation to the Emergency Board for additional fire protection, if required. The Legislature added resources to manage Federal Funds to be received by the state for fire protection, forest health, and landowner assistance. Also, the Legislature shifted \$10 million from the state's share of timber harvest revenues in the State Forestry Department Account to the General Fund for general governmental purposes.

The Legislature took other significant legislative actions in the natural resources program area as follows:

- approved, for the State Parks and Recreation Department, 1) an additional \$6 million Lottery Funds expenditure limitation above the \$4 million in the Governor's budget for local park grants and land acquisitions, 2) \$4.5 million in Lottery and Other Funds to construct improvements in the new state park in Washington County, including sewer, water, electrical, road and trailhead facilities, and 3) \$1 million Other Funds expenditure limitation to purchase property for All-Terrain Vehicle recreation for the public;
- approved a fee increase for the Oregon State Marine Board in HB 2247, which changed the tiered fee system to a flat fee of \$3 per foot for two years and adjusted one-time title fees to \$30, and approved restoration of \$5.2 million to fund current activities and increase direct services to stakeholders;
- restructured the way in which debt service is paid on bonds supporting the Clean Water Revolving Loan Fund to create savings of \$4.75 million General Fund and Lottery Funds;
- used Other Funds reserves in the Department of Agriculture and the Department of Fish and Wildlife to replace a total of \$2 million General Fund in the agencies' budgets;
- created a new license for the taking of shellfish (SB 597), which is estimated to raise almost \$1 million to support shellfish testing, enforcement, and research;
- restored funding for predator control in the budget for the Department of Agriculture;
- passed HB 2011, which created the Economic Revitalization Team (formerly the Community Solutions Team) within the Office of the Governor, with the goal of enhancing community and project development through coordination of state policies and procedures among state agencies as well as through communication and coordination with local governments and industries (funding

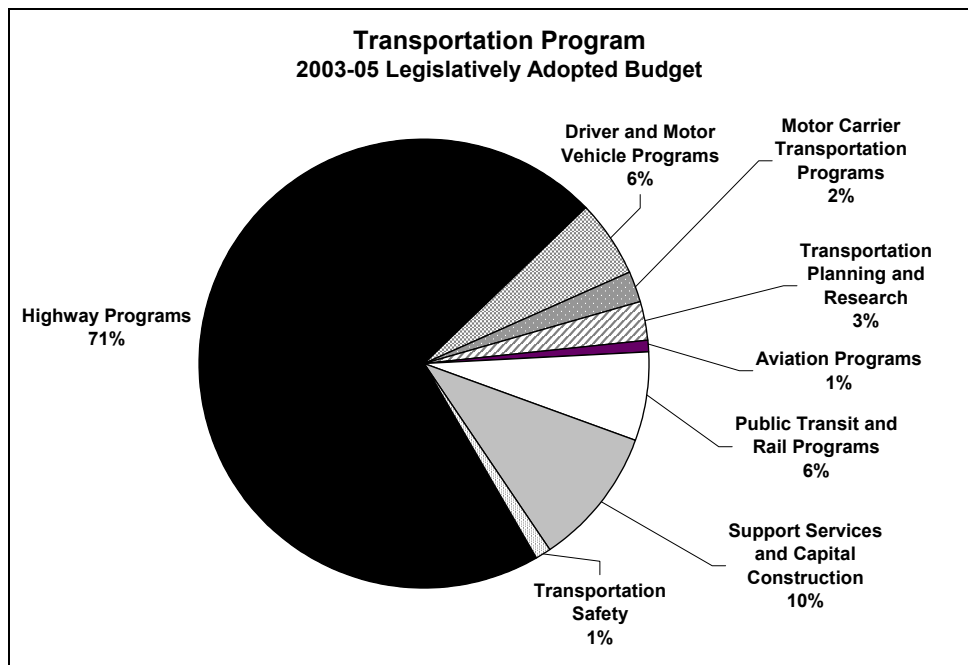
for the Team comes largely from reductions to Community Development Fund expenditure levels that otherwise would have been approved in the budget for the Oregon Economic and Community Development Department);

- appropriated \$0.96 million General Fund and added five positions for the Department of Land Conservation and Development for its role under HB 2011, including that related to land use plan amendments and identification of buildable lands;
- established one position for the Division of State Lands and three positions for the Department of Environmental Quality for activities under HB 2011;
- eliminated most funding and positions for the Pesticide Use Reporting System in the budget for the Department of Agriculture, resulting in a suspension of operations for 2003-05;
- reduced state funding for county fairs by 16%; and
- withheld a portion of funding for the Columbia River Gorge Commission, the Department of Land Conservation and Development, and the Division of State Lands, pending progress reports to the Emergency Board on the work plan approved by the Legislature for each agency.

Transportation Program Area

The Transportation Program Area includes the Department of Transportation (ODOT) and the Department of Aviation. The budgets of these two departments call for the transportation programs to utilize every available resource to meet the challenges of managing an efficient and flexible transportation system. The budget reflects the continuing efforts of the Legislature and the two departments to identify and implement efficiencies for cost savings. Transportation programs and projects are viewed by the Legislature as a key component to economic recovery in Oregon.

Passage of HB 2041 reflects additional investments in the transportation bridge and modernization systems to enable ODOT to respond to the most important transportation needs of the state with added revenue derived from bond proceeds and increased driver and motor carrier fees.



Department of Aviation

Funding for the Oregon Department of Aviation will total \$14 million in the 2003-05 biennium. This is \$4.2 million (or 23.1%) less than the 2001-03 legislatively adopted budget. The total is also \$2 million lower than the level recommended in the Governor's budget.

The legislatively adopted budget provides:

- \$6 million Other Funds received as Federal Funds for the Federal Aviation Administration General Aviation Airport Entitlement Program for planning and construction of small public use airports;
- \$7.6 million to support Operation activities including three major grant programs (the Pavement Maintenance Program, Financial Aid to Municipalities, and the Federal General Aviation Airport Entitlement Program) and to refine plans for the replacement of the aviation Salem Office Building; and
- \$250,000 for construction of a new T-Hangar at a state-owned airport.

Department of Transportation

The Legislature adopted a plan to provide new revenue to finance \$1.9 billion in highway user tax bonds for bridge repair and modernization projects over the next eight years. Net proceeds will be used to repair and replace state-owned bridges (\$1.3 billion), as well as county- and city-owned bridges (\$300 million) and for modernization projects (\$300 million). For the 2003-05 biennium, \$100 million in bonds will be issued for bridges. In each of the next five years, the Department will issue \$300 million in bonds for bridge repair and replacement. The bonds will be repaid over the next 15 to 20 years. The new revenue primarily results from a \$20 increase in vehicle titling fees for cars (from the current \$30 assessment to \$50) and a \$24 increase in vehicle registration fees (from the current \$30 to \$54 for cars and light vehicles); a 50% increase in registration fees for recreational vehicles; and a 53% increase in commercial truck registration fees. The Legislature also increased fees for truck weight-mile taxes and flat fees by 10% and for driver licenses, instruction permits, license endorsements, driving tests, and written tests for both commercial and noncommercial drivers. Total revenue expected from the increased fees is estimated at \$157 million for 2003-05.

The legislatively adopted budget for the Department of Transportation totals \$2.12 billion. The adopted budget is 14.7% higher than the 2001-03 legislatively adopted budget, but 0.7% lower than the Governor's recommended budget of \$2.13 billion. Statewide reductions in employee compensation and various assessments result in an increased ending balance of \$27 million. The Legislature anticipates the Department will request additional expenditure limitation for pavement preservation projects from the Emergency Board as a result of the increased ending balance. With the addition of \$100 million in highway bridge construction projects and \$10 million in rail improvement projects anticipated in the 2003-05 biennium from approved legislation in HB 2042 and HB 3446, the 2003-05 legislatively approved budget will eventually be slightly higher than the Governor's recommended budget.

The adopted budget includes:

- \$3.9 million General Fund and \$5.6 million Other Funds to continue support for the Willamette Valley High Speed Rail Program;

- \$719 million Federal Funds, including \$608 million for Highway Division programs, \$40 million for Planning, \$27 million for Public Transit programs, \$22.8 million for Rail programs, and lesser amounts for Transportation Safety and other programs;
- \$2 million in lottery bond proceeds to capitalize the Short-Line Credit Premium Fund that will provide financial assistance for short-line railroads (HB 3446 authorizes ODOT to select projects for loans and financial assistance and directs the Department to give priority to projects funded in part with federal credit assistance provided under the Federal Railroad Rehabilitation and Improvement Financing Program);
- \$8 million in lottery bond proceeds to capitalize the Industrial Rail Spurs Fund that will provide financial assistance for industrial railroads, with requests expected to be made through the Economic and Community Development Department similar to the Immediate Opportunity Funds;
- Deferred issuance of \$35 million in lottery revenue bonds until February 2005 to save over \$5 million of debt service costs in 2003-05 for financing a portion of the South Metro Commuter Rail project (Washington County and ODOT have entered into a grant agreement to disburse funds and Washington County and the Federal Railroad Administration are each expected to provide an additional \$25 million);
- \$20.2 million Lottery Funds for debt service on the Westside Light Rail, Short-Line Credit Premium Fund, and Industrial Rail Spurs lottery revenue bonds.

The adopted budget also includes \$1.5 billion Other Funds for highway programs, including an increase of \$116 million for road and bridge preservation work and an additional \$43 million for modernization work. The budget is 17% higher than the 2001-03 legislatively approved level of \$1.3 billion. The Department is expected to request an additional \$100 million Other Funds expenditure limitation from the Emergency Board for implementation of bridge repair, pavement preservation, modernization and safety work during the 2003-05 biennium as a result of the Legislature's approval of HB 2041 authorizing revenue bonds.

Administration Program Area

The Legislature adopted a total funds budget for the Administration program area of \$4.682 billion. While this is \$627 million more than the 2001-03 approved level, most of the increase was derived from Other Funds. General Fund support was reduced, vacant positions eliminated, and, generally, no new initiatives were approved. No General Fund support was provided for the Commissions on Asian, Black, and Hispanic Affairs, and the Commission for Women. The activities of the Capitol Planning Commission were suspended for the biennium, and no funding was provided for the Oregon Progress Board.

Selected budget increases were granted for certain activities. The Secretary of State Elections Division was provided \$7.2 million expenditure limitation and five positions for Federal Funds received under the Help America to Vote Act. The Public Employees Retirement System was authorized 111 new positions and provided with \$16.9 million additional Other Funds expenditure limitation to meet the workload increases caused by an unprecedented number of retirements and to implement legislation passed during the session.

The Department of Revenue was provided 45 additional positions and \$5.1 million General Fund to enhance its collection capabilities. The additional resources are expected to generate an additional \$20.2 million in General Fund revenues for a net gain of \$15.1 million General Fund for the 2003-05

biennium. Additionally, with the passage of HB 2368, the Department was provided with additional statutory Cigarette and Tobacco Product Tax collection tools. The Department maintained that an additional \$30 million could be collected with the additional tools provided in HB 2368, if sufficient resources were provided. The Legislature allowed the Department to keep the first \$30 million in additional collections to pay for 17 additional positions and the costs for additional cigarette and tobacco product tax collection activities (\$4.8 million) in the Departments of Justice and State Police, and to pay for general tax collection activities (\$25.2 million) originally budgeted using General Fund.

Legislative Branch

The 2003 Legislature adopted a total budget of \$56.6 million General Fund for the six legislative branch agencies. The adopted budget is a \$16 million or 21.6% decrease from the agency request budgets. To achieve this reduction, a \$6.6 million or 10% decrease was made from the amount required to continue current operating levels.

The reductions were achieved through elimination of the majority of requested policy packages and only minimal funding for current activities in the remaining policy packages; reduced debt service costs based on postponement of a Capitol Building Wings remodel project; elimination of 36 vacant and 8 filled positions; implementation of a reorganization plan in committee services operations; the salary freeze plan for employees and legislative members; elimination of inflationary allowances; reduced funding for employee training, information system upgrades, contractual services, and member out-of-state travel; and reduced state agency assessments.

Emergency Fund

The Oregon Constitution authorizes the Legislature to establish a joint committee, known as the Emergency Board, to exercise certain powers during the interim between sessions of the Legislative Assembly. These powers include allocating funds appropriated by the Legislature for emergencies, increasing expenditure limitations on continuously appropriated agency funds, establishing or revising budgets for new activities, and authorizing transfers within agency budgets.

