

Budget Highlights

2007-09

Legislatively Adopted Budget



LEGISLATIVE FISCAL OFFICE
SEPTEMBER 2007

**STATE OF OREGON
LEGISLATIVE FISCAL OFFICE**

900 COURT STREET NE
STATE CAPITOL, ROOM H-178
SALEM OR 97301-4048
PHONE 503-986-1828
FAX 503-373-7807



KEN ROCCO
LEGISLATIVE FISCAL OFFICER

September 25, 2007

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

Following is the *Budget Highlights: 2007-09 Legislatively Adopted Budget*. This document provides summary information of the 2007-09 legislatively adopted budget by examining program areas, legislative actions affecting the budget, technical assumptions, capital construction and state bonding debt, substantive bills with budget effects, potential budget risks, and 2009-11 tentative budget issues. New this biennium is a section entitled "2007 Fiscal Impact Statements," as well as appendices on "2007-09 Capital Construction Projects" and "2007-09 Certificates of Participation." A detailed analysis of the budget by program area and agency is also available.

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

Ken Rocco
Legislative Fiscal Officer

Legislative Fiscal Office

900 COURT STREET NE
STATE CAPITOL, ROOM H-178
SALEM OR 97301-4048
PHONE 503-986-1828
FAX 503-373-7807

Administration

Ken Rocco, Legislative Fiscal Officer – Emergency Board

Theresa McHugh, Deputy Fiscal Officer – Legislative Branch

Gina Rumbaugh, Committee Manager

Budget Analysts

Sheila Baker – Human Services, Children’s Programs

Steve Bender – Higher Education

John Britton – Human Services, Health Plan

Michelle Deister – Housing, Employment

Daron Hill – K-12 Education, Secretary of State

Susie Jordan – Transportation, Parks and Recreation, Land Use

Robin LaMonte – Judicial Branch, Economic Development, Consumer Services

Deborah Manthe – Health-Related Licensing Boards

Paul Siebert – Natural Resources

Dallas Weyand – Administrative Services, Revenue, Public Employees

Doug Wilson – Public Safety

Fiscal Analysts

John Borden – Economic Development, Consumer Services, Human Services

Dawn Farr – Natural Resources

Adrienne Sexton – Education, Administration, Legislative Branch

Tim Walker – Judicial Branch, Public Safety, Transportation

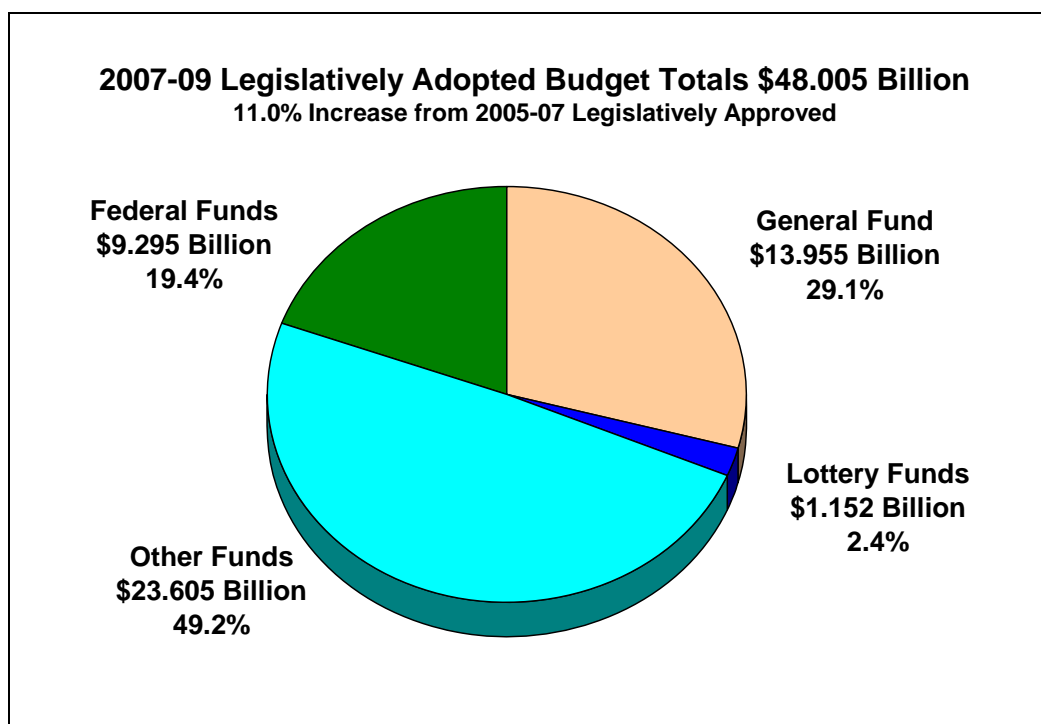
Table of Contents

Summary of 2007-09 Legislatively Adopted Budget	1
Summary of Legislative Actions Affecting the 2007-09 Budget	14
Technical Assumptions in the Legislatively Adopted Budget.....	22
2007 Fiscal Impact Statements	26
Program Area Summaries	28
Education Program Area.....	28
Human Services Program Area.....	36
Public Safety/Judicial Program Area	41
Economic Development and Consumer Services Program Area	46
Natural Resources Program Area.....	49
Transportation Program Area	55
Administration Program Area.....	56
Legislative Branch	57
Emergency Fund	57
Capital Construction and State Bonding Debt	59
2007 Substantive Bills with Budget Effects	63
Potential 2007-09 Budget Risks and 2009-11 Tentative Budget Issues	71
Appendix A: 2007-09 Capital Construction Projects	A-1
Appendix B: 2007-09 Certificates of Participation	B-1
Appendix C: Number of Full-Time Equivalent Positions	C-1
Appendix D: Summary of Expenditures by Program Area and Fund	D-1
Appendix E: Summary of Expenditures by Program Area, Agency, and Fund	E-1

Summary of 2007-09 Legislatively Adopted Budget

Budget Overview

The legislatively adopted budget (LAB) for the 2007-09 biennium is \$48 billion total funds. The adopted budget includes \$15.1 billion in combined General Fund and Lottery Funds, \$23.6 billion Other Funds, and \$9.3 billion Federal Funds. The 2007-09 total budget represents an 11% increase over the 2005-07 biennium's legislatively approved total budget of \$43.3 billion.



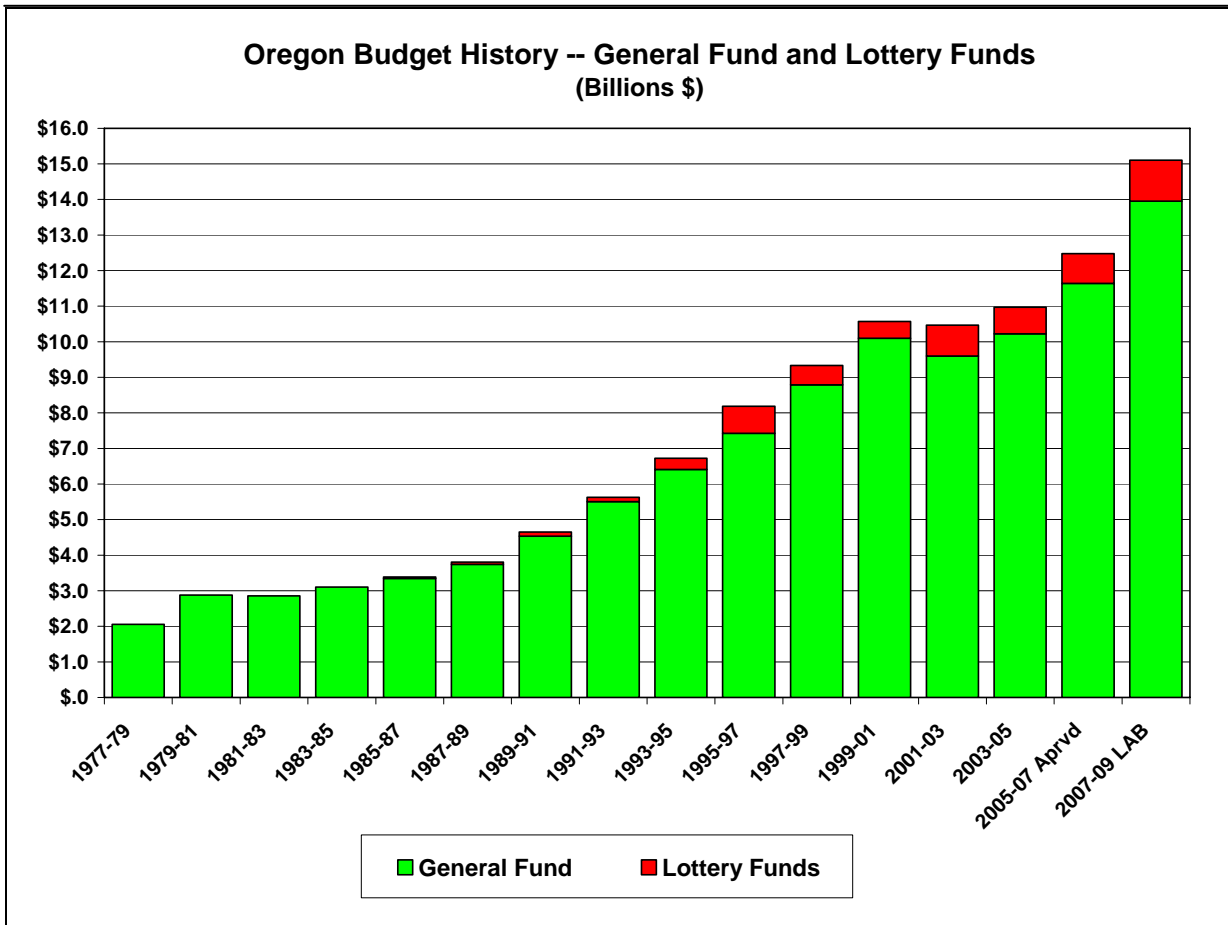
The 2007 Legislature completed their work within the timeframe outlined in Senate Concurrent Resolution 1 (SCR 1) and adjourned on June 28, 2007. SCR 1 also outlines the timeframe for the Legislature to meet in a special session in February 2008. This special session is a pilot to determine the efficacy of annual sessions with a deadline for the Legislature to complete its work and adjourn.

The final \$48 billion budget adopted by the Legislature for the 2007-09 biennium continues the return to a more typical growth rate with less reliance on shifting program financing from General Fund to Other Funds that began in 2005-07. The approved General Fund expenditures for 2007-09 represent a 19.9% increase and Lottery Funds expenditures were budgeted at 37.5% higher than the previous biennium (General Fund and Lottery Funds combined is a 21.1% increase over the 2005-07 level), Other Funds and Federal Funds experienced relatively slight changes, 7%, from the 2005-07 budget period. Even with the substantial increases in General Fund and Lottery Funds, the 2007 budget left larger ending balances in these funds than in previous biennia.

Despite the growth patterns discussed above, the Other Funds category remains the largest funding source in the budget, representing 49.2% of the total expenditures. Other Funds are revenues received by the state from fees for registration or licenses, charges for services, specific taxes (such as gasoline and tobacco), and loan programs. These funds are restricted by law for specified purposes. The largest increase in the Other Funds category in the 2007-09 budget is the increase in tobacco taxes which were

increased and dedicated to provide tobacco use reduction programs and health care services for children.

Approximately 19.4% of the 2007-09 legislatively adopted budget is made up of revenues from the federal government. Federal Funds increased by 7.3% in the 2007-09 budget, following an increase of 8.7% in the 2005-07 budget. For the decade prior to the 2005-07 biennium, the average growth in Federal Funds was about 19% per biennium. Nearly 75% of Federal Funds are received within the Human Services program area and are dollars that match state funds. Not surprisingly, the Federal Funds increase is primarily due to General Fund and tobacco tax investments approved in the Human Services program area which are then matched by the federal government at approximately a 2 (federal dollar) to 1 (state dollar) match rate.



Budget Process

With respect to budget development, highlights of the 2007 session process were:

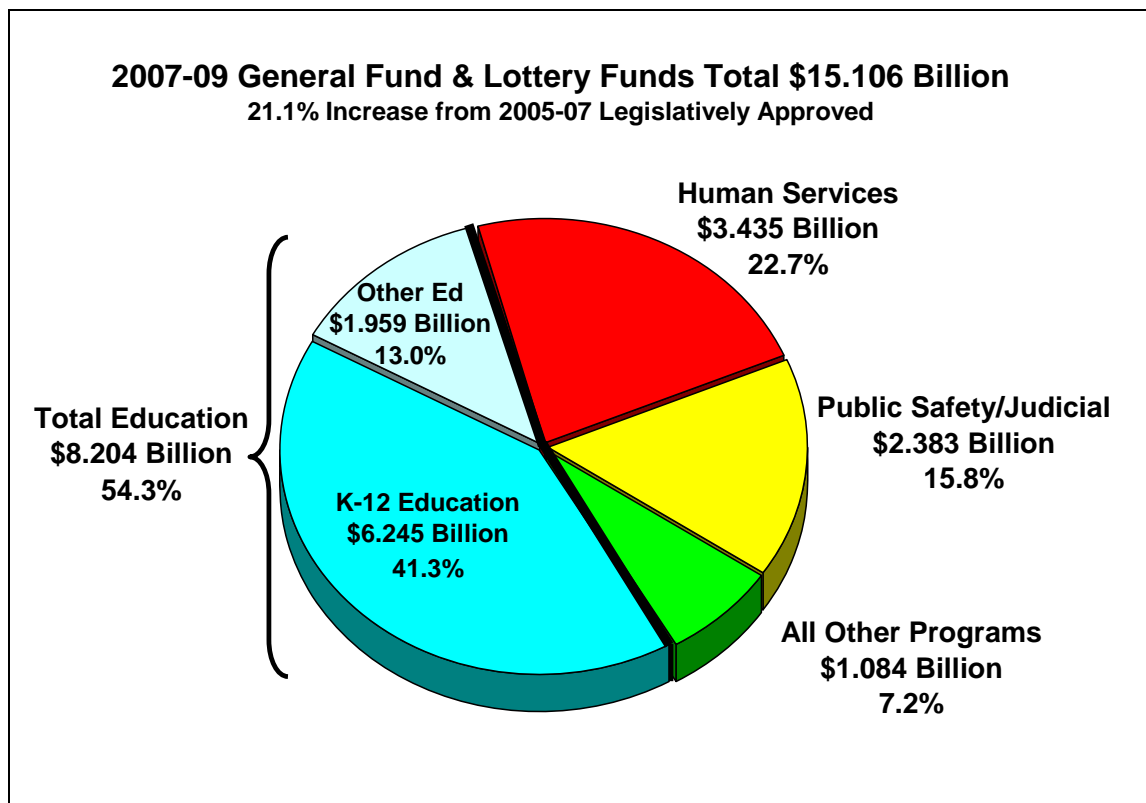
- A timeline that facilitated the budget being completed to meet the June 29th sine die date.
- A continued focus on agency performance measures and priorities.
- The release of a balanced budget proposal by the committee Co-Chairs on March 22, 2007 to guide the Joint Committee on Ways and Means process.
- A series of public hearings on the budget held throughout the state by the Joint Committee on Ways and Means. Hearings were held in seven communities across the state; the Committee also held a teleconference to allow testimony from three additional sites.
- An expedited process was established for selected agency budgets where the agency met certain criteria including a history of being well prepared and managed.

As in previous sessions, legislative leadership engaged in intensive negotiations over the final budget bills.

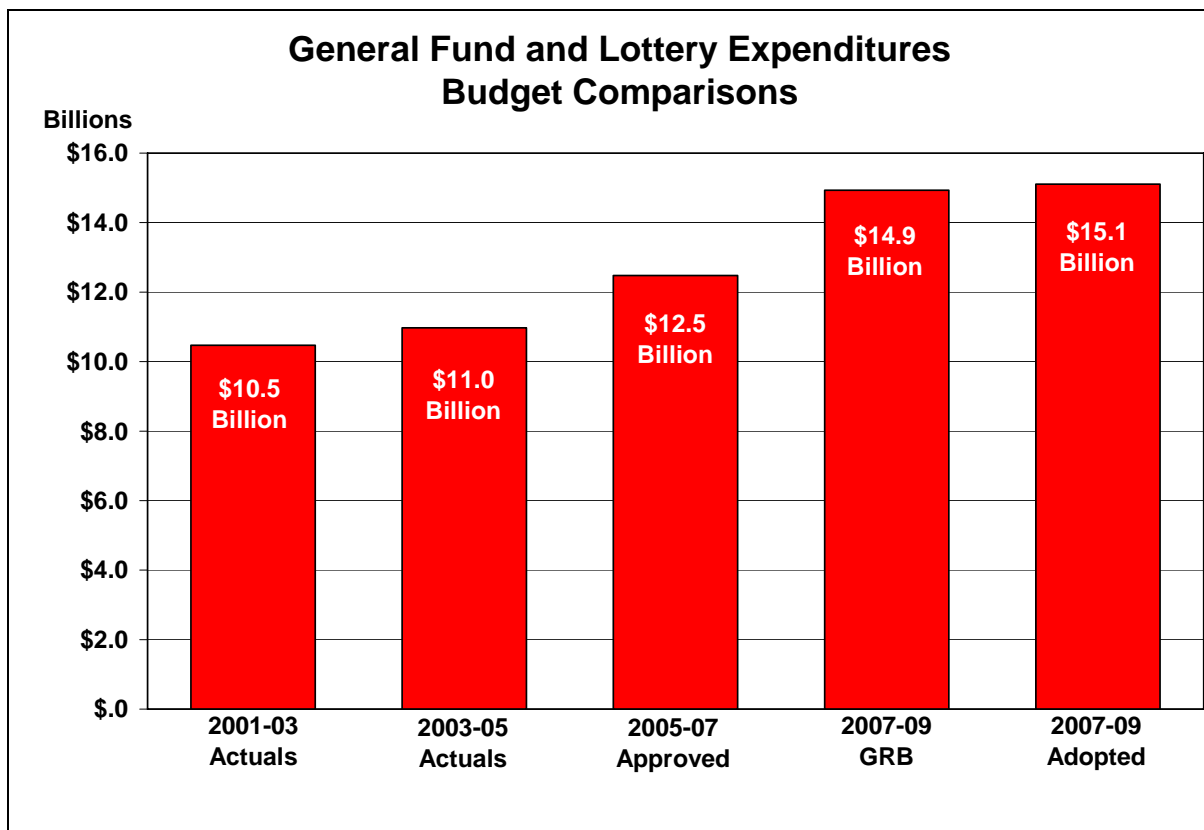
General Fund and Lottery Expenditures

General Fund and Lottery Funds expenditures, which total \$15.1 billion for the 2007-09 biennium, represent 31.5% of the total legislatively adopted budget. Although this percentage is higher than the 28.9% share in 2005-07, it is still below the average 34% for the period from 1993 through 2003. The reasons for the change in the General Fund and Lottery share of the total budget are the severe drop in General Fund resources during the 2001-03 biennium and the shifting during the 1990s to being more reliant on Other Funds for budget continuity.

The total General Fund and Lottery Funds expenditures for 2007-09 are 21% higher than the 2005-07 legislatively approved budget of \$12.5 billion. The 2005-07 legislatively approved budget represents the authorized budget following all Emergency Board actions, actions taken during the April 2006 special legislative session, and various legislative actions taken during the 2005 session to rebalance the budget and adjust limitations for selected agencies.



Over 54% of the state's General Fund and Lottery expenditures are dedicated to education programs, including \$6.245 billion, or 41% of the total, to the K-12 State School Fund budget. Nearly 93% of the state's expenditures are found in the three major program areas of Education, Human Services, and Public Safety (including Judicial Branch expenditures).



The General Fund and Lottery Funds expenditure increase is \$2.7 billion above the 2005-07 legislatively approved level. It is notable that there was no significant General Fund and Lottery Funds spent in the 2007-09 legislatively adopted budget to backfill one-time revenues from discretionary sources relied on during the 2005-07 biennium. Backfilling one time revenues was a major issue for the post recession budgets. During the 2001-03 biennium, the Legislature used over \$1 billion of discretionary funds derived from Medicaid Upper Payment Limit (MUPL) revenue, Tobacco Master Settlement Agreement (TMSA) revenue, and the Education Stability Fund to rebalance the budget and continue services and programs. For 2003-05, the legislatively approved budget reduced the reliance on one-time revenues, but still included the use of approximately \$600 million in such funds to replace General Fund.

Most of these sources of one-time revenues were not available for use in the 2005-07 adopted budget. The only use of such discretionary funds in the 2005-07 budget was \$24.5 million of TMSA resources used in the Department of Human Services. As in 2005-07, the 2007 Legislature intentionally avoided reliance on one-time revenue sources to pay for permanent programs or services.

The Lottery Commission's expansion to include line games, and other potential Lottery Commission actions to increase receipts, allowed an additional \$120 million in lottery program funding in the 2005-07 legislatively adopted budget. The 2007-09 biennium is the first budget period with the new games being in place for the entire biennium, as reflected in the 37.5% increase in lottery revenue. The May 2007 forecast, used to create the legislative budget, projected an additional \$152 million General Fund and Lottery Funds above the December 2006 forecast which was used to develop the Governor's recommended budget.

The following table compares the 2007-09 legislatively adopted General Fund and Lottery Funds budget with 2003-05 actual expenditures and the 2005-07 legislatively approved budget for each program area.

General Fund & Lottery Spending by Major Program Area							
(Dollars in Millions) ¹							
	2001-03 Actuals ²	2003-05 Actuals ³	2005-07 Legislatively Adopted Budget	2005-07 Legislatively Approved Budget (LAB)	2007-09 Legislatively Adopted Budget (LAB)	% Change 2007-09 Legislatively Adopted from 2005- 07 Leg. Adopted	% Change 2007-09 Legislatively Adopted from 2005- 07 Leg. Approved
Education							
K - 12 State School Fund ⁴	\$4,417	\$4,915	\$5,239	\$5,306	\$6,245	19.2%	17.7%
Higher Education ⁵	754	763	789	822	983	24.6%	19.6%
Community Colleges ⁶	382	416	433	434	511	18.1%	17.9%
All Other Education	335	342	376	387	464	<u>23.5%</u>	<u>19.9%</u>
Total Education	5,888	6,436	6,837	6,949	8,203	20.0%	18.1%
Human Services ⁷	2,393	2,333	2,614	2,791	3,435	31.4%	23.1%
Public Safety ⁸	1,236	1,234	1,495	2,008	2,383	59.5%	18.7%
Natural Resources	241	223	278	309	370	33.0%	19.8%
All Other Programs ⁹	710	743	1,047	422	714	-31.8%	69.3%
Total Expenditures	\$10,468	\$10,969	\$12,272	\$12,479	\$15,106	23.1%	21.1%

¹ Amounts may not add due to rounding.
² The 2001-03 Actuals represent expenditures incurred after 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 (adopted in SB 5548), and the final DHS rebalance (adopted in SB 5549).
³ The 2003-05 Legislatively Approved represents expenditure authorizations through all 2003-05 Emergency Board actions, including \$544.6 million in reductions that resulted from voter disapproval of Ballot Measure 30 in February 2004.
⁴ The 2001-03 Actuals 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).
⁵ Includes Oregon Health and Science University Public Corporation.
⁶ The 2001-03 Actuals reflects a shift of \$56 million of the 2001-03 CCSF payment to the 2003-05 biennium.
⁷ The General Fund in the 2003-05 LAB was reduced, in part, based on the availability of an additional \$151.4 million in federal revenue from improved federal match rates authorized in the Jobs and Growth Tax Reconciliation Act.
⁸ The 2003-05 LAB was reduced by \$116 million General Fund based on one-time use of federal Jobs and Growth Tax Reconciliation Act funds.
⁹ The 2007-09 LAB includes \$200.5 million in the Emergency Fund as follows: \$30 million General Purpose; \$125 million for employee compensation; and \$75.5 million in special purpose appropriations for specified agencies.

Based on the close-of-session forecast of General Fund revenues, the 2007-09 legislatively adopted budget included a projected ending balance of \$184.6 million. Due to the passage of legislation establishing the Oregon Rainy Day Fund (HB 2707) in the 2007 session, as soon as possible after the ending balance for a biennium is determined beginning with the 2007-09 budget cycle, an amount equal to 1% of the amount of General Fund appropriations for that biennium is to be transferred to the Oregon Rainy Day Fund. Based on the legislatively adopted budget for 2007-09, currently \$139.5 million of the projected ending balance would be required to be transferred to the Oregon Rainy Day Fund (most likely in March 2010). The remaining \$45.1 million of the projected ending balance would be available as a beginning balance for the 2009-11 biennial budget, based on current expenditures and forecasts.

Lottery Revenues and Expenditures

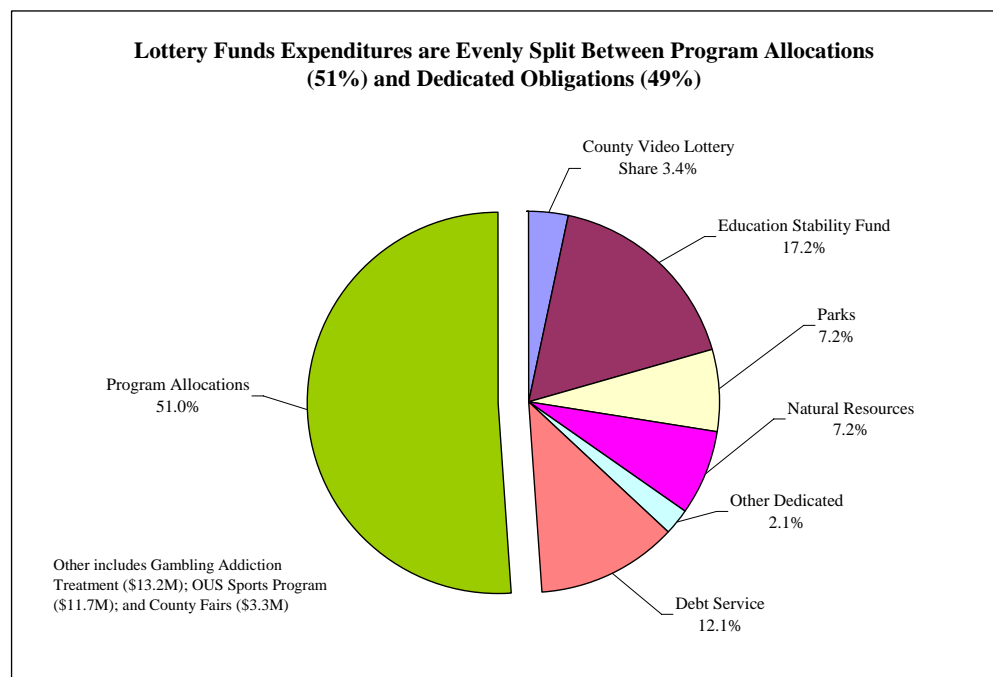
Lottery Revenues – Lottery revenue for the 2007-09 biennium is expected to increase by 27% above 2005-07. Revenue for 2005-07 increased significantly from prior biennia, primarily due to the addition of line games to video terminals. Line games and other Lottery Commission administrative actions, including rate adjustments for retailer commissions, are projected to generate \$228.5 million in additional revenue for 2007-09.

	2003-05 (5/05) Forecast	2005-07 (05/07) Forecast	2007-09 (05/07) Forecast	Difference 2005-07to 2007-09
Total Earnings	\$780.6	1,060.9	1,281.1	220.2
Beginning Balance	11.1	0.04	66.3	66.3
Admin Savings and Contingency Transfers	0.0	26.7	35.0	8.3
Reversions	0.2	1.9	2.3	0.4
Interest Earnings	1.6	6.5	7.5	1.0
	\$793.5	1,096.1	1,392.2	296.1

Dedicated Funds – In 1996, the voters dedicated 15% of Lottery Funds to the Education Endowment Fund. In 2002, by another vote, the fund was renamed the Education Stability Fund and the dedication was changed to 18%. In 2007-09, over \$236.9 million will be added to the Education Stability Fund. Other dedicated uses include:

- 15% for parks and natural resources (by a vote in 1998);
- 1% of Lottery Funds for gambling addiction treatment programs; and
- 1% to Higher Education sports programs (and the Sports Action game will be eliminated).

When the dedicated funds are combined with debt service on lottery-backed bonds, which also has priority, 49% of lottery proceeds are either dedicated or obligated in the 2007-09 biennium. In the 2007-09 legislatively adopted budget, debt service will increase by \$12.8 million, to a cumulative total of \$465.6 million. Because the sale of most of the bonds authorized by the 2007 Legislature is delayed until late in the biennium, the 2007-09 debt service does not accurately reflect repayment cost. Total roll-up cost for debt service on the bonding authorized in 2007-09 will be \$87.3 million in 2007-09, and the cumulative debt service will be \$565.7 million.



The preceding chart illustrates the distribution of Lottery Funds among dedicated transfers, debt service and program allocations.

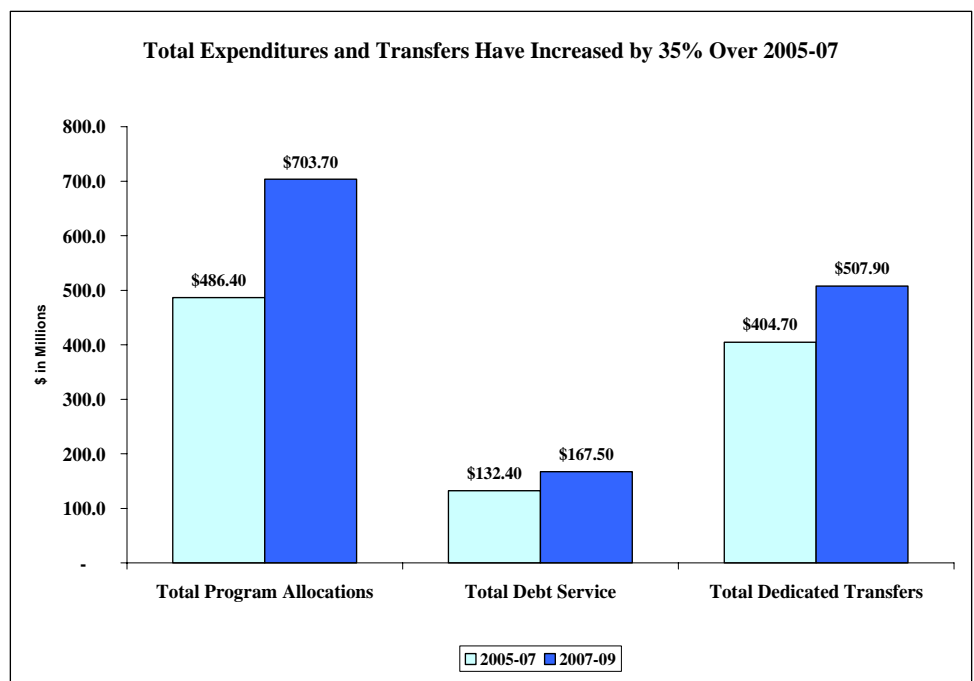
Lottery Distributions – In 2005-07, \$1,023.5 million in Lottery Funds was allocated and transferred, including dedicated transfers to the Education Stability Fund, Parks and Natural Resources, counties, debt service, and program allocations. This represents all of the Lottery Funds resources projected at the close of session, plus unanticipated earnings that were allocated in the April 2006 special legislative session. For 2007-09, \$1,379 million in Lottery Funds will be allocated and transferred.

For 2007-09, \$937.8 million in lottery resources, just over 68% of the total, are used for education. This includes the State School Fund direct allocation of \$634.1 million and debt service direct allocation of \$42 million for K-12 lottery-backed bonds; \$236.9 million dedicated to the Education Stability Fund; and Higher Education Sports revenue and debt service allocated to the Oregon University System.

As illustrated, 2007-09 debt service will increase by 26.5% over 2005-07. Interest earnings on the Education Stability Fund, which are used to pay debt service on K-12 lottery-backed bonds and to fund Oregon State Scholarship Commission Need Grants, are not included in this percentage.

Total program allocations will increase by 44.7%. This includes an increase of \$196.3 million to the State School Fund and an

increase of \$21.1 million to the Economic and Community Development Department operating funds. Dedicated transfers increase by 25.5% in the legislatively adopted budget.



The 2007 Legislature did not continue the pattern of expending all available lottery resources. The Legislature left an ending balance of \$13.2 million, which will be available for expenditures by the 2008 special legislative session or will form the beginning balance for the 2009-11 budget.

The budget includes continued funding for actions approved by the 2005 Legislature:

- Increased funding for county fairs to \$3.6 million a biennium. This continues the shift from General Fund support for this program begun in the 2001-03 biennium.
- Continued the distribution of \$1,073,056 from Association of Oregon Counties 2.5% video lottery distribution, as the county share of the cost of the Economic Revitalization Team (ERT).
- Restored base budget funding of \$2.3 million for Small Business Development Centers that the 2005 Legislature had shifted to one-time line item grants. The Legislature maintained the line item allocation of \$1.35 million for women, minority and small business development targeted service providers.

The Legislature approved a number of policy packages in the Economic and Community Development Department, including \$28.2 million to fund a variety of initiatives through Oregon InC. to expand the investment in Signature Research Centers and the innovation economy, and also including:

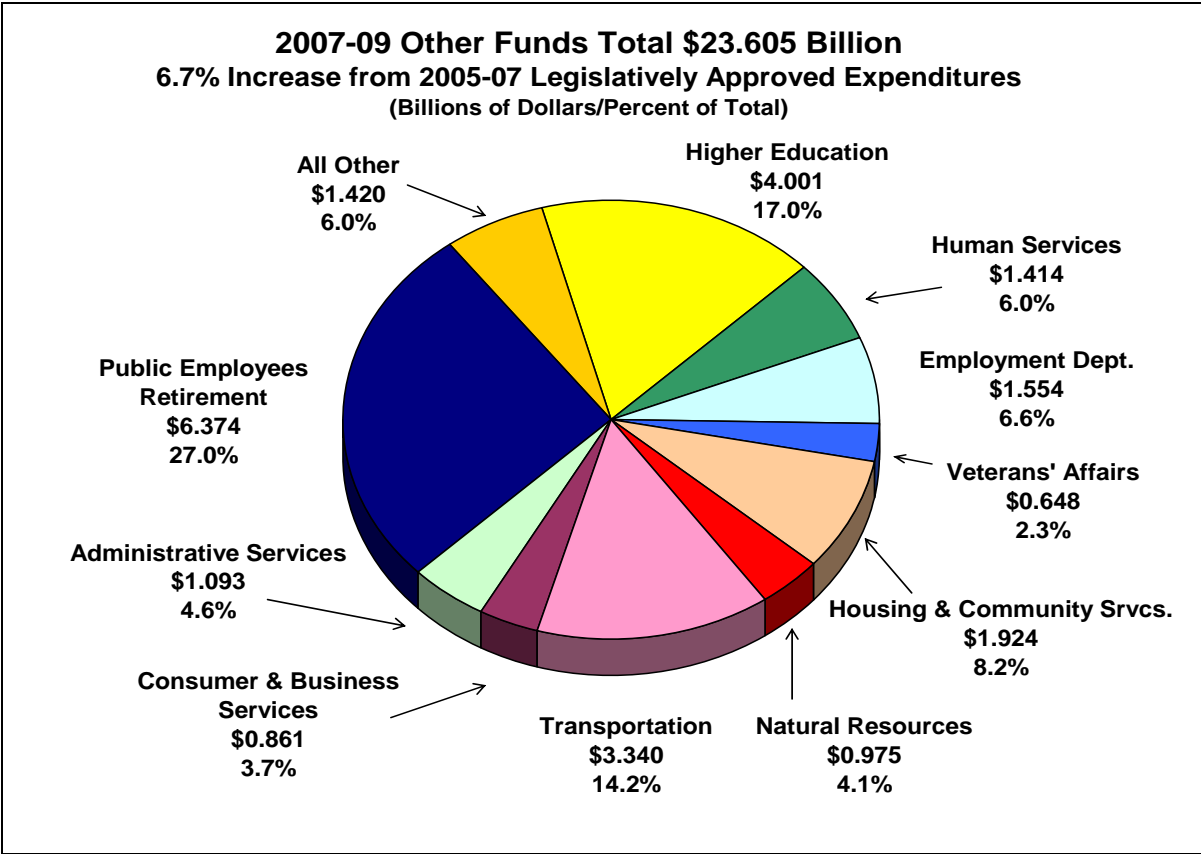
- \$2 million Lottery Funds for Regional Investment Boards, with revised instructions to develop regional infrastructure lists and Needs and Issues lists.
- \$1.7 million Lottery Funds to the Strategic Reserve for workforce development and other economic development investments.
- \$750,000 Lottery Funds for targeted investments.
- \$635,431 Lottery Funds for the Oregon Mainstreet program.
- \$449,647 Lottery Funds for debt service on \$5 million (out of a cumulative \$60 million) authorized for environmental and other studies related to the Coos Bay channel deepening project.
- \$414,000 Lottery Funds for the Film and Video Office.
- As noted above, the Lottery Funds investment in K-12 education is increased by \$196.3 million.

