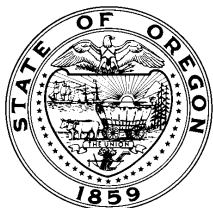


Budget Highlights

2009-11

Legislatively Adopted Budget



LEGISLATIVE FISCAL OFFICE
AUGUST 2009

**STATE OF OREGON
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August 14, 2009

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

Following is the *Budget Highlights: 2009-11 Legislatively Adopted Budget*. This document provides summary information of the 2009-11 legislatively adopted budget by examining program areas, legislative actions affecting the budget, technical assumptions, capital construction and state bonding debt, fiscal impact statements, substantive bills with budget effects, potential budget risks, and 2011-13 tentative budget issues. New this biennium is a section entitled "Information Technology in the Legislatively Adopted Budget."

A detailed analysis of the budget by program area and agency is also being prepared, and will be available in September.

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

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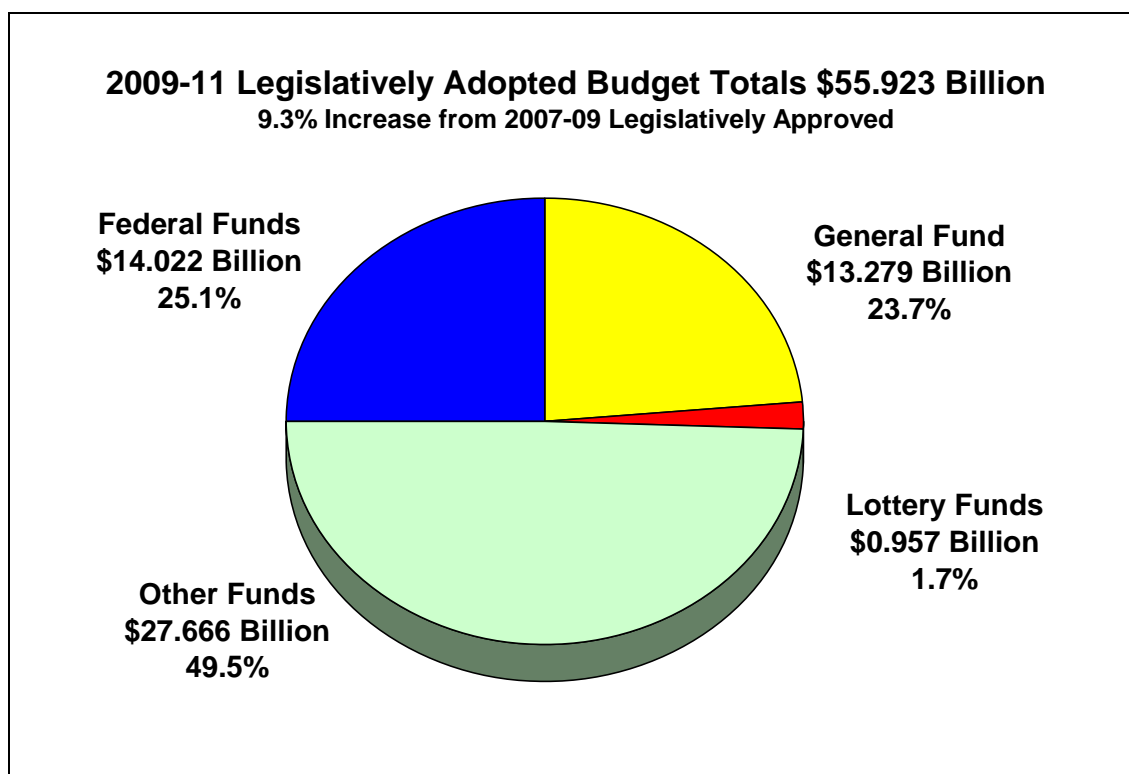
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Summary of 2009-11 Legislatively Adopted Budget

Budget Overview

The State of Oregon legislatively adopted budget (LAB) for the 2009-11 biennium is \$55.9 billion total funds. The adopted budget includes \$14.2 billion in combined General Fund and Lottery Funds, \$27.7 billion Other Funds, and \$14.0 billion Federal Funds.

The 2009-11 total budget represents a 9.3% increase over the 2007-09 biennium's legislatively approved total budget of \$51.2 billion. Of the \$4.7 billion budgetary increase between the two biennia, slightly more than \$3.5 billion came from Federal Funds. The bulk of this increase is funding from the federal government through the American Recovery and Reinvestment Act (ARRA) of 2009. Combined General Fund and Lottery Funds expenditures are down 1% between 2009-11 and 2007-09.