The 2003-05 legislatively adopted budget included two separate General Fund appropriations to the Emergency Board. The appropriations were included in HB 5077. For general purposes, the Legislature appropriated \$40 million General Fund to the Emergency Board to cover any unanticipated needs in approved agency budgets during the 2003-05 interim. The amount represents the same level appropriated for general purposes for the 2001-03 interim; however, the Legislature disappropriated \$19 million of the total during the five 2002 special sessions necessary to rebalance the state's budget. A total of \$41.9 million was appropriated for general purposes in the 1999-01 biennium.

Within the \$40 million general purpose Emergency Fund, the Legislature established two reservations totaling slightly over \$7 million:

- \$7 million for the Department of Education for potential maintenance of effort issues in special education programs; and
- \$35,000 for the Legislative Revenue Officer for expenses related to the Joint Interim Committee on Tax Reform.

The Legislature also appropriated \$9 million General Fund to the Emergency Board as a special purpose appropriation for the increased cost of state employee health benefits during the 2003-05 biennium. The amount represents approximately one-half of the estimated General Fund cost to state agencies of negotiated health benefits. The Department of Administrative Services will develop a plan for the distribution of these funds based on the negotiated benefit needs for the 2003-05 biennium. The Department will present the plan to the Emergency Board for approval. The plan will also include agency requests for related Other Funds and Federal Funds expenditure limitation adjustments.

In addition to the general purpose and employee benefit appropriations to the Emergency Board, the Legislature also established various special purpose appropriations for specific agency uses in HB 5077 and in agency budget bills. These special purpose appropriations include:

- \$10.7 million for the Department of Community Colleges and Workforce Development for the Community College Support Fund after the State Board of Education revises its distribution formula;
- \$8 million for the Department of Human Services for state medical assistance program costs;
- \$7 million for the Public Defense Services Commission for contract services related to workload growth;
- \$6.5 million for the Department of Education for Early Intervention/Early Childhood Special Education caseload growth;
- \$6.3 million for the Department of Human Services for community program costs on universal access to services plan (Staley agreement);
- \$5.7 million for the Department of Forestry for Emergency Forest Fire Protection needs;
- \$1.5 million for the Secretary of State for costs associated with the September 2003 special election on pension bonds;
- \$1 million for the Department of Education for the student assessment system;
- \$0.4 million for the Department of Land Conservation and Development for operations related to work plan reporting; and
- \$0.3 million for the Department of Education for operations related to work plan reporting;
- \$0.1 million for the Columbia River Gorge Commission for operations related to work plan reporting.

Capital Construction and State Bonding Debt

Capital Construction

Higher Education

The Legislature approved \$552.4 million of capital construction projects for higher education. This total includes \$446.1 million for the Department of Higher Education and \$106.3 million for the Oregon Health and Science University (OHSU) public corporation. The projects will be funded from a number of sources, including various categories of bonds, gifts, grants and other revenues, and direct General Fund appropriation. A total of \$11.5 million General Fund was appropriated to the Department of Higher Education to support academic modernization, capital repair, deferred maintenance, and code and safety compliance projects.

The bonds approved for higher education capital construction projects can be broadly categorized into two groups: state-supported debt and self-supported debt. State-supported debt is repaid with state discretionary funds, including General Fund, Lottery Funds, and Tobacco Master Settlement Account (TMSA) funds. The Legislature approved a total of \$138.8 million of state-supported debt for higher education, including \$32.5 million for the Department of Higher Education and \$106.3 million for OHSU. The remaining \$243.2 million of debt, all for the Department of Higher Education, is self-supported debt paid by student building fees and Oregon University System auxiliary enterprise income.

The Department of Higher Education capital construction budget includes \$377.1 million for thirty specified projects at four of the Oregon University System's campuses, plus \$69 million in various system-wide authorizations for projects not specifically identified. All projects are financed without state-supported debt, except for \$12.5 million of Article XI-G bonds for academic modernization, capital repair, deferred maintenance, and code and safety compliance projects, and \$10 million of Article XI-G bonds and \$10 million of Lottery Bonds for Signature Research Center projects at the University of Oregon, Oregon State University, and Portland State University. This total of \$32.5 million in state-supported debt is a 70% reduction from the \$109.9 million approved for the Department of Higher Education in the 2001 session. Of the remaining projects funded entirely by self-supported debt and other revenues, the largest is a \$110 million expansion of Reser Stadium at Oregon State University.

The \$106.3 million for OHSU completes state funding for the Oregon Opportunity program. The Oregon Opportunity program is the name of a group of investments to expand OHSU's biomedical and genetic research programs, and its rural health programs. The state will issue just less than \$120 million in Article XI-L bonds to generate this amount of net proceeds for OHSU. The state transferred \$93.7 million of bond proceeds to OHSU for the Oregon Opportunity in the 2001-03 biennium. The additional transfer this biennium will provide OHSU with a total of \$200 million of net proceeds, as authorized when voters approved Article XI-L of the state constitution in May 2002. No further bonds for the Oregon Opportunity are allowed under Article XI-L.

All Other State Agencies

In addition to the Capital Construction projects approved for higher education at the Oregon University System and OHSU, the Legislature approved \$65.8 million for other governmental capital construction projects. Of this amount, \$29.3 million relies upon Other Funds sources (Certificates of Participation,

uniform rental fees, state gas tax revenue, and driver/vehicle-related fees) and \$36.5 million relies upon Federal Funds (primarily from the National Guard Bureau). No new projects were approved for the Department of Corrections. In 2001-03, there was \$152 million in new projects approved for all agencies. Of this amount, DOC received approval for four projects totaling \$94.5 million.

The Department of Administrative Services (DAS) was authorized to undertake a number of renovation and building upgrade projects (\$18.3 million). Additionally, DAS was authorized to utilize up to \$6 million to pursue available sites and rapidly act on the purchase of an existing facility that could be remodeled for use as a Department of Environmental Quality/Department of Human Services-Health Division Laboratory.

The Oregon Military Department (OMD) was authorized to construct a Lane County Armed Forces Reserve Center Complex using \$2.4 million Other Funds and \$33.2 million Federal Funds otherwise at risk of being lost. These funds were originally to be used to construct a Eugene Organizational Maintenance Shop and Armed Forces Reserve Center; however, problems with the original site prompted sale of the property. OMD was also authorized to complete planning and design work for a Camp Rilea dining facility and make facility improvements at the Boardman Bombing Range.

The Department of Transportation had three projects authorized: a Sylvan maintenance station (\$1.6 million), a Lake-of-the-Woods maintenance station (\$0.8 million), and planning/design for future projects (\$0.2 million).

The Department of Aviation was provided with a \$1 placeholder funding authority for each of two projects. The first project was for Cottage Grove airport improvements and the second project was for Salem office building construction. Neither project was discussed in detail or approved. The placeholders were provided to cover the possibility that the Emergency Board or the Legislative Assembly may want to allow the projects to proceed in the interim.

Bonding and State Debt

Authorized debt falls into two separate categories: net tax-supported debt and non-tax-supported debt. Net tax-supported debt includes general obligation bonds issued for higher education facilities and pollution control facilities, revenue bonds issued by the Department of Transportation, and Certificates of Participation. Non-tax supported debt includes lottery-backed revenue bonds and other revenue and private activity bonds. The State Debt Policy Advisory Commission has established guidelines for the amount of tax-supported debt the state can safely issue. Based on those guidelines, the Commission provides information to the Governor and the legislature regarding prudent levels of available capacity for tax-supported debt.

In January 2003, the Commission estimated the state could issue up to \$500 million per year in net tax-supported debt obligations through June 30, 2007 (\$2 billion during the 2003-05 and 2005-07 biennia) and still be within prudent debt service parameters. This is based on its recommendation that annual net tax-supported debt service be 5% or less of General Fund revenues. The Commission has yet to review or revise this estimate based on actions taken by the 2003 Legislature, which significantly expanded the use of net tax-supported bonds; created new revenue to retire certain new bond debt; and set aside a portion of pension system reform savings to retire other new bond debt.

Expanded use of net tax-supported debt programs will occur in 2003-05 primarily due to approval of a Transportation Improvement Plan and approval of a plan to issue Public Employees Retirement System pension obligation bonds. First, the 2003 Legislature approved a plan to provide new revenue to finance \$1.9 billion in highway user tax bonds for bridge repair and modernization projects over the next eight years. For the 2003-05 biennium, the Department will issue \$100 million in bonds for bridges. The new revenue that will be used to retire the bond debt is derived from increases in titling and registration fees for cars, recreational vehicles, and commercial trucks as well as increases in truck weight-mile taxes and fees for various licenses, permits, endorsements, and tests. This is discussed in greater detail in the Transportation Program Area Summary section of this document. Second, the 2003 Legislature approved a plan to use up to \$2 billion in less costly long-term debt (general obligation bonds) to pay down the unfunded PERS actuarial liability. The funds to retire the bond debt will be derived from funds budgeted for employer contributions. This is discussed in greater detail in the PERS Reform and Budget Adjustment section of this document.

The following table summarizes the debt supported in full or in part by General Fund, Lottery Funds, or other discretionary funds. It identifies previously authorized outstanding debts; newly authorized debt amounts by agency; the next two biennia's debt service obligations; and 2005-07 roll-up costs. A more detailed discussion of past and present lottery fund-backed bonding is included in a following section of this report.

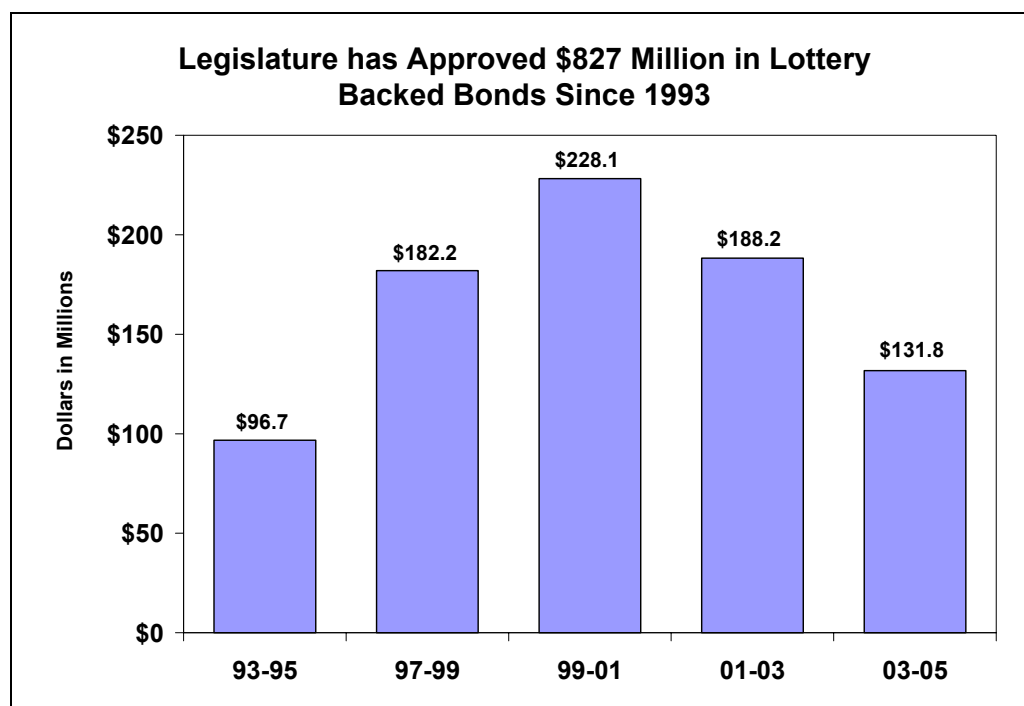
Debt Type & Agency	Debt Amount	2003-05 Repayment Fund Type(s)	2003-05 Debt Service	2005-07 Debt Service	2005-07 Roll-up Costs
General Fund-Backed Bonds					
DHED (Art XI-G) - Previously Approved & Still Outstanding*	147,800,158	GF	23,859,975	23,194,715	(665,260)
Dept. of Higher Education (Art XI-G)	56,700,000	GF	986,200	8,229,600	7,243,400
DEQ - Previously Approved & Still Outstanding*	54,650,000	GF/OF	22,893,185	18,494,391	(4,398,794)
DAS - Previously Approved & Still Outstanding*	93,380,000	GF	11,876,000	15,120,163	3,244,163
Sub-Total	352,530,158	-	59,615,360	65,038,869	5,423,509
Lottery Fund-Backed Bonds					
Previously Approved & Still Outstanding*	590,240,000	LF	131,715,949	137,197,301	5,481,352
Economic and Community Development	68,675,000	LF	3,605,189	14,449,456	10,844,267
Dept. of Transportation	51,670,000	LF	751,571	10,521,892	9,770,321
Department of Higher Education	11,420,000	LF	-	2,553,549	2,553,549
Sub-Total	722,005,000	-	136,072,709	164,722,198	28,649,489
Tobacco Settlement-Backed Bonds					
DAS - Previously Approved & Outstanding (Appropriation Bonds - Net Proceeds)	450,000,000	TMSA	41,818,040	86,694,854	44,876,814
Previously Approved & Outstanding (OHSU Series 2002 Bonds)	93,609,999	TMSA	9,719,443	15,120,162	5,400,719
OHSU Series 2003 Bonds	120,000,000	TMSA	-	19,213,948	19,213,948
Sub-Total	663,609,999	-	51,537,483	121,028,964	69,491,481
Certificates of Participation (COPs)					
Previously Approved & Still Outstanding*	806,105,000	Various	155,939,772	147,300,548	(8,639,224)
Dept. of Administrative Services	73,850,000	Various	1,967,638	17,085,178	15,117,540
Dept. of Aviation	1,555,000	OF	262,938	529,425	266,487
Oregon Military Dept.	2,305,000	Various	272,828	542,855	270,027
Dept. of Higher Education	5,140,000	GF	-	2,344,988	2,344,988
Dept. of Human Services	11,300,000	GF	1,351,420	4,335,968	2,984,548
Dept. of Corrections	33,365,000	GF	-	2,605,135	2,605,135
Dept. of Public Safety Standards	70,695,000	OF	-	11,032,213	11,032,213
Dept. of State Police	3,685,000	GF	626,000	1,251,195	625,195
Sub-Total	1,008,000,000	-	160,420,596	187,027,505	26,606,909
TOTAL	2,746,145,157	-	407,646,148	537,817,536	130,171,388