Other Funds Expenditures

The 2007-09 legislatively adopted budget provides for the expenditure of \$23.6 billion in Other Funds resources. Other Funds consist 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 2007-09 adopted Other Funds budget represents an increase of \$1.5 billion, or 6.7%, over the 2005-07 legislatively approved budget. Other Funds comprise three categories of expenditures: Limited, Nonlimited, and Non-Adds. Of the \$23.6 billion Other Funds in the 2007-09 adopted budget, \$8.9 billion are Limited, \$13.8 billion are Nonlimited, and \$0.9 billion are Non-Adds. Nonlimited Other Funds expenditures are generally inestimable and must be paid by law; consequently, there is no expenditure limitation placed on agencies when Nonlimited expenditures are authorized. Non-Adds reflect funds that are spent twice within the state's accounting system (e.g., assessments charged against one agency for services provided by a second agency).

Since Nonlimited expenditures generally are inestimable, they can increase significantly during the biennial execution of the budget. The 2003-05 budget adopted at the close of the 2003 session, for example, totaled \$18.462 billion Other Funds. Administrative actions that occurred after the close-of-session through Emergency Board actions and approved increases to Nonlimited expenditures increased the 2003-05 approved Other Funds budget to a total of \$21.678 billion, an increase of over \$3.2 billion Other Funds.



Significant changes in Other Funds expenditure limitations in the 2007-09 legislatively adopted budget include the following:

Education

- The Department of Community Colleges and Workforce Development (CCWD) budget includes \$80.1 million of Article XI-G bond proceeds and community college matching funds that will finance capital construction projects.
- The budget for the Department of Education includes the transfer of \$109.4 million in Other Funds (Common School Fund) from the Department of State Lands for distributions to K-12 schools in 2007-09. New forecasts were completed shortly after the Governor’s recommended budget that showed an increase of \$36.7 million for the 2007-09 biennium. These funds are included as local revenues.
- The continuation of the Oregon Virtual School District (OVSD). In the 2005-07 legislatively approved budget, \$2 million was transferred from the State School Fund to fund the implementation of the OVSD. The Legislature approved continuing the program with the same funding mechanism. While this program is funded with \$1,800,598 Other Funds expenditure limitation, the source of the funds will be the State School Fund.
- The Department of Higher Education budget includes authority to spend \$26 million in additional tuition and fee revenue projected to come from increased enrollment and modest tuition and fee rate increases. The additional tuition dollars will remain with the campuses where the enrollment growth occurred.
- The Department of Higher Education budget includes a \$6.1 million Other Funds increase from the extension of, and an increase in the rate of, the Forest Products Harvest tax. This increase also supports seven additional positions.

- Other Funds expenditures for Oregon University System capital construction projects total \$533 million, up \$137.5 million (or 34.8%) from the level approved in the 2005 session. These expenditures are financed from a number of sources, including: a) state-paid debt (Article XI-G bonds, Lottery bonds, and SELP bonds), b) campus-paid debt (Article XI-F(1) bonds and certificates of deposit), and c) campus-raised revenues (primarily gifts and grants). The state-paid debt portion only, which generates future General Fund and Lottery Funds expenditure obligations, increased at greater rate. State Other Funds support for OUS capital construction projects, in the form of state-paid debt, totals \$205.2 million, up \$93 million (or 83%) from the prior biennium level.

Human Services

Other Funds of \$1.329 billion in the 2007-09 legislatively adopted budget for the Department of Human Services (DHS) represent about a 5% increase over the 2005-07 legislatively approved budget. The increase is the net result of a number of changes in various Other Funds revenue sources and the inclusion of \$89 million Other Funds for Phase 1 of the Oregon State Hospital replacement project. Although total project costs are not fixed at this time, DHS estimates the total costs will be over \$400 million.

Public Safety

- The budget for the Department of Corrections includes \$10.6 million Other Funds for the initial planning and design of the next prison, which is not scheduled to be opened until late 2012.
- The Criminal Justice Commission's budget includes just over \$1 million as a transfer of funds from the Department of State Police originating from federal grants for the drug court grant program.
- An additional 10 positions and \$1.7 million was approved for the Department of Public Safety Standards and Training to meet the demands of the new 16-week basic law enforcement course.
- A \$91 million increase in Other Funds for the Military Department is largely due to the transfer of the state's Office of Emergency Management from State Police to the Military Department (HB 2370). The Military Department budget also included Other Funds for the re-authorization of the 9-1-1 system surcharge for emergency telephone service within Oregon and to distribute 2005-07 revenues collected to support public safety answering points.
- The Oregon Youth Authority budget includes \$8.6 million Other Funds for capital construction to be spent as follows: \$3.4 million for MacLaren infrastructure needs, \$2 million for the Oak Creek facility, \$2 million for deferred maintenance needs in OYA's facilities, \$1 million for the Corvallis House renovation, and \$200,000 to begin planning for renovation or replacement of the Whiteaker Building.

Economic and Community Development

- The Oregon Economic and Community Development Department budget includes \$22 million Nonlimited Other Funds from the sale of Lottery backed bonds for infrastructure development, such as water/wastewater projects, industrial park infrastructure, and transportation enhancements for economic development projects. There is no debt service in 2005-07, since the sale will occur late in the biennium. Debt service in 2009-11 will be \$4.3 million.
- The Other Funds budget for the Employment Department covers estimated unemployment insurance (UI) payments of \$1.42 billion in 2007-09, or 6.9% higher than the legislatively approved level because of assumed wage inflation.
- The legislatively adopted budget of \$1.9 billion Other Funds for the Housing and Community Development Department is a 15.88% decrease from the 2005-07 legislatively approved budget primarily due to changes in the way the Department issues short-term debt obligations.

- The Legislature provided Oregon Public Broadcasting with a \$3 million Other Funds grant (Lottery bond proceeds) for additional infrastructure development.

Natural Resources

Other Funds for the Natural Resources program area increased by \$16.7 million from the 2005-07 Legislatively Approved Budget level. This growth was caused primarily by a number of fee increases approved by the Legislature to ensure continued service levels while considering inflation and increasing personal services costs. Examples include:

- \$18 million (one-time expenditure) to the Department of State Lands for planning and removal of the New Carissa.
- \$4.6 million (one-time) to Oregon Museum of Science and Industry (OMSI) for payment of a loan from the State Energy Loan Program. Resources to forgive the OMSI loan come from a one-time transfer of funds from the Energy Trust of Oregon. *(The Governor has purported to line-item veto the one-time transfer of funds from the Energy Trust; however, both Legislative Counsel and the Legislative Fiscal Office do not believe the Governor has the authority to line-item veto a non-appropriation bill such as SB 994; this issue is anticipated to be dealt with during the scheduled February 2008 special session.)*
- \$1.2 million to the Department of Energy for ongoing operations and staff resources devoted to the Business Energy Tax Credit program new and renewable energy technologies, feasibility studies, energy audits for schools, and support for multiple energy-related task forces and study groups.
- \$1 million to the Department of Forestry to restore wildland fire protection and private forestry assistance.

Nonlimited Other Funds for the program area decreased by a net \$34.6 million, or 11.2%. This decrease is largely due to reductions in the number of loans the Department of Environmental Quality anticipates making from the Clean Water State Revolving Loan Fund.

Transportation

- The 2007-09 legislatively adopted budget for the Oregon Department of Transportation reflects substantial increases in highway construction programs and commitment by the Legislature to invest in Oregon's transportation infrastructure, including \$400 million for bridge construction contractor payments and \$100 million to continue investments in key non-highway facilities.
- The budget includes \$46.5 million for federal highway funds passed through to local governments during 2007-09 and \$56.3 million for a one time distribution to counties out of the state share of State Highway Funds for county road maintenance and improvements.

Consumer and Business Services

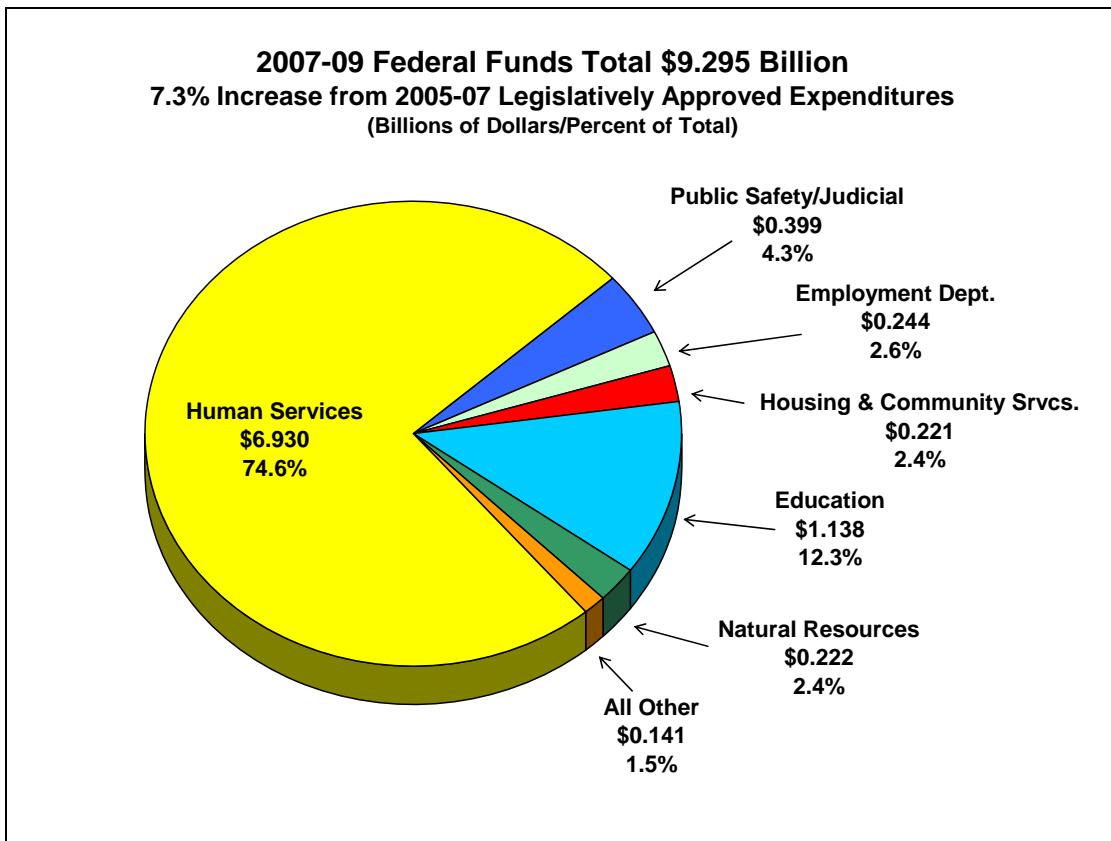
- The budget for the Department of Consumer and Business Services (DCBS) includes \$4.6 million Other Funds and 13 positions for the roll-out of the E-Permitting initiative. The project involves the implementation of a statewide program that will enable 132 local jurisdictions to participate in electronic construction plan review, permitting, and inspections.
- The DCBS budget also has a net increase of \$4.9 million in Nonlimited Other Funds primarily due to an increase of \$19.8 million in the Oregon Medical Insurance Pool to fund increased claims and third-party administrator costs.
- HB 2052 reversed action taken by the 1997 Legislature that converted the rate electric utilities pay the Public Utility Commission from a percentage of gross revenue to a fee based on the volume of energy moving through the lines owned by the utility. The change is expected to increase agency revenue by \$1.4 million, ensuring the agency continues to effectively oversee utility service.

Administration

A full phase-in of the consolidation of twelve separate state agency data operations and transfer of positions from other Department of Administrative Services Divisions into the State Data Center accounts for much of the \$105 million increase in the Department of Administrative Services' Other Funds budget for 2007-09.

Federal Funds Expenditures

The 2007-09 legislatively adopted budget authorizes expenditure of \$9.3 billion Federal Funds. Federal Funds comprise 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 2007-09 adopted Federal Funds budget represents an increase of \$632.5 million, or 7.3%, over the 2005-07 legislatively approved budget.



Significant changes in Federal Funds expenditure limitations include the following:

Education

The Department of Education anticipates an increase of \$26 million in federal funding, primarily for nutrition and special education grant-in-aid programs to schools and other local programs.

Human Services

Federal Funds of \$6.9 billion in the 2007-09 legislatively adopted budget represent an increase of \$632 million above the 2005-07 legislatively approved budget. The increase is primarily the result of the following changes:

- The budget anticipates higher Medicaid caseloads and costs for services in the Oregon Health Plan and the Seniors and People with Disabilities program budgets. These expected increases are

funded with both state funds and Medicaid matching funds. The adopted budget includes the increase in the state funding portion (General Fund and a number of Other Funds sources) and also the increase in expenditure limitation for the federal Medicaid matching funds.

- Nonlimited Federal Funds for Food Stamp and Women, Infants and Children grants increased by \$48 million because of higher anticipated caseloads.
- Use of available federal Temporary Assistance for Need Families (TANF) block grant funds to support increased investments in TANF and Employment Related Day Care services.

Public Safety

- The budget for the Department of Corrections assumes almost \$9 million in Federal Funds will be available through the federal State Criminal Alien Assistance Program (SCAAP) to offset General Fund expenditures for incarceration of illegal aliens. This amount only funds a portion of the total costs of incarcerating illegal aliens.
- In 2007-09, National Guard Federal Funds revenue is expected to increase from \$62.2 to \$69.6 million, or 12.5%, in the essential budget, excluding Major Capital Construction. The major share of the increase is attributed to the amount of funds available for facilities.

Economic and Community Development

Federal funding for the Employment Department is flat or declining for the foreseeable future. By contrast, the agency's expenses (particularly in the area of personal services) are rising faster than the historically assumed annual inflation factor of 3.5%. The legislatively adopted budget incorporates a downsizing plan by including a revenue reduction package that affects all divisions of the agency with the exception of the Child Care division.

Transportation

Federal Funds limitation for the Transportation program area increased by \$12.6 million, or 16.7%. Most of the increase in Federal Funds, \$10.2 million, is from increased federal funding from the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users enacted in 2005 for Aviation and Public Transit programs. The budget provides \$8.9 million for infrastructure improvements at six state airports; \$6.5 million increase for public transit grant programs through the federal SAFETEA-LU authorization bill; and \$519,219 is proposed for a federal grant from the Federal Motor Carrier Safety Administration to implement a 10-year driver history check with other states before issuing a commercial driver license

Natural Resources

Expenditure limitation for Federal Funds decreased by 8.2%, primarily due to a phase-out of one-time costs incurred in 2005-07 for clean-up of the McCormick and Baxter Superfund site. There are also decreases expected in federal funding for the Pacific Coastal Salem Recovery Fund for salmon recovery activities and from the Environmental Protection Agency for DEQ federally delegated pollution control programs.

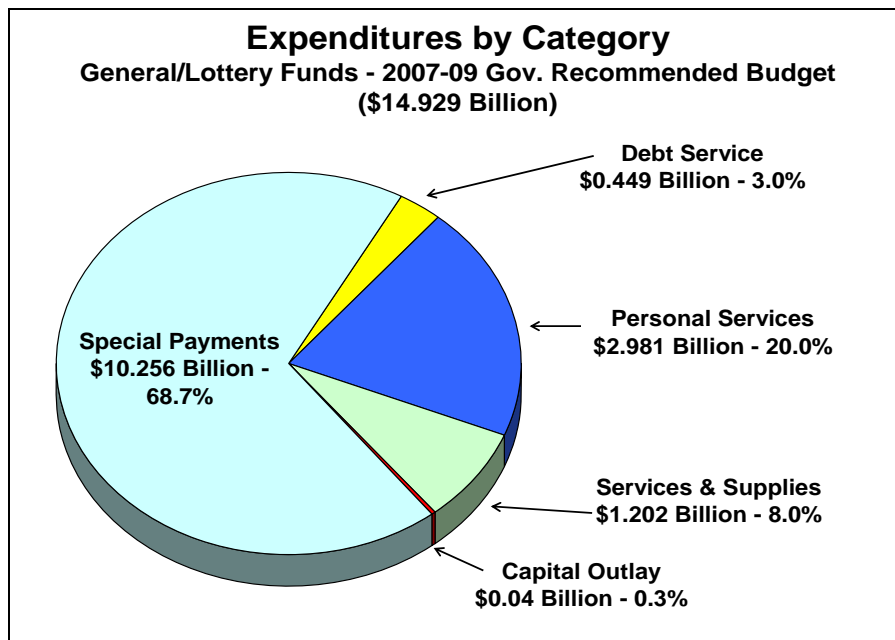
Summary of Legislative Actions Affecting the 2007-09 Budget

Expenditures by Category in the 2007-09 Legislatively Adopted Budget

The state's budget is built using a system of expenditure categories. There are five major categories within the budget:

- Personal Services – state employee compensation, including salary and wages, social security taxes, health benefits, retirement contributions, and workers' compensation assessments.
- Services and Supplies – agency expenses for current operations (excluding employee compensation), such as consumable materials, travel, publishing, utilities, rent, telecommunications, professional service contracts, training, and office expenses.
- Capital Outlay – purchases of items that are not consumed in the usual course of agency operations, can be used more than once, have a useful life of more than two years, and have an initial value of \$5,000 or more.
- Special Payments – budgeted transfers and payments to entities outside of state government where goods and services are not received directly in return.
- Debt Service – budgeted expenditures for principal, interest, discounts, and premiums related to payment of state debt.

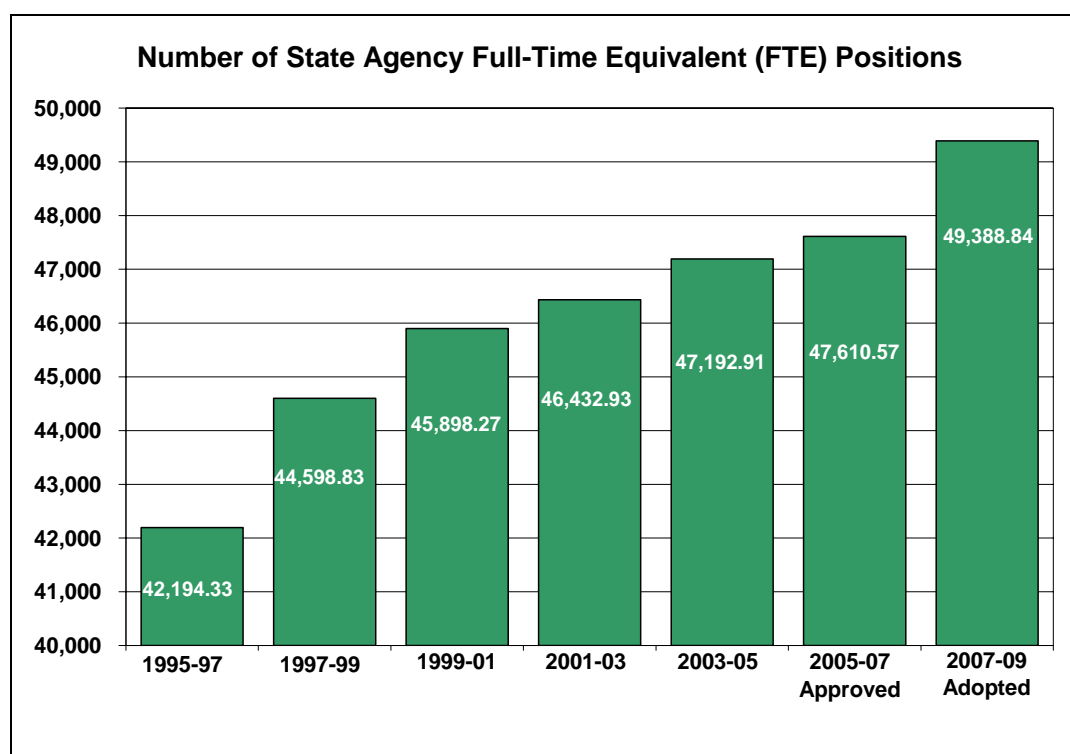
In the legislatively adopted budget, the largest single expenditure category is the “special payments” category. Nearly 70% of the state's combined General Fund and Lottery Funds are simply passed through a state agency to another entity, either a local government, a local service provider, or an individual recipient of a state government payment. The largest special payment in the budget is the transfer of state resources from the State School Fund to local K-12 education districts. This transfer is \$6.245 billion in the legislatively adopted budget, or 41% of combined General Fund and Lottery Funds. Nearly 90% of the state's General Fund and Lottery Funds budget is used in two segments of the budget: special payments, primarily in the form of aid to local government, and direct support of state government employees.



Note: The “Expenditures by Category” graph reflects the Governor's recommended budget since not all agency legislatively adopted budgets have passed audit.

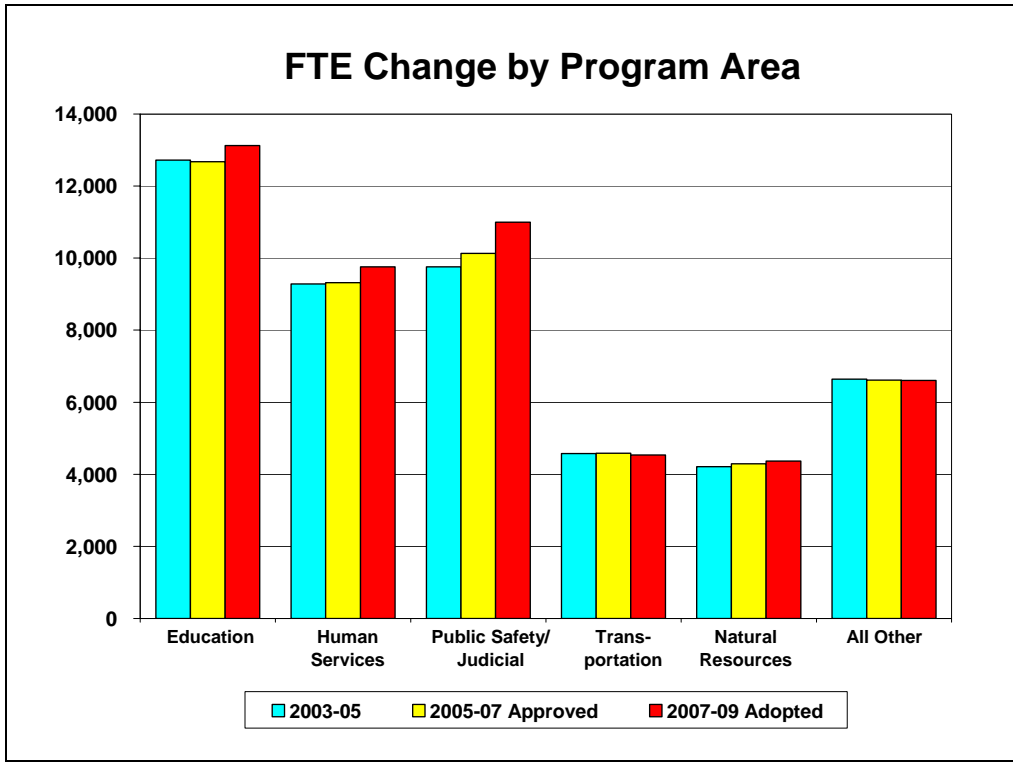
State Employees

The legislatively adopted total funds budget supports 49,388.84 Full-Time Equivalent (FTE) positions. An FTE represents the number of months for which each position is budgeted during the 24-month biennium. State law (ORS 240.185) limits the number of state FTE positions to 1.5% of the state's population in the previous year. As of July 1, 2006, the state's population was estimated at 3,683,300. The FTE limit at the beginning of the biennium is therefore 55,249.50, substantially higher than the number included in the legislatively adopted budget. In addition, ORS 240.185 also provides for certain FTE exclusions, including employees in the legislative and judicial branches, the Offices of the Secretary of State, the Governor, and the Treasurer, and some positions in the Employment Department and Department of Higher Education. Of the total FTE in the 2007-09 legislatively adopted budget, over 54% of the approved FTE are in three agencies (the Departments of Higher Education, Human Services, and Corrections) and nearly 69% are in three program areas (Education, Human Services, and Public Safety).



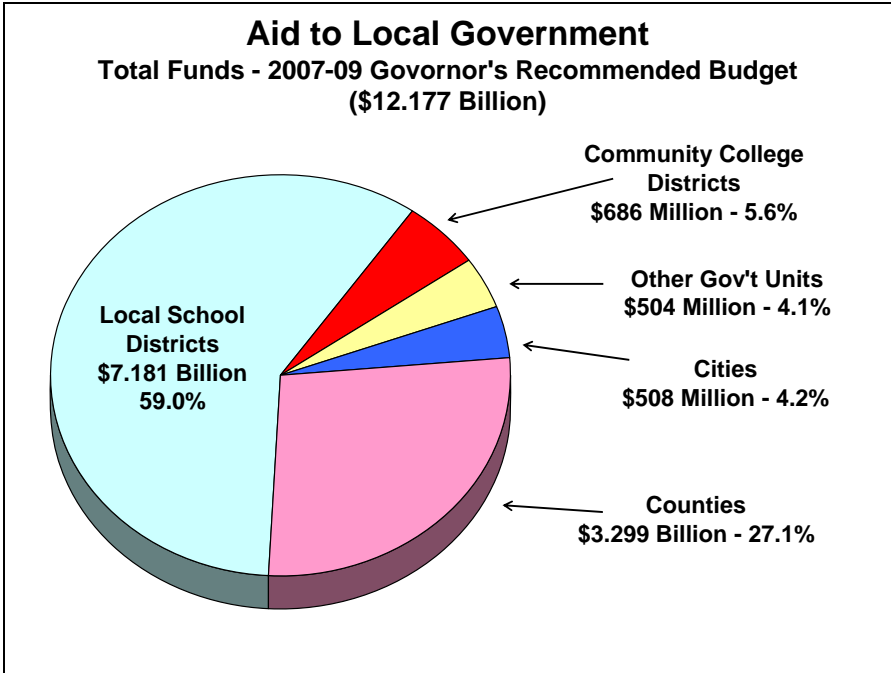
State Employee Salary and Benefit Actions

A \$125 million special purpose appropriation to the Emergency Board for state employee salary and benefit issues was included in the legislatively adopted budget. This amount will be distributed to state agencies once salary negotiations with employees in 32 separately represented groups are completed. The \$125 million will primarily be used for insurance benefits and cost-of living adjustments (the agreements with the Service Employees International Union and the American Federation of State, County, and Municipal Employees call for a 3% increase July 1, 2007 and a 3.2% increase December 2008). Until all negotiations are final, it is not known what the roll-up costs in 2009-11 will be for these employee salary and benefit actions.



Aid to Local Government

The state’s budget includes three types of aid to local government: 1) direct payments by state agencies to local governments for programs administered at the local level; 2) revenues collected by the state and shared with local governments for the provision of local government services; and 3) services delivered directly by state agencies that provide local government benefits. The legislatively adopted budget includes a total of approximately \$12.2 billion for this aid.



Note: The “Aid to Local Government” graph reflects the Governor’s recommended budget since not all agency legislatively adopted budgets have passed audit.

Approximately 60% of the aid to local government, or \$6 billion, is combined General Fund and Lottery Funds. The remaining 40% is nearly evenly split between Other Funds and Federal Funds. The state budget does not reflect all of the local government aid, especially in the case of revenue-sharing dollars, which are provided directly to the local government recipients. The following are selected examples of aid to local government included in the legislatively adopted budget.

1. Liquor Apportionment – An estimated \$141.1 million from state liquor sales will be provided directly to cities (\$109 million) and counties (\$32.1 million).
2. Cigarette Tax Distribution – A projected \$27.3 million (based on the May 2007 Office of Economic Analysis forecast) from the state’s cigarette tax will be provided to cities, counties, and public transit (2 cents each per pack sold).
3. County Economic Development Video Lottery – Counties receive 2.5% of the state’s video lottery proceeds. Based on the May 2007 forecast, counties will receive \$45.2 million from video lottery.
4. Highway Fund Transfers – Counties receive 24.38% and cities receive 15.57% of the net revenues of the state’s Highway Fund. For 2007-09, this amounts to \$357 million Other Funds to counties and \$232 million to cities for highway construction. In addition, \$56.3 million was approved for a one time distribution to counties out of the state share of State Highway Funds for county road maintenance and improvements in response to reductions in federal timber payments to local communities for schools and roads (“Secure Rural School Payments”).
5. Education Program Support – The majority of the state’s budget for educational services is aid to local government. Agencies in this program account for \$7.9 billion in aid to local government. 96% of the budget of the Department of Education represents payments to local school districts and education service districts from the State School Fund and through various grant-in-aid programs. Similarly, the majority of the budget for the Department of Community Colleges and Workforce Development consists of payments to local government from the Community College Support Fund and distribution of federal Workforce Investment Act funds to local service delivery agents.
6. Human Services Program Support – Over the past years, the state has moved toward developing local partnerships in the delivery of social support services. State agencies in the Human Services program area provide approximately \$1.4 billion total funds in aid to local government. The legislatively adopted budget, for example, allocates \$60 million total funds to counties through the Commission on Children and Families. The Department of Human Services contracts with local governments to provide numerous public health, mental health, substance abuse treatment, and senior and disabled program services.
7. Public Safety Program Support – The state’s public safety agencies provide approximately \$464.1 million total funds in aid to local government. This support is used for management of adult offenders sentenced or sanctioned for 12 months or less; supervision of adult offenders on parole, probation, or post-prison supervision; crime victim assistance and domestic violence programs; supervision, intervention, and prevention activities to keep juvenile offenders out of state facilities; disaster relief and recovery assistance programs; homeland security funding; autopsy services; and 9-1-1 operations.
8. Legislative and County Agreement on the Economic Revitalization Team (ERT) – The 2007 Legislature continued an agreement reached with the Association of Oregon Counties during the 2005 session to fund half of the cost of the Economic Revitalization Team (\$1,073,056) out of the 2.5% of video lottery proceeds which are dedicated to county economic development. The remaining 2.5% of video lottery proceeds will be distributed to counties as provided in statute.

Other Funds Revenue Transfer Actions

During the 1990s and the early part of the current decade, the budget included sizable shifts of the source of funding for many state programs. Primarily this shift was to reduce the use of General Fund for programs and use Other or Federal Funds instead. This practice occurred on a limited basis during the 2005-07 biennium. Notable in the current budget are fund shifts from Other or Federal Funds to General Fund. Examples of these actions include:

- Replacement of declining grant funds for the ASPIRE program in the Oregon Student Assistance Commission budget.
- In the Department of Human Services budget, \$24.5 million General Fund was used to replace TMSA funds, \$14.3 million General Fund was used for Temporary Assistance to Needy Families (TANF) maintenance of effort backfill, \$8.3 million General Fund for Department Wide Support Services due to less federal revenue than anticipated, and \$10.6 million General Fund for the Oregon State Hospital due to less available Other and Federal Funds.

2007-09 Agency or Organizational Changes

The 2007 Legislature continued a number of organizational changes that occurred during the last two biennia, including the Oregon Advocacy Commissions Office, which was established to provide administrative support to the Commissions on Asian Affairs, Black Affairs, Hispanic Affairs, and Women; the transfer of the functions and duties of the Oregon Disabilities Commission to the Department of Human Services; the transfer of the functions and management of the Oregon State Fair and Exposition Center to the Parks and Recreation Department; and the transfer of the operation of the Board of Investigators to the Department of Public Safety Standards and Training.

In addition, the Legislature passed HB 2370, which authorized the centralization of emergency preparedness and homeland security related functions in the Military Department. The programs and functions of the Office of Emergency Management (OEM) was transferred from the Department of State Police to the Military Department including the Oregon Emergency Response System; Chemical Stockpile Emergency Preparedness Program (CSEPP); 9-1-1 program; disaster planning, training, mitigation and response; and domestic preparedness. The homeland security grant programs of the State Police's Criminal Justice Services Division (CJSD) were also transferred to the Military Department. CJSD's Violence Against Women grant program was transferred to the Department of Justice and the remaining CJSD criminal justice related grant programs remain in the State Police.

In the Human Services program area, the Office of Oregon Health Policy and Research (OHPR) and the Oregon Prescription Drug Program were transferred from the Department of Administrative Services to the Department of Human Services (DHS). The purpose of the transfer of OHPR was to facilitate the Office's supportive role to the newly created Oregon Health Fund Board within the Department of Human Services. The Student Child Care program was transferred from DHS to the Oregon Student Assistance Commission.

Administration of Board of Maritime Pilots was transferred from the Oregon Department of Transportation to the Public Utility Commission (PUC). The PUC has provided analysis and rates for the Board of Maritime Pilots for a number of years. The decision was made to move administration of the Board from the Oregon Department of Transportation into PUC so that all functions would be under the same agency.

Prioritization Process for Agency Programs

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

The agency priority worksheets served as a starting place for the Joint Committee on Ways and Means subcommittees to develop a framework for prioritizing services and programs within each of the six program areas (Education, Human Services, Public Safety, Natural Resources, General Government, and Transportation/Economic Development). Each of the subcommittee chairpersons established a process and criteria for ranking the programs and services of each agency assigned to his or her subcommittee. After establishing preliminary priorities for each agency, citizens and agencies were provided an opportunity to provide comments. The subcommittees finalized the program prioritizations and the results were then to be used in considering whether General Fund services should be maintained; reliance on General Funds reduced through alternate fund sources, service reductions, or fee increases; or eliminated. For services supported by Other Funds and Federal Funds, the results were used to formulate expenditure plans based on legislative program priorities.

Performance Measures

Over the past few years, Oregon has been working to create a more standardized, outcome-oriented budget process. Advances made this session include:

- **Co-Chair Principles** – The principles facilitated the identification of investment priorities and provided a framework for subcommittee decisions.
- **Subcommittee Roles** – The roles clarified expectations and helped ensure effective Subcommittee work processes.
- **Expanded Tool Set** – The Co-Chairs and Subcommittees used several tools to gain an understanding for an agency’s current performance and to evaluate future funding opportunities. Tools include Key Performance Measures Reports; Continuous Improvement Lists; Proposed Performance Results for Policy Option Packages; and, Prioritized Program Activity Lists.