Despite having to deal with the fiscal effects of the recession, including declining revenues for both the 2007-09 and the 2009-11 biennia and record double-digit unemployment levels, the 2009 Legislature was able to produce a balanced state budget within the targeted *sine die* date of June 30, 2009. The challenges presented to the Legislature in meeting this goal included the following:

- Over the first three weeks of the 2009 legislative session, the Joint Committee on Ways and Means developed an Oregon economic stimulus package for the Legislature consisting of approximately \$186 million in expedited capital construction projects across the state. The stimulus package involved 12 state agencies and 547 deferred maintenance and new construction projects. Through the end of May 2009, the stimulus package had created or retained a total of 3,236 jobs.
- During the month of February, the Joint Committee on Ways and Means developed the plan for the initial rebalancing of the 2007-09 biennial budget. Following the release of the March 2009 revenue forecast (in mid-February), the 2007-09 General Fund and Lottery Funds budget was \$862

million out of balance with only four months remaining in the biennium. On February 27th, the Joint Committee on Ways and Means passed out a budget rebalancing plan for the Legislature that consisted of \$311 million in budget reductions and fund shifts; \$83 million in fund sweeps from Other Funds accounts; \$401 million in federal stimulus funding; \$53 million from the Emergency Fund balance; \$9.3 million Lottery Funds savings and changes; \$2.2 million in General Fund additions; and \$2.5 million in savings from Executive Branch salary actions.