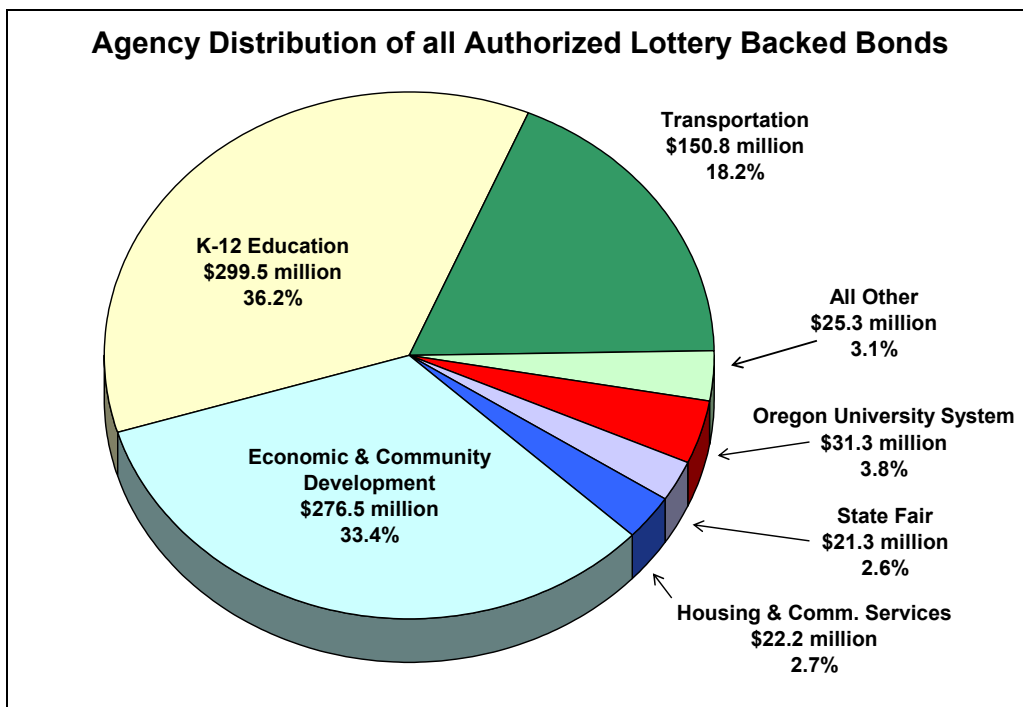
The table confirms that there is over \$2.7 billion in outstanding debt authorized under these programs; the 2003-05 debt service obligation is approximately \$407.6 million; and the 2005-07 debt service obligations will increase to \$537.8 million (a 32% or \$130 million increase).

Lottery-Backed Bonding

The 2003 Legislature approved \$26.9 million in additional lottery-backed bonding authority for new projects and \$20.6 million in increased bonding authority for existing projects, with the debt service to be paid out of lottery revenues. The Legislature also reauthorized \$84.3 million in bonding authority, which was originally approved by the 2001 Legislature but not issued during the 2001-03 biennium, for issuance in the 2003-05 biennium.

History – The 1993 Legislature approved the issuance of \$96.7 million in bonds for construction of the Westside Light Rail project. The 1997 Legislature approved a total of \$182.2 million in bonds, which included \$150 million for education facilities and equipment, \$5 million for the state match to the Federal Safe Drinking Water Revolving Loan Fund, and \$12 million for the acquisition of state parks property. In 1999, the Legislature added \$228.1 million in bond authority, including \$124 million for primary and secondary education facilities and equipment, \$70 million for economic and community development programs (including \$5 million for the safe drinking water match; \$17.7 million for Columbia River channel deepening; \$20 million for a Coos Bay natural gas pipeline; and \$40 million for infrastructure grants and loans), \$25 million for the Community Development Incentive Project in the Department of Housing and Community Services, and \$5 million for park acquisition. The Legislature also authorized \$10.2 million in bond proceeds for renovation of Oregon State Fair facilities, and \$1 million for the Oregon Gardens (through OECDD).





The 2001 Legislature approved a total of \$274.7 million of lottery-backed bonds, but subsequent actions deferred over \$80 million of this bonding authority into the 2003-05 biennium. Lottery-backed bonding authority was approved for the 2001-03 biennium as follows:

Economic and Community Development Department

- \$181.1 million in infrastructure bonds, with the expectation that revolving loan payments would create a sustainable funding stream (\$32.4 million was deferred to 2003-05);
- \$28 million for extension of the bonding authority for the Columbia River channel deepening project, with the understanding that the bonds could not be sold until all required funding and agreements were in place from the Federal Government and the State of Washington (the amount was increased to \$31.4 million and deferred to 2003-05);
- \$2.3 million for the purchase of a railroad in Wallowa and Union Counties; and
- \$890,000 to be used for a study of the Columbia River estuary and for renovation projects (the amount was deferred to 2003-05).

Oregon Department of Transportation

- \$23 million to finance a portion of the South Metro Commuter Rail project (deferred to 2003-05 and increased by \$17.2 million to a total of \$40.2 million, based on the 2001 legislative commitment to fund an additional share of the cost of the project; Washington County and the Federal Railroad Administration are each expected to provide an additional \$25 million); and
- \$2.3 million for financial assistance for short-line railroads for short rail projects.

Other Projects

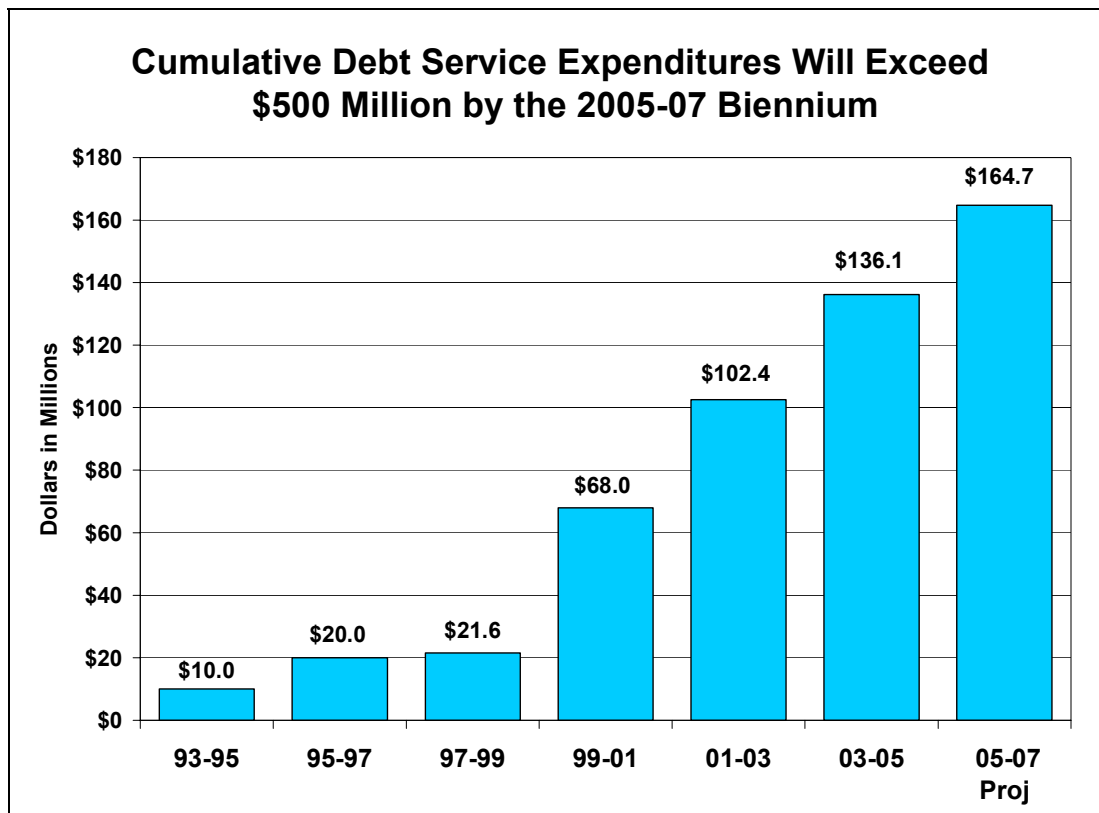
- \$20 million remaining from the \$25 million approved in 1999 for the Community Development Incentive Project in the Department of Housing and Community Services;
- \$15.9 million to construct facilities at Eastern and Southern Oregon Universities;
- \$10 million for facilities renovation at the Oregon State Fair;

- \$9.1 million to purchase and install digital equipment for Oregon Public Broadcasting; and
- \$9.1 million for water pollution control projects in the Department of Environmental Quality.

2003-05 Biennium – As noted above, the 2003 Legislature reauthorized \$84.3 million in bonding authority for Economic and Community Development Department infrastructure and Columbia River channel deepening projects, and for the Department of Transportation South Metro Commuter Rail project. The Legislature approved an increase of \$17.2 million for the previously authorized South Metro Commuter Rail and an increase of \$3.4 million in bonding authority for the previously authorized Columbia River channel deepening project. The 2003 Legislature approved additional new bonding authority as follows:

- \$11.4 million in the Department of Transportation for improvements to connector spurs and for short rail line improvements;
- \$11.4 million to the Department of Higher Education for facilities construction for Signature Research Centers; and
- \$4 million in the Economic and Community Development Department for small port improvements (the Department will use existing debt service capacity in the 2003-05 biennium to fund the debt service for projects funded with these bonds).

Lottery-Backed Bonding Debt Service – Debt service on lottery-backed bonds continues to increase and will absorb a significant portion of the available Lottery Funds resources in future biennia. Biennial debt service in the 2001-03 biennium was \$102.4 million. Total debt service increases to \$136.1 million in the 2003-05 biennium based on all previously authorized bond issuance. The additional lottery backed bond authorizations of the 2003 Legislature will roll-up to a projected biennial debt service payments of \$164.7 million in 2005-07, a 21% increase over 2001-03.



Debt service payments are taking an increasingly larger share of Lottery Funds, and will absorb 18% of the un-obligated net Lottery proceeds in the 2003-05 biennium. Dedicated Lottery Funds expenditures, including debt service are now more than half of the available revenue. Debt service on the parks bonds issued in 1998 is paid out of the 15% of Lottery Funds dedicated to parks and natural resources. A portion of the debt service on K-12 education bonds is paid out of interest earnings on the Education Stability Fund. However, the majority of the total debt service (\$121.9 million in the 2003-05 biennium) is paid out of direct Lottery Funds revenue.

The Debt Service Advisory Committee, established in ORS 285.550 to 285.555, is charged with advising the Governor and Legislative Assembly on actions and policies that preserve the state's credit rating. The Committee publishes a report on April 1 of each even numbered year. The lottery-backed bond capacity for the 2003-05 biennium was estimated at \$220 million. The 2003 Legislature's authorization of \$131.8 million in lottery-backed bonds left just over \$88 million of capacity. Lottery bonding capacity is based on a number of factors, including the proceeds available from lottery games. Should circumstances change, including adding new games that generate new revenue, or a reduction in the revenue, bonding capacity could also change.