Co-Chair Principles
<ul style="list-style-type: none"> ➤ Emphasize investments that promote self sufficiency and community vitality ➤ Fund objectives that improve lives, not just activities ➤ Reward innovation, customer services, and efficiency collaboration ➤ Lead by example: energy conservation, diversity, family, and friendliness ➤ Expect continuous improvement

Subcommittee Roles
<ul style="list-style-type: none"> ➤ Make the best use of all resources ➤ Focus agencies on achieving and reporting results ➤ Meet total expenditure target for program areas ➤ Include Co-chairs’ investment priorities in agency budgets ➤ Make other adjustments as subcommittees deem appropriate

Outcome-Oriented Budgeting Tools	
<p><i>Key Performance Measures Reports</i></p> <p>Prepared annually; provides information on key performance measures (KPMs) results; KPMs are reviewed and may be modified by legislative subcommittees to ensure that the information they provide remains meaningful.</p>	<p><i>Continuous Improvement Lists</i></p> <p>Prepared biennially as supplemental budget information; highlights past agency improvements and identifies opportunities for future improvements; keeps agencies focused on continually looking for ways to be more efficient or effective.</p>
<p><i>Policy Package Performance Results</i></p> <p>Prepared biennially as supplemental budget information; clarifies the expected results and performance measures for new resource requests; provides data for future performance reviews.</p>	<p><i>Prioritized Lists</i></p> <p>Prepared biennially as part of budget process; provides a list of most to least important activities and related performance indicators; supports decision-making to achieve a balanced state budget.</p>

During the interim, the Joint Committee on Ways and Means will be monitoring various state agency’s efforts to improve their performance management processes and related key performance measures (KPMs). The Legislative Fiscal Office will work with the Department of Administrative Services to ensure that agencies are getting the technical support they need to more effectively monitor and report results. Since the Joint Committee on Ways and Means is continuing during the interim, the Co-Chairs will have the opportunity to participate more fully in budget process improvement efforts. These combined actions are expected to support Oregon’s continued progress toward a more outcome-oriented budget model.

Oregon has been developing and tracking performance measures since the 1980s, but only in the past few years have state agencies used a standardized system to measure and report state agency performance. During the 2001-03 interim, a workgroup was convened to establish a set of guidelines to be used by all agencies when developing, reviewing, and reporting their performance. This workgroup included legislators, agency heads, and private sector specialists, and was staffed by the Department of Administrative Services, the Legislative Fiscal Office, and the Audits Division of the Secretary of State.

Beginning with the 2003 legislative session, and continued during the 2005 and 2007 sessions, this performance system was utilized during the budget process. Each agency’s performance measures were presented to the appropriate Ways and Means subcommittee along with the budget request to ensure that agencies were tracking measures that were important to the Legislature. Each subcommittee then reviewed and formally adopted the measures for its assigned agencies. In many instances, performance measures were approved only after changes were made to modify existing measures, add new measures, and/or adopt new targets for existing measures. Agencies were required to rework some of their measures, or add new specified measures, and return during the interim for approval of the changes.

The formal legislative review of performance measures has produced measures that are important to policymakers. This system has also served to establish a stable set of performance measures that can be tracked over time since future changes to measures can only be approved by the Legislature. The approved measures should prove useful to future decision makers when they are considering agency funding requests and the performance of agencies’ programs.

The Budget and the Statutory Appropriations Limit

The state's statutory appropriations limit (ORS 291.357) caps biennial expenditures for government activities at 8% of projected biennial personal income. Based on the June 2007 economic forecast of personal income for the 2007-09 biennium, the statutory limit on appropriations for governmental activities is \$22.2 billion. The legislatively adopted budget for 2007-09 provides for expenditures of \$21.5 billion for governmental activities – \$700 million under the limit, or 7.7%, of projected personal income.

The 2007-09 legislatively adopted budget totals \$47.1 billion. For purposes of the appropriation limit, however, governmental activities exclude the fiduciary and business activities of government. The largest fiduciary activity budget is the Public Employees Retirement System (PERS), with a total budget approaching \$6.4 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 \$6.8 billion. Also excluded are Federal Funds of \$10.1 billion (including Federal Funds as Other Funds) and about \$1.8 billion from other excluded financing sources, such as donations, revenues from a voter-approved tobacco tax increase, and borrowings for capital construction and asset acquisition.

The Oregon Rainy Day Fund

The 2007 Legislature established a new general purpose reserve fund called the Oregon Rainy Day Fund (ORDF) with passage of HB 2707. The ORDF was initially capitalized with funding from the suspension of the 2005-07 corporate "kicker." Based on the September 2007 economic and revenue forecast, \$319.3 million from the projected corporate kicker will be transferred to the ORDF. In addition to the initial deposit, as soon as possible after the ending balance for a biennium is determined, an amount equal to 1% of the amount of General Fund appropriations for that biennium will be transferred to the ORDF. If the ending balance does not equal or exceed 1% of the amount of General Fund appropriations, the entire ending balance will be transferred to the reserve fund. Based on the 2007-09 legislative adopted budget's General Fund appropriations, \$139.5 million from the General Fund ending balance for the 2007-09 biennium will be transferred to the ORDF in March 2010 (if the ending balance is equal to or exceeds that amount; the projected ending balance in the September 2007 forecast is \$184.6 million).

The ORDF will also receive deposits of the interest attributable to the moneys in the fund. Use of the moneys in the ORDF is restricted. Appropriations may be made only if the action is approved by three-fifths of both chambers of the Legislature and the Legislature finds that either:

- the last quarterly forecast for a biennium indicates that the General Fund available for the next biennium will be at least 3% less than the appropriations from the General Fund for the current biennium; or
- there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
- a quarterly forecast projects that General Fund revenues for the current biennium will be at least 2% below what the revenues were projected to be in the close-of-session forecast.

If any one of these conditions is met, the Legislature (with the required majority) may appropriate up to two-thirds of the amount in the ORDF at the beginning of the biennium to supplement General Fund resources.

The establishment of the new Oregon Rainy Day Fund does not change the existence of the Education Stability Fund. This reserve fund is currently anticipated to have an available ending balance of \$472.5 million at the conclusion of the 2007-09 biennium. Use of this fund is restricted to education programs and is subject to conditions similar to the ORDF.

Technical Assumptions in the Legislatively Adopted Budget

In building and adopting the budget, it was necessary to make assumptions about various rates and assessments. Since these are statewide assumptions, they affect nearly every agency budget. During legislative review of agency budgets, some of the rates and assessments were modified. Below is a description of the major assumptions and any legislative adjustments that were made.

Inflation – The biennial inflation factors used in the adopted budget were 3.1% for general inflation and for non-state employee contract providers and 5.4% for medical services. The general inflation factor applies to most “services and supplies” categories, capital outlay, and some special payments. Medical inflation is used for programs with medical costs such as Oregon Health Plan provider payments, certain child foster care costs, programs for the developmentally disabled, mental health services, and nursing home and residential care.

Merit Increases – The adopted budget assumes the equivalent of one salary step (“merit”) increase for the 2007-09 biennium for eligible employees at agencies with more than 10.00 FTE. Smaller agencies are fully funded for merit increases since they are less likely to experience vacancy savings or other budget savings to finance the total cost of step increases. The budgeted total funds cost of merit increases in the 2007-09 budget is \$80.9 million (\$33 million General Fund and Lottery Funds). This is in addition to the \$125 million appropriated to the Emergency Board in the adopted budget for employee compensation (salary and benefit) issues.

Other Payroll Expenses (OPE) – One driver of cost changes between biennial periods is the amount required for Other Payroll Expenses, referred to as OPE, including Public Employees Retirement System contribution rates, workers’ compensation charges, Employment Relations Board (ERB) assessments, and flexible benefits (primarily health insurance premiums). This category also includes pension obligation bonds debt service, which is discussed below. The following table shows the OPE rates applicable to 2003-05, 2005-07, and 2007-09.

OPE Rate Comparison			
OPE Factors	2003-05 LAB	2005-07 LAB	2007-09 LAB
ERB (per employee)	\$1.63/month	\$1.35/month	\$1.50/month
PERS (% of salary)	10.49%	14.63%	12.71%
Social Security (% of salary)	7.65%	7.65%	7.65%
Workers' Comp (per employee)	\$3.47/month	\$2.95/month	\$2.60/month
Flexible Benefits (per employee)	\$665/month	\$769/month	\$952/month

As the table shows, the 2007-09 ERB and workers’ compensation assessment rates are lower than 2003-05, while PERS rates rose in 2005-07, but are reduced in 2007-09 reflecting the effect of reforms to the retirement system that were passed during the 2003 Session. Only flexible benefits rates show an increase in both 2005-07 and 2007-09.

- The ERB rate is based on a methodology for assessing state agencies that was modified in 2005. Specifically, the methodology expanded the base used to include approximately 3,500 subject employees, with collective bargaining rights, not previously assessed. These include certain employees in the legislative and judicial branches. The 2007-09 state agency assessment for ERB

is \$1,332,000 which is based on \$1.50 per employee assuming an average of 37,000 covered employees.

- The PERS rate in the Governor's budget of 12.98% (6.98% employer rate and 6% for employer "pick-up" of employee contributions) was developed by the PERS actuary to produce a reasonable preliminary rate. This was a decrease from the prior rate of 14.63%, due primarily to investment gains. During the 2007 session, the rate was reduced to 12.71%, based on rates subsequently adopted by the PERS Board. As a result, agency budgets were reduced \$5.8 million General Fund and \$15 million total funds.
- The workers' compensation rate includes a cents-per-hour assessment that is paid one-half by employers and one-half by workers to finance the Department of Consumer and Business Services' (DCBS) Workers' Benefit Fund. The 2007-09 rate of 3 cents-per-hour per employee is a decrease from the 2005-07 rate of 3.4 cents-per-hour. This rate only represents a small portion of the actual agency costs. For agencies with loss experience, the projected full cost of claims is budgeted. For 2007-09, state agencies are being assessed approximately \$57.5 million total funds by Department of Administrative Services' Risk Management Division, with the primary cause of the increase due to an increased cost per claim.

Pension Obligation Bonds – The state issued \$2 billion of General Obligation Bonds in 2003; the proceeds of which were used to pay off the state's unfunded actuarial liability to the Public Employees Retirement System (PERS). Commonly referred to as Pension Obligation Bonds, they will be paid off over a 24 year period and debt service is paid by employers based on their PERS subject payroll. For the 2007-09 biennium, the total debt service cost of \$257.9 million will be paid by an assessment of 6.2% of covered payroll. Paying off the unfunded actuarial liability resulted in a corresponding reduction of employer PERS contribution rates by 9.47% for the 2007-09 biennium: an estimated net savings to state agencies of \$163 million for the biennium.

Computing and Networking Infrastructure Consolidation (CNIC) – The CNIC program was initiated with legislative approval to consolidate operations of the state's twelve largest data centers into one state data center. The goal is to create efficiencies and cost savings through the co-location of the existing centers into a single facility. Budget savings will not be fully realized until after the consolidation is completed. The 2007-09 budget for the State Data Center is \$167.6 million total funds. Of this amount, \$10 million is for one-time costs financed with proceeds from certificates of participation; the balance is financed by charges to state agencies.

Other Technical Budget Adjustments in the Legislatively Adopted Budget

Attorney General Charges – The Governor's budget was based on charging state agencies an hourly rate of \$128 for attorney services, up from \$111 charged during 2005-07. Based on adjustments made to the budget of the Department of Justice, the legislatively adopted budget for 2007-09 assumes an hourly rate of \$126. As a result, agency budgets were reduced by \$643,745 General Fund and \$1.5 million total funds.

State Government Service Charges – Each agency budget includes a State Government Service Charges line item. This item reflects charges for services and related expenses imposed by one state agency on another state agency. Charges and user fees are set early in the budget development process and are included in the *Price List of Goods and Services* published by the Department of Administrative Services. Some are based on actual use and others on an assessment calculated to provide sufficient revenue to support service delivery. In 2007-09, assessments range from \$358,000

for the DCBS Office of Regulatory Streamlining to \$84.8 million for the Department of Administrative Services.

Use of Revenue and Other Sources in the Legislatively Adopted Budget

Taxes – The legislatively adopted budget does not rely on new taxes to balance. However, the Other Funds budget for the Department of Human Services (DHS) does rely on revenue from extension of the long-term care provider tax and the hospital provider tax. These extensions are expected to generate \$220.6 million in Other Funds revenue for the 2007-09 biennium. Both extensions were authorized in HB 3057. The DHS budget will also be enhanced if SJR 4 (Measure 50) is approved by voters in the November 2007 election. This measure increases cigarette taxes from \$1.18 per pack to \$2.025 per pack and raises other tobacco product taxes from 65% to 95% of wholesale price. Both increases become effective January 1, 2008 with voter approval. The measure is expected to generate \$152.8 million in increased revenue for the 2007-09 biennium, which will be used to fund the Healthy Kids initiative, tobacco prevention activities, and other health care programs.

The Legislature did take action to increase compliance with existing tax law. Specifically, penalties were increased for use of abusive tax shelters and withholding requirements were imposed on the capital gains from the sale of homes by out-of-state residents. These measures combined (SB 39 and HB 2592) are expected to increase General Fund revenue by \$16.7 million in 2007-09.

Tax Expenditures – A tax expenditure is defined as a law that exempts something from taxes that otherwise would be taxed. Tax expenditures include all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits. The Governor's Tax Expenditure Report estimates that tax expenditures, including those associated with connection to the federal tax code, will reduce income tax collections \$9.9 billion in the 2007-09 biennium. The 2007 Legislature extended sunsets and modified a number of income tax expenditures. These tax expenditures included changes in taxation of military personnel (HB 3201), tax credits for physicians offering Tri-Care medical coverage for veterans (HB 3201), a new bio-fuels production credit (HB 2210), expansion of business and residential energy credits (HB 3201), extension and modification of a tax credit for mobile home park closures (HB 3201), extension of a tax credit for purchases of new diesel engines (HB 2172) and extension of the credit for donations to the child care division (HB 2810). The revenue impact of these measures was largely offset by an adjustment in the base year for indexing the standard deduction (HB 2235) and scaling back the personal exemption credit for high income taxpayers (HB 3201). Finally, the Legislature approved a one-time credit for small corporations (HB 2031). The revenue impact of this credit was offset by a transfer of revenue gained from a one-time suspension of the 2% surplus kicker credit scheduled to go to corporations in the 2007 tax year.

Tobacco Master Settlement Agreement Funds (TMSA) – The legislatively adopted budget continues the use of Tobacco Master Settlement Agreement revenues for debt service payments and administrative expenses on the Oregon Appropriation Bonds of approximately \$112.6 million and \$32 million to pay debt service and administrative fees on the Oregon Opportunity Bonds. After the debt service transfers have been satisfied, the Department of Administrative Services will transfer funds to the Oregon Department of Justice for tobacco enforcement.

Criminal Fines and Assessment (CFAA) – The revenues generated from CFAA include fines, assessments, and other financial penalties relating to felonies, misdemeanors and non-parking related violations. Total available revenues assumed in the 2007-09 legislatively adopted budget is \$135.1 million. Since these revenues are split between public safety programs (\$52.3 million) and the General

Fund (\$82.8 million), they are basically interchangeable with General Fund for eligible public safety programs. The eligible programs include law enforcement training, crime victims programs, forensics, medical examiner, and Law Enforcement Data System or LEDS. The Governor's budget proposed using almost all of the CFAA revenues for the eligible programs but the Legislature limited the CFAA funded programs because of its concern whether CFAA revenue growth could keep pace with increases in program needs and costs. Final legislative decisions allocated \$29.3 million for the training of public safety personnel and other activities of the Department of Public Safety Standards and Training including the Public Safety Memorial Fund. Almost \$19.9 million was allocated to the Department of Justice for crime victims programs including the Criminal Injuries Compensation Account and the Child Abuse Multidisciplinary Intervention or CAMI program. Another \$3.1 million is for programs at the Department of Human Services including Domestic violence and Sexual Assault programs and the Emergency Medical Services and Trauma Systems program.

Lottery Revenue – The May 2007 revenue forecast projects \$1,392.2 million will be available in 2007-09, including beginning balance, interest earnings, and new revenue transfers from the Lottery Commission after prizes and operating expenses are deducted. After dedicated distributions for Department of Higher Education sports (\$11.7 million), county economic development (\$45.2 million), the Education Stability Fund (\$236.9 million), the Parks and Natural Resources Fund (\$197.4 million), gambling addiction (\$11.2 million), and county fairs (\$3.5 million) are deducted, \$871.2 million is available for allocation. Out of this amount, \$167.5 million is used for debt service on existing and newly authorized lottery bonds.

Lottery Bonds – The legislatively adopted budget authorized the issuance of \$476.4 million in new lottery bonds (\$485.7 including costs of issuance and reserves). Specifically, the Legislature authorized \$370 million for transportation projects (Portland Light Rail, Portland Street Car, and Multi-modal transportation investments); \$37.4 million to fund Economic and Community Development Department initiatives, including the Coos County dredging project, the Hillsboro parking facility, and various infrastructure projects; \$16 million to the Housing and Community Services Department; and \$50 million for deferred maintenance in the Oregon University System. Based on the newly authorized issuances, the remaining 2007-09 lottery bond capacity is approximately \$267 million.

Fees – The 2007-09 legislatively adopted budget does not include any fee increases to directly backfill General Fund reductions made to balance the state budget in prior biennia. Fee increases were approved, however, to maintain or expand services in a number of agencies, including the Departments of Higher Education, State Lands, Environmental Quality, and Agriculture, various licensing boards and commissions, and the Employment Relations Board. For the Department of Higher Education, the adopted budget projects net tuition and fee revenues of \$1 billion for the 2007-09 biennium. Tuition rate increases for resident undergraduate students, excluding students enrolled at Western Oregon University, are expected to average 3.4% each year of the biennium. The Legislature also expressed its expectations that resource fee (including the energy surcharge fee) revenue to be no more than 8.6% of gross tuition revenue.

Note: For further discussion of tax and revenue policy actions taken by the 2007 Legislature, see "Revenue Measures Passed by the 74th Legislature (2007)", Legislative Revenue Office Research Report #3-07.

2007 Fiscal Impact Statements

The following is a brief summary of fiscal impact statements, process, statute, and statistics for the 2007 legislative session.

Fiscal Impact Statements

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

There are three general types of fiscal impact statements:

- **No fiscal impact:** A statement issued on original measure that has no expenditure impact, or on a measure that was originally "fiscal" but has been amended so that the fiscal impact is eliminated.
- **Minimal fiscal impact:** A statement issued when analysis determines that the net impact on an affected agency (or agencies) is less than a specific dollar figure determined by legislative leadership (in 2007, less than \$50,000.).
- **Written fiscal analysis:** A statement issued on a measure determined to have a fiscal impact beyond "minimal" that is to be acted on by a committee for floor action (reported out). When a fiscal impact cannot be determined, an "indeterminate" fiscal impact statement may be issued in order to explain why. The statement may be used to describe the measure's mechanical defects or ambiguity.

Process and Statute

This session differed from previous sessions in that SCR 1 outlined specific timelines for the legislative process, the advancement of measures, and adjournment that resulted in a 171-day session, or the shortest regular session since the 1995 legislative session (153 days).

Also, during the 2005 interim, a comprehensive study of the fiscal impact process was undertaken by the Legislative Fiscal Office (LFO). One outcome of that study was the introduction of SB 1033¹ by the Joint Committee on Ways and Means. SB 1033 amended ORS 173 to conform the statutory authorities for the fiscal impact process to Senate and House rules. The statute had required fiscal and revenue impact statements be issued on all introduced measures with an effect on local government, public safety, and the Public Employees Retirement System. This measure clarified that fiscal impact statements are required on measures that are reported out of committee.

Fiscal Impact Statistics

The fiscal impact process is affected by the volume of measures introduced, committee scheduling of a measure, whether the measure is amended, the fiscal nature and complexity of the measure and/or amendment, and the duration of the session.

The 2007 session was 37 fewer days (18%) in duration than the 2005 session (208). There were 2,920 measures introduced, with 982 being enrolled (34%). When compared to the prior biennium, there was

¹ Chapter 828, Oregon Laws 2007.

a 7% decrease in measures introduced (3,141), a 1% increase in the number of amendments adopted (1,044 versus 1,033)², and a 7% increase in enrolled measures (914).

While not every measure introduced or amendment advanced legislatively and a fiscal impact prepared, LFO did complete a total of 1,961 fiscal impacts, of which 917 (47%) were impacts on measures as originally introduced and 1,044 (53%) were impacts on measures with adopted amendments. Of the 1,961 fiscal impacts produced, 658 were written analysis (34%), 380 were minimal fiscal impacts (19%), and 923 were issued as no fiscal impact statements (47%).

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

Regular Legislative Session Biennium/Statistic	1999	2001	2003	2005	2007	Average
Length of Regular Session	195	181	227	208	171	196
Number of Measures and Amendments						
Measures introduced	3,308	3,297	2,922	3,141	2,920	3,118
Amendments drafted	5,894	5,133	4,569	4,202	4,365	4,833
Total	9,202	8,430	7,491	7,343	7,285	7,950
Number of amendments adopted	2,297	1,988	1,540	1,033	1,044	1,580
% of drafted amendments adopted	38.97%	38.73%	33.71%	24.58%	23.92%	31.98%
Measures Enrolled	1,252	1,075	869	914	982	1,018
% of measures introduced enrolled	37.85%	32.61%	29.74%	29.10%	33.63%	32.58%
Fiscal Impact Statements (FIS)						
Written Fiscal Impact Analysis	1,503	1,233	716	524	658	927
Minimal Fiscal Impacts	344	400	387	478	380	398
No Fiscal Impacts	1,446	1,431	1,003	1,252	923	1,152
Total	3,293	3,064	2,106	2,254	1,961	2,536
% Written Fiscal Impact Analysis	45.65%	40.24%	34.00%	23.25%	33.55%	35.34%
% Minimal Fiscal Impacts	10.45%	13.05%	18.38%	21.21%	19.38%	16.49%
% No Fiscal Impacts	43.91%	46.70%	47.63%	55.55%	47.07%	49.24%
FIS for measures introduced	996	1,076	566	1,221	917	955
FIS amended measures	2,297	1,988	1,540	1,033	1,044	1,580
Total	3,293	3,064	2,106	2,254	1,961	2,536
% FIS for measures introduced	30.24%	35.12%	26.88%	54.17%	46.76%	38.63%
% FIS for adopted amendments	69.76%	64.88%	73.12%	45.83%	53.24%	61.37%

Notes: The primary sources of information for the preceding table are: the Oregon Legislative Information System – LFO Docket; the Final Status Report(s) for House and Senate Measures; and Legislative Counsel’s Statistical Summaries including LC’s 2007 draft summary. The number of No Fiscal Impacts for the 1999 session is an estimate.

² The number of amendments adopted reflect only those issued a fiscal impact statement for each engrossed version and, therefore, are not representative of all amendments adopted by each respective Legislature.

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. Property taxes that support schools, ESDs, and community colleges, as well as the tuition and service charges that support community colleges and OHSU, do not show up in the budget. 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 include Federal Funds distributed to school districts and to support work force training programs, which are distributed through the Department of Community Colleges and Workforce Development budget.

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 and positions 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.

Total General Fund plus Lottery Funds support for the Education Program Area in the legislatively adopted budget is \$8.2 billion. This is up \$1.26 billion (or 18.1%) over the 2005-07 biennium level. This rate of growth is below the 21.1% increase in General Fund and Lottery Funds spending overall, and as a result, the Education program's share of total General Fund and Lottery Funds expenditures falls from 55.7% in the 2005-07 biennium to 54.3% in 2007-09.

K-12 Education

The legislatively adopted budget provides \$6.245 billion in state support for K-12 school funding. This is an increase of about \$938.7 million, or 17.7%, above the 2005-07 legislatively approved budget of \$5.3 billion. Of the total budget, \$5,610.8 billion is from General Fund support, \$634.1 million is from lottery support, and \$242,000 is from state timber taxes (expended as Other Funds). General Fund is increased by \$752.6 million and Lottery Funds are increased by \$186.8 million from the 2005-07 legislatively approved budget.

Currently, the 2007-09 essential budget level for the state-supported portion of the State School Fund is estimated at \$5,789.1 million. The essential budget level is determined each interim by the School Revenue Forecast Committee, which was established by executive order in 1999. Assumptions made by the Committee for the 2007-09 essential budget level include, among other factors, a 17.66% PERS rate; increases of 9% annually in health benefits costs; about a 2% annual increase in teacher salaries; and growth in student counts of 0.64% for 2005-06 and 0.56% for 2006-07.

The adopted budget is about \$456 million above the essential budget level and is comprised of two components. The first \$196 million brings the amount of support provided through the funding formula to \$5.985 billion.

The other \$260 million supports the School Improvement Fund (SIF). The SIF was last funded by the 2001 Legislature with \$220 million. With later reductions in revenues, second year funding (\$112 million) was removed to help balance the budget. The SIF was not funded in 2003-05 or 2005-07. It is designed to award grants that relate to increases in student achievement.

The proposed State School Fund budget includes \$400,000 General Fund for local option matching grants to eligible districts that have passed local option levies. The Legislature created a Special Purpose Appropriation to the Emergency Board of \$800,000 General Fund to fully fund the program.

During 2007-09, local revenues, which are primarily property taxes, are expected to be \$2.8 billion or about \$235 million more than estimated for 2005-07. Combined state and local support would be increased by 15.2% from 2005-07 to 2007-09 (from \$7.904 billion to \$9.109 billion).

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

<i>(\$ in millions)</i>											
Fiscal Year	State funding	Local funding	Total	Percent change	State share	Fiscal Year	State funding	Local funding	Total	Percent change	State share
1990-91	626	1598	2224	-	28%	2000-01	2437	995	3432	4.2%	71%
1991-92	818	1561	2379	7.0%	34%	2001-02	2537	1040	3577	4.2%	71%
1992-93	1100	1490	2590	8.9%	42%	2002-03	2358	1112	3470	-3.0%	68%
1993-94	1132	1343	2475	-4.4%	46%	2003-04	2591	1134	3725	7.3%	70%
1994-95	1427	1178	2605	5.3%	55%	2004-05	2326	1202	3536	-5.1%	66%
1995-96	1750	902	2652	1.8%	66%	2005-06	2566	1268	3834	8.7%	67%
1996-97	1760	956	2716	2.4%	65%	2006-07 Est	2739	1331	4070	5.9%	67%
1997-98	2078	896	2974	9.5%	70%	2007-08 LAB	3045	1419	4464	9.7%	68%
1998-99	2250	889	3139	5.5%	72%	2008-09 LAB	3200	1445	4645	4.1%	69%
1999-2000	2326	967	3293	4.9%	71%						

Department of Education

The budget for the Department of Education (not including the State School Fund) funds agency operations, the School for the Blind (OSB) and the School for the Deaf (OSD), the Youth Corrections Education Program (YCEP), the Grant-in-Aid program, Common School Fund distributions, and the debt service payments on bonds issued in the late 1990s.

The adopted budget for agency operations includes:

- A package to implement Phase III of the Pre-K-12 Integrated Data Systems (KIDS) project. This project allows school districts to electronically transfer comparable data and is helping to meet NCLB and Adequate Yearly Progress reporting requirements. Phase II is currently piloting this project. Phase III is expected to roll-out the project on a statewide basis. The cost of Phase III is \$8,318,120 General Fund and includes 11 positions (8.16 FTE).

- The continuation of the Oregon Virtual School District (OVSD). In the 2005-07 legislatively approved budget, \$2 million was transferred from the State School Fund to fund the implementation of the OVSD. The Legislature approved continuing the program with the same funding mechanism. While this program is funded with \$1,800,598 Other Funds expenditure limitation, the source of the funds will be the State School Fund.
- The development and implementation strategies needed for the creation of a growth model for assessing academic achievement at the student, school, and district levels. This will allow the agency to measure student learning growth over time. Currently, Adequate Yearly Progress reporting looks at the percentage of students in certain categories without tracking their progress. The total cost is \$1,830,787 General Fund and includes two positions (1.25 FTE).
- A study on Career and Technical Education. The Department is expected to create a task force to study best practices across the state related to career and technical education. The expectation is that the task force will look at programs already established in the state as well as the Washington and California models and the funding mechanism in those states. The task force would then report back during the 2009 legislative session with options and a recommendation on a process for rolling out a statewide career and technical education program in Oregon. The cost is \$195,000 General Fund.
- A study on alternative methods to funding transportation costs for students. The Department is to report to the interim Joint Committee on Ways and Means or the Emergency Board on the options available, along with recommendations on suggested changes, before the 2009 legislative session. The cost is \$300,000 General Fund.
- The establishment of the Oregon Educators Benefit Board (OEBB). The purpose of this Board is to contract for health and dental plans and other benefits for employees of most all school districts and education service districts. Districts that are self-insured or districts that have independent health trusts are not required to receive benefits through OEBB if the premiums for their benefit plans are equal to or less than the premiums for comparable benefit plans provided by the Board. Community college districts may also provide or contract for benefit plans other than those provided by OEBB. The Board will reside in the Department of Administrative Services, but the General Fund was appropriated to the Department of Education. The cost of the Board for the agency is \$4,996,081 General Fund.

The legislatively adopted budget for the School for the Blind, the School for the Deaf, and the Youth Corrections Education Program funds these programs at essentially the same level with increases for standard inflation.

A budget note was approved that directs the Department to do further analysis on the viability of moving the Oregon School for the Blind to the Oregon School for the Deaf campus and report back to the Legislature during the special session scheduled for February 2008.

The Legislature modified funding for the Youth Corrections Education Program by removing second year funding for the youth that are 21 and over and those that already have diplomas. The Department will be returning to the Emergency Board or interim Joint Committee on Way and Means to request the second year funding when they have more information on the number of youth in that category and the types of programs that are available.

The legislatively adopted budget includes the following enhancements to grant-in-aid programs:

- Funding the Oregon Pre-Kindergarten program at 75% (up from 60% in the 2005-07 biennium) of eligible children and families living at or below the federal poverty level. The approved \$39 million General Fund was expected to fund 80% of the eligible families, but new data from the federal government increased the number of eligible families by 1.4%.
- Mandated caseload increases in the Early Intervention/Early Childhood Special Education (EI/ECSE) program. This program serves children from birth to the start of Kindergarten that have developmental and other disabilities. New caseload projections have added \$11.9 million in General Fund.
- Initiation of a program to provide mentors for new teachers and principals during the first three years of employment (\$5 million General Fund).
- A grant to the Chess for Success Program (\$50,000 General Fund).
- A task force to study improvements in Civics education (\$50,000 General Fund).
- A grant to be directed to the Classroom Law Project to further the mission of expanding civics education in Oregon with an emphasis on staff development (\$160,000 General Fund).
- A technical adjustment was approved (\$3,000,000 General Fund) for the EI/ECSE program for an Emergency Board item that was left out of the Governor's recommended budget.
- Additional funding (\$150,000 General Fund) for the Start Making a Reader Today (SMART) program.

The legislatively adopted budget includes \$109.4 million Other Funds from the Common School Fund for distributions to K-12 schools in 2007-09. New forecasts were completed shortly after the Governor's recommended budget that showed an increase of \$36.7 million for the 2007-09 biennium. These funds are included as local revenues.

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 \$1.6 billion of General Fund and Lottery Funds to support post-secondary education. This is an increase of \$269.3 million, or 20.2%, over the 2005-07 biennium level. This is slightly below the 21.1% increase in General Fund and Lottery Funds spending overall. The legislatively adopted budget includes, however, \$125 million General Fund for 2007-09 biennium state employee compensation cost increases. These funds will not be distributed to state agencies until later in the biennium. It is anticipated that once these funds are distributed and included in the Education program area budgets, the growth in General Fund and Lottery Funds support for post-secondary education will be approximately 22.6% over the 2005-07 level – a rate of growth slightly greater than for such expenditures overall.

The budgets of the post-secondary education agencies also include \$4.2 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;
- tuition and fee-paid, auxiliary, student loan, and grant activities in the Department of Higher Education budget; and
- capital construction expenditures in both the Department of Higher Education and the Department of Community Colleges and Workforce Development budgets.

The preponderance of these funds, including those associated with higher education student loan, auxiliary, and grant programs, are not limited by the Legislature. Programs supported by Other Funds 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 and other student fees are combined with state monies to finance the Education and General Services program and where state monies support activities also funded by Other Funds in the Statewide Public Service Program.

Department of Higher Education

State support for the Department of Higher Education totals \$896.4 million. This is an increase of \$148.1 million, or 19.8%, from the 2005-07 biennium level. The Department budget also includes \$4 billion Other Funds, for a total of \$4.9 billion from all fund sources. The Legislative Fiscal Office notes that the Department will additionally receive approximately \$32.7 million General Fund from the Emergency Board, if the Emergency Board allocates the full \$125 million special purpose appropriation available in the legislatively adopted budget for state employee compensation changes, and the Department receives the same percentage of the total allocation as it did from the 2005-07 biennium allocation for the same purpose. If this special purpose appropriation is received by the Department, its state support will be approximately \$180.8 million, or 24.2%, above 2005-07 levels.

General Fund support for the Education and General Services program (all remaining figures exclude the expected special purpose appropriation money) totals \$692.7 million, which is a \$100.5 million (or 17%) increase over the prior biennium level. The General Fund appropriation is combined with limited Other Funds to finance Education and General Services program expenditures. Combined limited expenditures for the Education and General Services program total \$1.85 billion in the budget, which is 10.8% above the level approved by the Legislature in the prior biennium.

Notable changes to prior biennium program levels for the Department of Higher Education in the budget include:

- \$28.1 million General Fund distributed to campuses for general operational support, including:
 - a) an additional \$9 million for the four smallest campuses (Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, Western Oregon University) and the Cascades branch campus of Oregon State University, b) \$10 million to support faculty salary increases (this is in addition to the projected \$32.7 million General Fund that the Department will receive from the \$125 million special purpose appropriation for state employee compensation changes), c) \$2.2 million for support of recent utility cost increases, and d) \$6.86 million to hire additional faculty to reduce class sizes.
- \$20.6 million in General Fund and \$26 million in Other Funds to support enrollment growth. The Other Funds amount is equal to the projected tuition and fee payments from the added students. The General Fund amount supplements the tuition and fee revenues and provides the institutions with additional basic support for operations.
- \$15 million General Fund and \$11.8 million in Other Funds certificates of participation to support a 72% increase in state funding of engineering program initiatives developed by the Engineering and Technology Industry Council (ETIC).
- \$7.4 million General Fund to expand Oregon Institute of Technology allied health programs and pre-nursing programs on all OUS campuses.
- \$5.3 million Lottery Funds for debt service on \$50 million of Lottery bonds issued for capital repair expenses and deferred maintenance projects system wide.
- \$2.2 million General Fund for Portland State University's Oregon Solutions program.
- \$2 million in combined General Fund/Lottery Funds for intercollegiate athletic programs and graduate student scholarships. This represents the net effect of an additional \$6.9 million of Lottery

Funds for the Sports Action Lottery program partially offset by a \$4.9 million cut in General Fund support for intercollegiate athletics.

- \$1.44 million General Fund to complete the Integrated Data Transfer System project.
- \$580,000 General Fund for Eastern Oregon University's efforts to increase college attendance rates in eastern Oregon.

The budget also includes General Fund support for program enhancements in the Statewide Public Service Programs (Agricultural Experiment Station, Extension Service, and Forest Research Laboratory) totaling \$5 million. General Fund for these programs will increase between 9.8% and 19.5% from prior biennium levels. These budgets do not receive revenue from tuition increases, however. Overall, the increases in combined General Fund and limited Other Funds support for the Agricultural Experiment Station, Extension Service, and Forest Research Laboratory range from 7.6% to 9%, compared to the levels approved for the prior biennium. These growth rates include adjustments in the budget to more accurately reflect the amount of Other Funds revenues. Last biennium, the approved Other Funds expenditure limitations did not, in some cases, reflect the actual levels of Other Fund revenues available for these programs.

The Department of Higher Education budget also anticipates a \$103.4 million Other Funds increase in tuition and resource fee net revenues over the prior biennium level. The increase results from rate increases and from enrollment growth. Enrollment calculated on a full-time equivalent (FTE) basis is projected to grow 3.7% in the budget. The budget accommodates tuition and resource fee rate increases averaging 4.1% the first year of the biennium, and 3.6% the second year. Tuition and resource fee rate increases will be lower for resident undergraduates. Excluding Western Oregon University, which is raising tuition rates substantially in coordination with the implementation of a tuition guarantee program, tuition and resource fee rate increases at the six other institutions will average 3.4% each year for resident undergraduate students – a rate estimated to track the growth in median family income in the state.