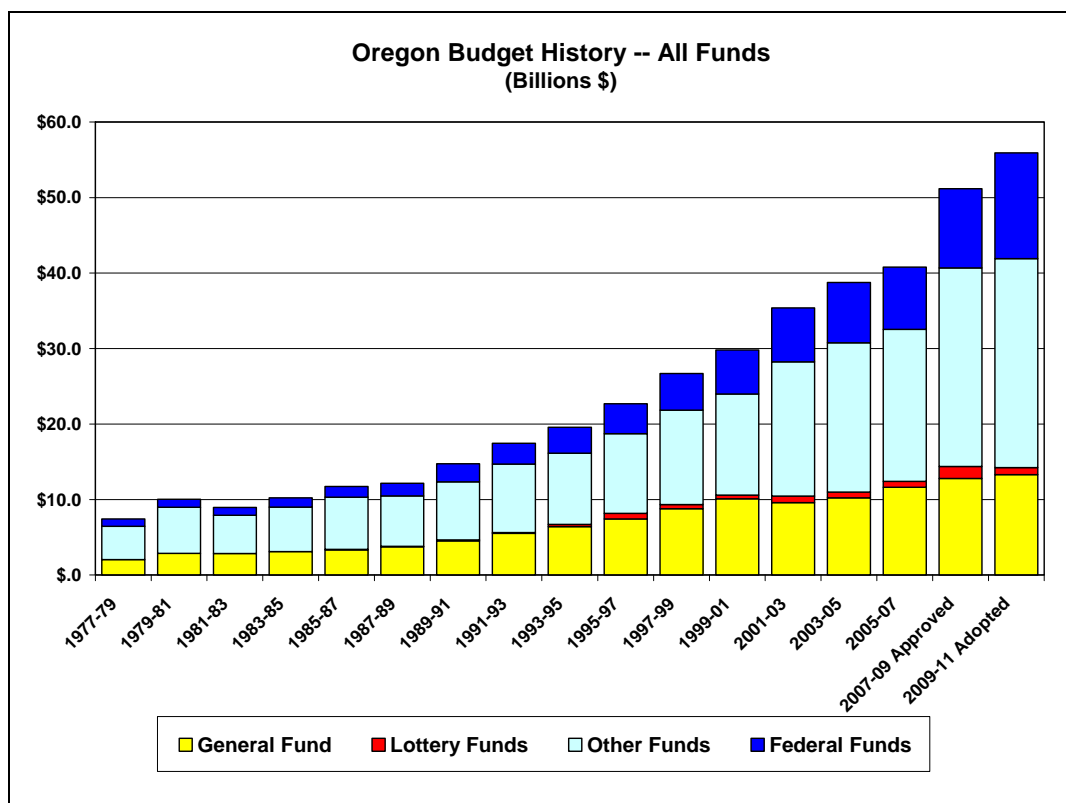
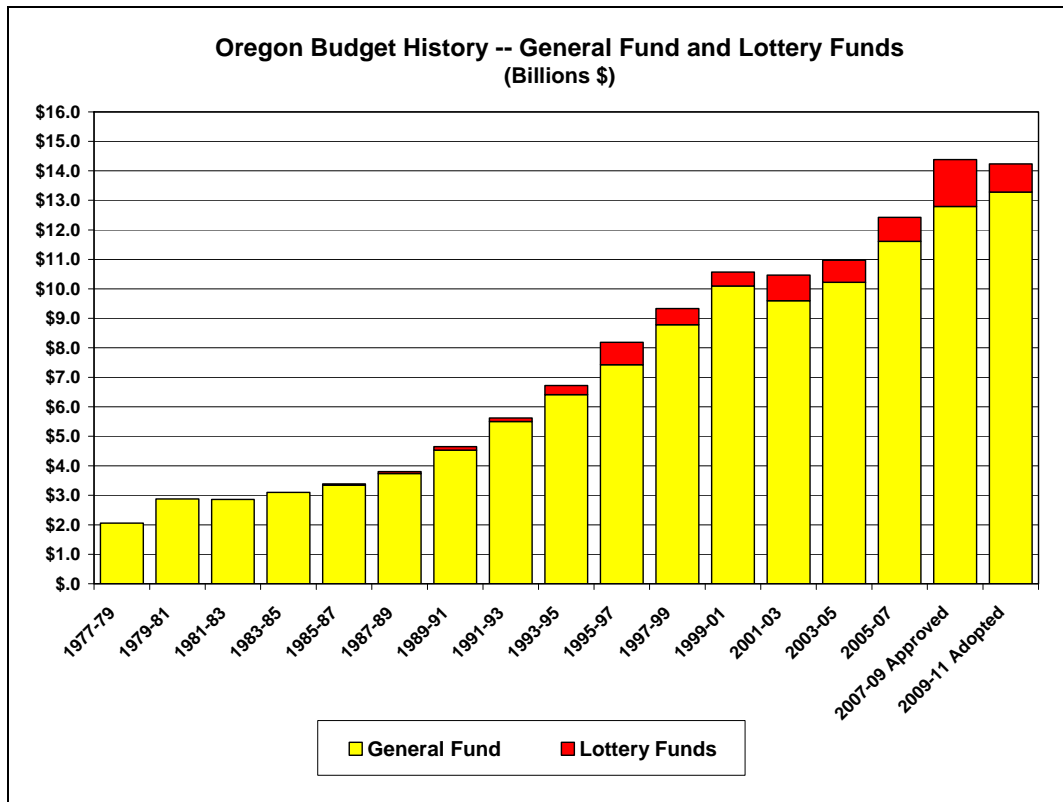
- The March 2009 revenue forecast also increased the projected deficit for the 2009-11 biennium budget. When the Governor released his recommended budget on December 1, 2008, there was a \$1.4 billion deficit between projected revenues and the projected costs to fund the “essential budget level,” or EBL. The EBL represents the amount of expenditures needed to continue all current law programs for the next two-year budget cycle. With the March 2009 forecast, the deficit from the EBL was then projected at about \$3.1 billion. Legislative leadership decided to begin developing a budget for 2009-11 that assumed a total \$4.4 billion deficit from EBL. The May 2009 revenue forecast, the forecast used by the Legislature for the next biennium’s budget, validated the decision of legislative leadership – the projected deficit from the EBL was \$4.2 billion. This deficit increase from the March forecast consisted of an additional \$351 million shortfall for the 2007-09 biennium that needed to be resolved before the end of June 2009, a \$258 million Department of Human Services budget shortfall due to rising caseloads and other costs, and a \$532 million General Fund revenue reduction for the 2009-11 biennium.
- During May and June, the Legislature finalized the state budget for 2009-11 by relying on a combination of actions: budget reductions of approximately \$2 billion below the essential budget level, a reduction of about 12.4%; the use of the remaining federal stimulus dollars from the American Recovery and Reinvestment Act of 2009, totaling about \$980 million; the use of about \$760 million in additional General Fund revenue, primarily from increases in the corporate and personal income taxes; and the use of state reserve funds, including \$394 million from the Education Stability Fund and \$225 million from the Rainy Day Fund (two-thirds of the total as allowed under current statutory law).