Potential 2003-05 Budget Risks and 2005-07 Tentative Budget Issues

2003-05 Budget Risks

The legislatively adopted budget for the 2003-05 biennium is accompanied by a number of budgetary or financial risks that could adversely affect its ultimate execution.

Revenue Forecast – The May 2003 economic forecast, which is the basis for the 2003-05 legislatively adopted budget, anticipated \$9.885 billion in available General Fund resources. This represents an increase of only 1.5% above the current projection for the 2001-03 biennium. The May forecast substantially scaled back earlier predictions of a relatively robust economic recovery during the 2003-05 biennium that were the basis for the December 2002 forecast used in the Governor’s budget proposal. The September 2003 forecast, issued immediately after the close of the 2003 regular session, confirmed the trend with an estimate of \$9.876 billion available General Fund resources. The slight decrease from the May forecast was due entirely from a decline in the projected 2001-03 ending balance and not to any further weakness in projected collections of the various sources of General Fund. The official “close-of-session” forecast that accommodates fiscal changes made by the Legislature during session will be released in the fall of 2003.

Ending Balance – The legislatively adopted budget anticipated a General Fund ending balance of approximately \$100 million, including estimated reversions from the 2001-03 state agency budgets. The actual ending balance amount will depend on the elements included in the close-of-session revenue forecast. Bond rating agencies and best practices suggest a balance between 2 and 2 ½% of revenues. Application of this standard would require a balance of \$200 to \$250 million. In periods of uncertainty, even greater balances should be considered. A delayed economic recovery could lead to a deficit situation for the adopted budget at some point during the biennium.

General Uncertainty – Although difficult to quantify, there is a cost to the uncertainty with respect to the state’s budget. One of the most direct costs is the potential for further downgrades of the state’s credit rating. A lower credit rating translates into increased costs for debt financing. Economic development efforts can also be adversely affected by uncertain fiscal conditions. Uncertainty regarding the state’s tax system and the level of support provided to the educational system and other government services can hamper the ability to recruit businesses and skilled workers to the state.

Lottery Revenue Increase – The 2003-05 legislatively adopted budget for the State School Fund (SSF) relies on at least a \$67 million increase in Lottery Funds above the May 2003 revenue forecast. In order to attain the full \$5.3 billion SSF, an additional \$100 million would need to be generated by the June 2004 forecast from a combination of General Fund resources above a \$100 million ending balance and additional Lottery Funds beyond the \$67 million increase assumed in the SSF. Due to various dedicated distributions of lottery resources, Lottery Funds revenue would have to grow over \$100 million in order to transfer the budgeted \$67 million to the SSF. There is no guarantee that this amount of additional revenue can be generated by the Lottery Commission. To the extent that the additional revenue is not realized, payments to local school districts may need to be reduced.

Other Funds Revenue Sources – Projections for major Other Funds revenue sources relied upon in the legislatively adopted budget may not materialize at the anticipated level. Examples include Tobacco Master Settlement payments, tobacco tax compliance revenues, and cigarette taxes. Recent reports

indicate that cigarette sales, for example, are down nationwide, which will likely result in reductions to Tobacco Master Settlement and tobacco tax revenues.

Initiative and Referendum – Many of the state’s current fiscal issues have developed on the basis of the initiative and referendum processes, such as Measures 5 and 50 (property tax limitation) and Measure 11 (mandatory minimum sentencing). The current risk is a referral of HB 2152 for a vote of the people that could rescind all or part of the legislatively adopted tax increases included in that piece of legislation. Although the adopted budget includes automatic disappropriations if the tax measure is referred and defeated, the resulting loss of services may not be acceptable. HB 2152 includes approximately \$815 million in revenue (General Fund and cigarette tax) that was used to balance the budget. It is unlikely that the Legislature would be able to fully replace this amount if a major portion of the tax package is rescinded. The result would be reductions in programs, services, and special payments in the second fiscal year of the current biennium. Other options following a referral and defeat include special session action to re-pass portions of the tax package (e.g., the cigarette tax, corporate minimum increase, etc.), authorize additional debt if a viable repayment source can be identified, or make additional one-time transfers of Other Funds sources to the General Fund.

Lawsuits – The legislatively adopted budget assumes savings from certain changes in the levels of services, the transfer of certain Other Fund ending balances, and reforms to the employee retirement system, potentially exposing the state to litigation. Seven lawsuits have been filed to date regarding challenges to the PERS reforms. Other lawsuits regarding human services programs are still pending from changes made to program delivery during the 2001-03 biennium. It is not possible to quantify the cost of defending the state against such legal actions or estimate the ongoing financial obligations that may result. To the extent that plaintiff challenges create a state obligation, this puts further demands on limited resources. It may be necessary to provide Emergency Fund allocations to address any extraordinary expenses related to litigation against the state.

Federal Policy Changes and Decisions – Changes in federal policy can have a budgetary effect on the state by either providing either additional or reduced funding. The legislatively adopted budget includes \$216 million from temporary federal fiscal relief payments to states that was largely unanticipated prior to the start of the regular session. Other changes can require the state to increase services without the provision of any additional direct funding. There is also a possible risk regarding the state’s prior receipt of MUPL funds through the federal government. Although no MUPL funds are included in the 2003-05 adopted budget, repayment for previous use of MUPL funds may be required by the federal government.

Other decisions by the federal government can directly affect the state’s budget. The 2003-05 legislatively adopted budget for the Oregon Health Plan, for example, assumes several changes including reducing some services and the numbers of clients served in some categories while increasing coverage for clients in other categories. The net result of the changes is a reduction in the overall number of clients served. Before the changes can be implemented, approval from the federal Centers for Medicare and Medicaid Services (CMS) is required. Without CMS approval of these changes, the cost of the Oregon Health Plan will be higher than budgeted unless offset by other factors.

Emergency Fund – The adopted budget provides for a general purpose Emergency Fund of \$40 million. Given actions that have been taken to capture efficiencies and to reduce administrative costs, agencies will not have as much management flexibility to address issues as they arise and may bring more issues to the Emergency Board for evaluation, funding, and/or changes in legislative expectations.

Binding Interest Arbitration – Some state workers represented by labor unions are prohibited from striking, but ultimately have the right of binding interest arbitration to settle contracts. In such cases, it is possible that compensation costs for those agencies will exceed the currently budgeted personal services funds. The Department of Corrections is the primary agency at risk.

Caseload-Related Costs – The legislatively adopted budget is based on the latest forecasted caseloads in the human services and public safety areas. Subsequent changes to actual and projected caseloads can affect the ability of state agencies in these areas to implement their budgets within the authorized resources. The caseload for the Oregon Health Plan (OHP) is particularly difficult to forecast given the significant policy changes made to both benefits and eligibility requirements by the Legislature. With the addition of co-payments and premiums, caseloads dropped during the last months of the 2001-03 biennium. Whether the caseloads will continue to decline is uncertain. OHP caseloads may have also been affected by the temporary elimination of mental health and chemical dependency benefits and the elimination of retroactive eligibility, but it is currently not possible to determine the exact impact of each of these changes, or the effects on caseloads with the reinstatement of these benefits and policies in the 2003-05 budget.

Inflation – The adopted budget did not include funding for any inflation anticipated for the state's purchase of goods and delivery of services, with a few exceptions. Since the costs of these goods and services are expected to increase due to inflationary effects, agencies will be required to manage to the higher expenses within their approved budgets.

2005-07 Tentative Budget Issues

The majority of the potential risks identified above for the 2003-05 legislatively adopted budget may also have a significant impact on the 2005-07 tentative budget. There are several additional cost issues that will affect the 2005-07 budget, including:

Roll-Up Costs of 2003-05 Budget Decisions – Decisions on increasing the state debt will reduce the amount of General Fund, Lottery Funds, and Tobacco Master Settlement resources available for general purposes since debt service must be paid.

Use of One-Time Revenues in the 2003-05 Budget – Decisions to use Other Fund ending balances, PERS savings, federal fiscal relief funding, and other transfers to the General Fund as a means of balancing the 2003-05 budget leaves a hole to fill in the 2005-07 budget. Most of these sources of revenue represent one-time solutions and will require General Fund backfill or offsetting reductions in state programs and service delivery in 2005-07.

Employee Compensation and Benefits – The 2003-05 adopted budget relied on a policy of no merit increases and no cost-of-living increases for state employees, and used insurance pool ending balances to cover half of the rising health benefit costs for state employees. These actions will be difficult to replicate in 2005-07 without adverse effects on the delivery of state services and programs.

Forecast and Sustained Economic Growth – The September 2003 economic and revenue forecast projects a 17% growth in General Fund revenues for the 2005-07 biennium from the projected 2003-05 revenue total. This basically represents a return to the long term growth trend after a 7.5% decline in General Fund from 1999-01 to 2001-03, and a projected 4.4% increase from 2001-03 to 2003-05.

Appendix A

Number of Full-Time Equivalent Positions By Program Area and Agency

	1999-2001 ACTUALS	2001-03 LEGISLATIVELY APPROVED *	2003-05 GOVERNOR'S RECOMMENDED	2003-05 LEGISLATIVELY ADOPTED
PROGRAM AREA: EDUCATION				
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT OF	43.58	43.40	46.70	44.70
EDUCATION, DEPT OF	466.98	457.14	459.91	447.32
HIGHER EDUCATION, DEPT OF	11,469.52	11,786.42	11,819.50	12,092.26
STUDENT ASSISTANCE COMMISSION	90.50	92.21	97.17	87.00
TEACHER STANDARDS & PRACTICES COMMISSION	18.00	17.75	21.00	20.00
EDUCATION TOTAL	12,088.58	12,396.92	12,444.28	12,691.28
PROGRAM AREA: HUMAN SERVICES				
BLIND, COMMISSION FOR THE	49.73	52.73	41.33	41.33
CHILDREN & FAMILIES, COMMISSION ON	30.67	33.50	34.50	23.50
OREGON DISABILITIES COMMISSION	8.00	5.20	5.50	4.00
HUMAN SERVICES, DEPT OF	8,686.84	8,813.21	9,337.79	9,148.25
INSURANCE POOL GOVERNING BOARD	16.93	35.76	46.50	51.50
LONG TERM CARE OMBUDSMAN	8.00	8.00	8.00	8.00
PSYCHIATRIC SECURITY REVIEW BOARD	4.00	4.00	4.00	4.00
HUMAN SERVICES TOTAL	8,804.17	8,952.40	9,477.62	9,280.58
PROGRAM AREA: PUBLIC SAFETY				
CORRECTIONS, DEPT OF	3,457.25	3,771.81	3,977.13	3,891.16
CRIMINAL JUSTICE COMMISSION	11.38	12.41	10.41	10.91
DISPUTE RESOLUTION COMMISSION	4.40	5.30	6.50	-
DISTRICT ATTORNEYS & THEIR DEPUTIES	36.00	36.00	36.00	36.00
JUSTICE, DEPT OF	1,124.07	1,172.02	1,205.58	1,191.09
MILITARY, DEPT OF	408.86	375.15	360.58	377.58
PAROLE & POST PRISON SUPERVISION BOARD	16.00	15.00	14.75	14.75
PUBLIC SAFETY STANDARDS & TRAINING, DEPT OF	102.22	108.17	93.25	91.25
STATE POLICE, DEPT OF	1,468.40	1,346.76	1,081.97	1,165.21
YOUTH AUTHORITY, DEPT OF	1,233.05	1,414.71	971.41	1,032.29
PUBLIC SAFETY TOTAL	7,861.63	8,257.33	7,757.58	7,810.24
PROGRAM AREA: JUDICIAL BRANCH				
COURT PROCEDURES, COUNCIL ON	0.71	0.71	0.71	-
JUDICIAL DEPT	1,769.23	1,767.99	1,604.47	1,836.83
JUDICIAL FITNESS	0.75	0.75	0.75	0.50
PUBLIC DEFENDER	41.00	-	-	-
PUBLIC DEFENSE SERVICES COMMISSION	--	62.02	62.02	58.45
JUDICIAL BRANCH TOTAL	1,811.69	1,831.47	1,667.95	1,895.78
PROGRAM AREA: ECONOMIC & COMMUNITY DEVELOPMENT				
ECONOMIC & COMMUNITY DEVELOPMENT DEPT	144.76	147.50	131.33	124.29
EMPLOYMENT DEPT	1,412.98	1,451.57	1,400.12	1,403.12
FAIR & EXPO CENTER, STATE	32.19	32.05	37.18	37.18
HOUSING & COMMUNITY SERVICES DEPT	122.94	141.49	152.34	148.34
VETERANS' AFFAIRS, DEPT OF	175.00	165.00	147.54	139.00
ECONOMIC & COMMUNITY DEVELOPMENT TOTAL	1,887.87	1,937.61	1,868.51	1,851.93