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

Community Colleges

General Fund support in the legislatively adopted budget for the Department of Community Colleges and Workforce Development (CCWD) totals \$511.5 million. This is an increase of \$77.7 million, or 17.9%, over the 2005-07 biennium level. Most of the General Fund is transferred to community colleges, either through the Community College Support Fund (CCSF), or for specified activities. Of the total General Fund in the budget, \$503.3 million is allocated for community college support, \$4.6 million is for the state office operations of the Department, and \$3.5 million is to pay debt service on bonds previously issued to finance capital construction projects on community college campuses.

The state provides most funding to community colleges through the Community College Support Fund. Of the total \$503.3 million of General Fund for community college support, \$500 million is distributed to colleges through the CCSF. These monies are not dedicated to any particular purpose and are used by the colleges to support all of their operations. These unrestricted funds are distributed to the colleges primarily on an enrollment basis. The CCSF appropriation is \$71.9 million (or 16.8%) above the prior biennium level. The budget also includes an additional \$3.3 million for community colleges for specified programs. This additional funding brings the increase in total state support to colleges to \$74.6 million (or 17.4%) over the 2005-07 biennium level.

General Fund enhancements in the budget include:

- \$72 million for the Community College Support Fund, which brings total General Fund support to \$500 million.
- \$2.2 million for the Healthcare Workforce Initiative supporting expansions in community college nursing and other healthcare training programs.
- \$1.7 million for an Integrated Management Information System to consolidate the Department's five existing data systems and develop a central system that collects required financial data in a standard format from all 17 community colleges.
- \$863,733 to add eight positions to the agency to support its accounting and financial management functions, its role in the community college capital construction program, and its research, program development, and performance evaluation functions.

The Department's budget also includes \$212 million of Federal and Other Funds, for a total of \$723.5 million from all fund sources. Expenditure limitations are proposed to allow the Department to spend all projected revenue from federal Workforce Investment Act and Carl Perkins Technical and Applied Technology Act funds, as well as revenues available for the Oregon Youth Conservation Corps. Federal Funds of \$127.1 million, down \$16.1 million (or 11.2%) from the prior biennium level, support the agency's workforce programs through the Workforce Investment Act (WIA Title IB) and Adult Education and Family Literacy (WIA Title II) programs. Of the \$84.9 million of Other Funds in the Department's budget, \$80.1 million is to finance capital construction projects on eight community college campuses. The \$80.1 million consists of just more than \$40 million of state (Article XI-G) bonds matched by an equal amount of community college funds.

The budget therefore continues the policy reinstated in the 2005-07 biennium of issuing state bonds for community college capital construction. The approved funding represents a 4% increase over the \$77 million Other Funds for capital construction in the 2005-07 budget. Details on capital construction for the Department are discussed in the "Capital Construction" section of this report.

OHSU Public Corporation

The General Fund grants to the Oregon Health and Science University (OHSU) public corporation total \$86.6 million, including \$73.6 million General Fund for OHSU's Education and General program, \$10.1 million for the Child Development and Rehabilitation Center, and \$2.8 million for the Hospital and Clinics. The appropriated amount represents a \$13.2 million (or 18%) increase over the prior biennium. The entire increase, except for a small component for inflation, is for the Education and General program. State support for the Education and General program is increased by 20.9% over the prior biennium level.

General Fund program enhancements include:

- \$4.1 million to compensate for costs associated with the 2005-07 biennium expansion of the MD program cohort from 108 to 120 students.
- \$1.7 million to expand OHSU support for community college and OUS pre-nursing programs, with the effect of allowing OHSU to award 100 BS Nursing degrees each year to students sited at community college campuses.
- \$1.5 million to expand the combined BS Nursing program cohort at OHSU's four existing School of Nursing locations by an additional 50 students.
- \$1.4 million to establish a satellite nursing program on the Western Oregon University campus.
- \$1 million to expand the Master's Nursing program cohort by an additional 20 students.
- \$1.2 million in enhanced funding for the Area Health Education Centers (AHEC) program.

The budget also includes \$32 million of Tobacco Master Settlement Agreement funds to pay debt service on Article XI-L bonds previously issued to support the Oregon Opportunity Program. This program is an initiative to expand OHSU's research programs in biotechnology and genetics, and to expand its rural health programs. A total of \$200 million of Article XI-L bonds were issued in the 2001-03 and 2003-05 biennia. Debt service costs for these bonds are unchanged from the prior biennium level.

Oregon Student Assistance Commission

State funding for the Oregon Student Assistance Commission totals \$108.6 million. This is an increase of \$30.3 million (38.6%) over the 2005-07 biennium level. The budget increases funding for the state's principal student aid program, the Opportunity Grant, to \$106 million total funds, up \$27.9 million (36%) over the amount approved for the prior biennium, but up \$43.6 million (or 70%) over the amount now estimated to be spent in 2005-07. (Opportunity Grant awards in the 2005-07 biennium are projected to be \$15.8 million below the level budgeted because of lower-than-anticipated demand for the program.) The Opportunity Grant funding increase expands the program significantly, but good projections are unavailable because of significant program changes beginning in the second year of the biennium.

The Opportunity Grant program will operate without changes for the first year of the biennium. A large expansion will begin in the second year of the biennium, when the budget expands the Opportunity Grant by adopting the Shared Responsibility Model. The Shared Responsibility Model, which is based on Minnesota's student grant program, will adjust grant award amounts with the student's income level and include a significant expansion of the program, increasing average award amounts and the number of students served. The budget will extend eligibility for the Opportunity Grant to middle income students, and average award amounts will increase for most students.

Because the Opportunity Grant changes will be effective in only the second year of the 2007-09 biennium, there will be a roll-up cost of approximately \$44 million in 2009-11, when the changes will be fully phased in, and Opportunity Grant program costs are projected to total \$150 million, compared to the \$106 million funded in the 2007-09 biennium. The budget, therefore, actually increases the long-term level of Opportunity Grant support by approximately 120%.

The budget includes a number of other General Fund adjustments in addition to expanding the Opportunity Grant. These include:

- \$900,000 to support the transfer of the Student Child Care program from the Department of Human Services to OSAC.
- \$700,000 to replace expiring grant support for the ASPIRE program, and to expand the program from 83 to an estimated 115 high schools. The ASPIRE program trains volunteers who mentor high school students through the college admission and financial aid application processes. This budget represents the first time General Fund has been appropriated to support ASPIRE.
- \$200,000 to restore General Fund support to the Office of Degree Authorization program and to allow it to continue existing services in the absence of Other Funds resources.

From a combination of these funding increases, agency employment is increased by 9.56 FTE (or 43%) over the prior biennium level.

Human Services Program Area

The agencies in the Human Services program area work with local governments, private for-profit and non-profit organizations, communities, and individuals to provide cash and employment assistance, food stamps, medical coverage, long-term care and other support to low-income individuals and families, including Oregonians with disabilities; intervene in cases of child abuse and neglect; offer treatment services to persons with mental disorders, alcohol or drug addictions; regulate the state's public health 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 residents of long-term care facilities.

The 2007-09 legislatively adopted budget for the Human Services program area is \$11.779 billion total funds, including \$3.422 billion General Fund and \$13.2 million Lottery Funds. The combined General Fund and Lottery Funds budget is 23% more than the 2005-07 legislatively approved budget for this program area. The \$11.779 billion total funds budget is almost 14% higher than the 2005-07 approved budget.

The total Human Services program area budget for 2007-09 includes \$1.414 billion Other Funds. About \$380 million of this amount is from tobacco tax receipts. Program area Other Funds also include Medicaid provider tax revenues, certificates of participation proceeds for various information technology systems and the Oregon State Hospital replacement project, transfers from other state agencies, and various fee revenues. Federal Funds, primarily federal matching funds such as Medicaid, capped block grants such as Temporary Assistance to Needy Families (TANF), and Nonlimited funds such as Food Stamps, make up \$6.930 billion of the total budget.

Department of Human Services

Over 98% of the Human Services program area budget is in the Department of Human Services (DHS), which has a 2007-09 legislatively adopted budget of \$11.589 billion total funds. DHS' \$3.333 billion General Fund budget is 23% more than the 2005-07 legislatively approved budget. This increase reflects funding for higher anticipated costs (because of personnel costs and other inflationary increases), greater health care service utilization, and caseload changes, as well as program and operational enhancements. As shown below, the DHS budget is divided into four main program areas and two smaller capital improvement and construction budgets.

Department of Human Services 2007-09 Budget (\$\$ in millions)

Program Area or Budget	General Fund	% of General Fund	Total Funds	% of Total Funds
Department-Wide Support Services	\$ 187.5	6	\$ 482.9	4
Children, Adults and Families	545.6	16	2,484.1	21
Health Services	1,565.4	47	5,648.5	49
Seniors and People with Disabilities	1,033.4	31	2,883.8	25
Capital Improvement	1.2	<1	1.2	<1
Capital Construction	0	0	89.0	1
Total DHS Budget	\$ 3,333.1	100	\$ 11,589.5	100

The 2007-09 budget enhances a number of program budgets within DHS, in part restoring reductions made in prior biennia when Oregon's economic picture was weaker. Enhancements were approved for child care for low-income working families, TANF case management, cash assistance, job training and placement services, and child protective services; expanded community-based mental health care and

replacement of the Oregon State Hospital; increased drug and alcohol treatment resources for families and youth; and provider rate reimbursement increases in many program areas. Program area highlights of the DHS budget follow.

DHS Department-Wide Support Services

The Department-Wide Support Services (DWSS) budget funds central operations and support for DHS. The 2007-09 budget is \$187.5 million General Fund and \$482.9 million total funds. The total funds budget is 13% higher than funding for the 2005-07 biennium, primarily due to higher State Government Service Charges paid by DWSS for the agency, major information systems and Oregon State Hospital (OSH) project costs, initiatives for operational improvements, DWSS' share of costs for policy and program enhancements in other areas of the agency, and program transfers into DWSS.

The DWSS budget includes \$0.9 million General Fund and \$6.2 million Other Funds for the 2007-09 costs of issuance and debt service on \$100 million in certificates of participation (COPs) being issued in 2007-09 to fund phase 1 of the OSH replacement project. Capital Construction costs for the project are budgeted separately, and described below.

The operational improvements in DWSS include new management staffing, actuarial and caseload forecasting improvements, expanded internal audits, enhanced overpayment collection efforts, increased background checks, and initial work on a unified eligibility and case management system for DHS' self-sufficiency programs, and development of a Criminal Records Information Management System. The 2007-09 cost totals \$6.4 million General Fund and \$17.7 million total funds.

The Legislature approved SB 329, which establishes the Oregon Health Fund Board, and transfers the Office of Oregon Health Policy and Research and the Oregon Prescription Drug Program from the Department of Administrative Services to DHS. The transfer adds \$3.7 million General Fund, \$7.4 million total funds and related staffing in DWSS.

DHS Children, Adults and Families

The Children, Adults, and Families (CAF) cluster is responsible for programs that promote independence for families and adults, provide child welfare and adoption services, and administer vocational rehabilitation services. The legislatively adopted budget is \$545.6 million General Fund and \$2.484 billion total funds. This includes \$983 million in Nonlimited Federal Funds for Food Stamps benefits. The 2007-09 budget is 19% General Fund and 8% total funds higher than the 2005-07 legislatively approved budget.

Major enhancements in CAF programs include:

- \$26.9 million General Fund and \$13 million in federal TANF funds to restore child care program eligibility to 185% of the federal poverty level, reduce client co-payments, and increase provider rates in October 2007.
- \$14.6 million General Fund and \$16.9 million in federal TANF funds to restructure Oregon's TANF program; expand JOBS and JOBS Plus training, employment and support services; fund post-TANF employment support; and make other program changes to meet federal TANF requirements and improve outcomes for clients.
- \$1.7 million General Fund and \$1.7 million Federal Funds to restructure child welfare staffing to improve child safety, and \$3.1 million General Fund and \$2 million Federal Funds to increase legal representation for child welfare workers.

- \$1.8 million General Fund, \$2.2 million total funds to pay relative foster caregivers, and \$2.5 million General Fund, \$4.9 million total funds to increase rates for Behavioral Rehabilitation Services providers.

The budget also reduces the CAF budget through improved management of foster care payments, limiting Vocational Rehabilitation Services special payment funds, and making unspecified administrative reductions. The savings is \$4.2 million General Fund, \$11.2 million total funds.

DHS Seniors and People with Disabilities

The Seniors and People with Disabilities (SPD) cluster includes the Medicaid long-term care program and expenditures for persons with developmental disabilities. The adopted budget for the 2007-09 biennium is \$2.884 billion total funds (including \$1.033 billion General Fund). The 2007-09 SPD adopted total funds budget is about 14% higher than the approved budget for the 2005-07 biennium. The adopted budget is \$157 million General Fund, or 18%, more than the 2005-07 legislatively approved budget.

The budget addresses significant caseload increases for long-term care and support services for people with developmental disabilities, and higher costs per case for services for seniors and people with physical disabilities. Total 2007-09 caseloads for seniors and people with physical disabilities are expected to relatively unchanged from the 2005-07 biennium. The adopted budget includes expenditure limitation to accommodate the Nursing Facility provider tax, which was extended by the 2007 Legislative Assembly through HB 3057. Oregon Project Independence is funded exclusively with \$12.6 million Other Funds from the senior property tax deferral account as directed by SB 870 (2005).

The legislatively adopted budget funds a variety of program enhancements, including:

- Reimbursement increases of about \$50 million for providers of services for people with developmental disabilities. This reimbursement change assumes wages would be increased by \$1.00/hour and other payroll expenses (OPE) would increase from 28% of wages to 34% for the last 17 months of the biennium.
- \$3 million General Fund and \$7.4 million total funds to implement recommendations from the Nursing Facility Staffing Commission on CNA staffing standards in nursing facilities.
- \$700,000 General Fund and \$6.4 million total funds to improve reimbursement for Area Agencies on Aging who perform Medicaid eligibility and case management services.
- \$2.3 million General Fund and \$4.3 million total funds to address field staff workload issues related to helping clients eligible for both Medicare and Medicaid with their Medicare Part D prescription drug benefit.
- \$338,204 General Fund and \$676,408 total funds to improve the quality of care within community-based facilities.
- \$1.9 million General Fund to develop services for juveniles with developmental disabilities who will be adjudicated under SB 328 (2007). The bill allows youths with developmental disabilities who have been accused of a serious crime to assert a defense of guilty except for insanity because of mental defect. The funding will pay for treatment for those assigned to the custody of DHS by the juvenile panel of the Psychiatric Security Review Board.

The SPD budget also reflects the following General Fund reductions:

- \$353,757 General Fund administrative savings
- \$750,000 General Fund savings from consolidating the state operated community program
- \$800,000 General Fund savings from down-sizing the Eastern Oregon Training Center

- \$1.3 million General Fund savings from ending enhanced reimbursement rates for people with developmental disabilities who live in nursing facilities

DHS Health Services

The Health Services (HS) cluster includes Oregon Health Plan (OHP); mental health, alcohol and other drug treatment; and public health expenditures. The 2007-09 legislatively adopted budget is \$5.648 billion total funds (including \$1.565 billion General Fund). The total funds budget is about 15% higher than the 2005-07 legislatively approved budget; the General Fund portion of the adopted budget is about 28% greater than the 2005-07 approved budget.

The adopted budget reflects funding for caseload changes; the phasing in (or out) of several program reductions from the 2005-07 biennium as well as the effects of the Medicare Modernization Act Part D prescription drug benefit on the OHP budget; the impact of medical cost inflation and more intensive medical service utilization; and a variety of enhancements to the Oregon Health Plan, mental health and addiction services, and public health programs. The most notable of these program expansions are listed below:

- An extension of the Medicaid provider taxes for Managed Care Organizations and Hospitals which provide state funding for the OHP Standard program.
- The addition of a prenatal care benefit to the Citizens Alien Waived Emergency Medical program (\$4.4 million Other Funds, \$15.2 million total funds).
- \$2.5 million General Fund, \$3.1 million total funds to improve public health regulation of Oregon's drinking water, and \$4.2 million General Fund to support the efforts of local public health departments.
- A continuation of staffing ratio improvements at the Oregon State Hospital in accordance with the Harmon v. Fickle lawsuit settlement agreement (\$12.3 million General Fund, \$16.6 million total funds).
- Funding for the ongoing development of mental health community-based projects consistent with recommendations of the Oregon State Hospital Phase II report (\$21 million General Fund).
- Early assessment and support teams to provide better mental health services (\$4.4 million General Fund).
- Increased funding for improved addictions treatment and prevention of youth substance abuse (\$12.3 million General Fund).

Three significant proposals in the Governor's recommended budget were not included in the legislatively adopted budget: an expansion of children's medical coverage known as the Healthy Kids Plan; an expansion of OHP Standard; and a doubling of funding for tobacco use reduction and prevention programs. The Governor's budget funded these enhancements with revenue from a proposed tobacco tax increase. This increase, however, was not approved by the Legislative Assembly. The Legislature did refer a tobacco tax increase to the voters in the November 2007 election. If the ballot measure is passed, the additional revenue would be used to fund these three proposals.

DHS Capital Budgets

The budget includes six-year Capital Construction expenditure limitation of \$89 million Other Funds for Phase 1 of the OSH replacement project. Although total project costs are not fixed at this time, DHS estimates the total cost will be over \$400 million. The Capital Improvements budget is continued at \$1.2 million General Fund.

Commission on Children and Families

The State Commission on Children and Families facilitates 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 2007-09 budget is \$60.1 million General Fund and \$88.1 million total funds. This is 30.3% General Fund and 20.6% total funds higher than the 2005-07 legislatively approved budget. This budget restores many of the program reductions made in prior biennia, and makes additional investments in programs and the Commission system infrastructure.

Increased General Fund investments in the adopted budget include:

- \$3 million for local Healthy Start home visitation programs
- \$3 million for local commission operations (“basic capacity” grants)
- \$1.24 million for relief nurseries, plus \$100,000 to develop a program evaluation system
- \$2 million for juvenile crime prevention grants
- \$1 million for the Court Appointed Special Advocates (CASA) program
- \$1 million for homeless and runaway youth services, including state staff support
- \$0.6 million for grants for community schools

The budget also adds \$0.3 million General Fund for statewide data system improvements, \$0.4 million Other Funds from private foundation grants for the CASA program, and \$0.6 million Federal Funds for juvenile crime prevention grants and staffing.

Office of Private Health Partnerships (OPHP)

The primary function of the Office of Private Health Partnerships is to manage the Family Health Insurance Assistance Program (FHIAP), which provides health insurance premium subsidies to eligible low-income individuals or employees. The 2007-09 legislatively adopted budget for OPHP is \$25 million General Fund and \$82.2 million total funds, a decrease of 6.5% from the 2005-07 legislatively approved budget. This decrease is not a program reduction, but a reduction in unneeded Other Funds expenditure limitation.

The Legislature did not approve the Governor’s proposal to use \$22.6 million of tobacco tax revenue from a proposed rate increase, along with federal matching funds from the Department of Human Services, to support the Governor’s Healthy Kids initiative. If the voters approve SJR 4 in November 2007, the Legislature or the Emergency Board could add the needed expenditure limitation to implement the Healthy Kids Plan on July 1, 2008.

Other Human Services Agencies

The legislatively adopted budget for the **Commission for the Blind** is \$1.6 million General Fund and \$15.3 million total funds. This is 2% less than the 2005-07 legislatively approved budget due to a \$1.3 million phase-out of one-time Other and Federal Funds expenditures for facility enhancements and technology upgrades. The adopted budget expands access to services by adding three instructor positions.

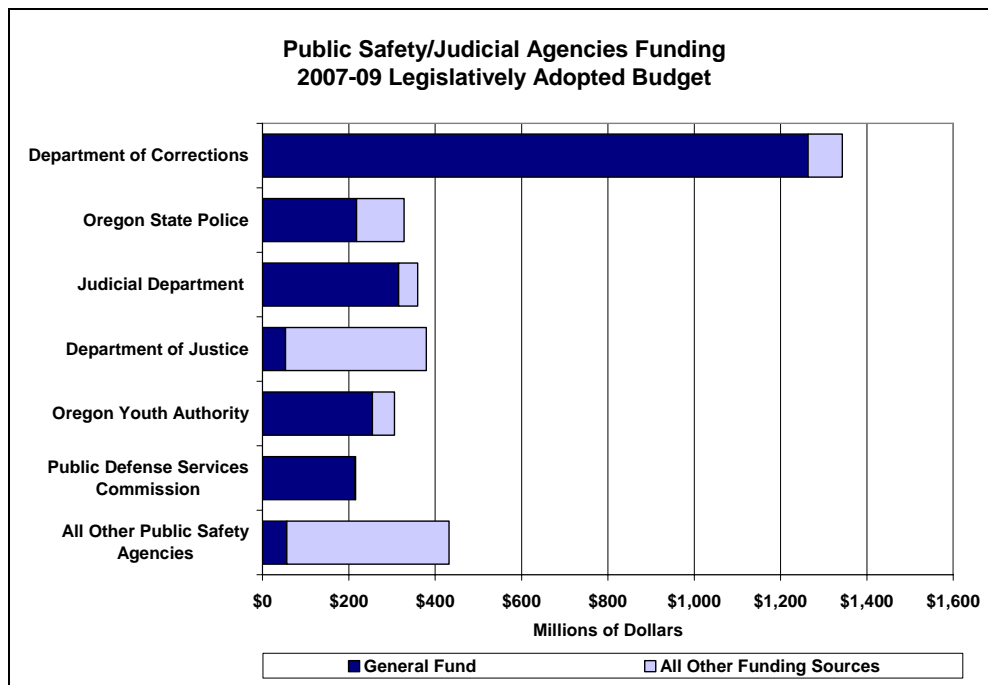
The **Long Term Care Ombudsman** budget of \$905,857 General Fund and \$2.7 million total funds represents a 28% increase from the 2005-07 legislatively approved budget. The Legislature added three positions to improve complaint response time, increase quarterly facility visitations, and address an increasingly complex federal reporting workload.

The legislatively adopted budget for the **Psychiatric Security Review Board** is \$1 million General Fund and \$2,000 Other Funds. Total funding is 17% higher than the 2005-07 legislatively approved level. The adopted budget includes roll-up costs for the juvenile panel created in SB 232 (2005) and increased funding for an additional 15 adult panel hearing days.

Public Safety/Judicial Program Area

The agencies in the combined Public Safety and Judicial Branch program area generally provide services to insure the safety of Oregonians as it relates to criminal activities, civil disputes, highway safety, natural disasters, and homeland security. Relating to public safety activities, these agencies generally provide a systemic approach representing four major interconnected components: (1) community safety, law enforcement, and resolution of civil matters; (2) prosecution and defense services related to the court system; (3) incarceration and related treatment services; and (4) prevention and intervention programs.

Overall, the 2007-09 legislatively adopted budget for the agencies in this program area total \$2.376 billion General Fund and \$3.363 billion total funds, a 18.8% increase from the 2005-07 legislatively approved budget in General Fund resources and a 16.7% increase in total funds.



Department of Corrections

The legislatively adopted budget for the Department of Corrections of \$1,342.9 billion total funds represents an increase of \$213.3 million, or 18.9%, over the legislatively approved budget for 2005-07. The General Fund budget of \$1,263.8 billion increases 18.8% or \$200.4 million for the same period. The 2007-09 legislatively adopted budget relies on the April 2007 prison population forecast which estimates the number of inmates will grow by 589 (4.3% increase) between July 1, 2007 and June 30, 2009. During the same period, the community corrections population is expected to increase by 836 or 2.3%. This anticipated growth and the “roll-up” costs of a full 24 months in both populations during 2005-07 accounts for approximately \$150 million General Fund (roughly 500 positions are added as a result) of the increased 2007-09 proposed budget. Other major reasons for the increase in the 2007-09 budget include:

- Adjustments for inflation and other cost growth account for \$25 million General Fund. The increased cost of medical and pharmacy services is included in this amount.
- The rates that drive the distribution of the community corrections funding are “rebased” at a cost of \$14.1 million General Fund after factoring in information from recently completed actual cost studies. This is over and above the increases for caseload growth and general increases for inflation.
- New funding is added to address mental health related issues across the agency by adding permanent staff and opening up further mental health special unit beds at Snake River (\$4.1 million General Fund).
- Funding for treatment and transition programs are increased for additional transition/reentry coordinators (\$0.9 million General Fund), increased compensation for alcohol and drug treatment providers (\$2.3 million) and \$1 million in new funding for cognitive programs.
- Critical infrastructure needs are addressed by providing over \$24.4 million total funds for high priority deferred maintenance projects and \$6.5 million Other Funds to replace the wireless communications systems at two facilities.

For the first biennium since the mid 1990s, the proposed budget does not include any capital construction funds for new prison construction or major expansion of an existing prison. The budget does include \$10.6 million Other Funds for the initial planning and design of the next prison which is not scheduled to be opened until late 2012.

Department of State Police

The Department of State Police’s 2007-09 legislatively adopted budget of \$327.8 million total funds represents a \$209 million decrease from the 2005-07 legislatively approved budget. The major reason for the decrease is the transfer of the Office of Emergency Management and portions of the Criminal Justice Services Division to the Military Department. After factoring out the transferred programs, the total funds budget grows by \$57.3 million, or 21.2%. General Fund resources grow by \$40 million (22.5 %) to almost \$218 million for 2007-09. Major features of this budget include:

- 100 new trooper positions (\$13.4 million General Fund) are added to provide limited 24/7 coverage on state highways.
- Eight detective positions (\$1.3 million General Fund) are added to address the growing fraud and identity theft problems, as well as to provide more resources for methamphetamine and other drug investigations.
- 35 positions (\$5.5 million General Fund) are added to strengthen the infrastructure of the agency and restore many of the positions lost over the past few biennia through budget reductions. Positions include fiscal staff, evidence technicians, vehicle maintenance technicians, dispatch personnel, and information systems staff.
- 15 forensic lab positions (\$3.1 million General Fund) are restored representing half of the positions necessary for what the agency considers full staffing for the lab system. The agency plans to request another 15 positions for 2009-11. Funding is also included to address the backlog in the number of DNA tests.

The Governor proposed over \$548 million total funds (including over \$485 million in capital construction) for the Oregon Wireless Interoperability Network (OWIN) project. The Legislature took a more measured approach approving \$8.9 million total funds for the next steps in the OWIN project, requiring a number of deliverables to be reported before further approval for construction.

Judicial Branch Agencies

The legislatively adopted budget for the **Judicial Department** is \$359.5 million total funds, a 12.7% increase over the 2005-07 budget. The budget is an increase of \$33.6 million General Fund (12%) above the 2005-07 legislatively approved budget. The 2007 Legislature:

- Added \$8.5 million General Fund to support an increase in judicial salaries of 16% on July 1, 2007 and 3% on July 1, 2009.
- Funded the Chief Justice's Other and Federal Funds policy packages, with \$4.8 million and 29 positions for a variety of programs.
- Added \$2 million General Fund for the development of a strategic plan for an Oregon Judicial Information Network (OJIN) conversion project, with timelines, deliverables and costs. Legislative oversight was funded in another bill, which contains legislative direction and a budget note related to the development of the plan.
- Added \$2 million General Fund and 19 positions to replace court staff that were diverted from regular court operations to support drug, family and other specialty courts.
- Added \$700,000 General Fund to the essential budget level in the Mandated Payments Program for increased costs for interpreters for non-English-speaking and hearing-impaired persons in the courts.
- Provided funding of \$1.2 million General Fund through the Legislative Branch for an interim legislative committee to review court facilities and make recommendations on responsibilities and costs.

The additional costs for judges salaries, court facilities and oversight of an OJIN conversion project were partially funded through increases in court civil fees and authorization for the Chief Justice to establish fees for motions in civil cases.

The Legislature eliminated \$9.3 million General Fund and 72 positions from an essential budget level adjustment that the Chief Justice had added for "mandated caseload." This essential budget level adjustment was made without review and approval by the Legislature. The Legislature specified by budget note that an interim work group should establish a process to determine mandated caseload adjustments, including a forecast of caseload growth, for all public safety agencies.

The legislatively adopted budget for the **Public Defense Services Commission** is an increase of \$31.3 million (17.1%) General Fund above the 2005-07 legislatively approved budget. Budget adjustments included:

- An essential budget level revision that added a new appellate mandated caseload adjustment with \$1.9 million General Fund and eight positions. This adjustment aligned PDSC with the Department of Justice caseload growth projections.
- A new personal services adjustment to the mandated caseload adjustment in the Public Defense Services Account that added \$7.1 million General Fund for contract services costs.
- An increase in funding for the Public Defense Services Account of \$27 million General Fund which will enable PDSC increase the hourly rate to \$60 and \$45 and reduce the prosecutor/contractor salary gap by one-sixth, and an unspecified increase in funding for the Public Defense Services Account of \$991,074 General Fund which will provide the Commission with flexibility to adjust the hourly rate for specific case types (such as Ballot Measure 11 and Termination of Parental Rights cases) and for other service providers, such as investigators.
- Creation of a Juvenile Appellate Unit, with \$958,926 General Fund and 4 positions to improve the quality of representation and timeliness of juvenile dependency appeals.

A consensus agreement was reached regarding the **Council on Court Procedures** that leaves intact the statutory construction of the Council and its ability to promulgate the Oregon Rules of Civil Procedure as the Council has historically done since its inception. A contract, patterned after the Legislative Counsel contract with the Oregon Law Commission, between the Legislative Counsel, the Council on Court Procedures, and the Northwestern School of Law of Lewis and Clark College will provide for the Council's operating expenses.

Military Department

The legislatively adopted budget for the Military Department of \$361.1 million total funds (476.23 FTE) is \$260 million, or 257%, more than the Department's 2005-07 legislatively approved budget. The budget reflects the transfer of the Office of Emergency Management (OEM) from the State Police to the Department and enhancements to OEM (\$187.6 million; 44.15 FTE). The Department also received other enhancements related specifically to the National Guard, including:

- Increased assistance for guard personnel, veterans, and their families totaling over \$800,000, including enhancements in the Reintegration Program.
- Additional homeland security and emergency management program funding including a Homeland Security Advisor to the Governor (\$189,022 total funds), Seismic Rehabilitation Grants Program administration funding (\$433,560 General Fund), Public Affairs and Outreach (328,941 total funds), and additional program support positions for information technology and federal grant administration (\$323,851 total funds).
- Increased capital construction authority (\$74.3 million total funds) for the planning/design and construction of six major projects. Over \$19 million in COPs are authorized for a portion of these projects and \$1.6 million General Fund is appropriated for their debt service.

Even with the enhancements included in this budget, the agency faces challenges including ensuring returning soldiers and airmen are successfully reintegrated back into civilian life and successfully integrating OEM into the Department.

Oregon Youth Authority

The 2007-09 legislatively adopted budget for the Oregon Youth Authority (OYA) is \$254.6 million General Fund and \$305.6 million total funds. This is 19.2% General Fund and 21.2% total funds more than OYA's 2005-07 legislatively approved budget. The increase reflects added capacity in the close custody facilities and community programs, as well as restoration of some of the previous reductions in grants to communities. Notable changes from the 2005-07 budget include:

- \$11.4 million General Fund to phase in 145 close custody beds during the biennium, for a total of 995 beds by February 2009. This capacity meets about 85% of the forecast demand for close custody beds. The Oak Creek Youth Correctional Facility in Albany will reopen with 75 beds; the other beds will be added in Warrenton, LaGrande, and Salem.
- \$2.7 million General Fund will add facility staffing at MacLaren and Hillcrest Youth Correctional Facilities to meet safety and security needs, fully fund expected medical and pharmacy costs, and improve programs and services for young women in OYA's facilities.
- \$3.5 million General Fund will support caseload growth in community parole and probation supervision, foster care and treatment services.
- \$2.4 million General Fund will increase grants to counties for juvenile crime prevention basic services and county diversion.
- The \$3.4 million General Fund allocated to Multnomah County for youth gang services is increased by \$400,000 General Fund targeted to east Multnomah County. An additional \$1.6 million General Fund will be available for all counties for youth gang services through a competitive grant process.

- \$2 million General Fund will allow OYA to enhance reimbursement for federal Medicaid Behavioral Rehabilitation Services residential treatment providers. A new staff position to provide technical assistance and monitor use of the Medicaid funding is also added.
- \$8.6 million in Capital Construction Other Funds, from certificates of participation to be issued in 2007-09 and 2009-11, will allow OYA to address emergent infrastructure issues at MacLaren, renovate Oak Creek and Corvallis House for young women, address some deferred maintenance statewide, and begin planning for renovation or replacement of MacLaren's administration building.

Department of Justice

The legislatively adopted budget of \$379.5 million total funds for the Department of Justice represents an \$80 million increase (26.3%) from the 2005-07 legislatively approved budget, but \$23.8 million of this growth is attributable to a change in the methodology in the accounting for the indirect administrative costs which duplicates expenditures for budget purposes. After factoring out this change, the overall increase in total funds spending is 18.4%. For the same period, the \$53.3 million General Fund budget is \$19.1 million (56.1%) more than 2005-07. Major changes in the budget include:

- Growth in the mandated caseload for the Defense of Criminal Convictions (\$8 million General Fund) and an increase of 23 positions (21.63 FTE) in the Trial and Appellate Divisions.
- Federal changes in the Child Support programs requiring an additional \$6 million General Fund (35 positions).
- Increase of \$2 million General Fund for providing services to victims of domestic and sexual violence as well as \$4 million in additional CFAA funds for other crime victims programs including the Child Abuse Multidisciplinary Intervention or CAMI program.
- Further review of child welfare cases and greater legal representation of Department of Human Service's staff by increasing the number of attorneys and other staff in the General Counsel Division by 16 positions (\$4.8 million Other Funds). This amount includes \$2 million in payments to county District Attorney offices to provide consistent legal representation in shelter care and pre-judisdictional court proceedings.
- An increase of 17 positions in the Appellate, General Counsel and Trial Divisions (\$2.2 million Other Funds) to keep pace with the workload resulting from the increased number of Measure 37 claims. Additional funding for this purpose is included in the overall state budget as a special appropriation to the Department of Land Conservation and Development.

Other Public Safety and Judicial Branch Agencies

The 2007-09 Governor's budget for the **Department of Public Safety Standards and Training** of \$48.9 million total funds represents a 20% increase over the 2005-07 budget. Over 60% of the over-all growth in this budget (total funds) is due to the roll-up costs for increases made during 2005-07 and other growth to reach the essential budget level; the remaining growth is due to enhancements in the budget over and above the essential budget level, including:

- Ten additional positions (\$1.7 million Other Funds) to meet the demands of the new 16 week basic law enforcement course including the emphasis on scenario based training.
- Five additional positions and other resources (\$716,840 Other Funds) for maintaining the buildings and grounds of newly opened facility, and meeting information management systems needs.
- Three positions and equipment purchases (\$1.1 million Other Funds) to strengthen the training for firefighters across the state.

The Instructor Development program was reduced by \$796,281 Other Funds (CFAA) by eliminating three positions and program costs. This significantly reduces the amount (roughly 70%) available for

updating and instructing trainers in agencies who provide training for maintaining certification requirements.

The \$9.8 million General Fund budget for **District Attorneys and Their Deputies** is 7.3% more than the 2005-07 legislatively approved budget. Additions include salary increases for all District Attorneys (DAs) (\$54,208), further compression of the salaries of the 36 DAs into two ranges affecting the smallest three counties (\$176,400), and restoration of state assistance with paying for deputy district attorneys (\$444,392).

The **Criminal Justice Commission's** budget of \$8.5 million total funds (\$7.4 million General Fund) represents a 120% increase from the 2005-07 legislatively approved budget. This budget reflects providing 24 months of the drug court grants initiated in 2005-07 including the one-time federal grant funds used in 2005-07 to provide drug court related grants. In addition, sufficient funds were provided to expand funding for drug courts by \$500,000.