The final \$55.9 billion total funds budget adopted by the Legislature for the 2009-11 biennium is unusual in several ways. The combined General Fund/Lottery Funds budget is down 0.99% from the 2007-09 biennium. By a slight margin, this is the largest biennial decline in recent history. In 2001-03, the state support budget declined by a similar, but slightly lower, margin of 0.97%. The only other biennial decline in the past 30 years occurred in 1981-83, when the budget was reduced by 0.73% from 1979-81. The 2009-11 budget relies heavily on federal stimulus funding, which prevented the need for even deeper reductions. Expenditures from federal funds are up by nearly 34% and federal funds represent 25% of the total budget, the highest percentage since 1969-71. Largely because of the infusion of the federal stimulus funding, the combined General Fund/Lottery Funds share of the total budget in 2009-11 is at 25.5%, the lowest percentage in recorded budget history.

Despite the growth patterns discussed above, the Other Funds category remains the largest funding source in the budget, representing 49.5% 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 2009-11 budget comes from assessments on health insurance premiums, Medicaid managed care organizations, and hospitals, which are expected to generate approximately \$422 million for health care services.

These assessment dollars are also partly responsible for the 34% increase in revenues from the federal government since expenditures for Medicaid eligible programs in the Department of Human Services,

and other state agencies, are matched by the federal government. For the 2009-11 biennium, the federal government will pay an average of 70 cents of each \$1 the state spends on Medicaid program services.



The increase in the total state budget despite declines in General Fund and Lottery Funds expenditures is the result of relatively few Other Funds and Federal Funds enhancements. The following table provides the major components of these increases. More detail on each of these budget additions can be found in the Other Funds and Federal Funds Expenditures discussions on pages 18 through 24, and in each of the respective program area summaries.

All Funds Budget Change				
(\$ millions)				
Fund Type	2007-09 Approved	2009-11 Adopted	Change	Comments
General Fund/Lottery Funds	14,378.3	14,235.5	(142.8)	1.0% decrease
Other Funds	26,297.8	27,666.2	1,368.4	5.2% increase
Federal Funds	10,491.2	14,021.6	3,530.4	33.7% increase
Total	51,167.3	55,923.3	4,756.0	9.4% increase
Other Funds Increase Components				
Dept. of Administrative Services	1,661.2	2,546.3	885.1	Health insurance premiums OEBB/bond proceeds
Dept. of Human Services	1,351.1	1,849.3	498.2	Provider taxes/insurance premium assessment
Dept. of Transportation	3,456.0	3,887.4	431.4	Highway construction/bonds/FF as OF pass-thru
Public Employees Retirement System	6,373.9	6,559.0	185.1	PERS benefits
Total	12,842.2	14,842.0	1,999.8	
Federal Funds Increase Components				
Dept. of Human Services	7,549.9	10,106.0	2,556.1	ARRA Medicaid match/food stamps/TANF
Employment Dept.	390.2	795.4	405.2	Unemployment insurance payments
Dept. of Education	1,073.4	1,281.6	208.2	ARRA IDEA/Title 1A
Dept. of Education/State School Fund	115.4	226.1	110.7	ARRA State Fiscal Stabilization Fund
Housing and Community Services	260.3	359.7	99.4	ARRA one-time grant funds
Office of Private Health Partnerships	50.9	123.0	72.1	CHIP match for insurance premium assessment
Total	9,440.1	12,891.8	3,451.7	