	1999-2001 ACTUALS	2001-03 LEGISLATIVELY APPROVED *	2003-05 GOVERNOR'S RECOMMENDED	2003-05 LEGISLATIVELY ADOPTED
PROGRAM AREA: NATURAL RESOURCES				
AGRICULTURE, DEPT OF	423.20	423.00	432.41	382.36
ENERGY, OFFICE OF	77.55	77.94	82.77	82.49
ENVIRONMENTAL QUALITY, DEPT OF	783.55	835.59	821.19	812.95
FISH & WILDLIFE, DEPT OF	1,003.93	1,096.47	1,105.91	1,099.75
FORESTRY DEPT	901.85	942.65	904.01	881.97
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	36.38	34.92	35.33	34.33
LAND CONSERVATION & DEVELOPMENT, DEPT OF	64.02	90.01	48.30	52.05
LAND USE BOARD OF APPEALS	7.00	7.00	6.50	6.00
LANDS, DIV OF STATE	75.79	80.75	81.83	86.09
MARINE BOARD	35.00	38.00	38.00	38.00
PARKS & RECREATION, DEPT OF	466.40	509.62	530.82	524.44
WATER RESOURCES DEPT	154.88	150.24	143.21	140.21
WATERSHED ENHANCEMENT BOARD	15.10	23.00	20.00	22.50
NATURAL RESOURCES TOTAL	4,044.65	4,309.19	4,250.28	4,163.14
PROGRAM AREA: TRANSPORTATION				
AVIATION, DEPT OF	16.29	16.50	16.00	16.00
TRANSPORTATION, DEPT OF	4,727.05	4,731.05	4,686.26	4,585.68
TRANSPORTATION TOTAL	4,743.34	4,747.55	4,702.26	4,601.68
PROGRAM AREA: CONSUMER AND BUSINESS SERVICES				
ACCOUNTANCY, BOARD OF	7.00	7.00	7.00	7.00
CHIROPRACTIC EXAMINERS, BOARD OF	4.50	4.50	4.50	4.50
CLINICAL SOCIAL WORKERS, BOARD OF	2.50	2.54	2.50	2.50
CONSTRUCTION CONTRACTORS BOARD	63.75	63.75	60.75	60.65
CONSUMER & BUSINESS SERVICES, DEPT OF	1,131.09	1,102.51	1,077.17	1,076.95
COUNSELORS AND THERAPISTS, BOARD OF LICENSED	2.00	2.00	2.25	2.00
HEALTH LICENSING OFFICE	27.12	27.29	28.00	26.92
HEALTH RELATED LICENSING BOARDS				
DENTISTRY, BOARD OF	7.00	7.00	7.00	7.00
LICENSED DIETICIANS	0.30	0.30	0.30	0.30
MORTUARY & CEMETERY BOARD	6.00	6.00	6.00	5.00
NATUROPATHIC EXAMINERS	1.75	1.75	1.75	1.75
NURSING HOME ADMINISTRATORS	1.00	1.00	1.00	1.00
OCC THERAPY LICENSING BOARD	1.25	1.25	1.25	1.25
PHARMACY, BOARD OF	13.50	15.00	15.50	15.50
RADIOLOGIC TECHNICIANS	2.50	2.79	3.00	2.50
SPEECH PATHOLOGY AND AUDIOLOGY	0.85	0.85	0.85	0.85
VETERINARY MEDICAL EXAM BOARD	2.25	2.25	2.25	2.25
HEALTH RELATED LICENSING BOARD TOTAL	36.40	38.19	38.90	37.40
INVESTIGATORS, BOARD OF	2.29	2.50	2.50	2.50
LABOR & INDUSTRIES, BUREAU OF	129.00	113.75	102.87	106.24
MEDICAL EXAMINERS, BOARD OF	30.96	31.00	32.60	32.60
NURSING, BOARD OF	33.83	34.50	41.75	39.25
PSYCHOLOGIST EXAMINERS	2.50	2.50	2.50	2.50
PUBLIC UTILITY COMMISSION	121.04	123.00	125.50	123.50
REAL ESTATE AGENCY	31.91	31.66	30.00	30.00
TAX PRACTITIONERS, STATE BOARD OF	4.00	5.00	4.00	4.00
CONSUMER & BUSINESS SERVICES TOTAL	1,629.89	1,591.69	1,562.79	1,558.51

	1999-2001 ACTUALS	2001-03 LEGISLATIVELY APPROVED *	2003-05 GOVERNOR'S RECOMMENDED	2003-05 LEGISLATIVELY ADOPTED
PROGRAM AREA: ADMINISTRATION				
ADMINISTRATIVE SERVICES, DEPT OF	836.40	933.48	919.45	896.15
ASIAN AFFAIRS, COMMISSION ON	1.00	1.00	1.00	1.00
BLACK AFFAIRS, COMMISSION ON	1.00	1.00	1.00	1.00
CAPITOL PLANNING COMMISSION	1.63	1.63	1.83	-
EMPLOYMENT RELATIONS BOARD	17.73	16.00	14.00	12.00
GOVERNMENT STANDARDS & PRACTICES COMMISSION	4.00	4.00	3.00	2.80
GOVERNOR, OFFICE OF	47.05	46.00	36.50	41.50
HISPANIC AFFAIRS, COMMISSION ON	1.50	1.00	1.00	1.00
LIBRARY, STATE	44.38	44.38	45.38	43.63
LIQUOR CONTROL COMMISSION	215.02	217.02	201.27	202.27
PUBLIC EMPLOYEES RETIREMENT SYSTEM	217.62	225.64	254.00	324.22
RACING COMMISSION	18.97	17.68	17.68	17.50
REVENUE, DEPT OF	924.66	959.22	942.80	987.73
SECRETARY OF STATE	201.42	208.67	212.67	207.50
TREASURER OF STATE	76.38	78.25	78.00	74.60
WOMEN, COMMISSION FOR	1.00	2.80	1.26	3.00
ADMINISTRATION TOTAL	2,609.76	2,757.77	2,730.84	2,815.90
PROGRAM AREA: LEGISLATIVE BRANCH				
INDIAN SERVICES, COMMISSION ON	2.00	2.00	2.00	2.00
LEGISLATIVE ADMINISTRATION	118.97	118.51	122.38	107.39
LEGISLATIVE ASSEMBLY	225.22	223.62	223.62	216.31
LEGISLATIVE COUNSEL	47.50	50.50	50.50	45.77
LEGISLATIVE FISCAL OFFICER	17.00	17.00	17.00	17.00
LEGISLATIVE REVENUE OFFICER	6.00	6.00	6.00	6.00
LEGISLATIVE TOTAL	416.69	417.63	421.50	394.47
STATE OF OREGON TOTAL FTE POSITIONS	45,898.27	47,199.56	46,883.61	47,063.51

* 2001-03 Legislatively Approved does not reflect all administrative FTE actions associated with interim reductions.

Appendix B

Summary of Expenditures by Program Area and Fund

2003-05 Legislatively Adopted Budget by Program Area and Fund Source						
Program Area	General Fund	Lottery Funds	GF&LF Total	Other Funds	Federal Funds	All Funds
Education	6,218,839,087	516,571,137	6,735,410,224	3,663,256,531	1,001,602,429	11,400,269,184
Human Services	2,474,992,687	5,600,000	2,480,592,687	1,174,135,970	5,816,300,872	9,471,029,529
Public Safety	1,240,654,403	5,566,608	1,246,221,011	260,760,263	434,772,211	1,941,753,485
Judicial Branch	419,166,002	0	419,166,002	37,432,293	2,333,247	458,931,542
Natural Resources	117,845,552	109,000,969	226,846,521	875,344,163	226,446,944	1,328,637,628
Economic Development	18,072,939	94,173,058	112,245,997	4,167,431,423	489,019,122	4,768,696,542
Consumer and Business Svs.	10,935,047	0	10,935,047	771,101,199	1,651,954	783,688,200
Transportation	3,914,616	21,145,902	25,060,518	2,037,542,829	69,504,104	2,132,107,451
Administration	129,077,790	4,763,047	133,840,837	4,539,667,270	11,549,554	4,685,057,661
Legislative Branch	56,618,512	0	56,618,512	4,963,018	0	61,581,530
Miscellaneous (E Fund)	49,000,000	0	49,000,000	0	0	49,000,000
Total	10,739,116,635	756,820,721	11,495,937,356	17,531,634,959	8,053,180,437	37,080,752,752

Appendix C

Summary of Expenditures by Program Area, Agency, and Fund

Notes:

- Special purpose appropriations to the Emergency Board for specific agencies are included within the agency General Fund budgets for the 2001-03 legislatively approved and 2003-05 legislatively adopted amounts.
- The 2001-03 legislatively approved amounts represent expenditure authorizations through all 2001-03 Emergency Board actions, the five 2002 special sessions, the allotment reductions due to the December 2002 revenue forecast (adopted in SB 859), the February 2003 statewide budget rebalance actions (referred to as “Special Session 6” and adopted in SB 5548), the most recent Department of Human Services rebalance (adopted in SB 5549), and other 2001-03 budget adjustments such as supplemental limitations. The 2001-03 legislatively approved budget does not include certain administrative actions taken by the Department of Administrative Services approving increases to nonlimited Other Funds.
- The 2002-05 Governor’s recommended amounts reflect the original December 2002 recommendations in the Governor’s Budget. They do not include any subsequent revisions to accommodate subsequent changes to the revenue forecast.
- Nonadd Other Funds represent charges between state agencies that are excluded from totals to avoid double counting.

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
EDUCATION				
Community Colleges and Workforce Development, Department of				
General Fund	435,653,740	382,281,436	413,691,803	423,227,826
Other Funds	10,691,850	14,040,971	12,835,967	13,152,259
Federal Funds	<u>108,248,320</u>	<u>148,333,991</u>	<u>129,197,769</u>	<u>125,722,725</u>
TOTAL	<u>554,593,910</u>	<u>544,656,398</u>	<u>555,725,539</u>	<u>562,102,810</u>
Education, Department of - Operations and Grants-in-Aid				
General Fund	244,294,925	241,995,155	259,132,939	249,831,318
Lottery Funds	5,030,978	56,000,000	56,162,890	55,699,162
Other Funds	82,872,782	67,722,562	59,598,109	54,464,924
Federal Funds	<u>578,141,568</u>	<u>741,644,334</u>	<u>763,098,211</u>	<u>874,640,099</u>
TOTAL	<u>910,340,253</u>	<u>1,107,362,051</u>	<u>1,137,992,149</u>	<u>1,234,635,503</u>
Education, Department of - State School Fund and Other K-12 Grants				
General Fund	4,272,212,291	3,802,166,368	4,755,152,014	4,737,607,754
Lottery Funds	295,962,708	614,555,682	222,401,287	452,100,536
Other Funds	<u>193,494,942</u>	<u>268,460,516</u>	<u>73,830,569</u>	<u>17,191,710</u>
TOTAL	<u>4,761,669,941</u>	<u>4,685,182,566</u>	<u>5,051,383,870</u>	<u>5,206,900,000</u>
Higher Education, Department of				
General Fund	755,057,213	746,093,033	779,884,024	678,947,125
Lottery Funds	4,551,761	5,966,271	8,844,960	8,123,462
Other Funds	2,299,948,517	3,145,449,557	3,147,376,689	3,376,963,661
Nonadd Other Funds			<u>(87,905,905)</u>	<u>(87,905,905)</u>
TOTAL	<u>3,059,557,491</u>	<u>3,897,508,861</u>	<u>3,936,105,673</u>	<u>4,064,034,248</u>
Oregon Health and Science University Public Corporation				
General Fund	111,896,927	3,058,672	93,679,467	84,379,467
Other Funds		<u>191,658,978</u>		<u>128,391,300</u>
TOTAL	<u>111,896,927</u>	<u>194,717,650</u>	<u>93,679,467</u>	<u>212,770,767</u>
Oregon Student Assistance Commission				
General Fund	33,466,514	35,891,662	34,125,819	44,845,597
Lottery Funds	5,066,421	2,965,741	3,726,802	647,977
Other Funds	57,191,831	66,850,832	71,277,747	69,518,013
Federal Funds	<u>867,253</u>	<u>1,762,084</u>	<u>1,425,468</u>	<u>1,239,605</u>
TOTAL	<u>96,592,019</u>	<u>107,470,319</u>	<u>110,555,836</u>	<u>116,251,192</u>
Teachers Standards and Practices Commission				
Other Funds	<u>3,353,660</u>	<u>3,404,934</u>	<u>3,861,514</u>	<u>3,574,664</u>
TOTAL	<u>3,353,660</u>	<u>3,404,934</u>	<u>3,861,514</u>	<u>3,574,664</u>
EDUCATION TOTAL				
General Fund	5,852,581,610	5,211,486,326	6,335,666,066	6,218,839,087
Lottery Funds	310,611,868	679,487,694	291,135,939	516,571,137
Other Funds	2,647,553,582	3,757,588,350	3,368,780,595	3,663,256,531
Nonadd Other Funds			(87,905,905)	(87,905,905)
Federal Funds	<u>687,257,141</u>	<u>891,740,409</u>	<u>893,721,448</u>	<u>1,001,602,429</u>
TOTAL ALL FUNDS	<u>9,498,004,201</u>	<u>10,540,302,779</u>	<u>10,889,304,048</u>	<u>11,400,269,184</u>