Economic Development and Consumer Services Program Area

Economic and Community Development Department

The legislatively adopted budget includes \$67.4 million in Lottery Funds and \$2.9 million General Fund expenditures for a number of policy packages, including:

- \$28.1 million Lottery Funds for the Oregon InC. package
- \$2.9 million General Fund for the Creative Oregon Initiative
- \$2.3 million Lottery Funds for Small Business Development Centers
- \$2 million Lottery Funds for Regional Investment Boards
- \$1.7 million Lottery Funds to the Strategic Reserve for workforce development and other economic development investments
- \$1.35 million for the minority communities for targeted services
- \$750,000 Lottery Funds for targeted investments
- \$635,431 Lottery Funds for the Oregon Mainstreet program
- \$449,647 Lottery Funds for debt service on \$5 million (out of a cumulative \$60 million) authorized for environmental and other studies related to the Coos Bay channel deepening project
- \$414,000 Lottery Funds for the Film and Video Office

The legislatively adopted budget includes \$34 million in lottery-backed infrastructure and pass-through bond proceeds. This bonding authority includes:

- \$22 million in infrastructure bonding authority for industrial land sites, water and wastewater systems, and other economic development-related infrastructure. The Legislature delayed issuance of the bonds until late in the biennium, so biennial debt service of \$4.3 million is delayed until the 2009-11 biennium.
- \$7 million to the City of Hillsboro for to build a parking structure associated with a medical facility in Hillsboro. Because the bonds will be issued late in the biennium, no funding was needed for debt service in 2007-09. The debt service for the 2009-11 biennium is expected to be about \$1.3 million.
- \$449,647 for debt service on \$5 million (out of a cumulative \$60 million) authorized for environmental and other studies related a proposal to deepen and widen the deep draft navigation channel in the Port of Coos Bay. The state's investment is critical in securing federal Corps of Engineers support and approval. This project is contingent on a contract with a developer of a major intermodal container terminal for Coos Bay Harbor. Debt service in 2009-11 is estimated at \$900,705.

The legislatively adopted budget includes an agreement that the Association of Oregon Counties will continue to expend \$1.1 million of revenues from the 2.5% county share of the video lottery distribution for the county share of the cost of the Economic Revitalization Team.

Bureau of Labor and Industries

The Legislature moved administrative support for the Advocacy Commissions Office (ACO) from the Department of Administrative Services to the Bureau of Labor and Industries (BOLI). ACO will pay BOLI for its appropriate share of the costs of its administrative services. The actual amount will be determined by negotiation between BOLI and ACO. BOLI may need to seek position authority from the Legislature or Emergency Board once the actual workload impact is determined.

The Legislature also approved a new initiative to integrate apprenticeship programs into high schools. This initiative will begin with one or two pilot projects that will involve high school students in learning trades and skills through approved apprenticeship training centers. A budget note directs BOLI to report to the Joint Legislative Audit Committee, at its meeting closest to January 1, 2009, on its progress in implementing the apprenticeship integration initiative.

Department of Consumer and Business Services

The Department of Consumer and Business Services (DCBS) budget was increased by \$15.9 million Other Funds (8.7%), primarily as a result of standard adjustments for personal services, inflation and state government service charges, and reductions in PERS and Attorney General Rates. The budget includes:

- A \$4.6 million policy package and 13 positions (9.50 FTE), to implement a statewide electronic permitting, plan reviews and inspections.
- A General Fund transfer of \$825,346 General Fund (expended as Other Funds) from the Senior Services program in the Department of Human Services to the Senior Health Insurance Benefits Assistance program (SHIBA). This transfer funds 2 positions (1.50 FTE) and training and oversight of locally based volunteers to meet workload demands arising from Medicare Part D and complex issues related to coverage and open enrollment.
- A revenue transfer of \$245,888 Other Funds for expenditures that are budgeted in the Governor's Office. The revenue transfers will be used by the Governor's Office to fund two positions: one administrative support person for two policy advisors dedicated to Workforce Development issues; and one general executive support position in the Governor's Office.
- \$202,017 to implement the Oregon Consumer Identity Theft Protection Act with 2 positions (1.46 FTE). The program will be partially funded in 2007-09 with a reduction of \$32,484 General Fund revenue from Securities Fund that are currently transferred to the General Fund. The Securities Fund reserves will be the primary funding vehicle in the future and the anticipated General Fund reduction for 2009-11 is \$267,703.

The Legislature also approved a policy package with \$126,524 Other Funds and one Financial Examiner position (1.00 FTE) based on substantive legislation that allows the licensing and regulation of check cashers to protect consumers. The package is funded through licensing fees for check cashing operations.

The budget has a net increase of \$4.9 million in Nonlimited Other Funds primarily from an increase of \$19.8 million in the Oregon Medical Insurance Pool to fund increased claims and third-party administrator costs and a decrease of \$14.8 million in Nonlimited workers compensation funds. The Oregon Medical Insurance Pool provides medical insurance coverage for high-risk Oregonians who are otherwise ineligible for medical coverage and is funded through an assessment on medical insurers.

Employment Department

The 2007-09 legislatively adopted total funds budget reflects a 6.5% increase from the 2005-07 legislatively approved budget for the Employment Department. However, this increase is not enough to offset the increase in Department expenses, particularly those related to personal services. As a result, the legislatively adopted budget for OED reflects a reduction of 143 positions compared to the 2005-07 legislatively approved budget.

The economic improvement experienced in Oregon since 2005 is expected to continue through the 2007-09 biennium. Fewer Oregonians are unemployed, resulting in a decrease in workload for the Unemployment Insurance division; as a result, the 2007-09 essential budget level reduces 20.00 FTE in this division.

Federal funding for OED is flat or declining in the 2007-09 biennium and for the foreseeable future. By contrast, the agency's expenses (particularly in the area of personal services) are rising faster than the historically assumed annual inflation factor of 3.5%. To ensure a balanced budget in 2007-09, OED unveiled a downsizing plan in the spring of 2006. The plan called for achieving reductions of FTE through attrition, reducing services and supplies costs, consolidating field offices from 48 to 37 locations, and shifting some positions from Federal funding sources to sustainable Other Funds sources where possible. The legislatively adopted budget incorporates the downsizing plan by including a revenue reduction package that affects all divisions of the agency with the exception of the Child Care division.

Housing and Community Services Department

The legislatively adopted budget for HCSD reflects a 79.3% increase in General Fund from the 2005-07 legislatively approved budget largely due to new investments in affordable housing and the General Fund Food program. The agency was able to achieve significant savings in Other Funds – Non Limited by changing its process of issuing short-term debt.

New investment in Housing programs consist of the following:

- A \$1.3 million General Fund increase over the 2005-07 legislatively approved budget for the Oregon Food Bank.
- \$2.6 million in new General Fund, which, when leveraged with other revenue will support preservation of at least 300 affordable rental housing units which may otherwise be converted to market rate housing.
- \$2.4 million in General Fund to restore the Housing Trust Fund corpus to a total of \$15.5 million (a portion of the Housing Trust Fund corpus was transferred to the state's General fund in the 2003 legislative session).
- \$16 million in Lottery Revenue Bonds to support the development of an estimated 150 units of housing for the homeless with supportive services. Contracts with developers for these units would require partnerships with service providers, which deliver services such as alcohol and drug treatment, counseling, education, health, child care and employment services.
- \$2 million General Fund to bolster the Department's assets in the eyes of bond rating agencies and leveraged as a source of pre-development loans for affordable housing, which could include gap financing for tenant purchases of manufactured home parks.

Department of Veterans' Affairs

The Department of Veterans' Affairs budget includes General Fund support to continue a number of enhancements for which the Legislature provided one-time funding in 2005. Specifically, \$2.8 million

to be distributed to counties to fund additional efforts by County Veterans' Services Offices and \$0.5 million to provide emergency financial assistance to veterans and their immediate families.

Oregon Historical Society

The Oregon Historical Society (OHS) is provided with a General Fund grant of \$2.8 million through the Department of Administrative Services. Prior to 2003, the OHS was provided General Fund grants through the budget of the Department of Administrative Services. No grant funding was provided after the 2001-03 biennium due to budgetary constraints.

Oregon Public Broadcasting

Oregon Public Broadcasting (OPB) is provided with \$3 million from the proceeds of Lottery Bonds. The \$3 million is for infrastructure upgrades to digital transmission and reception equipment. In addition to the Lottery Bond proceeds, the Governor's recommended budget includes \$1.8 million of Lottery Funds to pay the debt service on the \$3 million and on \$7 million of Lottery Bonds issued for OPB infrastructure improvements in 2001.

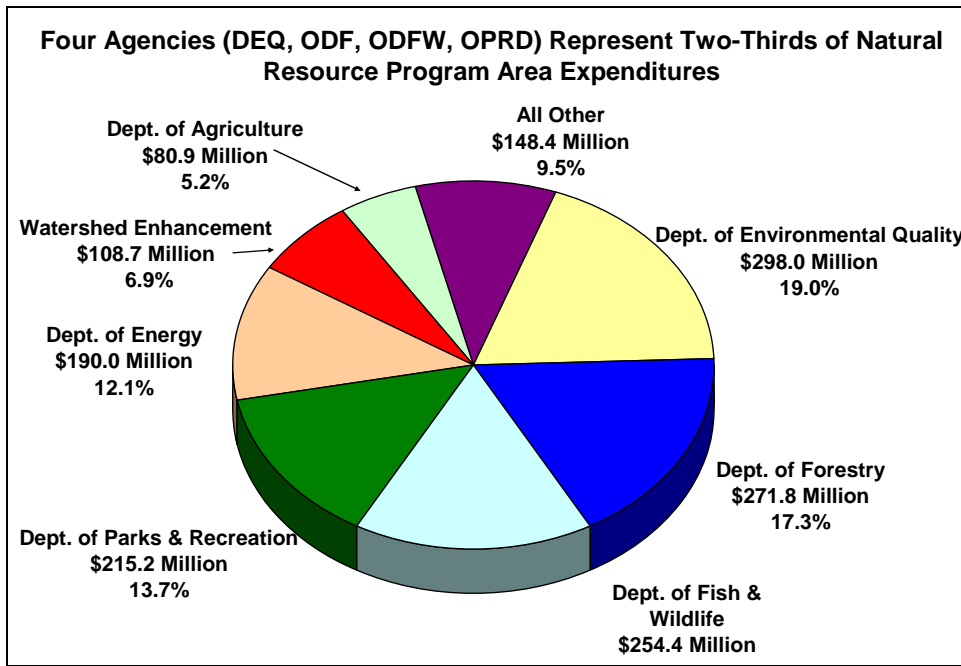
Public Utility Commission

The 2007-09 legislatively adopted budget for the Public Utility Commission (PUC) maintains operations for the agency at levels commensurate with the 2005-07 legislatively approved budget. The 2007 Legislature transferred administration of the Board of Maritime Pilots from the Oregon Department of Transportation to the PUC.

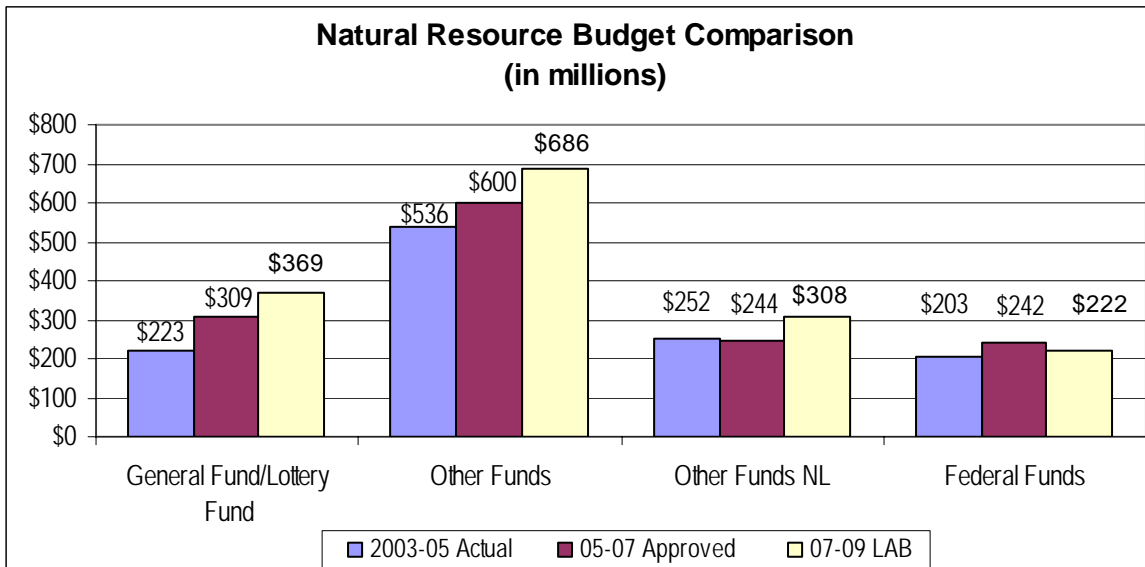
In addition, the Legislature passed HB 2052, which reversed action taken by the 1997 Legislature that converted the rate electric utilities pay the PUC from a percentage of gross revenue, to a fee based on the volume of energy moving through the lines owned by the utility. That assessment mechanism provided an inadequate revenue stream for agency operations because of inflation experienced by PUC and declining revenue due to energy savings measures being employed by consumers. The change is expected to increase agency revenue by \$1.4 million, ensuring the agency continues to effectively oversee utility service.

Natural Resources Program Area

Natural resource agencies are largely funded with Other Fund revenues, generated through fee assessments and other regulatory actions, and Federal Funds. While dependence on Other and Federal Funds can have greater stability during economic down-turns, these revenues tend to have restricted uses; typically their use is limited to funding regulatory activities, grants, or federally delegated programs. General and Lottery Funds supplement other sources and fund constitutionally dedicated programs. Over the last few biennia, natural resource agencies have experienced declining availability of Federal Funds and resistance to fee increases to generate additional Other Fund revenue. Slow economic growth has also limited access to General Fund monies. Lottery Funds have increased over time, and play an increasingly important funding role for several natural resource agencies. This legislative session there was much greater support for fee increases to generate additional Other Fund revenues, and more availability of General and Lottery Funds for Natural Resource activities.



The 2007-09 legislatively adopted budget for the Natural Resources program area totals \$1.566 billion, including \$156 million General Fund and expenditure limitation for \$212.8 million Lottery Funds, \$702 million Limited Other Funds, and \$221.9 million Federal Funds. The budget also includes \$273.1 million in Nonlimited Other Funds, mainly for bond sales proceeds and other loan program activity.



Including Nonlimited Other Funds, the total program area budget for 2007-09 is approximately \$34.6 million above the 2005-07 approved budget, primarily due to increased availability of Lottery Funds and enhancements that restore agency services reduced in the past three biennia. The combined Limited budget for the natural resource agencies, which is more representative of agency operational activities, is about \$56 million, or 4.5%, more than the previous biennium.

The 2007-09 legislatively adopted General Fund resources for natural resource agencies increased by \$12.6 million, or 8.7%, over the 2005-07 approved levels. Notable increases include:

- \$14.7 million to the Department of Environmental Quality for restoration of reductions made in previous biennia in the Air, Water, and Land Quality programs.
- \$7 million General Fund for the Department of Fish and Wildlife caused primarily by replacing \$4.3 million in Other Funds from the Pacific Coastal Salmon Recovery Fund (PCSRF) with General Fund due to significant reductions in the amount of PCSRF monies the state expects to receive during 2007-09 – PCSRF monies had been used in the past to replace General Fund support in salmon recovery and watershed improvement programs to make those General Fund dollars available for statewide needs.
- \$0.9 million to the Department of Water Resources to identify strategies for ensuring that the state's future water needs are met.
- \$.8 million to restore wild land firefighting protection and private forestry assistance.
- \$5 million special purpose appropriation in the Emergency Fund for the 2009 fire insurance premium and severity resources.

Lottery Funds limitation increased by a net \$32.7 million, or 21%, largely due to additional lottery revenues expected from the addition of slot gaming. The budget includes \$32.3 million to Oregon Watershed Enhancement Board for restoration activities that improve water quality and protect fish habitat; \$8.9 million to the State Parks and Recreation Department for state park lands acquisitions; \$1 million to Department of Agriculture for grants by the Weed Board for projects to control noxious weeds; and \$1.5 million to Department of Geology and Mineral industries for the Light Detection and Ranging (LIDAR) mapping project of the coast and Willamette Valley.

Limited Other Funds increased by \$16.7 million from 2005-07 Legislatively Approved Budget. Other Funds growth was caused primarily by a number of fee increases approved by the Legislature to ensure continued service levels while considering inflation and increasing personal services costs. The budget includes \$18 million (one-time expenditure) for the Department of State Lands for planning and removal of the New Carissa; \$1.2 million to the Department of Energy for ongoing operations and staff resources devoted to the Business Energy Tax Credit program, new and renewable energy technologies, feasibility studies, energy audits for schools, and support for multiple energy-related executive task forces and study groups; \$1 million to the Department of Forestry to restore wildland fire protection and private forestry assistance; and \$4.6 million (one-time) for the Department of Energy to assist the Oregon Museum of Science and Industry (OMSI) in payment of a loan from the State Energy Loan Program. Resources for this assistance come from a one-time transfer of funds from the Energy Trust of Oregon. *(The Governor has purported to line-item veto the one-time transfer of funds from the Energy Trust, however, both Legislative Counsel and the Legislative Fiscal Office do not believe the Governor has the authority to line-item veto a non-appropriation bill such as SB 994; this issue is anticipated to be dealt with during the scheduled February 2008 special session.)*

Expenditure limitation for Federal Funds decreased by 8.2% primarily due to a phase-out of one-time costs incurred in 2005-07 for clean-up of the McCormick and Baxter Superfund site as well as decreases in expected federal funding including anticipated reductions in funding to the Pacific Coastal Salmon Recovery Fund for salmon recovery activities and from the Environmental Protection Agency for DEQ federally delegated pollution control programs.

Nonlimited Other Funds decreased by a net \$34.6 million, or 11.2%. This decrease is largely due to reductions to the number of loans the Department of Environmental Quality anticipates making from the Clean Water State Revolving Loan Fund.

In the past, significant portions of Oregon's Pacific Coast Salmon Recovery Funds (PCSRF) grants have been used to replace General Fund in other natural resource agencies' budgets to support salmonid recovery and watershed enhancement and protection activities. Because of concerns that lower federal funding support for PCSRF will continue into 2007-09, the budget reverses 2005-07 shifts made in the Departments of Agriculture, Fish and Wildlife, and Environmental Quality budgets by adding back \$7.1 million General Fund to support this work in 2007-09 instead of using PCSRF monies.

~~The 2005-07 legislatively adopted budget for the Natural Resources program area totals \$1.345 billion, including \$123 million General Fund and expenditure limitation for \$155.5 million Lottery Funds, \$599.8 million Limited Other Funds, and \$223.1 million Federal Funds. The budget also includes \$243.7 million in Nonlimited Other Funds, mainly for bond sales proceeds and other loan program activity. Including Nonlimited Other Funds, the total program area budget for 2005-07 is approximately \$77.6 million, or 5.5%, below the 2003-05 approved budget, primarily due to a decrease in Nonlimited Other Funds. The combined Limited budget for the natural resource agencies, which is more representative of agency operational activities, is about 1% higher than the previous biennium.~~

~~General Fund resources for natural resource agencies increased by \$4.8 million, or 4.1%, over the 2003-05 approved levels. This includes an additional \$2.8 million General Fund for the Department of Agriculture, mainly for the food safety inspection program, and an additional \$2.4 million General Fund for the Department of Land Conservation and Development, primarily for processing Measure 37 claims and for the initial phases of a review of the state's 32-year-old land use system.~~

~~Lottery Funds limitation increased by a net \$46.5 million, or 42.6 %, largely due to additional lottery revenues expected from the addition of slot gaming. This resulted in a \$19.2 million increase in the budget for the Oregon Watershed Enhancement Board and a \$26.9 million increase in the budget for the Parks and Recreation Department.~~

~~Limited Other Funds decreased slightly, by 2.6%, mainly due to the phase-out of limitation provided to the Department of Forestry in 2003-05 for the fire season. Expenditure limitation for Federal Funds decreased by 11.2%, primarily due to a phase-out of one-time costs incurred in 2003-05 for clean-up of the McCormick and Baxter Superfund site and a decrease in expected funding from the Pacific Coastal Salem Recovery Fund.~~

~~Nonlimited Other Funds decreased by a net \$85 million, or 25.9%. This decrease is largely due to HB 3183, which makes the Department of Education, rather than the Department of State Lands, responsible for distributions of Common School Fund earnings to school districts, but also is due to a lower level of projected activity for the loan programs in the Departments of Energy and Environmental Quality.~~

Shift in Funding Sources

~~The Governor recommended using \$10.3 million in federal funding from the Pacific Coastal Salmon Recovery Fund (PCSRF) and \$1.4 million of lottery revenues dedicated to watershed, habitat, and salmon restoration by Ballot Measure 66 to support a variety of salmon recovery and watershed restoration activities in the Departments of Fish and Wildlife, Environmental Quality, Forestry, and Agriculture as well as the Water Resources Department. This proposal would have made \$1.7 million General Fund available to address other budget needs. The use of PCSRF monies to backfill for agency base programs became problematic when the federal granting authority, the National~~

Oceanic and Atmospheric Administration Fisheries, expressed their opposition to many of the uses of PCSRF monies proposed by the Governor.

The Legislature developed and implemented a plan that addressed these concerns and made additional General Fund available for statewide needs over the amount the Governor had proposed. The legislative plan:

- removed PCSRF monies from the budgets for the Department of Forestry and Water Resources Department;
- replaced PCSRF monies and General Fund with a portion of the anticipated increase in Ballot Measure 66 lottery revenues from the introduction of slot gaming;
- added \$750,000 in PCSRF monies to the Department of Fish and Wildlife and the Oregon Watershed Enhancement Board to accelerate completion of federal recovery plans for listed salmonid stocks in Oregon; and
- funded state agency responsibilities under the Oregon Plan for Salmon and Watersheds at previous levels of support and avoided any reductions.

The 2005-07 legislatively adopted budget used \$13 million of PCSRF monies and Ballot Measure 66 lottery revenues to replace General Fund, which is \$7.4 million less than the amount used in the 2003-05 legislatively adopted budget. The following table displays the allocation of watershed enhancement and salmon recovery funds to various state agencies involved in these activities.

2005-07 Measure 66 Lottery Funds and PCSRF Federal Allocations			
	Measure 66 Operations	Measure 66 Capital	PCSRF
Available Resources	\$ 27,326,728	\$ 50,749,655	\$ 15,780,793
May 2005 Measure 66 forecast and 2003-05 unallocated			
Department of Fish and Wildlife	2,060,974	5,050,940	5,718,984
Department of State Police/ Fish and Game Enforcement	5,421,826	774,207	0
Department of Environmental Quality	3,876,542	0	814,293
Oregon Watershed Enhancement Board	8,340,870	41,300,000	7,277,041
Department of Agriculture	7,621,030	3,623,710	1,967,233
Total Allocated	\$ 27,321,242	\$ 50,748,857	\$ 15,777,551

Other Significant Legislative Actions

For the Department of Forestry, the Legislature, in an effort to emphasize cooperative fire protection and smoke management: added 18.77 full-time equivalent positions primarily for federal National Fire Plan and State Forest Management Plan activities, including positions to staff the Tillamook Forest Interpretive Center; set aside \$3.5 million General Fund in the Emergency Fund for additional fire protection needs; used General Fund to backfill a \$2.2 million reduction in PCSRF support for current activities related to the Oregon Plan for Salmon and Watersheds; added \$2 million Federal Funds to establish a Federal Forest Legacy Program within urban growth boundaries of local governments in Oregon; and reduced the Private and Community Forests Program by \$0.9 million General Fund, \$0.6 million Other Funds, and 9.48 full-time equivalent positions to address statewide General Fund priorities.

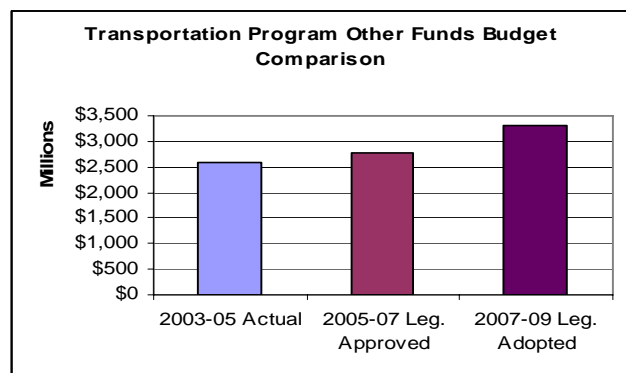
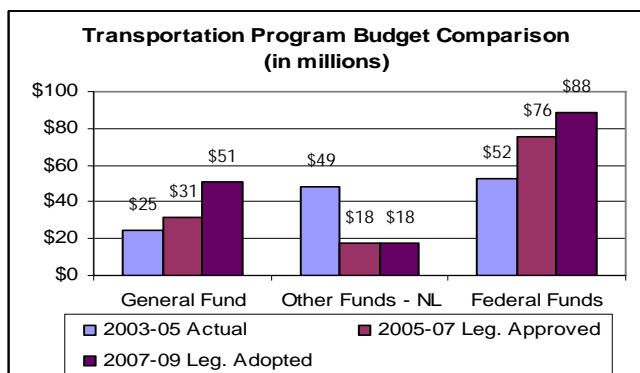
The Legislature took other significant legislative actions in the natural resources program area as follows:

- Provided a total of \$41.3 million in Measure 66 capital funding to the Oregon Watershed Enhancement Board for grants to complete on-the-ground watershed enhancement projects, with the increased funding (70% more than 2003-05 levels) coming primarily from the addition of lottery slot gaming.
- Passed SB 290 – with \$2 million in funding split evenly between General Fund and Other Funds – to implement the Pesticide Use Reporting System, which includes setting reporting levels for urban users at 5-digit zip codes and for non-urban users at the third field hydrologic unit (or river basin).
- Added \$2 million General Fund over the Governor’s budget to the food safety inspection program and raised licensing fees to address a funding shortfall in the program.
- In the budget for the Department of Fish and Wildlife, used Other Funds reserves to replace \$1.4 million General Fund and added \$600,000 General Fund for restoration of Diamond Lake fisheries.
- Appropriated \$0.8 million to the Department of Environmental Quality to implement the Willamette River water quality plan or total maximum daily loads (TMDL).
- Removed \$0.7 million General Fund from the Governor’s budget for the Department of Agriculture to enhance agricultural marketing through technical assistance to the agricultural industry regarding various certification programs available and the standards to be met to qualify products for the programs.
- Provided \$0.5 million General Fund in SB 2 for the Department of Geology and Mineral Industries to complete seismic readiness surveys of schools, fire stations, police stations, and hospitals (the Department will likely request additional funding from the Emergency Board since the initial estimate of completing all surveys is \$1.3 million).
- Restored three positions that were recommended for elimination by the Governor in the field services and technical services programs of the Water Resources Department.
- For the Parks and Recreation Department: increased staff for four new parks (Hares Canyon, Fort Yamhill State Heritage Area, Thompson’s Mills State Heritage Site, and Crissey Field State Recreation Site); provided resources for defeasance of the 1998 lottery-backed bond, saving \$3.2 million in future biennia; incorporated the Oregon State Fair and Exposition Center operations into the Parks and Recreation Department (HB 3502); and directed the Department to develop a strategic plan to guide the acquisition of new properties.
- Approved funding for the Marine Board to conduct a public service education campaign designed to clean air and water by providing technical advice and information to marina operators and boaters.
- Provided additional staff to the Department of State Lands to identify, prepare for sale, and complete sales transactions for isolated, unproductive tracts of state land.
- Added Other Funds limitation for the Department of State Lands’ legal costs relating to the Portland Harbor clean-up.
- Provided \$0.6 million General Fund to the Department of Land Conservation and Development for the initial phases of a review of the state’s 32-year-old land use system.
- Added \$1.5 million General Fund and 9 positions (8.5 FTE) to the Department of Land Conservation and Development for responding to Ballot Measure 37 claims. This funding is based on the agency’s receipt of an average of 67 claims per month. At the end of the 2005 session, the agency was receiving an average of over 110 claims per month. The agency likely will appear before the Emergency Board during the 2005-07 biennium as a result.

Transportation Program Area

The Transportation Program Area includes the Department of Transportation (ODOT) and the Department of Aviation. Transportation agencies are primarily funded with Other Fund revenues generated through motor and jet fuel taxes, licenses and fees, bond revenue that is supported by increases in licenses and fees, and Federal Funds. The State Highway Fund is shared among ODOT, counties, and cities. Oregon's population growth rate, stronger employment, and E-commerce continue to increase traffic congestion and demands for maintenance, pavement preservation, Driver and Motor Vehicle services, and Motor Carrier Transportation activities. At current funding levels, critical transportation needs will not be met during the next 20 years. The state's aging transportation infrastructure is more costly to operate and maintain. Pavement at public use airports constructed during World War II and one-fourth of the state's bridges have exceeded their design life of 50 years. Other variables influencing the budget include higher demand for use of trucks to ship products to market; environmental regulations, which add to the cost for design and construction requirements; and extreme weather conditions that cause unexpected emergency repair costs. Pressure on property taxes and local general funds combined with no increase in state funding other than the Oregon Transportation Investment Acts (OTIA), have reduced local community resources for transportation.

The 2007-09 legislatively adopted budget for the Transportation program area totals \$3.564 billion, including \$4.5 million General Fund and expenditure limitation for \$46.6 million Lottery Funds, \$3,407.4 billion Limited Other Funds, and \$88 million Federal Funds. The budget also includes \$17.6 million in Nonlimited Other Funds for the Infrastructure Bank Loan program activity.



Including Nonlimited Other Funds, the total program area budget for 2007-09 is approximately \$635 million, or 23%, above the 2005-07 approved budget primarily due to increased project activity in the Bridge Program for the Department of Transportation.

General Fund resources for transportation agencies decreased by \$4.1 million, or 48%, from the 2005-07 approved levels primarily due to adoption of HB 2982, which dedicated \$4 million of Other Funds revenue collected for customized vehicle registration plates to the passenger rail program. All of the General Fund (\$4.5 million) supports the passenger rail program

Lottery Funds limitation increased by a net \$23.7 million, or 104%, largely due to additional debt service from lottery-backed bonds for the multi-modal transportation initiative known as "Connect Oregon". The adopted budget includes additional Lottery Fund resource for debt service on another \$100 million in lottery backed bonds for additional multi-modal transportation projects in 2007-09. Debt service for 2007-09 is estimated at \$6.5 million which will increase to \$21 million in the 2009-11 biennium. The Legislature also approved the sale of \$250 million lottery-backed bonds for the

Southeast Portland Light Rail Project and \$20 million lottery-backed bonds for a Streetcar Grant Program. Debt Service for the bonds will not be required until the 2009-11 biennium.

Other Funds limitation increased \$550.5 million, or 20%. The 2007-09 legislatively adopted budget reflects substantial increases in highway construction programs and commitment by the Legislature to invest in Oregon's transportation infrastructure. The budget includes \$400 million is planned for bridge construction contractor payments, \$100 million is to continue investments in key non-highway facilities, and \$46.5 million is planned for federal highway funds passed through to local governments during 2007-09; \$2.8 million to respond to mandates outlined by SB 640 (2005) to utilize biometrics in the issuance of driver licenses, permits, and identification cards; \$56.3 million was approved for a one time distribution to counties out of the state share of State Highway Funds for county road maintenance and improvements; \$3.8 million to increase ODOT's outreach efforts in providing additional opportunities to emerging small businesses in construction and maintenance of highways and bridge contracts; and \$2 million to fund a multimodal study including Oregon's freight and passenger rail system funded by an assessment to recipients of "Connect Oregon" grant funds.

No provisions were made to respond to requirements of the Federal Real Identification Act.

Federal Funds limitation increased \$12.6 million, or 16.7%. Most of the increase in Federal Funds, \$10.2 million, is for increased federal funding from the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) enacted August 10, 2005 for Aviation and Public Transit programs. The budget provides \$8.9 million for infrastructure improvements at six state airports; \$6.5 million increase for public transit grant programs through the federal SAFETEA-LU authorization bill; and \$519,219 is proposed for a federal grant from the Federal Motor Carrier Safety Administration to implement a 10-year driver history check with other states before issuing a commercial driver license

Administration Program Area

The Legislature adopted a total funds budget for the Administration Program Area of \$7.2 billion. This is exclusive of \$710 million of Non-add Other Funds expenditure limitation provided for services provided to, and paid by, other state agencies. Classifying these expenditures as Non-add Other Funds prevents "double counting" these inter-agency charges. Of the \$7.2 billion, \$6.29 billion is for payment of retirement benefits and refunds by the Public Employees Retirement System.

Federal Funds expenditure authority was provided for the Secretary of State Elections Division to continue the computerized voter registration system under the Help America to Vote Act. The Public Employees Retirement System was authorized to continue positions previously approved to deal with the continued workload backlog that resulted from unprecedented numbers of retirements and changes to the system in 2003. Lottery Funds were approved to fund the continued operation of the Community Solutions Team in the Office of the Governor.

The Legislature also approved the budget for the new Oregon Educators Benefit Board within the Department of Administrative Services. The Board, created by Chapter 7, Oregon Laws 2007, will contract for and administers medical and dental insurance programs for the various school, education service, and community college districts throughout the state. The law prohibits those districts, with certain exceptions, from offering benefit plans other than those offered by the Board on or after October 1, 2008.

Additionally, the Legislature transferred the Office for Oregon Health Policy and Research from the Department of Administrative Services to the Department of Human Services. The purpose of the transfer was to facilitate the Office's supportive role to the newly created Oregon Health Fund Board within the Department of Human Services.

Legislative Branch

The 2007 Legislature adopted a budget of \$81.2 million General Fund for the six legislative branch agencies. The General Fund adopted budget is a 21% increase from the 2005-07 legislatively approved budget. The increase represents an investment in additional professional staff, technology, and facilities. Specifically, the budget provides funding for:

- legislators' interim budgets sufficient to hire a full-time staff person during the interim to help them better fulfill their responsibilities to the public and to increase the professionalism of the Legislature;
- debt service costs for issuance of certificates of participation to complete the capitol renovation project and the bill drafting system;
- continuation of the Oregon Channel;
- development of a long-term facilities plan for the Capitol; and
- technology development and infrastructure needs, including maintenance and support of wireless technology, anti-SPAM software and network attached storage system, uninterruptible power system, and the first phase of replacement of the recording and archiving system.

The budget also provides for additional positions in legislative agencies to complete the work outlined above and to better meet the needs of legislators. A large increase in Other Funds reflects the costs for the capitol renovation project, which is being funded with certificates of participation.

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 2007-09 legislatively adopted budget includes 13 separate General Fund appropriations to the Emergency Board. Twelve of these appropriations are known as "special purpose appropriations" and are for specified uses in specified agencies. For general purposes, the Legislature appropriated \$30 million General Fund to the Emergency Board in SB 5549 to cover any unanticipated needs in approved agency budgets during the 2007-09 interim. The amount represents the same amount as appropriated for the 2005-07 interim, but \$10 million less than the amount appropriated for each of the previous three biennia. Due to the restricted amounts in the "general purpose" Emergency Fund during the 2005-07 interim, several decisions on funding had to be deferred to the 2007 regular session. The Legislature also has the authority to establish reservations of amounts within the general purpose Emergency Fund; for the 2007-09 interim, no reservations were established.

The Legislature appropriated \$125 million General Fund to the Emergency Board in SB 5549 as a special purpose appropriation for the increased cost of state employee health benefits and salary adjustments during the 2007-09 biennium based on negotiated settlements with collective bargaining units. The amount represents full coverage of the estimated General Fund cost to state agencies for the

negotiated health benefits and salary adjustments. The Department of Administrative Services will develop a plan for the distribution of these funds based on the negotiated needs for the 2007-09 biennium. The Department will present the plan either to the Emergency Board or to the Legislature during the scheduled February 2008 special session for approval. The plan will also include agency requests for related Other Funds and Federal Funds expenditure limitation adjustments for salary and benefit costs covered by these sources.