Budget Process

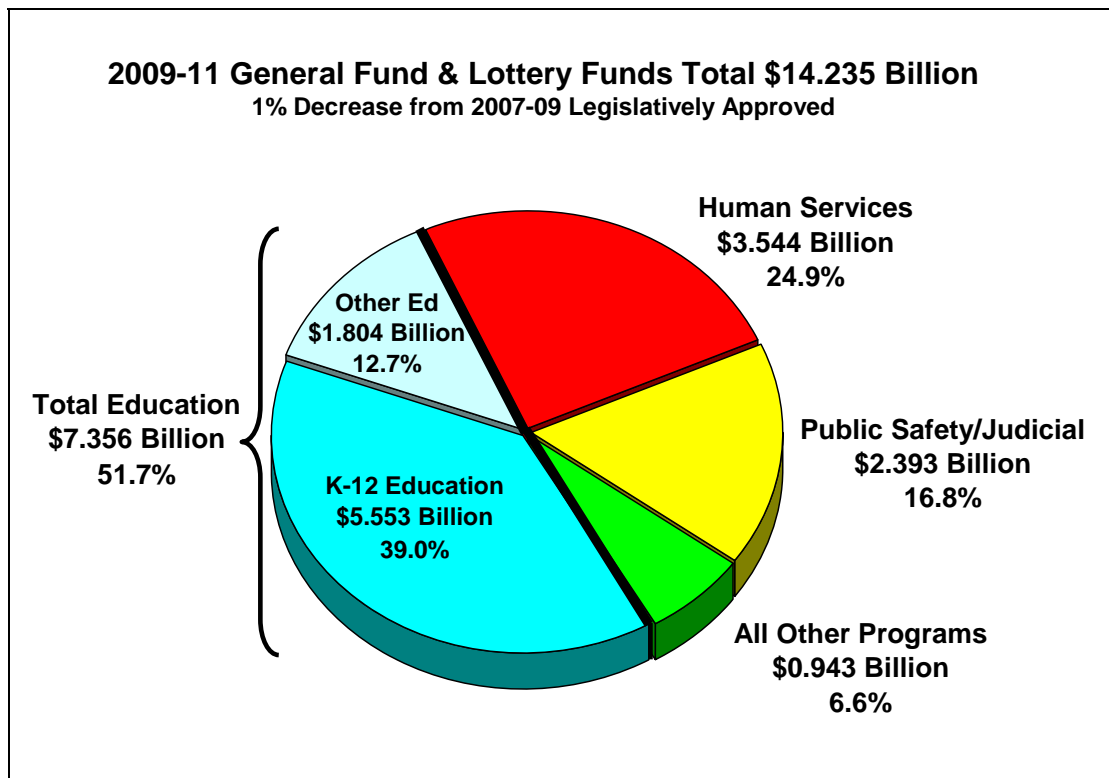
With respect to budget development, highlights of the 2009 session process were:

- A timeline that facilitated the budget being completed to meet the June 30th *sine die* date.
- A continued focus on agency performance measures and priorities.
- A series of public hearings on the budget held throughout the state by the Joint Committee on Ways and Means. Hearings were held between April 20th and May 1st in eight communities (Lincoln City, Portland, Salem, Pendleton, Ontario, Bend, Ashland, and Eugene); the Committee also held a teleconference in conjunction with the Salem public hearing to allow testimony from another site (Hood River). During these community visits, the Committee received testimony from nearly 600 residents and received nearly 950 completed budget surveys distributed at the hearings.
- The release of a balanced budget proposal by the committee Co-Chairs on May 18, 2009, to guide final work on the Joint Committee on Ways and Means process.