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
HUMAN SERVICES				
Blind, Commission for the				
General Fund	1,416,753	1,219,568	1,191,047	1,170,546
Other Funds	1,969,720	2,955,159	2,335,880	2,319,230
Federal Funds	8,281,081	8,691,575	8,413,548	8,275,097
TOTAL	11,667,554	12,866,302	11,940,475	11,764,873
Children and Families, State Commission on				
General Fund	51,615,786	52,320,359	55,586,542	48,654,437
Other Funds	17,547,550	23,797,784	24,556,622	23,591,506
Federal Funds	<u>2,066,309</u>	<u>321,452</u>	<u>178,809</u>	<u>172,404</u>
TOTAL	71,229,645	76,439,595	80,321,973	72,418,347
DHS – Children, Adults, and Families (CAF)				
General Fund		173,276,028	211,824,743	199,311,554
Other Funds		143,312,759	120,953,609	118,689,620
Federal Funds		<u>1,207,571,086</u>	<u>1,199,548,017</u>	<u>1,253,744,287</u>
TOTAL		1,524,159,873	1,532,326,369	1,571,745,461
DHS – Community Human Services				
General Fund		193,568,464	252,296,944	226,350,927
Other Funds		15,365,846	20,879,976	19,821,592
Federal Funds		<u>277,137,442</u>	<u>331,511,369</u>	<u>305,285,638</u>
TOTAL		486,071,752	604,688,289	551,458,157
DHS - Department-Wide Support Services (DWSS)				
General Fund		91,078,002	66,159,199	94,919,381
Lottery Funds		1,967		
Other Funds		67,864,685		39,845,084
Nonadd Other Funds		(120,846,424)	(140,244,040)	
Federal Funds		<u>159,631,689</u>	<u>165,187,858</u>	<u>219,500,992</u>
TOTAL		318,576,343	231,347,057	354,265,457
DHS – Health Services				
General Fund		946,996,718	948,348,383	1,099,810,831
Lottery Funds		5,894,888	6,878,546	5,600,000
Other Funds		882,587,983	752,512,916	778,362,064
Federal Funds		<u>2,574,641,923</u>	<u>2,272,794,351</u>	<u>2,709,839,511</u>
TOTAL		4,410,121,512	3,980,534,196	4,593,612,406
DHS – Seniors and People with Disabilities (SPDs)				
General Fund		984,900,719	734,450,695	788,480,066
Other Funds		152,012,171	156,702,469	156,559,741
Federal Funds		<u>1,315,346,124</u>	<u>1,200,846,365</u>	<u>1,319,004,996</u>
TOTAL		2,452,259,014	2,091,999,529	2,264,044,803
DHS – Sub-Totals				
General Fund	2,227,033,153	2,389,819,931	2,213,079,964	2,408,872,759
Lottery Funds	5,273,048	5,896,855	6,878,546	5,600,000
Other Funds	730,070,755	1,261,143,444	1,051,048,970	1,174,111,702
Nonadd Other Funds	(133,792,955)	(120,846,424)	(140,244,040)	
Federal Funds	<u>4,498,029,836</u>	<u>5,534,328,264</u>	<u>5,169,887,960</u>	<u>5,816,300,872</u>
TOTAL	7,460,406,792	9,219,553,145	8,440,895,440	9,335,126,284

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
Insurance Pool Governing Board				
General Fund	489,780	433,002	20,457,320	14,979,067
Other Funds	<u>20,415,374</u>	<u>28,738,476</u>	<u>38,600,923</u>	<u>32,818,293</u>
TOTAL	20,905,154	29,171,478	59,058,243	47,797,360
Long Term Care Ombudsman				
General Fund	544,131	593,600	587,050	580,101
Other Funds	<u>1,231,489</u>	<u>1,342,284</u>	<u>1,458,023</u>	<u>1,432,753</u>
TOTAL	1,775,620	1,935,884	2,045,073	2,012,854
Oregon Disabilities Commission				
General Fund	288,121	281,885	298,929	
Other Funds	559,031	565,902	733,109	694,087
Federal Funds	<u>887,395</u>	<u>817,297</u>	<u>243,782</u>	<u>477,947</u>
TOTAL	1,734,547	1,665,084	1,275,820	1,172,034
Psychiatric Security Review Board				
General Fund	666,640	690,272	793,770	735,777
Other Funds	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
TOTAL	668,640	692,272	795,770	737,777
HUMAN SERVICES TOTAL				
General Fund	2,282,054,364	2,445,358,617	2,291,994,622	2,474,992,687
Lottery Funds	5,273,048	5,896,855	6,878,546	5,600,000
Other Funds	771,795,919	1,318,545,049	1,118,735,527	1,174,135,970
Nonadd Other Funds	(133,792,955)	(120,846,424)	(140,244,040)	
Federal Funds	<u>4,509,264,621</u>	<u>5,544,158,588</u>	<u>5,178,724,099</u>	<u>5,816,300,872</u>
TOTAL ALL FUNDS	7,568,387,952	9,313,959,109	8,596,332,794	9,471,029,529

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
PUBLIC SAFETY				
Corrections Department				
General Fund	759,770,230	785,792,311	955,550,900	814,782,009
Other Funds	300,213,785	188,580,273	32,930,017	27,887,655
Federal Funds	<u>10,904,832</u>	<u>10,453,538</u>	<u>10,570,336</u>	<u>121,829,812</u>
TOTAL	1,070,888,847	984,826,122	999,051,253	964,499,476
Criminal Justice Commission				
General Fund	14,391,596	16,141,496	14,797,005	7,339,264
Other Funds	45,259	73,979	83,440	378,742
Federal Funds	<u>1,625,686</u>	<u>5,043,362</u>	<u>4,034,449</u>	<u>4,060,812</u>
TOTAL	16,062,541	21,258,837	18,914,894	11,778,818
Dispute Resolution Commission				
General Fund	134,984			
Other Funds	<u>1,803,583</u>	<u>2,584,219</u>	<u>2,663,152</u>	
TOTAL	1,938,567	2,584,219	2,663,152	
District Attorneys and Their Deputies				
General Fund	<u>9,536,890</u>	<u>9,354,297</u>	<u>9,479,567</u>	<u>10,037,656</u>
TOTAL	9,536,890	9,354,297	9,479,567	10,037,656
Justice, Department of				
General Fund	13,215,584	22,966,845	36,907,073	31,486,940
Other Funds	33,033,968	46,411,481	49,780,217	59,583,262
Nonadd Other Funds	(126,672,533)	(142,756,634)	(87,696,026)	(87,696,026)
Federal Funds	<u>12,727,345</u>	<u>14,464,397</u>	<u>98,846,278</u>	<u>84,678,365</u>
TOTAL	58,976,897	83,842,723	185,533,568	175,748,567
Military Department				
General Fund	12,854,157	13,087,791	13,017,427	13,165,715
Other Funds	8,042,250	11,849,126	5,731,700	7,640,166
Federal Funds	<u>42,699,014</u>	<u>56,093,706</u>	<u>52,435,118</u>	<u>84,988,963</u>
TOTAL	63,595,421	81,030,623	71,184,245	105,794,844
Parole and Post Prison Supervision, State Board of				
General Fund	2,883,296	3,000,780	3,474,155	3,237,956
Other Funds	<u>3,003</u>	<u>3,637</u>	<u>3,764</u>	<u>9,294</u>
TOTAL	2,886,299	3,004,417	3,477,919	3,247,250
Public Safety Standards and Training, Board on				
Other Funds	17,018,755	102,793,560	20,862,843	23,203,488
Federal Funds	<u>536,741</u>	<u>274,000</u>	<u>217,350</u>	<u>217,350</u>
TOTAL	17,555,496	103,067,560	21,080,193	23,420,838
State Police, Department of				
General Fund	167,149,931	172,019,033	166,920,318	159,025,757
Lottery Funds	3,303,064	4,857,534	5,032,023	5,566,608
Other Funds	119,499,758	123,389,747	127,477,726	129,255,880
Federal Funds	<u>73,517,138</u>	<u>91,403,705</u>	<u>91,784,857</u>	<u>113,069,523</u>
TOTAL	363,469,891	391,670,019	391,214,924	406,917,768

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
Youth Authority, Oregon				
General Fund	205,465,537	217,220,601	201,112,085	201,579,106
Other Funds	15,329,455	15,968,307	12,025,792	12,801,776
Federal Funds	<u>24,830,368</u>	<u>27,472,725</u>	<u>24,669,594</u>	<u>25,927,386</u>
TOTAL	245,625,360	260,661,633	237,807,471	240,308,268

PUBLIC SAFETY TOTAL

General Fund	1,185,402,205	1,239,583,154	1,401,258,530	1,240,654,403
Lottery Funds	3,303,064	4,857,534	5,032,023	5,566,608
Other Funds	494,989,816	491,654,329	251,558,651	260,760,263
Nonadd Other Funds	(126,672,533)	(142,756,634)	(87,696,026)	(87,696,026)
Federal Funds	<u>166,841,124</u>	<u>205,205,433</u>	<u>282,557,982</u>	<u>434,772,211</u>
TOTAL ALL FUNDS	1,850,536,209	1,941,300,450	1,940,407,186	1,941,753,485

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
JUDICIAL BRANCH				
Court Procedures, Council on				
General Fund	87,469	83,136	103,396	
Other Funds	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
TOTAL	95,469	91,136	111,396	8,000
Judicial Department				
General Fund	360,249,206	372,216,866	238,277,723	250,670,922
Other Funds	7,323,387	21,065,552	28,706,290	36,317,230
Federal Funds	<u>599,100</u>	<u>2,105,926</u>	<u>1,556,977</u>	<u>2,333,247</u>
TOTAL	368,171,693	395,388,344	268,540,990	289,321,399
Judicial Fitness and Disability, Commission on				
General Fund	<u>181,816</u>	<u>185,580</u>	<u>209,654</u>	<u>161,762</u>
TOTAL	181,816	185,580	209,654	161,762
Public Defense Services Commission				
General Fund	5,757,599	5,854,598	133,662,716	168,333,318
Other Funds	<u>4,089</u>	<u>143,000</u>		<u>1,107,063</u>
TOTAL	5,761,688	5,997,598	133,662,716	169,440,381
JUDICIAL BRANCH TOTAL				
General Fund	366,276,090	378,340,180	372,253,489	419,166,002
Other Funds	7,335,476	21,216,552	28,714,290	37,432,293
Federal Funds	<u>599,100</u>	<u>2,105,926</u>	<u>1,556,977</u>	<u>2,333,247</u>
TOTAL ALL FUNDS	374,210,666	401,662,658	402,524,756	458,931,542

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
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ECONOMIC AND COMMUNITY DEVELOPMENT

Economic and Community Development Department

General Fund	3,648,325	2,391,710	2,128,104	1,168,674
Lottery Funds	69,202,195	80,092,948	102,792,756	86,022,486
Other Funds	146,416,811	324,202,934	233,550,355	229,254,174
Federal Funds	<u>32,652,054</u>	<u>52,612,386</u>	<u>43,888,961</u>	<u>36,943,640</u>
TOTAL	251,919,385	459,299,978	382,360,176	353,388,974

Employment Department

General Fund	3,940,248	1,946,632	3,627,976	3,426,181
Other Funds	1,046,905,247	1,419,466,895	1,561,348,620	1,924,881,811
Nonadd Other Funds	(14,641,790)	(21,615,805)	(21,961,754)	(21,961,754)
Federal Funds	<u>137,350,242</u>	<u>268,631,222</u>	<u>260,057,254</u>	<u>254,554,101</u>
TOTAL	1,188,195,737	1,690,044,749	1,825,033,850	2,182,862,093