As noted earlier, in addition to the employee benefits and salary adjustments appropriation, the Legislature also established various special purpose appropriations for specific agency uses in SB 5549 and in agency budget bills. These include:

- \$31.1 million for caseload growth in the Department of Education's Early Intervention/Early Childhood Special Education and Head Start programs;
- \$5 million for the Department of Forestry for forest fire suppression severity and fire insurance premium costs;
- \$2.5 million for distribution to state agencies for continuous improvement projects;
- \$1.8 million for the Secretary of State for special election costs;
- \$1.5 million for the Department of Land Conservation and Development for costs associated with the processing of Ballot Measure 37 claims;
- \$1 million for the Department of Justice for workload associated with defending the state in the Tobacco Master Settlement Agreement litigation;
- \$0.8 million for the Department of Education for local option equalization grants;
- \$0.7 million for the Government Ethics Commission for costs of developing and implementing an electronic filing system; and
- two separate appropriations for the Legislature for a review of court facilities (\$0.6 million) and for Capitol renovation costs (\$0.6 million).

In addition, the legislatively adopted budget included a \$9 million special purpose appropriation for the Department of State Police for costs associated with development of the Oregon Wireless Interoperability Network (known as OWIN). The Governor subsequently vetoed the establishment of the special purpose appropriation in SB 5549. In addition, the Governor purported to veto the actual transfer of \$9 million from the Emergency Communications Account (9-1-1 funds) in SB 994; Legislative Counsel and the Legislative Fiscal Office, however, do not believe the Governor has the authority to use the line-item veto in non-appropriation bills such as SB 994. This issue is expected to be addressed during the scheduled February 2008 special session.

Capital Construction and State Bonding Debt

State Bonding and Capital Construction in the Legislatively Adopted Budget

In February 2007, the State Debt Policy Advisory Commission updated their recommended capacity limits for General Fund and Lottery Funds debt based upon the December 2006 revenue forecast. The recommended capacity for General Fund is \$2.37 billion for the next three biennia with Lottery funds capacity of \$1.46 billion during the same timeframe. The Commission recommends issuing debt in a phased approach and therefore no more than \$789 million per biennium for General Fund debt and \$486 million per biennium for Lottery Funds debt.

The Legislature approved \$437 million in General Fund debt. The amount includes \$165 million in General Fund Obligations which are mostly XI-G bonds for post-secondary education and \$272 million in certificates of participation. While there is still significant room within the General Fund debt capacity, a number of issues were not funded during the regular session that may need to be addressed during the biennium. These include projects related to the Oregon Wireless Interoperability Network (OWIN), the Oregon Judicial Information Network (OJIN), and potential facility projects for the Department of Administrative Services.

The Legislature approved \$485.7 million of Lottery Funds debt which includes cost of issuance and reserves. This essentially spends the entire amount of capacity recommended by the Commission. Detail on Lottery funded debt is included below.

Direct revenue bonds total \$1,663.7 million and include \$863.7 million for Highway User Tax and Infrastructure Fund, \$600 million for housing bonds, and \$200 million for economic and community development.

Pass-through revenue bonds total \$1,150 million and include \$400 million in Industrial Development bonds, \$500 million for the Oregon Facilities Authority and \$250 million for housing projects.

The largest COP-funded projects include \$100.4 million for the new State Hospital, \$30.3 million for corrections, and \$30.7 million for higher education. A complete list of COP projects is available in Appendix B. Debt service on these new COP projects is estimated to increase from \$25.3 million in 2007-09 to \$68.4 million in 2009-11.

Capital Construction

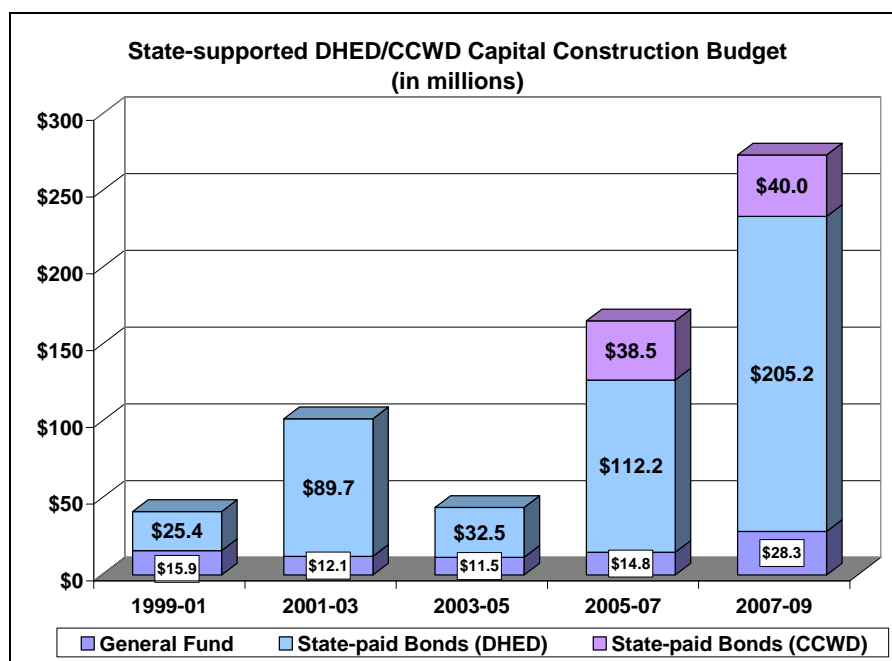
The proposed capital construction projects total \$841 million. Other Funds projects total \$749.2 million, including \$533 million for higher education facilities improvements and deferred maintenance and \$89 million for the new State Hospital facility. Federal Funds expenditures for projects total \$63.4 million and include \$55.7 million for Military facilities and \$7.7 million for projects at the Department of Aviation. A complete list of capital construction projects for all agencies other than higher education and community colleges is included in Appendix A.

Higher Education and Community Colleges

The legislatively adopted budget includes \$641.4 million for capital construction projects for post-secondary education. This total includes \$561.3 million for the Department of Higher Education and \$80.1 million for capital projects at community colleges. The projects will be funded from a number

of sources, including General Fund, various categories of bonds, gifts, grants, and other revenues including community college funds. All of the \$641.4 million of expenditures are Other Funds, except for \$28.3 million of General Fund appropriated to the Department of Higher Education. There is no General Fund appropriation in this budget for capital repair or deferred maintenance – these projects are funded with Lottery bonds. This ends a long-standing practice of appropriating General Fund to the Department of Higher Education for academic modernization, capital repair, deferred maintenance, and code and safety compliance projects. Instead, the General Fund is used to match Article XI-G bonds for eight capital construction projects. This is the first time that such a large amount of General Fund has been appropriated to match bonds since Measure 5 started reducing local property taxes in the 1991-93 biennium. The Governor had proposed Lottery bonds for these projects, but the Legislature substituted General Fund and Article XI-G bonds to reduce debt service costs and to control budget roll-up costs.

The bonds approved for higher education and community college 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 and Lottery Funds. The budget authorizes a total of \$245.2 million of state-supported debt for post-secondary education capital construction, including \$205.2 million for the Department of Higher Education and \$40 million for community colleges. This represents a large (63%) increase over the 2005-07 biennium level, when a total of \$112.2 million of state-supported debt was approved for the Department of Higher Education and \$38.5 million of state-supported debt was approved for community colleges. General Fund and Lottery Funds debt service costs on the approved 2007-09 biennium state-supported debt, will total \$5.3 million in 2007-09, and total \$41.1 million in the 2009-11 biennium when they fully phase in. This amount represents a 75% increase over what debt service costs would have been without these additional bonds.



The budget for the Department of Higher Education supports 38 specified capital construction projects, and includes general support to address capital repair and deferred maintenance needs. An important aspect of the budget is its large increase in funding for campuses to address deferred maintenance issues. The budget includes \$50 million of Lottery bond proceeds to address capital repair and deferred maintenance needs. This level of funding, along with \$87.3 million of state funds for six additional

deferred maintenance capital projects, will significantly address the backlog of deferred maintenance of OUS campuses, now estimated to total \$600 million.

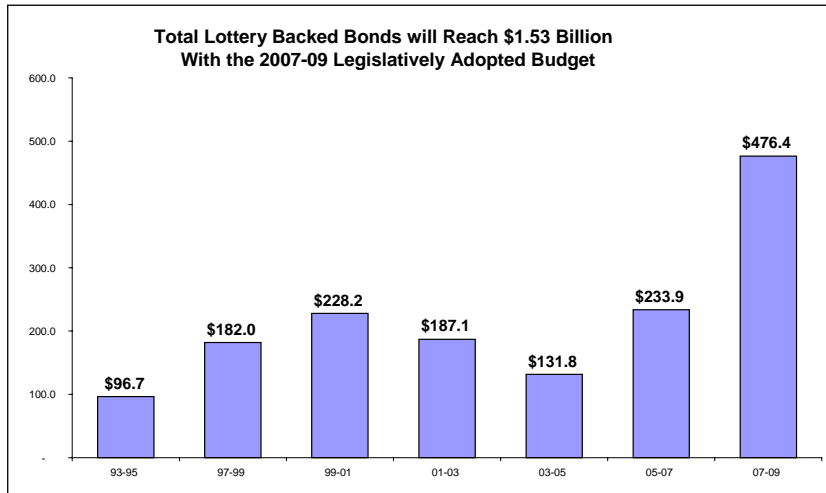
For the Department of Community Colleges and Workforce Development, the legislatively adopted budget includes \$40,040,500 of Article XI-G bonds to finance \$80.1 million of capital construction projects in eight community college districts. The eight districts include one that received capital construction funds in the 2005-07 biennium budget, and seven additional districts that did not. The budget represents a 4% increase over the level of Article XI-G bonds approved for community college capital construction projects in the 2005-07 biennium.

The budget does not conform to a budget policy that the Legislature adopted in the 2005 session, i.e., that total debt service costs on all outstanding Article XI-G bonds, issued on or after July 1, 2005 for community college capital construction projects, not exceed \$6.5 million per biennium. The \$40.04 million of Article XI-G bonds in the budget will generate projected biennial General Fund debt service costs, beginning in the 2009-11 biennium, of approximately \$6.5 million in and of itself. Instead, the Legislature chose to continue state support at approximately the 2005-07 biennium level, with an expectation that future funding will remain at approximately this level, and that this will allow all community colleges to receive capital project support over a three-biennium period.

Lottery-Backed Bonding

Not including the cost of issuance and reserves, \$476.4 million is authorized for projects financed with lottery-backed bonding in 2007-09. Included in this amount is \$472.4 million for new projects and \$4 million in previously authorized bonding for the Coos County Airport project. This project was authorized in SB 152 (2005) and provided for the sale of \$6 million for the Economic and Community Development Department for North Bend airport improvements. \$2 million of those bonds were sold in the 2005-07 biennium. The 2007 Legislature authorized:

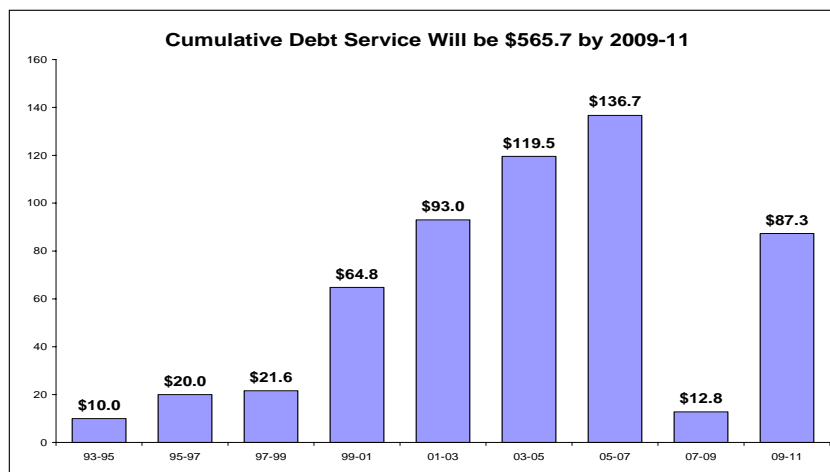
- \$100 million for the Department of Transportation's Connect Oregon transportation projects. This is in addition to the \$100 million Connect Oregon bond sale authorized for the 2005-07 biennium.
- \$21.43 million for the Economic and Community Development Department for infrastructure projects.
- \$50 million for the Department of Higher Education for capital repair projects.
- Pass-through bonding authority for the Economic and Community Development Department in the amount of \$7 million for the City of Hillsboro for a downtown parking facility; and \$5 million for 2007-09 and a cap of \$60 million for the International Port of Coos Bay for the Coos Bay Channel Project.
- Pass-through bonding authority for the Oregon Department of Transportation in the amount of \$250 million for the Southeast Metropolitan Extension Project; and \$20 million for the Oregon Streetcar Project.
- Pass-through bonding authority in the amount of \$3 million for the Department of Administrative Services for the Oregon Public Broadcasting Corporation for digital transmission facilities.



Through the 2005-07 biennium, the Legislature had approved the issuance of over \$1 billion in lottery-backed bonds as reflected in the chart above. With the bonding approved in the 2007-09 legislatively adopted budget, total issuance will exceed \$1.5 billion. *See Appendix A* for a history of lottery-backed bonds.

Debt service on lottery-backed bonds continues to increase and will absorb a significant portion of the available lottery resources in future biennia. Debt service in the 2003-05 biennium was \$119.4 million. This increased to \$136.7 million in 2005-07 based on all previously authorized bond issuance (excluding debt service on the parks bonds issued in 1998, which is paid out of the 15% of Lottery Funds dedicated to parks and natural resources, and a small portion of the debt service on K-12 education bonds, which is paid out of interest earnings on the Education Stability Fund). In the 2007-09 legislatively adopted budget, debt service will increase by \$12.8 million, to a cumulative total of \$465.6 million. Because the sale of most of the bonds authorized by the 2007 Legislature is delayed until late in the biennium, the 2007-09 debt service does not accurately reflect repayment cost. Total roll-up cost for debt service on the bonding authorized in 2007-09 will be \$87.3 million in 2007-09, and the cumulative debt service will be \$565.7 million.

The chart below shows the growth in total debt service costs (excluding debt service on the parks bonds and K-12 education bonds).



As noted in the “Lottery Funds” section of this report, dedicated Lottery Funds expenditures, including debt service, are 49% of all Lottery Funds expenditures.

2007 Substantive Bills with Budget Effects

In addition to appropriation measures, the Legislature approved a number of substantive measures that had a budgetary or fiscal impact. The following is a brief summary, by program area, detailing the 40 most noteworthy of these measures which passed through the Joint Committee on Ways and Means and became law or were referred to voters.^{3,4}

Education Program Area

HB 3141 (Chapter 839, 2007 Laws) funds a number of programs from the Department of Education's State School Fund (SSF) and modifies the State School Fund distribution formula. SSF expenditures include: \$5.2 million for Youth Corrections Education Program; transfers \$1.8 million to the Oregon Virtual School District; authorizes up to \$140,000 to collect data on physical education; authorizes up to \$860,000 for grants related to physical education requirements that become mandatory in the 2017-18 school year; authorizes up to \$800,000 for best practices audits of school districts; authorizes up to \$350,000 for the Talented and Gifted Program; authorizes up to \$150,000 for staff support of the Quality Education Commission; authorizes up to \$150,000 for a speech language pathology program; and transfers \$200,000 to the Office of the Governor for support of the Education System Design Team. These one-time expenditures total up to \$9.7 million from the State School Fund.

SB 334 (Chapter 802, 2007 Laws) changes statutes that govern the Oregon Opportunity Grant program, to allow the Oregon Student Assistance Commission (OSAC) to implement the Shared Responsibility Model. The Opportunity Grant is the state's primary student aid program, and is funded in the OSAC budget. The fiscal impact of the measure is indeterminate, because it allows the Commission sufficient discretion to vary parameters that would determine the total state share cost of student aid and certain variables remain outside the control of the state (e.g., enrollment rates and tuition and fee levels). However, HB 5044, the budget measure for the Commission, appropriated \$43 million General Fund above the essential budget level for Opportunity Grant awards, to coincide with the implementation of SB 334 on July 1, 2008. This will provide total funding of \$72 million General Fund for the Oregon Opportunity Grant program in the 2008-09 academic year. During the 2009-11 biennium, the Shared Responsibility Model changes would operate for both years of the biennium, and the continuing cost of the Opportunity Grant program would total \$152 million General Fund. In addition to these amounts, HB 5044 includes \$651,314 General Fund (3.40 FTE) for program administration.

SB 426 (Chapter 7, 2007 Laws) establishes the Oregon Educators Benefit Board (OEBB) to contract for health, dental and other benefits for certain school districts, education service districts, and community college districts. To implement the measure, the Legislature approved a 2005-07 supplemental General Fund appropriation of \$136,847 to the Oregon Department of Education (ODE) for the costs of OEBB. Another 2005-07 supplemental expenditure limitation of \$184,524 Other Funds (0.46 FTE) was approved for the Department of Administrative Services (DAS), Public Employees Benefit Board (PEBB). For the 2007-09 biennium, the Legislature approved a General Fund appropriation of \$5 million for the ODE and an Other Funds expenditure limitation of \$5.5

³ There were approximately 349 substantive measures referred to the Joint Committee on Ways and Means, with 114 (33%) having at least one hearing. Eighty-four (74%) of the 114 measures heard in committee became law.

⁴ Additional information for each can be found in the measure's budget report, an agency or the Emergency Fund budget report, or a fiscal impact statement. This information is available on the Legislature's website at: <http://www.leg.state.or.us>

million (18.63 FTE) for the costs of OEBB. OEBB is to repay the General Fund and PEBB for implementation costs by June 30, 2011. OEBB is allowed to charge an administrative assessment on monthly employer and employee contributions for benefits plans that is expected to generate \$1.5 million during the 2007-09 biennium. Any shortfall in the \$1.5 million will need to be backfilled with General Fund. DAS and/or ODE are expected to return to the Emergency Board or the 2009 legislative session once more is known about how much will actually be generated by the assessment.

Human Services Program Area

HB 2406 (Chapter 751, 2007 Laws) creates a Medically Involved Home Care Program in the Department of Human Services for children with significant disabilities who require complex medical care and who have not previously qualified for Medicaid. The measure requires DHS to seek waivers from the federal government to allow these children to now qualify for Medicaid coverage. The measure has a \$3.6 million total funds (2.59 FTE) impact for 18 months of the 2007-09 biennium and \$14.4 million total funds (7.25 FTE) impact for 24 months of the 2009-11 biennium. Of these amounts, General Fund comprises \$1.4 million and \$5.7 million respectively. Federal Funds and a nominal amount of Other Funds fund the remainder of the measure's expenditures (also see HB 5031).

HB 2469 (Chapter 861, 2007 Laws) restructures Oregon's Temporary Assistance to Needy Families (TANF) program and impacts the Department of Human Services and the Department of Justice budgets. The fiscal impact of this measure is estimated to be \$27.5 million total funds (7.46 FTE) for the 2007-09 biennium and \$47.4 million total funds (12.00 FTE) for the 2009-11 biennium. Of these amounts, General Fund comprises \$10.7 million and \$19.8 million respectively. The Federal Funds, TANF block grant funds and Medicaid match for the transitional medical services, funds the remainder of the measure's expenditures (also see HB 5031, SB 5520, and HB 5549).

HB 2524 (Chapter 838, 2007 Laws) requires health care facilities to collect data on health care facility acquired infection rates and establishes the Oregon Health Care Acquired Infection Reporting Program in the Department of Administrative Services, Office for Oregon Health Policy and Research (OHPR). The measure appropriates \$201,467 General Fund (1.00 FTE) for the 2007-09 biennium and an estimated cost of \$185,197 General Fund (1.00 FTE) for the 2009-11 biennium (also see SB 329, which transfers OHPR to the Department of Human Services).

SB 282 (Chapter 801, 2007 Laws) changes the legal definition of foster home to include a home maintained for a child by a person related by blood or marriage. The fiscal impact of this measure is \$2.2 million total funds for 2007-09 and \$4.8 million total funds for 2009-11. Of these amounts, General Fund comprises \$1.8 million and \$3.9 million respectively. Federal Funds comprises the remainder of the budgeted expenditures. There are no new positions or FTE associated with this measure.

SB 328 (Chapter 889, 2007 Laws) expands the definition of a mental disease or defect to include developmental disability (DD). This provides similar access to the current Juvenile Code's dispositional system for juveniles who successfully assert the defense of "Responsible Except for Insanity (REI)." Juvenile courts would have the option of placing a DD juvenile under the jurisdiction of the recently established Juvenile Panel of the Psychiatric Security Review Board (PSRB). The Juvenile Panel of the PSRB may direct that any juvenile (not just DD juveniles) under its jurisdiction be moved to a specific type of facility or direct specific care or supervision. The fiscal impact of the measure is \$4.5 million total funds (0.88 FTE) for the 18 months of the 2007-09 biennium (and included in the legislatively adopted budget) and \$9 million (1.00 FTE) for 24 months of the 2009-11

biennium. Of these amounts, \$2 million and \$4 million are General Fund respectively. Federal Funds and a nominal amount of Other Funds fund the remainder of the measure's expenditures. The estimated cost of the measure could be understated if more than 10 children successfully assert this defense and/or the PSRB assigns most of the 10 estimated children to a more costly locked facility.

SB 329 (Chapter 697, 2007 Laws) establishes a seven member Oregon Health Fund Board to develop a comprehensive health care plan for consideration by the 2009 Legislative Assembly. Also, the Office for Health Policy and Research and the Oregon Prescription Drug Program are moved from the Department of Administrative Services (DAS) to the Department of Human Services (DHS). In addition to transferring the existing budget from DAS, the measure provides \$1.2 million General Fund and \$671,000 Federal Funds expenditure limitation to DHS to implement the provisions of the measure along with \$1 Other Funds limitation as a placeholder in the event the Board receives donations or grants to implement the measure.

SB 414 (Chapter 806, 2007 Laws) establishes new requirements regarding children placed in the guardianship or legal custody of the state. The Legislature funded only the tangible costs of the Department of Human Services (DHS), which are those related to legal representation (as paid to the Department of Justice) and the educational tracking database. This measure has a fiscal impact of \$160,408 total funds for the 2007-09 biennium and \$108,544 total funds for the 2009-11 biennium. The General Fund impact is \$80,204 and \$54,272 respectively. Federal Funds provides the remainder of the funding. Of note is that DHS and the Oregon Judicial Department will absorb the incremental workload increases associated with this measure (also see HB 5031).

SB 858 (Chapter 834, 2007 Laws) gives adult foster care home providers the right to collectively bargain with the state. The measure has a fiscal impact on the Department of Administrative Services of \$126,000 Other Funds, which the Department states can be absorbed within its existing Human Resource Services Division budget.

SB 958 (Chapter 897, 2007 Laws) expands the Department of Human Services' (DHS) regulation of in-home care agencies, by requiring the Department to conduct an on-site inspection of each in-home care agency prior to issuing a license, and once every three years thereafter. The measure establishes licensing fees in statute, which is expected to generate approximately \$88,000 Other Funds during the 2007-09 biennium and \$117,500 during the 2009-11 biennium. DHS expenditures are estimated to be \$87,857 Other Funds (0.54 FTE) and \$107,698 Other Funds (0.75 FTE) respectively.

SB 1041 (Chapter 308, 2007 Laws) formally repeals section 9 of HB 3108 from the 2005 legislative session, which had directed that the Department of Human Services adopt rules implementing adjustments (i.e., savings) to Oregon Health Plan services funded under ORS 414.705(1) (e.g., inpatient hospitals, over-the-counter drugs, dental services, and vision services). The cumulative fiscal impact is \$2 million General Fund and \$3.2 million Federal Funds for a total impact of \$5.1 million. The Department received a one-time \$2 million General Fund appropriation during its 2005-07 budget rebalance (also see SB 5547) to cover the shortfall. Also, the Department's 2007-09 legislatively adopted budget restored funding for most of the aforementioned health services (also see HB 5031).

Public Safety Program Area

HB 2125 (Chapter 878, 2007 Laws) brings Oregon law and the state's child support program into conformity with the changes made in the federal Deficit Reduction Act of 2005 including those related to review of child support obligations and required payments for medical support where health

insurance is not available. The measure has a fiscal impact for the Department of Justice of \$7 million total funds (33.20 FTE) for the 2007-09 biennium and \$6 million total funds (33.20 FTE) for the 2009-11 biennium. Overall, the net General Fund impact is \$1.49 million and \$1 million respectively (also see SB 5520).

HB 2370 (Chapter 740, 2007 Laws) transfers the Office of Emergency Management from the Department of State Police to the Military Department. The total fund impact of the transfer at the essential budget level is \$131.9 million (33.78 FTE). Of this amount, \$2 million is General Fund, with the remainder comprised of \$28.8 million Other Funds, \$4.6 million Other Funds Nonlimited, \$51.3 million Federal Funds, and \$45.2 million Federal Funds Nonlimited (also see HB 5037 and SB 5533).

HB 3233 (Chapter 841, 2007 Laws) establishes the Sex Offender Treatment Board to oversee the certification of sex offender therapists. The measure provides a one-time \$150,000 Other Funds expenditure limitation increase funded with temporary fees for the Oregon Health Licensing Agency to cover initial start-up costs.

HB 3563 (Chapter 832, 2007 Laws) establishes a six member Public Safety Strategies Task Force to examine the effectiveness of progress in reducing crime and victimization. The task force will be staffed with Legislative staff. The measure provides for a one-time appropriation of \$100,000 General Fund to the Legislative Administration Committee/Assembly for technical and consultant services to support the task force.

SB 1 (Chapter 787, 2007 Laws) provides funding to develop a seismic rehabilitation grant program for public buildings. The measure appropriated \$433,560 General Fund (2.67 FTE) to the Military Department, Office of Emergency Management for administrative costs associated with developing the grant program.

SB 111 (Chapter 842, 2007 Laws) makes a number of changes relating to the use of deadly force by law enforcement officers and requires local law enforcement agencies to develop plans for outlining the use of deadly force by agency personnel. The measure provided for a one-time appropriation of \$182,161 General Fund (0.50 FTE) to the Department of Justice to review the plans and provide assistance to local governments who will receive pass-through funding for implementing changes in their plans.

Economic and Community Development Program Area

HB 2208 (Chapter 857, 2007 Laws) expands state educational support to veterans by providing a \$100 monthly stipend to those attending an approved part-time course of study or professional training. The budgetary impact to the Department of Veterans' Affairs is \$54,000 General Fund for the 2007-09 with an identical cost for the 2009-11 biennium (Also see SB 5541).

SB 350 (Chapter 804, 2007 Laws) reorganizes the statutory provisions and streamlines multiple statutory references and directions for Economic and Community Development Commission. The measure also makes substantive changes, such as eliminating some statutory provisions and adding two Commission members. While many of this measure's provisions do not have a fiscal impact because they restate existing law, other fiscal provisions are of an indeterminate nature and could result in changes to operating funds, which could result in administrative savings.

SB 461 (Chapter 837, 2007 Laws) increases the statutory cap on collections by Portland General Electric and PacifiCorp for low income payment assistance from \$10 million per year to \$15 million. This measure would have a revenue impact of approximately \$7.6 million during the 2007-09 biennium and \$10.9 million during the 2009-11 biennium. The measure provides the Housing and Community Services Department with a corresponding \$7.6 million Other Funds expenditure limitation for the 2007-09 biennium. The expenditure impact for the 2009-11 biennium is \$10.9 million.

Consumer and Business Services Program Area

SB 583 (Chapter 759, 2007 Laws) enacts the Oregon Consumer Identity Theft Protection Act. The measure provisions require notification to consumers for breach of security of computerized data; allows consumers to freeze, or block access to their credit; creates a duty to safe guard personal information; and authorizes the Department of Consumer and Business Services (DCBS) to enforce, assess penalties, and make rules to implement the provisions of the measure. The revenue sources for the measure are securities and insurance fees and assessments previously transferred to the General Fund. General Fund transfers are reduced by \$32,484 for the 2007-09 biennium and \$267,706 for the 2009-11 biennium. The measure provides DCBS with \$202,017 Other Funds expenditure limitation (1.46 FTE) for the 2007-09 biennium. The measure's estimated cost for the 2009-11 biennium is \$267,703 Other Funds (2.00 FTE).

Natural Resources Program Area

HB 3540 (referred to voters) modifies the Ballot Measure 37 claim process for compensation; establishes opportunity for claimant to select one of three options to submit a claim; establishes timelines; provides for transferability of development rights; revises process for claims against future land use regulations; authorizes a claims review fee for new claims; and creates a Compensation and Conservation Ombudsman position. The measure would require one-time state administrative expenditures of \$8.7 to \$12.5 million General Fund to evaluate claims received to date for adherence to measure requirements. In the short-term, the measure requires state administrative expenditures of \$1 million to \$2 million General Fund per biennium to evaluate future claims. Over the long-term, state administrative costs may be reduced as the measure limits the scope of potential future claims. The amount of those potential reductions cannot be determined. Also of an indeterminate fiscal nature are potential state litigation costs, and claims for compensation to landowners, and claim review fee revenue. A similar indeterminate fiscal impact exists for local government (also see HB 2640).

HB 3543 (Chapter 907, 2007 Laws) sets greenhouse gas emissions reduction goals for Oregon and creates the Global Warming Commission and the Oregon Climate Change Research Institute within the Department of Higher Education. The Legislature appropriated \$180,000 General Fund (1.88 FTE) to operate the research institute for the second year of the biennium. The 2009-11 biennial cost is \$360,000 (5.00 FTE).

HB 3546 (Chapter 133, 2007 Laws) provides government entities an additional 360 days to review and act on Ballot Measure 37 claims received after November 1, 2006. The fiscal impact of the measure is \$7.2 million General Fund (31.25 FTE) for the 2007-09 biennium. Of this amount, \$4.5 million is for the Department of Land Conservation and Development (DLCD), including \$4.6 million (received as Other Funds) which is paid to the Department of Justice (DOJ) for legal costs, \$739,183 is General Fund for the Department of Administrative Services, and \$1.5 million is a special purpose appropriation established in the Emergency Fund for potential DLCD and DOJ costs above budgeted

expenditures. The fiscal impact for the 2009-11 biennium is indeterminate (also see HB 5502, HB 5033, SB 5549).

SB 737 (Chapter 696, 2007 Laws) directs the Department of Environmental Quality (DEQ) to conduct a study of water quality persistent pollutants and to report the results to the Legislature. The report must include a priority list of persistent pollutants, among other things. DEQ is directed to incorporate submitted plans into new or renewed National Pollutant Discharge Elimination Permits. Total Other Fund expenditures for developing the report and providing support to permittees on plan development is expected to be \$458,860 Other Funds (1.00 FTE) for the 2007-09 biennium, and \$229,430 Other Funds (1.00 FTE) for the first year of the 2009-11 biennium. The bill allows DEQ to charge a surcharge on permits issued by the Department.

Transportation Program Area

HB 2278 (Chapter 859, 2007 Laws) authorizes a second round of \$100 million in lottery-backed bonds, plus bond issuance costs, to continue providing grants and loans for air, marine, public transit and rail transportation projects initiated by the 2005 Legislature. It also specifies that 2% of a recipient's total project costs be returned to the Oregon Department of Transportation to fund a study of the multimodal transportation system. Debt service in the 2007-09 biennium is estimated to be \$4.5 million Other Funds and \$20 million Other Funds for the 2009-11 biennium (also see HB 5047).

HB 2982 (Chapter 667, 2007 Laws) abolishes the Department of Transportation's Environmental Quality Information Account and transfers funds into a newly established Passenger Rail Transportation Account to be used for passenger rail programs. The measure dedicates existing fees collected from the issuance of custom vehicle registration plates to the Oregon passenger rail program and establishes an annual renewal fee for custom license plates. The fees generate about \$4.3 million each biennium and are currently used to pay for litter patrol activities on highways. Because highway trust funds can be used to pay for litter patrol activities, the revenue from custom plates dedicated to the passenger rail program will provide nearly 50% of the funds for passenger train service. As a redirection of an existing fee, the measure does not have a fiscal impact.'

Administration Program Area

HB 2640 (Chapter 750, 2007 Laws) sets November 6, 2007 as the date for a statewide special election for the purpose of two legislative referrals. Referrals to that ballot are HB 3540 and SJR 4. The measure refers HJR 49, HJR 50 and SJR 18 to the May 2008 primary election. Referrals to the November 2008 general election are HJR 4, HJR 15 and HJR 31. The cost of the measure, \$1.8 million General Fund, is included in a special purpose appropriation in the Emergency Fund for Secretary of State special election costs, which are reimbursable to counties (also see SB 5549).

HB 2918 (Chapter 872, 2007 Laws) requires health benefit plans to cover treatment of pervasive developmental disorders subject to the same conditions as treatment of physical illness and directs the Health Resources Commission to review medical and behavioral health evidence on the treatment of pervasive developmental disorders and report findings to the Seventy-fifth Legislative Assembly. The fiscal impact of the measure is \$841,500 total funds for 18 months of the 2007-09 biennium and \$1.1 million total funds for 24 months of the 2009-11 biennium. The General Fund cost of the measure, which is \$236,461 and \$315,282 respectively, will likely be funded from a special purpose appropriation to the Emergency Board mean to provide funding for negotiated and other compensation plan changes. Local governments estimate a 10% change in current premium rates.

HB 3054 (Chapter 873, 2007 Laws) directs the Independent Development Enterprise Alliance to develop and execute a plan to support community-based programs that assist underserved individuals in removing legal impediments to employment. The measure appropriates \$275,000 General Fund to the Department of Administrative Services for a one-time distribution to the Independent Development Enterprise Alliance for it to develop and execute the plan.

SB 994 (Chapter 911, 2007 Laws) makes the necessary changes to statutes to support the 2007-09 legislatively adopted budget, to clarify the application of statutes, and to modify provisions relating to the use of funds. The measure: (a) transfers \$2 million in Lottery Funds from the Problem Gambling Treatment Fund to the Administrative Services Economic Development Fund; (b) provides that receipts from sales of surplus property as a result of the Capitol Renovation project will be deposited into the Oregon State Capital Foundation Fund; (c) transfers \$284,000 from unspent grant funds for small business development centers to the Administrative Services Economic Development Fund; (d) transfers \$3.65 million from the State Forestry Department Account to the Forest Patrol Fund and provides that funds in the State Forestry Department can be used only for a purpose specified in statute unless the counties from which the state has acquired lands consent in writing; (e) clarifies the federal grant application approval process for the interim; (f) adjusts statutory judicial salary levels for state judges, who will receive a salary increase of 16% on July 1, 2007 and an additional 3% increase on July 1, 2008, for a biennial cost of \$8.5 million General Fund (also see SB 5518); (g) provides for a one-time distribution to counties of \$56.2 million from the State Highway Trust Fund for road funding and reduces the requirement for minimum expenditures from the Highway Fund for modernization projects by 25%; (h) transfers \$4.6 million in public purpose funds to the Oregon Department of Energy for the purposes of assisting the Oregon Museum of Science and Industry in repayment of a Small Scale Energy Loan Program loan; and (i) transfers \$9 million in unused 9-1-1 funds from the Emergency Communications Account to the General Fund.⁵

SB 4 (Chapter 789, 2007 Laws) declares a shortage of nurses and nursing faculty, with the nursing shortage declaration to remain in effect until suspended by the Governor by executive order. The Legislature approved an \$800,000 General Fund appropriation to the Department of Administrative Services for a one-time distribution to the Oregon Center for Nursing to increase retention of nurses, increase nursing faculty, and increase the number of nurses in underrepresented demographic groups.