Fair and Exposition Center, State

General Fund	1,298,934	1,328,779	1,363,562	1,294,260
Lottery Funds	256,337	2,611,346	4,444,659	3,718,261
Other Funds	<u>23,293,870</u>	<u>21,826,708</u>	<u>13,327,486</u>	<u>12,894,341</u>
TOTAL	24,849,141	25,766,833	19,135,707	17,906,862

Historical Society passed through DAS

General Fund	<u>1,264,450</u>	<u>1,102,922</u>	<u>1,301,478</u>	
TOTAL	1,264,450	1,102,922	1,301,478	

Housing and Community Services

General Fund	16,142,879	7,163,666	12,728,518	9,794,031
Lottery Funds		2,164,495	5,714,677	4,432,311
Other Funds	1,137,555,232	692,702,103	1,167,089,256	1,157,330,998
Federal Funds	<u>131,068,130</u>	<u>258,113,695</u>	<u>200,154,908</u>	<u>197,521,381</u>
TOTAL	1,284,766,241	960,143,959	1,385,687,359	1,369,078,721

Oregon Public Broadcasting passed through DAS

General Fund	3,350,509	2,024,588	3,448,548	
Other Funds		<u>7,000,000</u>		
TOTAL	3,350,509	9,024,588	3,448,548	

Veterans' Affairs, Department of

General Fund	2,577,619	2,064,547	2,486,698	2,389,793
Other Funds	<u>704,861,343</u>	<u>989,119,601</u>	<u>844,746,466</u>	<u>843,070,099</u>
TOTAL	707,438,962	991,184,148	847,233,164	845,459,892

ECONOMIC AND COMMUNITY DEVELOPMENT TOTAL

General Fund	32,222,964	18,022,844	27,084,884	18,072,939
Lottery Funds	69,458,532	84,868,789	112,952,092	94,173,058
Other Funds	3,059,032,503	3,454,318,241	3,820,062,183	4,167,431,423
Nonadd Other Funds	(14,641,790)	(21,615,805)	(21,961,754)	(21,961,754)
Federal Funds	<u>301,070,426</u>	<u>579,357,303</u>	<u>504,101,123</u>	<u>489,019,122</u>
TOTAL ALL FUNDS	3,461,784,425	4,136,567,177	4,464,200,282	4,768,696,542

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
NATURAL RESOURCES				
Agriculture, Department of				
General Fund	23,839,684	17,509,396	20,623,902	11,295,439
Lottery Funds	3,754,646	7,657,512	7,060,152	7,835,034
Other Funds	36,024,863	46,613,808	51,776,944	51,140,076
Federal Funds	<u>2,890,631</u>	<u>8,565,136</u>	<u>5,089,884</u>	<u>4,841,314</u>
TOTAL	66,509,824	80,345,852	84,550,882	75,111,863
Columbia River Gorge Commission				
General Fund	<u>666,061</u>	<u>684,121</u>	<u>748,316</u>	<u>631,600</u>
TOTAL	666,061	684,121	748,316	631,600
Energy, Office of				
General Fund	1,425,000	857,374		
Other Funds	124,010,468	157,866,192	169,418,788	168,127,472
Federal Funds	<u>4,897,050</u>	<u>7,139,629</u>	<u>7,495,674</u>	<u>6,302,370</u>
TOTAL	130,332,518	165,863,195	176,914,462	174,429,842
Environmental Quality, Department of				
General Fund	38,688,564	35,919,721	33,175,693	23,384,838
Lottery Funds	456,155	2,455,623	1,789,995	3,286,418
Other Funds	237,234,430	229,716,924	200,162,491	210,238,429
Federal Funds	<u>25,940,544</u>	<u>38,488,520</u>	<u>38,761,389</u>	<u>38,346,912</u>
TOTAL	302,319,693	306,580,788	273,889,568	275,256,597
Fish and Wildlife, Department of				
General Fund	16,719,400	14,441,913	15,854,537	10,650,611
Lottery Funds	5,658,084	9,565,560	9,250,825	10,297,061
Other Funds	90,111,715	95,491,613	97,495,882	114,624,467
Federal Funds	<u>68,990,968</u>	<u>96,636,551</u>	<u>96,379,709</u>	<u>94,932,601</u>
TOTAL	181,480,167	216,135,637	218,980,953	230,504,740
Forestry Department				
General Fund	32,447,990	39,313,617	36,550,441	39,546,083
Lottery Funds	379,400			
Other Funds	147,732,571	275,539,705	175,168,712	173,418,905
Federal Funds	<u>2,292,316</u>	<u>12,489,419</u>	<u>26,635,445</u>	<u>18,922,136</u>
TOTAL	182,852,277	327,342,741	238,354,598	231,887,124
Geology and Mineral Industries				
General Fund	3,248,132	2,879,823	3,118,727	2,887,346
Other Funds	2,622,942	3,389,542	2,977,181	2,942,813
Federal Funds	<u>1,181,886</u>	<u>1,735,069</u>	<u>2,029,359</u>	<u>1,963,208</u>
TOTAL	7,052,960	8,004,434	8,125,267	7,793,367
Land Conservation and Development, Department of				
General Fund	9,074,704	9,610,244	8,409,798	9,018,323
Other Funds	2,275,666	1,788,791	1,349,862	873,425
Federal Funds	<u>3,206,079</u>	<u>5,175,091</u>	<u>7,468,427</u>	<u>5,684,425</u>
TOTAL	14,556,449	16,574,126	17,228,087	15,576,173

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
Land Use Board of Appeals				
General Fund	1,106,736	1,201,445	1,345,871	1,205,116
Other Funds	<u>85,198</u>	<u>61,180</u>	<u>67,176</u>	<u>60,507</u>
TOTAL	1,191,934	1,262,625	1,413,047	1,265,623
Marine Board				
Other Funds	17,529,970	17,588,863	22,202,705	22,017,871
Federal Funds	<u>3,110,021</u>	<u>5,056,029</u>	<u>5,039,933</u>	<u>4,972,307</u>
TOTAL	20,639,991	22,644,892	27,242,638	26,990,178
Oregon Watershed Enhancement Board				
General Fund	2,198,212	1,024,212	101,280	
Lottery Funds	13,773,426	48,793,122	32,303,598	30,408,498
Other Funds	1,826,468	2,274,939	1,826,568	2,377,089
Federal Funds	<u>4,156,795</u>	<u>28,965,600</u>	<u>22,580,000</u>	<u>38,678,858</u>
TOTAL	21,954,901	81,057,873	56,811,446	71,464,445
Parks and Recreation, Department of				
General Fund	89,176			
Lottery Funds	41,189,960	50,887,866	51,537,233	57,173,958
Other Funds	61,194,109	81,109,583	81,994,517	80,437,398
Federal Funds	<u>3,056,870</u>	<u>9,548,033</u>	<u>9,128,886</u>	<u>8,976,693</u>
TOTAL	105,530,115	141,545,482	142,660,636	146,588,049
State Lands, Division of				
General Fund	34,381	127,691	30,336	139,311
Other Funds	89,640,665	65,006,814	50,229,625	41,455,486
Federal Funds	<u>904,528</u>	<u>2,657,125</u>	<u>1,614,737</u>	<u>1,561,420</u>
TOTAL	90,579,574	67,791,630	51,874,698	43,156,217
Water Resources Department				
General Fund	21,048,321	22,099,426	22,266,526	19,086,885
Other Funds	7,374,023	6,111,407	6,118,311	7,630,225
Federal Funds	<u>408,673</u>	<u>999,721</u>	<u>1,295,000</u>	<u>1,264,700</u>
TOTAL	28,831,017	29,210,554	29,679,837	27,981,810
NATURAL RESOURCES TOTAL				
General Fund	150,586,361	145,668,983	142,225,427	117,845,552
Lottery Funds	65,211,671	119,359,683	101,941,803	109,000,969
Other Funds	817,663,088	982,559,361	860,788,762	875,344,163
Federal Funds	<u>121,036,361</u>	<u>217,455,923</u>	<u>223,518,443</u>	<u>226,446,944</u>
TOTAL ALL FUNDS	1,154,497,481	1,465,043,950	1,328,474,435	1,328,637,628

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
TRANSPORTATION				
Aviation, Department of				
General Fund	39,521			
Lottery Funds	100,567			
Other Funds	<u>9,045,350</u>	<u>18,191,177</u>	<u>16,026,262</u>	<u>13,990,208</u>
TOTAL	9,185,438	18,191,177	16,026,262	13,990,208
Transportation, Department of				
General Fund	19,928,088	17,114,943	12,158,487	3,914,616
Lottery Funds	19,993,390	10,201,991	26,527,418	21,145,902
Other Funds	1,544,361,267	1,750,328,346	2,025,142,379	2,023,552,621
Nonadd Other Funds	(33,438,954)	(39,333,608)	(40,479,001)	(37,494,142)
Federal Funds	<u>33,892,107</u>	<u>69,775,066</u>	<u>70,230,235</u>	<u>69,504,104</u>
TOTAL	1,618,174,852	1,847,420,346	2,134,058,519	2,118,117,243
TRANSPORTATION TOTAL				
General Fund	19,967,609	17,114,943	12,158,487	3,914,616
Lottery Funds	20,093,957	10,201,991	26,527,418	21,145,902
Other Funds	1,553,406,617	1,768,519,523	2,041,168,641	2,037,542,829
Nonadd Other Funds	(33,438,954)	(39,333,608)	(40,479,001)	(37,494,142)
Federal Funds	<u>33,892,107</u>	<u>69,775,066</u>	<u>70,230,235</u>	<u>69,504,104</u>
TOTAL ALL FUNDS	1,627,360,290	1,865,611,523	2,150,084,781	2,132,107,451

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
CONSUMER AND BUSINESS SERVICES				
Accountancy, State Board of				
Other Funds	<u>1,375,182</u>	<u>1,624,093</u>	<u>1,657,951</u>	<u>1,565,639</u>
TOTAL	1,375,182	1,624,093	1,657,951	1,565,639
Bureau of Labor and Industries				
General Fund	12,458,293	11,479,864	11,672,962	10,935,047
Other Funds	5,819,439	6,892,997	7,386,248	7,338,744
Federal Funds	<u>855,612</u>	<u>1,253,344</u>	<u>1,400,120</u>	<u>1,317,039</u>
TOTAL	19,133,344	19,626,205	20,459,330	19,590,830
Chiropractic Examiners, Board of				
Other Funds	<u>819,623</u>	<u>892,354</u>	<u>967,493</u>	<u>916,244</u>
TOTAL	819,623	892,354	967,493	916,244
Construction Contractors Board				
Other Funds	<u>10,622,900</u>	<u>11,623,662</u>	<u>12,070,329</u>	<u>11,403,490</u>
TOTAL	10,622,900	11,623,662	12,070,329	11,403,490
Consumer and Business Services Department				
Other Funds	<u>422,079,895</u>	<u>478,476,293</u>	<u>639,113,905</u>	<u>559,859,019</u>
TOTAL	422,079,895	478,476,293	639,113,905	559,859,019
Health Licensing Office				
Other Funds	<u>3,351,018</u>	<u>4,224,801</u>	<u>4,676,749</u>	<u>4,398,740</u>
TOTAL	3,351,018	4,224,801	4,676,749	4,398,740
HRLB - Clinical Social Workers, Board of				
Other Funds	<u>418,268</u>	<u>499,055</u>	<u>511,068</u>	<u>488,074</u>
TOTAL	418,268	499,055	511,068	488,074
HRLB - Dentistry, Board of				
Other Funds	<u>1,387,934</u>	<u>1,654,903</u>	<u>1,770,506</u>	<u>1,674,449</u>
TOTAL	1,387,934	1,654,903	1,770,506	1,674,449
HRLB - Examiners for Speech Pathology and Audiology, Board of				
Other Funds	<u>140,216</u>	<u>158,119</u>	<u>163,120</u>	<u>153,663</u>
TOTAL	140,216	158,119	163,120	153,663
HRLB - Licensed Dieticians, Board of				
Other Funds	<u>53,979</u>	<u>60,888</u>	<u>63,511</u>	<u>59,029</u>
TOTAL	53,979	60,888	63,511	59,029
HRLB - Licensed Professional Counselors and Therapists, Board of				
Other Funds	<u>287,165</u>	<u>390,676</u>	<u>444,592</u>	<u>390,793</u>
TOTAL	287,165	390,676	444,592	390,793
HRLB - Mortuary and Cemetery Board				
Other Funds	<u>863,332</u>	<u>1,033,486</u>	<u>1,136,897</u>	<u>980,127</u>
TOTAL	863,332	1,033,486	1,136,897	980,127
HRLB - Naturopathic Examiners, Board of				
Other Funds	<u>273,905</u>	<u>320,366</u>	<u>341,309</u>	<u>323,132</u>
TOTAL	273,905	320,366	341,309	323,132