SB 10 (Chapter 877, 2007 Laws) makes several changes to the state's government ethics laws and establishes an assessment-based funding mechanism for the Government Standards and Practices Commission⁶ beginning with the 2009-11 biennium. The assessment would be paid by all state agencies, local governments, local service districts, and special government bodies. The measure's impact is \$827,722 General Fund (0.92 FTE) for the 2007-09 biennium and \$148,875 General Fund (1.00 FTE) for the 2009-11 biennium to fund investigations, reporting, and an electronic reporting system. A special purpose appropriation to the Emergency Fund comprises \$700,000 of the 2007-09 amount and relates to a one-time expenditure for an electronic reporting system (also see HB 5025 and SB 5549).

SB 624 (Chapter 814, 2007 Laws) clarifies the role of the administrator of the Advocacy Commissions Office and establishes a board consisting of the chairpersons of the commissions served by the office and the Commissioner of the Bureau of Labor and Industries. The board appoints the

⁵ SB 994, a substantive measure, received two line-item vetoes by the Governor. The legality of these vetoes is of question. Historically, the Governor's line-item veto authority has, by state constitution, been limited exclusively to appropriation measures.

⁶ HB 2595 renamed the Government Standards and Practices Commission to the Oregon Government Ethics Commission.

administrator. The measure also transfers the responsibility for providing administrative assistance to the Advocacy Commission Office from the Department of Administrative Services to the Bureau of Labor and Industries (BOLI). BOLI may return to the Legislature or the Emergency Board if a part-time position or additional Other Funds expenditure limitation is needed.

Legislative Branch Program Area

HB 2530 (Chapter 862, 2007 Laws) creates a 30-member Task Force on Comprehensive Revenue Restructuring and a seven-member Oregon Revenue Advisory Council to provide technical analysis for and make recommendations to the task force. Staffing and expenses for both groups are to be provided by the Legislative Revenue Office. The measure provides for a one-time appropriation of \$117,011 General Fund (0.50 FTE) to support the task force and council.

SB 1033 (Chapter 828, 2007 Laws) amends ORS 173 to conform the statutory authorities for the fiscal impact process to Senate and House rules. The statute had required fiscal and revenue impact statements be issued on all introduced measures with an effect on local government, public safety, and the Public Employees Retirement System. This measure clarifies that fiscal impact statements are required on measures that are reported out of committee. The measure itself has no fiscal impact.

Judicial Branch Program Area

HB 2331 (Chapter 860, 2007 Laws) makes a number of changes to court filing fees, including equalizing plaintiff and respondent fees. The measure includes funding for an Interim Legislative Committee on Court Facilities, which will report on standards for reasonable and sufficient court facilities. The Committee was provided with a potential total of \$1.2 million General Fund for the cost to conduct this survey. The funding for the Committee is a one-time \$600,000 General Fund appropriation to Legislative Administration with an additional \$600,000 General Fund special purpose appropriation to the Emergency Fund. Additionally, the measure includes a one-time \$150,000 General Fund appropriation for potential consultant costs to Legislative Administration for an Interim Legislative Committee on Court Technology, to evaluate the technology transition plan of the Judicial Department and to make recommendations on the strategic plan, deliverables, costs, funding mechanisms, and oversight of the technology initiatives of the Department.

SB 456 (Chapter 912, 2007 Laws) disconnects legislator salary increases from judicial salaries increases. This measure does not have a fiscal impact (for judicial salaries adjustments, see SB 994).

Potential 2007-09 Budget Risks and 2009-11 Tentative Budget Issues

2007-09 Budget Risks

The legislatively adopted budget for the 2007-09 biennium is based on a number of program, policy, and environmental factors that are subject to change over the two-year budget period. A number of budgetary or financial risks that could adversely affect its ultimate execution are discussed below.

Revenue Forecast – The May 2007 economic forecast, which is the basis for the 2007-09 legislatively adopted budget anticipated \$14.1 billion in available General Fund resources. The May forecast for available 2007-09 General Fund and Lottery Fund resources was increased by \$97.2 million from the March 2007 forecast. If economic factors cause reductions in anticipated job growth, manufacturing, and personal income do not occur, this could reduce actual resources available.

It is important to note that the September 2003 close-of-session revenue forecast estimated there would be \$10.8 billion of General Fund resources, or \$0.3 billion (3%), more than the \$10.5 billion amount reflected in the May 2005 forecast for 2003-05. If a similar 3% negative variance occurs during 2007-09, projected revenues would be reduced by about \$420 million.

Emergency Fund – The adopted budget provides for a general purpose Emergency Fund of \$30 million. This is the same amount appropriated for the 2005-07 interim, but only 75% of the amount included in each of the two prior biennial budgets. Given actions that have been taken during the last several biennia to capture efficiencies and to reduce administrative costs, agencies continue to have limited management flexibility to address significant budget issues as they arise. As a result, agencies may bring more issues to the Emergency Board for evaluation, funding, and/or changes in legislative expectations. During the 2005-07 interim, a number of emergency funding issues had to be deferred until the 2007 legislative session due to the inadequate reserves in the general purpose Emergency Fund. Additionally, it appears that 2007 fire season costs will require an Emergency Fund allocation since the \$15 million landowner contribution will likely have been fully utilized toward wildfire fighting expenses. If an additional allocation is necessary after the 2007 fire season, Emergency Fund resources may not be available for other unbudgeted expenses. It is possible that the Emergency Fund could be supplemented during the scheduled February 2008 special session if sufficient funding is available based on forecasted 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).

Lawsuits – Litigation is always a risk to the state budget. There are lawsuits pending which could affect state agency budgets. 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.

Caseload Costs – The legislatively adopted budget is based on forecasts of program caseloads in the human services and public safety areas. Actual caseloads typically differ from these forecasts and may affect the ability of state agencies in these areas to implement their budgets. Some caseloads, such as

the Medicaid caseload, are – under federal and state law – considered mandated: if a person meets eligibility requirements, then he or she must be provided benefits whether or not the existing budget is sufficient. Many of these caseloads are affected by external factors such as the economic health or demographic shifts of Oregon and are beyond the control of agency managers. Other caseloads are affected by policy changes directed by the Legislature or the electorate, such as enhancing or limiting services, tightening eligibility requirements, or imposing longer or mandatory prison sentences.

Federal Policy Changes – Changes in federal policy can have a budget impact on the state by either providing additional or reduced funding. The 2003-05 budget, for example, included \$216 million from temporary federal fiscal relief payments. Because that funding was temporary, the 2005-07 legislatively adopted budget replaces the federal funding with state funding. The 2005-07 budget included significant amounts of Medicaid provider taxes that are used to enhance nursing facility reimbursement and to fund the Oregon Health Plan Standard program.

Binding Interest Arbitration – Some state workers represented by labor unions are prohibited from striking, but they 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. Public Safety agencies are most at risk of budget issues as a result of binding interest arbitration decisions.

Inflation – The adopted budget did include funding for inflation anticipated for the state’s purchase of goods and delivery of services, with a few exceptions. To the extent that the costs of certain goods and services (e.g., gasoline and electricity) increase more than anticipated due to inflationary effects, agencies will be required to manage to the higher expenses within their approved budgets.

General Uncertainty – Although difficult to quantify, there is a cost to the uncertainty with respect to the state’s budget. 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.

February 2008 and 2009-11 Tentative Budget Issues

There are a number of issues which were identified as needing further study and as possible items for consideration during the February 2008 special session. These potentially include:

- Oregon State Hospital replacement
- Disposition of interest earned on Department of Higher Education funds
- Review of financing of deferred maintenance projects for the Department of Higher Education and the appropriate levels of donor match
- Capital construction needs of Clatsop and Oregon Coast Community Colleges and of the Oregon Institute of Technology’s Center for Health Professions facility
- Review of implementation of the Shared Responsibility Model and approval of Key Performance Measures for OSAC relating to the Model
- The results of the Oregon Liquor Control Commission Agent’s Compensation Study
- Real ID Act
- Funding and implementation of the Oregon Wireless Interoperability Network (OWIN)
- Defense of Criminal Convictions
- Ballot Measure 37 funding and related issues

The majority of the potential risks identified for the 2007-09 legislatively adopted budget may also have a significant impact on the 2009-11 tentative budget. There are additional cost issues that will affect the 2009-11 budget, including:

Roll-Up Costs of 2007-09 Budget Decisions – Decisions on increasing the state debt will reduce the amount of General Fund and Lottery Funds resources available for general purposes since debt service must be paid. (See Capital Construction and Debt discussion)

Employee Compensation and Benefits – The 2007-09 adopted budget includes \$125 million General Fund in a special purpose appropriation for anticipated compensation and benefit cost increases. As it is not yet clear what the final compensation and benefit adjustments will be for state government employees, the estimated 2009-11 roll-up costs are still unknown, but will likely exceed \$200 million.

Appendix A

2007-09 Capital Construction Projects

Department of Transportation

Baker City and East Portland Highway Facilities – \$5 million Other Funds is recommended for the design and construction of new maintenance facilities at Baker City. The existing facilities have deteriorated beyond the point of repair and can no longer house the large equipment now in the ODOT fleet. \$1.1 million Other Funds is recommended for the East Portland Maintenance site to finalize design and begin site work during the 2007-09 biennium. The shop building and the office building have exceeded their life expectancy, suffer from safety/code deficiencies, do not meet current needs and are not energy efficient.

Transportation Building Renovations – \$4,710,339 Other Funds is recommended for design work and some initial program costs. A major renovation is necessary to make the building safe and efficient. Renovation work will occur in the 2009-11 biennium. The recommended amount includes permits and design as well as funding to relocate staff, systems and furniture and certain lease costs.

Sylvan Maintenance Station – \$900,000 Other Funds is recommended for the final construction phases. The project is being constructed in increments over three biennia. This new funding will provide for the final building engineering and construction as required in an agreement with the city.

Sisters Maintenance Station – A \$1 Other Funds placeholder is recommended which enables the department to return to the Emergency Board with a more fully developed plan for relocation of this facility. ODOT has been given notice by the U.S. Forest Service to vacate the current site by December 31, 2007 due to a planned sale of the property. The project will include property acquisition and new maintenance buildings.

Department of Administrative Services

Red Lot Bldg/Parking Structure Planning – \$600,000 Other Funds is recommended for planning and initial design for a planned structure to add parking and office space in the Capitol Mall. An above and below grade parking structure will be built adjacent to the mall, as well as a 60,000 square ft. office building. Construction may begin as early as the 2007-09 biennium

Red Lot Bldg/Parking Structure Design and Construction – A \$1 placeholder is recommended for the project discussed in the previous item. Total project cost is currently estimated at \$21.5 million. The project, to be constructed on an existing parking lot, will provide an additional 500 parking spaces (777 total) and construct a 60,000 sq. ft. office building.

Central Mall Office Bldg #3 Planning – \$500,000 Other Funds is recommended to begin planning and design work for a 250,000 sq. ft. office building and underground parking structure on the Capitol Mall.

Central Mall Office Bldg #3 Design and Construction – A \$1 placeholder is provided in the event an acceleration in project scheduling allows preliminary capital work to begin in the 2007-09 biennium.

Executive Bldg Renovation – \$4.5 million Other Funds is recommended to renovate the Executive Building's interior spaces, HVAC, elevators and electrical systems.

Roof Replacements, Phase 2 – \$670,000 Other Funds is recommended for the second phase of this project to replace all or a portion of roofs nearing the end of their useful life. These funds will allow for improvements at four buildings.

L & I Bldg HVAC and Electrical, Phase 4 – \$3.6 million Other Funds is recommended for the fourth phase of this project initially approved in 2001. This phase will complete much of the identified needs for electrical upgrades, and the perimeter and process heating, ventilation and air conditioning (HVAC) improvements.

General Services Bldg Space Conversion, Phase 3 – \$600,000 Other Funds is recommended for the third phase of project to added new working space to the basement of the General Services Building. Restrooms will be added to accommodate the new training conference rooms and the HVAC system will be modified to service this added space.

Security Improvements, Phase 3 – \$300,000 Other Funds is recommended to improve the exterior and interior security systems in various state buildings.

Planning Funds – \$250,000 Other Funds is recommended to contract with various architects, engineers, and other specialists. Developing reliable cost information; preparing preliminary design for small to medium sized projects; and evaluating options to solve maintenance problems is an ongoing part of the department's responsibilities.

HVAC Improvements – \$1,533,236 Other Funds is recommended to modify and upgrade existing HVAC systems in four state buildings.

Roof Top Fall Protection Equipment Installation – \$250,000 Other Funds is recommended for the first phase of a project that will add protection to various buildings rooftops for the safety of staff.

Carpet Replacement – \$1,469,315 Other Funds is recommended to replace carpet at the end of its useful life in four state buildings.

Eugene State Office Building – \$1,116,470 Other Funds for asbestos removal, architectural and engineering, and other project costs that were overlooked and not included in the original amount requested.

DEQ/Health Laboratory Completion – \$3,700,000 Other Funds is recommended to complete the special purpose health laboratory to be used by the Department of Environmental Quality and the Health Division of the Department of Human Services.

Department of Veterans' Affairs

Oregon Veterans' Home Guest House – The Oregon Veterans' Home Guest House will provide a place for overnight guests of residents of the Veterans' Home in The Dalles. The Department will solicit donations, both in-kind and monetary, for the construction of the proposed facility.

Oregon Veterans' Home Multipurpose Area – the Multipurpose Room will provide a place for large numbers of Veterans' Home residents to meet at one time. The Department will solicit donations, both in-kind and monetary, for the construction of the proposed facility.

Oregon Youth Authority

Facility Maintenance-Renovation – \$2,005,000 Other Funds is recommended to address longstanding needs at various sites on a variety of projects. Examples include asbestos abatement and fire sprinkler installation at Camp Florence; water and sewer system repairs at Hillcrest, replacement of roofs at MacLaren as well as heating system repairs.

MacLaren Infrastructure Repairs and Improvements – \$3.4 million Other Funds is recommended for a major infrastructure project with three primary components. The majority of the underground water lines will be replaced to address safety concerns as well as ensure cost effective use. The storm water and sanitary sewer systems have extensive cracking resulting in unsanitary conditions and unnecessarily high sewer costs. Finally, many of the fire hydrants are non-functional or are in severely dilapidated condition. These will be replaced.

Oak Creek Renovation – The majority of this facility has been closed and unoccupied since 2003. OYA's architectural consultants have made recommendations necessary to reopen the closed portion of the facility as an all female, gender specific unit including appropriate sight and sound separation from primarily male population currently housed at the adjacent Linn-Benton detention center. \$2 million Other Funds is recommended.

Whiteaker Hall Planning – The 20,000 square feet, multi-purpose building constructed in 1925 must be evaluated for future use. Extensive repairs will be required of heating systems and water pipes. Extensive dry rot has also been identified. Ultimately, a decision must be made regarding cost effectiveness of repair versus razing and replacing the building. Planning funds of \$200,000 are recommended.

Corvallis House Renovation – Many building repairs are required to this 1913 facility used for the Young Women's Transition Program. The electrical and plumbing systems require updating, walls and ceilings need repair, exterior dry rot must be eliminated and replacement of windows with energy efficient units is planned. \$1 million Other Funds is recommended.

Department of Corrections

Deferred Maintenance and Assessment – \$22,981,870 Other Funds is recommended for a variety of projects to be completed over the next several years. Priority projects for which significant work will be started in 2007-09 include making critically required upgrades of electrical, water and sanitary sewer systems; improvements to heating and cooling systems, roof replacements, asbestos abatement, and fire alarm upgrades. This appropriation also includes improvements and clean-up of the Gath Road outdoor firing range, and payment of system development charges to the City of Salem.

Planning and Design, Next Facility – \$10,599,089 Other Funds is recommended to perform wetlands, pre-engineering studies and initial design for a previously sited, co-located medium and minimum custody men's facility in Junction City.

Department of Human Services

Mental Health Care Facilities, Phase 1 – To begin replacement of the current Oregon State Hospital with two new facilities, \$89,022,165 is provided for land acquisition, ongoing design and planning, infrastructure, necessary site improvements and some initial construction costs, as well as funds for design of systems necessary to the operation of these mental health facilities. The current estimate for total project cost is approximately \$450 million.

Department of State Police

Oregon Wireless Interoperability Network – The recommended \$3,774,794 Other Funds and a \$1 Federal Funds placeholder provide 10 capitalized positions, and professional services necessary to complete initial planning for a statewide interoperability network. It is anticipated that a comprehensive plan will be presented to the Legislative Assembly at the February 2008 Special Session. Development of an interoperability network will allow public safety professionals to communicate efficiently in the field and is necessary to meet federal mandates.

Department of Forestry

Sisters Subunit Relocation – \$1,250,000 to build new Central Oregon District – Sisters Unit headquarters. The current buildings were built in the 1930s and are now located in a rapidly developing area catering to the Sisters tourism industry. Fire protection and private/community programs are housed in the Sisters Unit Headquarters.

John Day Unit Relocation – \$1.5 million to build new Central Oregon District – John Day Unit headquarters. The current buildings were built in the 1940s and are now located in the middle of residential land because of development over the years. Fire protection and private/community programs are housed in the John Day Unit Headquarters.

Military Department

Ontario Readiness Center – \$2,232,267 Other Funds and \$11,789,267 Federal Funds is recommended for the construction of a Readiness Center on the Treasure Valley Community College campus in Ontario. The existing armory, constructed in 1950, is inadequate and does not meet federal requirements. In addition to relieving overcrowded conditions, this project will provide rental classrooms and an assembly hall for community events.

Camp Withycombe (Clackamas) Armed Forces Reserve Center – \$3,887,200 Other Funds and \$43,888,416 Federal Funds is recommended for the construction of an Armed Forces Reserve Center. The new facility will house National Guard units currently stationed in facilities in Lake Oswego, Portland, and Tigard. In addition to providing space for military units, this project will provide rental classrooms and an assembly hall for community events. The Subcommittee requested that DAS unschedule the funds pending receipt of the Federal Funds.

Woodburn Armory Addition/Alterations – \$3,434,400 Other Funds is recommended to address space, electrical, mechanical, and structural issues at the Woodburn Armory. Deficiencies in these components are threatening the continued use of this facility. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.

St. Helens Armory Addition/Alterations – \$2,518,560 Other Funds is recommended to address space, electrical, mechanical, and structural issues at the St. Helens Armory. Deficiencies in these components are threatening the continued use of this facility. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.

Newport Armory Addition/Alterations – \$2,175,120 Other Funds is recommended to address space, electrical, mechanical, and structural issues at the Newport Armory. Deficiencies in these components are threatening the continued use of this facility. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.

Gresham Armory Addition/Alterations – \$3,319,920 Other Funds is recommended to address space, electrical, mechanical, and structural issues at the Gresham Armory. Deficiencies in these components are threatening the continued use of this facility. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.

Salem Airfield Operations Facility Project – \$1 million Other Funds is recommended for unanticipated construction materials costs. The agency received legislative approval and funding for this project in November 2004. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management. The Subcommittee recommended approval of the extension of the project expiration dates and expenditure limitations for the following projects: The Dalles Readiness Center, Ontario Readiness Center, Medford Armory and Maintenance Shop and Baker City Armory. The Subcommittee recommended approval of the sale of the Ontario Armory with the understanding that any sale proceeds will be used only for the purposes of reducing certificates of participation issuance for the Ontario facility or reducing debt services in the proposed budget.

Department of Aviation

Aurora Land Acquisition and Taxiway Relocation – \$163,333 Other Funds and \$3,177,888 Federal Funds is recommended for the purchase of additional lands and the construction of a new parallel taxiway at the Aurora State Airport. The existing taxiway, at 200' from Runway centerline to the taxiway centerline, will be moved an additional 100' to provide minimum separation standards for this FAA category of airport.

Bandon Apron and Taxiway Relocation – \$47,368 Other Funds and \$900,000 in Federal Funds is recommended to expand the aircraft parking apron and establish new taxi-lanes at the Bandon State Airport. The current parking apron is experiencing congestion due to the rising number of visiting aircraft. Additional taxi-lanes will support the increasing demand for individual hangar development.

Cottage Grove Runway Protection Zone, Lighting and Fence – \$47,894 Other Funds and \$910,000 in Federal Funds is recommended provide fencing and overhead lighting to enhance the security for the aircraft parking ramp and hangars at Cottage Grove State Airport. Because the Row River is beginning to encroach the Runway Safety Area (RSA) through bank erosion, considerable design and containment efforts will be required to stabilize and prevent further bank destabilization.

Chiloquin Apron/Taxiway Rehabilitation – \$33,947 Other Funds and \$645,000 in Federal Funds provide rehabilitation for existing aircraft parking aprons and taxiways on the Chiloquin State Airport. The current material condition has deteriorated below the minimum threshold for the Pavement Maintenance Program (PMP) to sufficiently maintain the pavement at a safe and functional level.

Independence Land Acquisition – \$39,124 Other Funds and \$743,350 in Federal Funds is recommended to acquire an additional 18 acres of land to the northwest of the Independence State Airport. The FAA strongly encourages and recommends airport sponsors to own the land underlying the Runway Protection Zones (RPZ) as the ultimate guarantee that neither future development nor intrusive height structures, which are not conducive to safe airport operations, can be established in this critical airspace.

Lebanon Runway Widening and Protection Zone – \$72,920 Other Funds and \$1,385,500 in Federal Funds is recommended to correct an existing encroachment of the runway RSA and to widen the runway at Lebanon State Airport. The airfield drainage ditch currently fails to meet the prescribed RSA limits for the runway. Runway width needs to be increased from 50' to 60' to meet the minimum FAA standards for this category of airport. The widening of the runway would have seriously exaggerated the RSA encroachment problem. In addition to the above discussed work, the runway lighting is being upgraded to Medium Intensity Runway Lights (MIRL), the visual approach path guidance is being upgraded and some taxiway overlay will be completed to correct deteriorating pavement condition.

Salem Office Building – During the 2003 legislative session a Capital Construction limitation was established for the Department's Salem office building. That project is not going forward, so language has been added to remove the limitation.

Legislative Administration

Capitol Wings Renovation – The recommendation provides \$33.5 million to renovate and upgrade the offices of the Legislature and staff in the State Capitol.

Appendix B

2007-09 Certificates of Participation

Department of Administrative Services

Executive Bldg. Renovation	\$	4,900,000
Cyber Security/Data Center		10,230,000
Human Resource Information System Project		1,285,000
Subtotal:	\$	16,415,000

Department of Forestry

John Day Unit Relocation	\$	1,570,000
Agency Business System Modernization		3,355,000
Sisters Subunit Relocation		1,305,000
Subtotal:	\$	6,230,000

Department of Fish and Wildlife

Deferred Maintenance	\$	1,500,000
Subtotal:	\$	1,500,000

Department of Higher Education

EOU – Storage area network and video streaming	\$	205,000
ETIC – Facilities and equipment		12,065,000
OSU - Enterprise computing systems upgrade		3,065,000
OSU – Building rewiring		5,110,000
PSU - Building access control systems		255,000
PSU - Campus fiber expansion and telecom facility upgrades		1,025,000
PSU - Classroom technology refresh & new building technology		470,000
PSU - Desktop and security upgrades		420,000
PSU - Document imaging and workflow system		870,000
PSU - Network equipment upgrades		470,000
PSU - Research equipment		1,025,000
PSU - Storage and server expansion		620,000
UO - Classroom and laboratory upgrades		5,105,000
Subtotal:	\$	30,705,000

Military Department

Ontario Readiness Center	\$	2,290,280
Woodburn Armory Addition/Alteration		3,523,653
St. Helens Armory Addition/Alteration		2,584,013
Newport Armory Addition/Alteration		2,231,647
Gresham Armory Addition/Alteration		3,406,198
Salem Airfield Operations Facility		1,025,988
Camp Withycombe		3,988,221
Subtotal:	\$	19,050,000

<u>Legislative Administration Committee</u>		
Bill Writing Software	\$	1,205,000
Capitol Renovation Project		34,260,000
Subtotal:	\$	35,465,000
<u>Department of Human Services</u>		
Mental Health Care Facilities-Phase 1	\$	100,370,000
SACWIS (Child Welfare System) Phase II		14,555,000
Subtotal:	\$	114,925,000
<u>Department of Corrections</u>		
Wireless Communication	\$	6,690,000
Core Construction Staffing		2,625,000
Deferred Maintenance and Assessment		9,930,000
Planning and Design – Next Facility		11,015,000
Subtotal:	\$	30,260,000
<u>Oregon Youth Authority</u>		
MacLaren Infrastructure Repair & Improvement	\$	2,047,563
Oak Creek Renovation		2,047,562
Whiteaker Hall Planning		209,875
Subtotal:	\$	4,305,000
<u>Department of State Police</u>		
Wireless Interoperability Network (OWIN)	\$	3,870,000
Video cameras		1,370,000
Subtotal:	\$	5,240,000
<u>Unidentified Financing Needs:</u>	\$	7,500,000
TOTAL:	\$	271,595,000

Appendix C

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

	2003-05 ACTUAL	2005-07 LEGISLATIVELY APPROVED	2007-09 GOVERNOR'S RECOMMENDED	2007-09 LEGISLATIVELY ADOPTED	05-07 to 07-09 Change	
					#	%
PROGRAM AREA: EDUCATION						
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT	45.70	49.70	64.20	56.03	6.33	12.7
EDUCATION, DEPT OF	445.39	442.89	452.86	446.44	3.55	0.8
HIGHER EDUCATION, DEPT OF	12,121.42	12,140.62	12,753.11	12,565.59	424.97	3.5
STUDENT ASSISTANCE COMMISSION	84.00	22.35	33.83	31.91	9.56	42.8
TEACHER STANDARDS & PRACTICES COMMISSION	20.00	21.50	23.00	23.50	2.00	9.3
EDUCATION TOTAL	<u>12,716.51</u>	<u>12,677.06</u>	<u>13,327.00</u>	<u>13,123.47</u>	446.41	3.5
PROGRAM AREA: HUMAN SERVICES						
BLIND, COMMISSION FOR THE	43.35	44.60	47.60	47.24	2.64	5.9
CHILDREN & FAMILIES, COMM ON	24.72	29.50	31.17	30.92	1.42	4.8
OREGON DISABILITIES COMM*	4.00	0.00	0.00	0.00	0.00	NA
HUMAN SERVICES, DEPT OF*	9,148.13	9,171.51	9,707.33	9,613.71	442.20	4.8
LONG TERM CARE OMBUDSMAN	8.00	8.00	10.00	10.00	2.00	25.0
PRIVATE HEALTH PARTNERSHIPS, OFFICE OF	51.50	56.80	92.12	52.42	(4.38)	(7.7)
PSYCHIATRIC SECURITY REVIEW BOARD	4.00	4.75	5.00	5.00	0.25	5.3
HUMAN SERVICES TOTAL	<u>9,283.70</u>	<u>9,315.16</u>	<u>9,893.22</u>	<u>9,759.29</u>	444.13	4.8
PROGRAM AREA: PUBLIC SAFETY						
CORRECTIONS, DEPT OF	3,902.76	4,181.91	4,684.40	4,646.31	464.40	11.1
CRIMINAL JUSTICE COMMISSION	11.29	6.00	6.00	6.00	0.00	0.0
DISTRICT ATTORNEYS & THEIR DEPUTIES	36.00	36.00	38.00	36.00	0.00	0.0
JUSTICE, DEPT OF	1,190.07	1,212.01	1,258.49	1,299.95	87.94	7.3
MILITARY, DEPT OF**	411.84	432.82	485.46	476.23	43.41	10.0
PAROLE & POST PRISON SUPERVISION BRD	14.88	15.00	15.00	15.00	0.00	0.0
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF****	93.84	134.84	180.25	167.13	32.29	23.9
STATE POLICE, DEPT OF**	1,163.53	1,154.71	1,269.10	1,227.60	72.89	6.3
YOUTH AUTHORITY, DEPT OF	1,023.91	1,047.22	1,149.33	1,147.46	100.24	9.6
PUBLIC SAFETY TOTAL	<u>7,848.12</u>	<u>8,220.51</u>	<u>9,086.03</u>	<u>9,021.68</u>	801.17	9.7
PROGRAM AREA: JUDICIAL BRANCH						
COURT PROCEDURES, COUNCIL ON	0.00	0.00	0.71	0.00	0.00	NA
JUDICIAL DEPARTMENT	1,855.25	1,856.24	2,047.08	1,911.07	54.83	3.0
JUDICIAL FITNESS AND DISABILITY, COMM. ON	0.50	0.50	0.50	0.50	0.00	0.0
PUBLIC DEFENSE SERVICES COMMISSION	56.90	55.25	63.25	67.25	12.00	21.7
JUDICIAL BRANCH TOTAL	<u>1,912.65</u>	<u>1,911.99</u>	<u>2,111.54</u>	<u>1,978.82</u>	66.83	3.5
PROGRAM AREA: ECONOMIC & COMMUNITY DEVELOPMENT						
ECONOMIC & COMMUNITY DEVELOPMENT DEPT	115.91	118.58	127.92	125.92	7.34	6.2
EMPLOYMENT DEPARTMENT	1,414.02	1,368.12	1,273.35	1,273.35	(94.77)	(6.9)
FAIR & EXPO CENTER, STATE***	37.05	0.00	0.00	0.00	0.00	NA
HOUSING & COMMUNITY SERVICES DEPT.	148.46	147.08	142.92	140.42	(6.66)	(4.5)
VETERANS' AFFAIRS, DEPT OF	137.48	112.50	110.53	110.53	(1.97)	(1.8)
ECONOMIC & COMMUNITY DEVELOPMENT TOTAL	<u>1,852.92</u>	<u>1,746.28</u>	<u>1,654.72</u>	<u>1,650.22</u>	(96.06)	(5.5)

	2003-05 ACTUAL	2005-07 LEGISLATIVELY APPROVED	2007-09 GOVERNOR'S RECOMMENDED	2007-09 LEGISLATIVELY ADOPTED	05-07 to 07-09 Change # %	
PROGRAM AREA: NATURAL RESOURCES						
AGRICULTURE, DEPT OF	376.67	369.44	379.05	375.05	5.61	1.5
ENERGY, DEPT. OF	84.71	84.71	98.38	88.50	3.79	4.5
ENVIRONMENTAL QUALITY, DEPT OF	812.45	776.57	788.64	797.31	20.74	2.7
FISH & WILDLIFE, DEPT OF	1,141.91	1,163.26	1,162.99	1,147.90	(15.36)	(1.3)
FORESTRY DEPARTMENT	885.37	912.69	932.89	920.96	8.27	0.9
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	35.70	36.70	34.20	36.20	(0.50)	(1.4)
LAND CONSERVATION & DEVELOPMENT, DEPT OF	51.31	70.38	74.71	68.21	(2.17)	(3.1)
LAND USE BOARD OF APPEALS	6.00	6.00	6.00	6.00	0.00	0.0
LANDS, DEPT. OF STATE	87.26	96.26	106.04	108.75	12.49	13.0
MARINE BOARD	38.00	39.00	39.00	39.00	0.00	0.0
PARKS & RECREATION, DEPT OF***	528.39	570.75	599.33	602.20	31.45	5.5
WATER RESOURCES DEPT	143.18	138.00	147.00	146.60	8.60	6.2
WATERSHED ENHANCEMENT BOARD	24.32	26.38	28.00	30.00	3.62	13.7
NATURAL RESOURCES TOTAL	4,215.27	4,290.14	4,396.23	4,366.68	76.54	1.8
PROGRAM AREA: TRANSPORTATION						
AVIATION, DEPT OF	16.00	16.00	19.34	8.92	(7.08)	(44.3)
TRANSPORTATION, DEPT OF	4,559.61	4,568.37	4,559.19	4,526.24	(42.13)	(0.9)
TRANSPORTATION TOTAL	4,575.61	4,584.37	4,578.53	4,535.16	(49.21)	(1.1)
PROGRAM AREA: CONSUMER AND BUSINESS SERVICES						
ACCOUNTANCY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0
CHIROPRACTIC EXAMINERS, BOARD OF	4.50	4.50	4.50	4.50	0.00	0.0
CLINICAL SOCIAL WORKERS, BOARD OF	2.50	2.50	3.00	3.00	0.50	20.0
CONSTRUCTION CONTRACTORS BOARD	60.38	60.38	63.92	80.26	19.88	32.9
CONSUMER & BUSINESS SERVICES, DEPT OF	1,063.32	1,068.47	1,067.42	1,068.88	0.41	0.0
COUNSELORS AND THERAPISTS, BOARD OF LICENSED	2.00	2.00	3.00	2.50	0.50	25.0
DENTISTRY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0
HEALTH LICENSING AGENCY	27.00	27.00	31.40	31.40	4.40	16.3
<i>HEALTH RELATED LICENSING BOARDS</i>						
LICENSED DIETICIANS	0.30	0.30	0.30	0.30	0.00	0.0
MORTUARY & CEMETERY BOARD	5.75	6.00	5.00	5.00	(1.00)	(16.7)
NATUROPATHIC EXAMINERS	1.75	2.00	2.00	2.00	0.00	0.0
NURSING HOME ADMINISTRATORS	1.00	1.00	1.00	0.92	(0.08)	(8.0)
OCCUPATIONAL THERAPY LICENSING BOARD	1.25	1.25	1.25	1.25	0.00	0.0
RADIOLOGIC TECHNICIANS	2.65	3.00	3.00	3.00	0.00	0.0
SPEECH PATHOLOGY AND AUDIOLOGY	0.85	1.40	1.40	1.40	0.00	0.0
VETERINARY MEDICAL EXAMINERS BOARD	2.25	2.25	2.25	2.25	0.00	0.0
INVESTIGATORS, BOARD OF****	2.50	0.00	0.00	0.00	0.00	NA
LABOR & INDUSTRIES, BUREAU OF	106.26	108.38	110.50	111.00	2.62	2.4
MEDICAL EXAMINERS, BOARD OF	32.60	34.30	35.30	35.30	1.00	2.9
NURSING, BOARD OF	42.00	44.25	41.75	41.75	(2.50)	(5.6)
PHARMACY, BOARD OF	16.50	17.50	20.50	20.50	3.00	17.1
PSYCHOLOGIST EXAMINERS, BOARD OF	3.00	3.00	3.00	3.00	0.00	0.0
PUBLIC UTILITY COMMISSION	123.56	124.00	123.50	123.50	(0.50)	(0.4)
REAL ESTATE AGENCY	29.63	30.27	36.00	31.62	1.35	4.5
TAX PRACTITIONERS, STATE BOARD OF	4.00	4.00	5.00	5.00	1.00	25.0
CONSUMER & BUSINESS SERVICES TOTAL	1,549.55	1,561.75	1,578.99	1,592.33	30.58	2.0
PROGRAM AREA: ADMINISTRATION						
ADMINISTRATIVE SERVICES, DEPT OF	889.76	902.93	967.54	949.30	46.37	5.1
ADVOCACY COMMISSIONS OFFICE	6.00	2.18	2.00	2.00	(0.18)	(8.3)
EMPLOYMENT RELATIONS BOARD	12.17	12.00	13.00	13.00	1.00	8.3
GOVERNMENT ETHICS COMMISSION	2.80	3.00	5.00	5.79	2.79	93.0
GOVERNOR, OFFICE OF	45.46	45.50	48.50	62.56	17.06	37.5
LIBRARY, STATE	43.47	42.47	42.47	42.47	0.00	0.0
LIQUOR CONTROL COMM	205.61	215.02	229.68	225.68	10.66	5.0
PUBLIC EMPLOYEES RETIREMENT SYSTEM	366.36	390.92	401.63	394.88	3.96	1.0
RACING COMMISSION	17.50	13.42	14.52	14.52	1.10	8.2
REVENUE, DEPT OF	976.15	1,004.91	985.62	968.22	(36.69)	(3.7)
SECRETARY OF STATE	204.50	202.46	207.50	198.50	(3.96)	(2.0)
TREASURER OF STATE	74.10	74.60	83.10	80.85	6.25	8.4
ADMINISTRATION TOTAL	2,843.88	2,909.41	3,000.56	2,957.77	48.36	1.7

	<u>2003-05 ACTUAL</u>	<u>2005-07 LEGISLATIVELY APPROVED</u>	<u>2007-09 GOVERNOR'S RECOMMENDED</u>	<u>2007-09 LEGISLATIVELY ADOPTED</u>	<u>05-07 to 07-09 Change</u>	
					<u>#</u>	<u>%</u>
PROGRAM AREA: LEGISLATIVE BRANCH						
INDIAN SERVICES, COMM	2.00	2.00	2.00	2.00	0.00	0.0
LEGISLATIVE ADMINISTRATION	107.39	103.39	106.45	107.45	4.06	3.9
LEGISLATIVE ASSEMBLY	216.54	216.95	216.20	216.20	(0.75)	(0.3)
LEGISLATIVE COUNSEL	45.77	46.81	47.27	50.27	3.46	7.4
LEGISLATIVE FISCAL OFFICER	17.00	18.75	19.00	21.00	2.25	12.0
LEGISLATIVE REVENUE OFFICER	6.00	6.00	6.00	6.50	0.50	8.3
LEGISLATIVE BRANCH TOTAL	394.70	393.90	396.92	403.42	9.52	2.4
STATE OF OREGON TOTAL FTE POSITIONS	47,192.91	47,610.57	50,023.74	49,388.84	1,778.27	3.7

* Reflects transition of Oregon Disabilities Commission to Department of Human Services

** Governor's recommended and legislatively adopted budgets transfer Homeland Security functions from Oregon State Police to Military

*** Reflects transition of State Fair and Exposition Center to Parks and Recreation Department

**** Reflects transition of Board of Investigators to Department of Public Safety Standards and Training

Appendix D

Summary of Expenditures by Program Area and Fund

2007-09 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	7,477,056,263	726,418,728	8,203,474,991	4,276,631,075	1,138,351,996	13,618,458,062
Human Services	3,421,791,206	13,160,998	3,434,952,204	1,414,147,131	6,929,695,815	11,778,795,150
Public Safety	1,845,747,034	6,926,708	1,852,673,742	537,311,550	398,040,711	2,788,026,003
Judicial Branch	530,685,835	0	530,685,835	43,462,687	979,687	575,128,209
Natural Resources	157,508,446	212,756,773	370,265,219	975,295,289	221,858,247	1,567,418,755
Economic Development	36,444,360	143,632,524	180,076,884	4,404,818,888	501,268,158	5,086,163,930
Consumer and Business Svcs.	12,608,315	0	12,608,315	860,639,795	2,324,993	875,573,103
Transportation	4,504,713	46,559,957	51,064,670	3,340,164,362	88,188,184	3,479,417,216
Administration	186,668,531	2,118,218	188,786,749	7,711,539,161	13,792,309	7,914,118,219
Legislative Branch	81,175,841	0	81,175,841	40,620,947	0	121,796,788
Miscellaneous (E Fund)	200,514,219	0	200,514,219	0	0	200,514,219
Total	13,954,704,763	1,151,573,906	15,106,278,669	23,604,630,885	9,294,500,100	48,005,409,654

Appendix E

Summary of Expenditures by Program Area, Agency, and Fund

Notes:

- Special purpose appropriations to the Emergency Board that were allocated to specific agencies are included within the agency General Fund budgets for the 2005-07 legislatively approved column. Special purpose appropriations for specific agencies are not included within the agency General Fund budgets for the 2007-09 legislatively adopted amounts, but are included in the legislatively adopted amount appropriated to the Emergency Board.
- The 2005-07 legislatively approved amounts represent expenditure authorizations through all 2005-07 Emergency Board actions and all 2005-07 budget adjustments addressed during the 2007 legislative session (including the most recent Department of Human Services rebalance adopted in SB 5547). The 2005-07 legislatively approved budget also includes certain administrative actions taken by the Department of Administrative Services approving increases to Nonlimited Other Funds and Federal Funds.
- The 2007-09 Governor's recommended amounts reflect the original December 2006 printed Governor's budget proposal. They do not include any subsequent revisions to accommodate changes to the revenue forecast.
- Non-Add Other Funds represent charges between state agencies; they are listed separately for informational purposes since they reflect double counting of expenditures.