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
HRLB - Nursing Home Administrators, Board of				
Other Funds	<u>177,893</u>	<u>184,380</u>	<u>196,837</u>	<u>189,693</u>
TOTAL	177,893	184,380	196,837	189,693
HRLB - Occupational Therapy Licensing Board				
Other Funds	<u>191,640</u>	<u>241,453</u>	<u>260,434</u>	<u>249,107</u>
TOTAL	191,640	241,453	260,434	249,107
HRLB - Pharmacy, Board of				
Other Funds	<u>2,156,968</u>	<u>2,843,880</u>	<u>3,006,091</u>	<u>2,780,917</u>
TOTAL	2,156,968	2,843,880	3,006,091	2,780,917
HRLB - Radiologic Technology, Board of				
Other Funds	<u>361,515</u>	<u>452,364</u>	<u>486,589</u>	<u>396,143</u>
TOTAL	361,515	452,364	486,589	396,143
HRLB - Veterinary Medical Examiners				
Other Funds	<u>443,527</u>	<u>442,003</u>	<u>492,831</u>	<u>477,212</u>
TOTAL	443,527	442,003	492,831	477,212
Landscape Contractors Board				
Other Funds	<u>408,142</u>	<u>262,248</u>		
TOTAL	408,142	262,248		
Medical Examiners, Board of				
Other Funds	<u>5,217,053</u>	<u>6,287,318</u>	<u>6,890,328</u>	<u>6,505,650</u>
TOTAL	5,217,053	6,287,318	6,890,328	6,505,650
Nursing, Board of				
Other Funds	<u>5,888,784</u>	<u>7,157,299</u>	<u>8,081,485</u>	<u>7,621,080</u>
TOTAL	5,888,784	7,157,299	8,081,485	7,621,080
Oregon Board of Investigators				
Other Funds	<u>327,381</u>	<u>394,217</u>	<u>434,894</u>	<u>429,045</u>
TOTAL	327,381	394,217	434,894	429,045
Psychologist Examiners, Board of				
Other Funds	<u>557,456</u>	<u>605,383</u>	<u>663,918</u>	<u>622,492</u>
TOTAL	557,456	605,383	663,918	622,492
Public Utility Commission				
Other Funds	39,337,481	275,567,867	156,960,740	155,142,299
Federal Funds	<u>293,978</u>	<u>302,965</u>	<u>337,108</u>	<u>334,915</u>
TOTAL	39,631,459	275,870,832	157,297,848	155,477,214
Real Estate Agency				
Other Funds	<u>5,205,311</u>	<u>5,908,122</u>	<u>6,626,854</u>	<u>6,311,101</u>
TOTAL	5,205,311	5,908,122	6,626,854	6,311,101
Spinal Cord Injury Research Board				
General Fund		1		
Other Funds		<u>50,000</u>		
TOTAL		50,001		

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
Tax Practitioners, State Board of				
Other Funds	<u>845,057</u>	<u>917,633</u>	<u>880,958</u>	<u>825,317</u>
TOTAL	845,057	917,633	880,958	825,317
CONSUMER AND BUSINESS SERVICES TOTAL				
General Fund	12,458,293	11,479,865	11,672,962	10,935,047
Other Funds	508,611,064	809,165,860	855,285,637	771,101,199
Federal Funds	<u>1,149,590</u>	<u>1,556,309</u>	<u>1,737,228</u>	<u>1,651,954</u>
TOTAL ALL FUNDS	522,218,947	822,202,034	868,695,827	783,688,200

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
ADMINISTRATION				
Administrative Services, Department of				
General Fund	2,729,599	5,702,656	5,322,856	1,525,112
Lottery Funds		381,342	1,622,874	4,153,047
Other Funds	49,350,438	100,110,300	201,835,461	94,353,358
Nonadd Other Funds	(335,995,715)	(414,442,745)	(442,512,845)	(659,224,024)
Federal Funds	<u>473,407</u>	<u>974,713</u>		<u>100,000</u>
TOTAL	52,553,444	107,169,011	208,781,191	100,131,517
Asian Affairs, Commission on				
General Fund	131,384	139,208	166,867	
Other Funds	<u>17,130</u>	<u>40,886</u>	<u>27,367</u>	<u>173,648</u>
TOTAL	148,514	180,094	194,234	173,648
Black Affairs, Commission on				
General Fund	121,997	129,147	160,194	
Other Funds	<u>29,321</u>	<u>39,354</u>	<u>21,449</u>	<u>171,969</u>
TOTAL	151,318	168,501	181,643	171,969
Capitol Planning Commission				
Nonadd Other Funds	<u>(225,701)</u>	<u>(242,280)</u>	<u>(326,439)</u>	
TOTAL	0	0	0	
Employment Relations Board				
General Fund	1,279,129	1,280,260	1,400,508	1,299,312
Other Funds	<u>1,290,349</u>	<u>1,703,446</u>	<u>1,639,107</u>	<u>1,292,046</u>
TOTAL	2,569,478	2,983,706	3,039,615	2,591,358
Government Standards and Practices Commission				
General Fund	762,633	878,291	613,772	559,701
Other Funds	<u>7,182</u>	<u>9,662</u>	<u>6,565</u>	<u>5,902</u>
TOTAL	769,815	887,953	620,337	565,603
Governor, Office of the				
General Fund	8,641,519	7,887,177	7,373,746	8,087,646
Lottery Funds				610,000
Other Funds	<u>1,103,326</u>	<u>1,239,331</u>	<u>971,182</u>	<u>1,581,417</u>
TOTAL	9,744,845	9,126,508	8,344,928	10,279,063
Hispanic Affairs, Commission on				
General Fund	128,153	108,455	146,892	
Other Funds	<u>93,150</u>	<u>109,741</u>	<u>81,690</u>	<u>224,441</u>
TOTAL	221,303	218,196	228,582	224,441
Liquor Control Commission				
Other Funds	<u>71,305,870</u>	<u>78,984,955</u>	<u>83,468,045</u>	<u>84,683,812</u>
TOTAL	71,305,870	78,984,955	83,468,045	84,683,812
Public Employees Retirement System				
Other Funds	<u>3,385,096,846</u>	<u>3,674,677,175</u>	<u>4,259,606,600</u>	<u>4,272,271,230</u>
TOTAL	3,385,096,846	3,674,677,175	4,259,606,600	4,272,271,230
Racing Commission				
Other Funds	<u>2,887,014</u>	<u>4,031,076</u>	<u>4,763,041</u>	<u>4,675,855</u>
TOTAL	2,887,014	4,031,076	4,763,041	4,675,855

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
Revenue, Department of				
General Fund	111,204,026	118,259,677	132,081,313	104,734,536
Other Funds	<u>17,002,742</u>	<u>20,942,593</u>	<u>21,906,986</u>	<u>53,310,442</u>
TOTAL	128,206,768	139,202,270	153,988,299	158,044,978
Secretary of State				
General Fund	13,046,851	14,082,956	11,235,665	10,276,857
Other Funds	12,829,529	17,263,742	19,294,828	18,296,061
Nonadd Other Funds	(11,152,516)	(11,704,723)	(13,810,200)	(13,162,458)
Federal Funds		<u>9,187</u>	<u>1</u>	<u>7,320,991</u>
TOTAL	<u>25,876,380</u>	31,335,885	30,530,494	35,893,909
State Library				
General Fund	3,125,068	3,027,395	3,279,864	2,594,626
Other Funds	4,748,557	5,239,834	5,669,289	6,112,874
Federal Funds	<u>3,892,223</u>	<u>3,948,265</u>	<u>4,160,077</u>	<u>4,128,563</u>
TOTAL	11,765,848	12,215,494	13,109,230	12,836,063
Treasurer of State				
General Fund	101,136	182,281		
Other Funds				1,378,212
Nonadd Other Funds	<u>(19,876,745)</u>	<u>(22,105,071)</u>	<u>(25,425,846)</u>	<u>(22,638,145)</u>
TOTAL	101,136	182,281	0	1,378,212
Women, Commission for				
General Fund	127,450	125,420	171,339	
Other Funds	60,205	822,581	149,374	1,136,003
Federal Funds	<u>1,400</u>			
TOTAL	189,055	948,001	320,713	1,136,003
ADMINISTRATION TOTAL				
General Fund	141,398,945	151,802,923	161,953,016	129,077,790
Lottery Funds		381,342	1,622,874	4,763,047
Other Funds	3,545,821,659	3,897,714,676	4,599,440,984	4,539,667,270
Nonadd Other Funds	(367,250,677)	(449,494,819)	(482,075,330)	(695,024,627)
Federal Funds	<u>4,367,030</u>	<u>4,932,165</u>	<u>4,160,078</u>	<u>11,549,554</u>
TOTAL ALL FUNDS	3,691,587,634	4,054,831,106	4,767,176,952	4,685,057,661

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
LEGISLATIVE BRANCH				
Indian Services, Commission on				
General Fund	314,537	307,770	359,257	299,011
Other Funds	<u>2,236</u>	<u>5,786</u>	<u>5,989</u>	<u>5,786</u>
TOTAL	316,773	313,556	365,246	304,797
Legislative Administration Committee				
General Fund	19,680,572	19,146,811	14,052,130	19,390,674
Other Funds	<u>2,214,027</u>	<u>5,694,670</u>	<u>2,684,389</u>	<u>2,547,202</u>
TOTAL	21,894,599	24,841,481	16,736,519	21,937,876
Legislative Assembly				
General Fund	23,506,545	24,785,932	28,126,098	25,152,431
Other Funds	<u>277,093</u>	<u>279,891</u>	<u>289,662</u>	<u>279,971</u>
TOTAL	23,783,638	25,065,823	28,415,760	25,432,402
Legislative Counsel Committee				
General Fund	5,428,515	5,879,051	7,155,520	6,286,407
Other Funds	<u>1,817,992</u>	<u>2,104,656</u>	<u>2,289,587</u>	<u>2,130,059</u>
TOTAL	7,246,507	7,983,707	9,445,107	8,416,466
Legislative Fiscal Officer				
General Fund	<u>3,346,879</u>	<u>3,850,026</u>	<u>4,330,526</u>	<u>4,025,515</u>
TOTAL	3,346,879	3,850,026	4,330,526	4,025,515
Legislative Revenue Officer				
General Fund	<u>1,357,235</u>	<u>1,415,855</u>	<u>1,581,024</u>	<u>1,464,474</u>
TOTAL	1,357,235	1,415,855	1,581,024	1,464,474
LEGISLATIVE BRANCH TOTAL				
General Fund	53,634,283	55,385,445	55,604,555	56,618,512
Other Funds	<u>4,311,348</u>	<u>8,085,003</u>	<u>5,269,627</u>	<u>4,963,018</u>
TOTAL ALL FUNDS	57,945,631	63,470,448	60,874,182	61,581,530

	1999-01 ACTUALS	2001-2003 LEGISLATIVELY APPROVED	2003-2005 GOVERNOR'S RECOMMENDED	2003-2005 LEGISLATIVELY ADOPTED
MISCELLANEOUS				
Emergency Fund				
General Fund			<u>83,397,962</u>	<u>40,000,000</u>
TOTAL			83,397,962	40,000,000
Emergency Fund - Salary Adjustment and Employee Benefits				
General Fund			<u>(37,000,000)</u>	<u>9,000,000</u>
TOTAL			(37,000,000)	9,000,000
MISCELLANEOUS TOTAL				
General Fund			<u>46,397,962</u>	<u>49,000,000</u>
TOTAL ALL FUNDS			46,397,962	49,000,000
STATEWIDE TOTALS				
General Fund	10,096,582,724	9,674,243,280	10,858,270,000	10,739,116,635
Lottery Funds	473,952,140	905,053,888	546,090,695	756,820,721
Other Funds	13,410,521,072	16,509,366,944	16,949,804,897	17,531,634,959
Nonadd Other Funds	(675,796,909)	(653,200,866)	(860,362,056)	(930,082,454)
Federal Funds	<u>5,825,477,500</u>	<u>7,516,287,122</u>	<u>7,160,307,613</u>	<u>8,053,180,437</u>
TOTAL ALL FUNDS	29,806,533,436	34,604,951,234	35,514,473,205	37,080,752,752