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
EDUCATION				
Community Colleges and Workforce Development				
General Fund	416,402,144	433,770,398	508,038,707	511,491,977
Lottery Funds	49,000	-	-	-
Other Funds	11,789,583	90,688,831	178,621,379	84,899,829
Federal Funds	135,596,206	143,173,928	129,760,579	127,089,818
Total Expenditures	563,836,933	667,633,157	816,420,665	723,481,624
Education, Dept of				
General Fund	241,317,272	252,188,637	326,984,903	299,071,605
Lottery Funds	55,699,162	56,466,744	56,415,089	56,415,089
Other Funds	141,213,493	151,636,830	135,923,013	169,947,790
Federal Funds	882,043,188	983,329,948	990,623,941	1,009,157,523
Total Expenditures	1,320,273,115	1,443,622,159	1,509,946,946	1,534,592,007
State School Fund & Other K-12 Grants				
General Fund	4,462,358,462	4,858,192,341	5,525,615,769	5,610,757,521
Lottery Funds	452,100,536	447,302,659	534,142,231	634,142,231
Other Funds	1,570,220	950,000	242,000	242,000
Total Expenditures	4,916,029,218	5,306,445,000	6,060,000,000	6,245,141,752
Higher Education, Dept. of				
General Fund	671,431,645	736,884,478	827,064,220	870,441,365
Lottery Funds	7,507,597	11,417,524	31,490,061	25,982,232
Other Funds	3,136,168,416	3,817,042,349	4,047,714,175	3,969,465,827
Total Expenditures	3,815,107,658	4,565,344,351	4,906,268,456	4,865,889,424
Oregon Health and Science University				
General Fund	84,379,467	73,337,168	94,235,981	86,561,620
Other Funds	124,669,705	31,975,150	31,978,666	31,978,666
Total Expenditures	209,049,172	105,312,318	126,214,647	118,540,286
Student Assistance Commission				
General Fund	45,126,877	76,824,638	104,808,822	98,732,175
Lottery Funds	-	1,527,619	9,507,036	9,879,176
Other Funds	52,319,648	12,875,262	16,594,003	15,514,056
Federal Funds	1,480,969	2,103,860	2,104,655	2,104,655
Total Expenditures	98,927,494	93,331,379	133,014,516	126,230,062
Teacher Standards & Practices Comm				
Other Funds	3,672,701	4,255,660	4,592,868	4,582,907
EDUCATION PROGRAM AREA TOTAL				
General Fund	5,921,015,867	6,431,197,660	7,386,748,402	7,477,056,263
Lottery Funds	515,356,295	516,714,546	631,554,417	726,418,728
Other Funds	3,471,403,766	4,109,424,082	4,415,666,104	4,276,631,075
Federal Funds	1,019,120,363	1,128,607,736	1,122,489,175	1,138,351,996
Total	10,926,896,291	12,185,944,024	13,556,458,098	13,618,458,062

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
HUMAN SERVICES				
Blind Commission				
General Fund	1,170,784	1,233,746	1,570,084	1,561,103
Other Funds	2,303,008	3,051,665	2,490,777	2,436,128
Federal Funds	8,564,933	11,368,124	10,699,909	11,300,402
Total Expenditures	12,038,725	15,653,535	14,760,770	15,297,633
Children and Families, Commission on				
General Fund	41,517,568	46,137,781	64,519,003	60,131,801
Other Funds	18,967,385	23,043,849	23,538,795	23,451,754
Federal Funds	217,002	3,823,717	4,501,054	4,500,267
Total Expenditures	60,701,955	73,005,347	92,558,852	88,083,822
Disabilities Comm, Oregon				
Other Funds	603,643	-	-	-
Federal Funds	829,982	-	-	-
Total Expenditures	1,433,625	-	-	-
Human Services, Department of				
General Fund	2,268,588,095	2,708,105,992	3,309,709,877	3,333,145,661
Lottery Funds	5,528,967	9,312,000	12,032,591	13,160,998
Other Funds	1,114,444,006	1,176,427,307	1,521,708,265	1,329,261,137
Federal Funds	5,714,201,147	6,281,792,642	7,173,073,981	6,913,895,146
Total Expenditures	9,102,762,215	10,175,637,941	12,016,524,714	11,589,462,942
Long Term Care Ombudsman				
General Fund	580,293	581,337	934,144	905,857
Other Funds	1,430,912	1,495,761	1,765,750	1,759,861
Total Expenditures	2,011,205	2,077,098	2,699,894	2,665,718
Private Health Partnerships, Office of				
General Fund	14,770,356	25,125,635	23,873,528	25,013,418
Other Funds	23,582,905	62,806,834	95,855,818	57,236,251
Total Expenditures	38,353,261	87,932,469	119,729,346	82,249,669
Psychiatric Security Review Board				
General Fund	732,047	879,245	1,110,014	1,033,366
Other Funds	-	2,000	2,000	2,000
Total Expenditures	732,047	881,245	1,112,014	1,035,366
HUMAN SERVICES PROGRAM AREA				
General Fund	2,327,359,143	2,782,063,736	3,401,716,650	3,421,791,206
Lottery Funds	5,528,967	9,312,000	12,032,591	13,160,998
Other Funds	1,161,331,859	1,266,827,416	1,645,361,405	1,414,147,131
Federal Funds	5,723,813,064	6,296,984,483	7,188,274,944	6,929,695,815
Total	9,218,033,033	10,355,187,635	12,247,385,590	11,778,795,150

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
PUBLIC SAFETY				
Corrections, Dept of				
General Fund	808,397,321	1,063,363,569	1,299,776,563	1,263,842,285
Other Funds	45,912,317	60,579,734	71,156,897	69,769,138
Federal Funds	120,208,050	5,609,146	4,473,659	9,273,659
Total Expenditures	<u>974,517,688</u>	<u>1,129,552,449</u>	<u>1,375,407,119</u>	<u>1,342,885,082</u>
Criminal Justice Commission				
General Fund	6,865,328	3,655,061	6,474,041	7,388,215
Other Funds	293,852	106,541	3,630,475	1,034,949
Federal Funds	1,535,359	101,293	100,000	99,856
Total Expenditures	<u>8,694,539</u>	<u>3,862,895</u>	<u>10,204,516</u>	<u>8,523,020</u>
District Attorneys and Their Deputies				
General Fund	<u>9,327,704</u>	<u>9,170,797</u>	<u>10,658,236</u>	<u>9,839,642</u>
Justice, Dept of				
General Fund	31,610,875	34,614,337	52,833,644	53,343,693
Other Funds	138,813,158	167,829,019	215,218,006	214,507,079
Federal Funds	82,407,915	98,186,323	101,636,299	111,663,551
Total Expenditures	<u>252,831,948</u>	<u>300,629,679</u>	<u>369,687,949</u>	<u>379,514,323</u>
Military Department				
General Fund	14,290,303	18,418,816	23,902,616	24,149,315
Other Funds	18,403,819	12,667,929	101,407,465	107,875,795
Federal Funds	98,475,956	70,049,561	226,440,900	229,110,451
Total Expenditures	<u>131,170,078</u>	<u>101,136,306</u>	<u>351,750,981</u>	<u>361,135,561</u>
Oregon Youth Authority				
General Fund	194,086,074	213,625,158	261,273,205	254,588,426
Other Funds	12,709,101	12,597,516	22,552,795	22,547,307
Federal Funds	20,842,983	25,969,651	32,841,168	28,511,358
Total Expenditures	<u>227,638,158</u>	<u>252,192,325</u>	<u>316,667,168</u>	<u>305,647,091</u>
Parole & Post Prison Supervision, Bd. of				
General Fund	3,260,365	3,534,784	3,702,255	3,683,312
Other Funds	9,281	9,517	9,812	9,812
Total Expenditures	<u>3,269,646</u>	<u>3,544,301</u>	<u>3,712,067</u>	<u>3,693,124</u>
Police, Dept of State				
General Fund	160,900,644	180,460,650	173,913,061	217,762,143
Lottery Funds	5,537,710	6,567,977	6,836,155	6,926,708
Other Funds	129,017,815	153,482,975	674,215,256	83,823,273
Federal Funds	133,329,394	196,807,247	18,135,285	19,327,201
Total Expenditures	<u>428,785,563</u>	<u>537,318,849</u>	<u>873,099,757</u>	<u>327,839,325</u>
Public Safety Standards & Training, Dept of				
General Fund	-	8,515,784	11,342,003	11,150,003
Other Funds	20,679,937	32,256,822	39,375,334	37,744,197
Federal Funds	81,005	52,992	54,635	54,635
Total Expenditures	<u>20,760,942</u>	<u>40,825,598</u>	<u>50,771,972</u>	<u>48,948,835</u>

	<u>2003-05 Actual</u> \$	<u>2005-07 Legislatively Approved</u> \$	<u>2007-09 Governor's Recommended</u> \$	<u>2007-09 Legislatively Adopted</u> \$
PUBLIC SAFETY PROGRAM AREA				
General Fund	1,228,738,614	1,535,358,956	1,843,875,624	1,845,747,034
Lottery Funds	5,537,710	6,567,977	6,836,155	6,926,708
Other Funds	365,839,280	439,530,053	1,127,566,040	537,311,550
Federal Funds	456,880,662	396,776,213	383,681,946	398,040,711
Total	2,056,996,266	2,378,233,199	3,361,959,765	2,788,026,003

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
JUDICIAL BRANCH				
Court Procedures, Council on				
General Fund	-	10,000	115,646	-
Other Funds	7,127	8,000	8,000	-
Total Expenditures	7,127	18,000	123,646	-
Judicial Department				
General Fund	235,682,100	282,061,772	328,691,998	315,619,416
Other Funds	33,426,446	35,043,724	169,268,476	42,858,068
Federal Funds	1,458,872	1,912,896	922,381	979,687
Total Expenditures	270,567,418	319,018,392	498,882,855	359,457,171
Judicial Fitness, Commission on				
General Fund	162,483	243,032	181,290	181,110
Public Defense Services Commission				
General Fund	165,497,979	183,535,396	212,098,215	214,885,309
Other Funds	297,745	991,474	605,708	604,619
Total Expenditures	165,795,724	184,526,870	212,703,923	215,489,928
JUDICIAL BRANCH PROGRAM AREA				
General Fund	401,342,562	465,850,200	541,087,149	530,685,835
Other Funds	33,731,318	36,043,198	169,882,184	43,462,687
Federal Funds	1,458,872	1,912,896	922,381	979,687
Total	436,532,752	503,806,294	711,891,714	575,128,209

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
ECONOMIC AND COMMUNITY DEVELOPMENT				
Economic & Community Development Dept				
General Fund	1,175,089	1,797,951	4,220,781	4,227,676
Lottery Funds	75,443,282	104,453,292	169,198,595	132,354,598
Other Funds	254,241,642	331,269,780	341,830,258	275,709,246
Federal Funds	29,096,098	36,067,401	36,340,253	36,338,593
Total Expenditures	359,956,111	473,588,424	551,589,887	448,630,113
Employment Department				
General Fund	3,458,184	3,714,007	3,891,934	3,886,325
Other Funds	1,797,880,466	1,437,471,084	1,554,566,333	1,554,174,094
Federal Funds	255,651,773	250,528,265	243,709,505	243,543,767
Total Expenditures	2,056,990,423	1,691,713,356	1,802,167,772	1,801,604,186
Housing & Community Services Dept				
General Fund	9,795,633	10,872,777	22,922,600	19,496,271
Lottery Funds	4,462,310	4,460,538	6,085,943	5,932,768
Other Funds	1,771,251,654	2,274,562,329	1,913,934,821	1,923,524,650
Federal Funds	209,722,564	215,726,588	221,326,772	221,385,798
Total Expenditures	1,995,232,161	2,505,622,232	2,164,270,136	2,170,339,487
State Fair & Exposition Center				
General Fund	1,846,314	-	-	-
Lottery Funds	4,062,984	-	-	-
Other Funds	16,912,267	7,040,489	-	-
Total Expenditures	22,821,565	7,040,489	-	-
Veterans' Affairs, Department of				
General Fund	2,358,941	6,295,313	5,907,138	6,034,088
Other Funds	564,008,814	632,545,413	648,473,493	648,410,898
Total Expenditures	566,367,755	638,840,726	654,380,631	654,444,986
County Fairs				
Lottery Funds	2,530,174	3,344,827	3,347,494	3,557,141
Historical Society*				
General Fund	-	-	-	2,800,000
Lottery Funds	-	-	2,818,000	-
Total Expenditures	-	-	2,818,000	2,800,000
Oregon Public Broadcasting**				
General Fund	-	-	3,750,000	-
Lottery Funds	1,618,965	1,622,118	1,619,313	1,788,017
Other Funds	-	-	-	3,000,000
Total Expenditures	1,618,965	1,622,118	5,369,313	4,788,017
Oregon Tourism Commission***				
Lottery Funds	2,729,366	-	-	-

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA				
General Fund	18,634,161	22,680,048	40,692,453	36,444,360
Lottery Funds	90,847,081	113,880,775	183,069,345	143,632,524
Other Funds	4,404,294,843	4,682,889,095	4,458,804,905	4,404,818,888
Federal Funds	494,470,435	502,322,254	501,376,530	501,268,158
Total	5,008,246,520	5,321,772,172	5,183,943,233	5,086,163,930

* Historical Society included in Governor's recommended budget as part of Parks and Recreation Department.

** Oregon Public Broadcasting included in Governor's recommended budget in the Dept. of Administrative Services.

2007-09 Legislatively Adopted includes \$3 million Other Funds for Lottery Bonds authorized to be issued in May 2008.

*** Tourism Commission was established as a semi-independent state agency in 2003; amount reflects one year of state operations support.

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
NATURAL RESOURCES				
Agriculture, Department of				
General Fund	11,204,657	14,838,124	18,820,314	16,500,480
Lottery Funds	7,467,285	11,508,206	12,790,339	10,184,289
Other Funds	39,840,385	48,752,017	48,770,535	47,922,134
Federal Funds	5,936,307	7,439,425	4,527,315	6,297,998
Total Expenditures	<u>64,448,634</u>	<u>82,537,772</u>	<u>84,908,503</u>	<u>80,904,901</u>
Columbia River Gorge Commission				
General Fund	<u>615,706</u>	<u>864,694</u>	<u>902,863</u>	<u>1,077,770</u>
Energy, Department of				
General Fund *	-	-	8,900,000	1,500,000
Other Funds	103,493,244	158,082,724	178,538,032	182,974,186
Federal Funds	3,893,848	5,507,683	5,533,258	5,529,281
Total Expenditures	<u>107,387,092</u>	<u>163,590,407</u>	<u>192,971,290</u>	<u>190,003,467</u>
Environmental Quality, Department of				
General Fund	22,190,558	23,193,203	39,734,399	37,856,722
Lottery Funds	3,308,381	3,799,400	3,794,870	5,019,593
Other Funds	193,966,916	263,695,253	224,247,432	224,467,014
Federal Funds	47,702,736	38,803,709	30,523,391	30,656,615
Total Expenditures	<u>267,168,591</u>	<u>329,491,565</u>	<u>298,300,092</u>	<u>297,999,944</u>
Fish & Wildlife, Department of				
General Fund	10,628,378	11,068,607	18,136,719	15,499,228
Lottery Funds	10,171,308	7,292,483	7,851,592	11,761,024
Other Funds	105,899,777	124,893,957	125,129,512	127,722,216
Federal Funds	77,898,469	102,347,590	110,093,920	99,408,294
Total Expenditures	<u>204,597,932</u>	<u>245,602,637</u>	<u>261,211,743</u>	<u>254,390,762</u>
Forestry, Department of				
General Fund	38,795,674	53,011,325	43,906,134	40,058,848
Other Funds	170,492,607	223,811,407	196,130,571	205,304,955
Federal Funds	15,762,682	24,724,173	26,025,712	26,483,943
Total Expenditures	<u>225,050,963</u>	<u>301,546,905</u>	<u>266,062,417</u>	<u>271,847,746</u>
Geology & Mineral Industries, Dept of				
General Fund	2,906,001	3,598,160	3,306,931	3,324,704
Lottery Funds	-	-	-	1,500,000
Other Funds	2,867,638	3,850,631	7,803,343	4,904,378
Federal Funds	1,287,336	2,200,767	2,219,955	1,915,348
Total Expenditures	<u>7,060,975</u>	<u>9,649,558</u>	<u>13,330,229</u>	<u>11,644,430</u>
Land Conservation & Development, Dept of				
General Fund	8,433,934	14,058,366	15,984,821	15,962,581
Other Funds	746,449	922,472	799,347	798,687
Federal Funds	5,043,007	5,882,984	6,353,901	6,363,069
Total Expenditures	<u>14,223,390</u>	<u>20,863,822</u>	<u>23,138,069</u>	<u>23,124,337</u>

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
Land Use Board of Appeals				
General Fund	1,176,036	1,330,824	1,405,426	1,403,105
Other Funds	45,616	67,381	75,149	75,066
Total Expenditures	1,221,652	1,398,205	1,480,575	1,478,171
State Lands, Department of				
General Fund	124,284	190,043	587,814	221,481
Other Funds	69,139,717	37,342,460	21,028,871	39,883,255
Federal Funds	1,449,271	3,617,090	3,054,205	4,789,715
Total Expenditures	70,713,272	41,149,593	24,670,890	44,894,451
Marine Board				
Other Funds	21,407,213	23,812,183	25,241,906	25,236,866
Federal Funds	3,911,348	6,189,251	8,583,252	8,583,133
Total Expenditures	25,318,561	30,001,434	33,825,158	33,819,999
Parks & Recreation Department				
Lottery Funds*	56,588,242	90,719,992	96,123,473	99,626,808
Other Funds	72,604,560	97,909,366	107,144,129	106,890,569
Federal Funds	5,699,248	8,964,578	6,493,033	8,706,180
Total Expenditures	134,892,050	197,593,936	209,760,635	215,223,557
Water Resources Department				
General Fund	19,191,983	21,282,467	24,290,985	24,103,527
Other Funds	6,872,379	8,205,022	7,029,646	7,021,101
Federal Funds	800,717	1,146,313	1,176,003	1,176,003
Total Expenditures	26,865,079	30,633,802	32,496,634	32,300,631
Oregon Watershed Enhancement Board				
Lottery Funds	30,121,113	52,333,961	77,836,469	84,665,059
Other Funds	1,140,918	2,283,412	2,194,862	2,094,862
Federal Funds	33,813,437	34,450,279	25,917,918	21,948,668
Total Expenditures	65,075,468	89,067,652	105,949,249	108,708,589
NATURAL RESOURCES PROGRAM AREA				
General Fund	115,267,211	143,435,813	175,976,406	157,508,446
Lottery Funds	107,656,329	165,654,042	198,396,743	212,756,773
Other Funds	788,517,419	993,628,285	944,133,335	975,295,289
Federal Funds	203,198,406	241,273,842	230,501,863	221,858,247
Total	1,214,639,365	1,543,991,982	1,549,008,347	1,567,418,755

* The 2007-09 Governor's recommended budget includes \$2,818,000 Lottery Funds for the Oregon Historical Society; in this publication, OHS is shown as a separate line in the Economic Development Program Area.

** The 2007-09 legislatively adopted budget included the disappropriation of \$1.5 million General Fund for OMSI; this disappropriation was eliminated with a line-item veto in SB 5549 by the Governor, restoring the \$1.5 million to the budget.

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
TRANSPORTATION				
Aviation, Department of				
Other Funds	15,769,226	11,690,149	7,024,120	4,621,625
Federal Funds	-	10,510,000	9,635,252	8,962,132
Total Expenditures	15,769,226	22,200,149	16,659,372	13,583,757
Transportation, Department of				
General Fund	3,914,616	8,626,167	6,575,313	4,504,713
Lottery Funds	20,903,444	22,819,951	54,777,424	46,559,957
Other Funds	2,603,436,660	2,798,995,090	3,394,576,063	3,335,542,737
Federal Funds	52,388,014	67,076,594	78,148,081	79,226,052
Total Expenditures	2,680,642,734	2,897,517,802	3,534,076,881	3,465,833,459
TRANSPORTATION PROGRAM AREA				
General Fund	3,914,616	8,626,167	6,575,313	4,504,713
Lottery Funds	20,903,444	22,819,951	54,777,424	46,559,957
Other Funds	2,619,205,886	2,810,685,239	3,401,600,183	3,340,164,362
Federal Funds	52,388,014	77,586,594	87,783,333	88,188,184
Total	2,696,411,960	2,919,717,951	3,550,736,253	3,479,417,216

	2003-05 Actual \$	2005-07 Legislatively Approved \$	2007-09 Governor's Recommended \$	2007-09 Legislatively Adopted \$
CONSUMER AND BUSINESS SERVICES				
Accountancy, Board of				
Other Funds	1,418,935	1,515,510	1,642,874	1,989,807
Chiropractic Examiners, Board of				
Other Funds	890,126	1,019,000	1,125,027	1,121,873
Clinical Social Workers, Board of				
Other Funds	493,964	582,042	680,647	659,778
Construction Contractors Board				
Other Funds	10,315,217	12,151,281	13,646,145	15,361,138
Consumer and Business Services, Dept of				
Other Funds	496,578,750	627,491,912	648,794,098	648,430,666
Dentistry, Board of				
Other Funds	1,498,398	1,757,952	1,870,184	1,865,822
Health Licensing Agency				
Other Funds	4,444,249	5,139,112	6,082,884	6,131,235
Health Related Licensing Boards:				
Licensed Dietitians				
Other Funds	49,947	73,747	78,616	78,514
Mortuary and Cemetery Board				
Other Funds	961,296	1,153,567	1,064,292	1,062,338
Naturopathic Examiners				
Other Funds	299,667	394,365	400,576	399,739
Nursing Home Administrators				
Other Funds	180,729	209,162	223,518	199,874
Occupational Therapy Licensing Bd				
Other Funds	200,096	276,925	290,133	289,571
Radiologic Technology				
Other Funds	384,518	483,289	529,670	528,796
Speech-Language Path. and Audio.				
Other Funds	163,379	262,204	273,732	290,093
Veterinary Medical Examiners Bd				
Other Funds	468,193	527,928	545,131	543,927

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
Health Related Licensing Boards Total				
Other Funds	2,707,825	3,381,187	3,405,668	3,392,852
Federal Funds	-	-	-	-
Total Expenditures	2,707,825	3,381,187	3,405,668	3,392,852
Investigators, Board of				
Other Funds	414,032	90,000	-	-
Labor & Industries, Bureau of				
General Fund	11,029,548	11,708,250	12,592,154	12,608,315
Other Funds	6,831,465	8,454,762	8,728,886	8,716,952
Federal Funds	1,112,723	1,409,131	1,520,108	1,517,788
Total Expenditures	18,973,736	21,572,143	22,841,148	22,843,055
Licensed Prof Counselors and Therapists, Bd				
Other Funds	498,467	663,656	742,102	635,668
Medical Examiners, Board of				
Other Funds	6,315,094	7,267,070	8,691,966	8,505,902
Nursing, Board of				
Other Funds	7,091,311	9,667,662	9,756,845	9,744,501
Pharmacy, Board of*				
Other Funds	2,977,555	3,714,707	4,134,117	3,999,522
Federal Funds	-	50,000	340,000	339,640
Total Expenditures	2,977,555	3,764,707	4,474,117	4,339,162
Psychologist Examiners, Board of				
Other Funds	572,351	720,720	864,027	858,168
Public Utility Commission				
Other Funds	134,648,831	142,766,609	144,510,812	140,372,114
Federal Funds	292,416	434,799	468,265	467,565
Total Expenditures	134,941,247	143,201,408	144,979,077	140,839,679
Real Estate Agency				
Other Funds	6,162,766	6,973,039	8,322,612	7,779,616
Tax Practitioners, Board of				
Other Funds	782,394	935,709	1,075,985	1,074,181
CONSUMER AND BUSINESS SERVICES PROGRAM AREA				
General Fund	11,029,548	11,708,250	12,592,154	12,608,315
Other Funds	684,641,730	834,291,930	864,074,879	860,639,795
Federal Funds	1,405,139	1,893,930	2,328,373	2,324,993
Total	697,076,417	847,894,110	878,995,406	875,573,103

* Board of Pharmacy was included in Health-Related Licensing Boards until the 2007-09 budget; now a separate stand-alone agency.

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
ADMINISTRATION				
Administrative Services, Dept of*				
General Fund	1,780,512	9,976,764	20,045,019	8,904,771
Lottery Funds	-	600,000	-	-
Other Funds	788,277,118	987,693,317	1,105,105,549	1,093,326,778
Federal Funds	316,928	497,286	-	-
Total Expenditures	790,374,558	998,767,367	1,125,150,568	1,102,231,549
Advocacy Commissions Office				
General Fund	-	349,197	401,916	401,494
Other Funds	871,910	184,672	103,785	103,785
Total Expenditures	871,910	533,869	505,701	505,279
Employment Relations Board				
General Fund	1,307,322	1,449,920	1,661,913	1,659,340
Other Funds	1,315,550	1,427,990	1,619,712	1,617,304
Total Expenditures	2,622,872	2,877,910	3,281,625	3,276,644
Government Standards & Practices Comm				
General Fund	572,817	653,700	927,210	1,063,541
Other Funds	2,111	3,285	3,368	3,368
Total Expenditures	574,928	656,985	930,578	1,066,909
Governor, Office of the				
General Fund	8,125,041	8,208,119	10,915,109	11,325,892
Lottery Funds	576,536	1,771,546	1,855,054	2,118,218
Other Funds	1,270,087	1,182,352	1,120,460	2,618,987
Federal Funds	50,323	140,634	-	-
Total Expenditures	10,021,987	11,302,651	13,890,623	16,063,097
Oregon Liquor Control Comm				
Other Funds	90,218,879	119,250,564	123,988,091	124,318,211
Public Employees Retirement System				
Other Funds	5,294,977,715	5,730,857,817	6,374,923,419	6,373,907,468
Racing Commission, Oregon				
Other Funds	4,945,952	5,039,488	4,704,272	5,658,842
Revenue, Dept of				
General Fund	114,586,226	137,502,492	149,961,692	148,277,511
Other Funds	33,368,411	30,922,100	34,284,495	32,538,307
Total Expenditures	147,954,637	168,424,592	184,246,187	180,815,818
Secretary of State				
General Fund	13,024,284	11,462,627	11,614,930	11,679,030
Other Funds	29,097,295	34,324,182	39,712,282	38,566,820
Federal Funds	10,085,707	9,293,472	9,158,195	9,156,577
Total Expenditures	52,207,286	55,080,281	60,485,407	59,402,427

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
State Library				
General Fund	2,584,772	2,987,812	3,358,907	3,356,952
Other Funds	5,946,514	6,710,305	6,843,722	6,788,821
Federal Funds	3,917,623	4,670,500	4,588,922	4,635,732
Total Expenditures	12,448,909	14,368,617	14,791,551	14,781,505
Treasury, Oregon State				
Other Funds	22,767,070	27,344,759	35,780,191	32,090,470
ADMINISTRATION PROGRAM AREA				
General Fund	141,980,974	172,590,631	198,886,696	186,668,531
Lottery Funds	576,536	2,371,546	1,855,054	2,118,218
Other Funds	6,273,058,612	6,944,940,831	7,728,189,346	7,711,539,161
Federal Funds	14,370,581	14,601,892	13,747,117	13,792,309
Total	6,429,986,703	7,134,504,900	7,942,678,213	7,914,118,219

* Oregon Public Broadcasting and County Fairs are included in Governor's recommended budget as part of the Department of Administrative Services as pass-throughs.

	2003-05 Actual \$	2005-07 Legislatively Approved \$	2007-09 Governor's Recommended \$	2007-09 Legislatively Adopted \$
LEGISLATIVE BRANCH				
Indian Services, Commission on				
General Fund	267,167	346,475	368,382	367,815
Other Funds	1,073	5,925	6,109	6,109
Total Expenditures	268,240	352,400	374,491	373,924
Legislative Administration Committee				
General Fund	18,631,399	22,275,910	25,862,654	30,830,305
Other Funds	2,128,954	5,972,202	3,748,119	38,017,426
Total Expenditures	20,760,353	28,248,112	29,610,773	68,847,731
Legislative Assembly				
General Fund	23,414,111	30,777,516	29,442,014	33,610,472
Other Funds	265,322	283,777	289,758	289,758
Total Expenditures	23,679,433	31,061,293	29,731,772	33,900,230
Legislative Counsel Committee				
General Fund	6,324,050	7,299,165	8,098,683	8,652,295
Other Funds	1,879,579	2,185,003	2,274,526	2,307,654
Total Expenditures	8,203,629	9,484,168	10,373,209	10,959,949
Legislative Fiscal Officer				
General Fund	3,874,002	4,784,615	5,070,473	5,766,003
Legislative Revenue Officer				
General Fund	1,404,150	1,605,001	1,682,277	1,948,951
LEGISLATIVE BRANCH PROGRAM AREA				
General Fund	53,914,879	67,088,682	70,524,483	81,175,841
Other Funds	4,274,928	8,446,907	6,318,512	40,620,947
Total	58,189,807	75,535,589	76,842,995	121,796,788

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
MISCELLANEOUS				
Emergency Board				
General Fund	-	-	30,000,000	30,000,000
Total Expenditures	-	-	30,000,000	30,000,000
Special Purpose Appropriations (details below)		-	132,000,000	170,514,219
MISCELLANEOUS PROGRAM TOTAL				
General Fund	-	-	162,000,000	200,514,219
Total	-	-	162,000,000	200,514,219

Special Purpose Appropriations (SPA)

State Employee Compensation	-	130,000,000	125,000,000
DOJ - Defense of Criminal Convictions	-	2,000,000	-
LEG - Continuous Improvement Contracts	-	-	2,500,000
GSPC - Electronic Filing System	-	-	700,000
ODE - Head Start and EI/ECSE			31,084,565
ODE - Local Option Equalization Grants			800,000
ODF - Fire Insurance and Severity			4,979,654
DLCD - Measure 37 claims			1,500,000
SOS - Special Election Costs			1,800,000
LEG - Capitol Renovation costs			550,000
OSP - OWIN*			-
LAC - Court Facilities Review			600,000
DOJ - Master Settlement Agreement			1,000,000
SPA Totals	-	132,000,000	170,514,219

* The 2007-09 legislatively adopted budget included a \$9 million special purpose appropriation for the OWIN project; this appropriation was eliminated with a line-item veto in SB 5549 by the Governor.

	2003-05 Actual	2005-07 Legislatively Approved	2007-09 Governor's Recommended	2007-09 Legislatively Adopted
	\$	\$	\$	\$
STATE OF OREGON TOTAL EXPENDITURES				
General Fund	10,223,197,575	11,640,600,143	13,840,675,330	13,954,704,763
Lottery Funds	746,406,362	837,320,837	1,088,521,729	1,151,573,906
Other Funds	19,806,299,641	22,126,707,036	24,761,596,893	23,604,630,885
Federal Funds	7,967,105,536	8,661,959,840	9,531,105,662	9,294,500,100
Total Expenditures	38,743,009,114	43,266,587,856	49,221,899,614	48,005,409,654

	<u>2003-05 Actual</u> \$	<u>2005-07 Legislatively Approved</u> \$	<u>2007-09 Governor's Recommended</u> \$	<u>2007-09 Legislatively Adopted</u> \$
NON-ADD EXPENDITURES*				
Administrative Services, Dept. of	394,755,673	456,703,386	455,802,539	666,190,570
Employment Department	20,975,945	21,639,882	23,302,437	23,302,437
Justice, Department of	86,017,433	101,534,472	144,002,137	143,716,311
Transportation, Department of	39,960,258	-	-	-
Secretary of State	12,174,133	13,420,142	15,115,794	14,633,746
Treasurer of State	22,007,344	25,139,627	31,447,934	29,263,896
Total Non-Add Expenditures	575,890,786	618,437,509	669,670,841	877,106,960

* Non-Add expenditures are included in agency Total Expenditures; Non-Add expenditures are generally intra-agency transfers that fund administrative functions and are paid for by agency programs and reflect double-counts of expenditures in the statewide budget.