General Fund and Lottery Expenditures

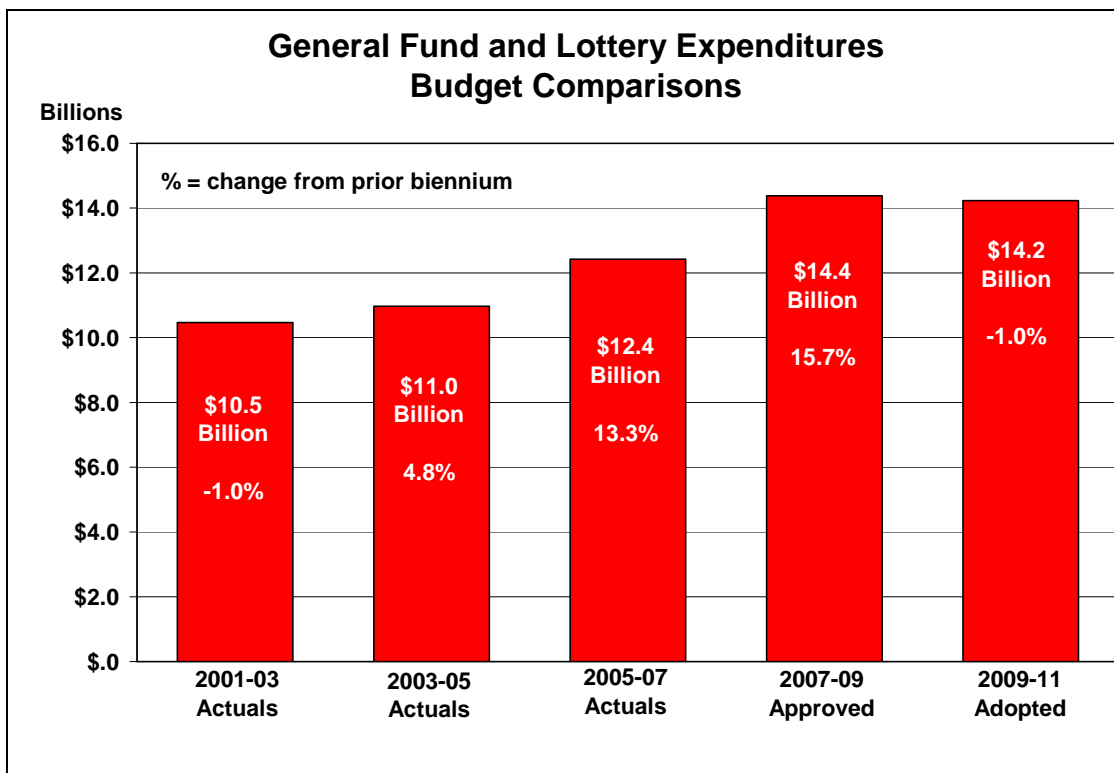
General Fund and Lottery Funds expenditures, which total \$14.2 billion for the 2009-11 biennium, are 25.5% of the total legislatively adopted budget. This percentage represents the lowest share of the total budget in recorded state budget history going back to the late 1950s. The average share over the previous four biennia is slightly over 29% of the total budget. The reasons for the 2009-11 biennium change are the severe drop in General Fund and Lottery Funds resources projected for the 2009-11 biennium, the one-time dramatic increase in Federal Funds due to ARRA, and the continuation of the shift to great reliance on Other Funds for budget continuity.

The total \$14.2 billion General Fund and Lottery Funds expenditures for 2009-11 are 1% below the 2007-09 legislatively approved budget of \$14.4 billion. The 2007-09 legislatively approved budget represents the authorized budget following all Emergency Board actions during the interim, actions taken during the 2008 special session, and various legislative actions taken during the 2009 regular session to rebalance the budget and adjust limitations for selected agencies. The combined General Fund and Lottery Funds budget adopted for the 2009-11 biennium is 5.8% less than the initial budget adopted by the 2007 Legislative Assembly for the 2007-09 biennium.



Nearly 52% of the state's General Fund and Lottery Funds expenditures are dedicated to education programs, including \$5.553 billion, or 39% of the total, to the K-12 State School Fund budget. Over 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).

It is important to note that for the 2009-11 biennium, due to the use of \$295.5 million Federal Funds from ARRA as a General Fund backfill for the 2009-11 budget, these numbers for Education program funding are lower than actual funding levels. For example, the K-12 State School Fund budget included \$226.1 million of Federal Funds in lieu of General Fund, raising the appropriation to approximately \$5.8 billion. Similarly, another \$69.4 million of federal ARRA funds were appropriated to the Oregon University System in lieu of General Fund, the Department of Human Services budget includes \$541.9 million in ARRA funds in lieu of General Fund, and the Department of Corrections received \$103.8 million federal ARRA funds in lieu of General Fund. Details of the use of these Federal Funds can be found in a table at the end of this section.



The combined 2009-11 General Fund and Lottery Funds budget is \$143 million below the 2007-09 legislatively approved level. It should be noted, however, that the 2007-09 budget had to be substantially reduced during the 2009 legislative session due to declining current biennium revenues. The 2009-11 adopted General Fund and Lottery Funds budget is \$884 million below the 2007-09 budget as approved by the Legislature during the 2008 special session before the full extent of the recession was experienced in the state; this represents a reduction of 5.8% from the 2007-09 approved budget following the 2008 special session.

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.

However, with the onset of recessionary-induced falling revenues, the 2009 Legislature needed to rely on one-time resources to rebalance the 2007-09 budget as well as balance the 2009-11 budget. During the 2009 legislative session, the Legislature had to rebalance the 2007-09 biennial budget twice, once following each economic and revenue forecast that was released during the session. In February, the statewide rebalance was accomplished using a mixture of budget reductions and fund shifts, Other Funds transfers to the General Fund, federal stimulus dollars, the Emergency Fund balance, and other

actions. Most of these actions, including some of the budget reductions and fund shifts, the transfers, federal stimulus dollars, and Emergency Fund balance were one-time resources. In June, the statewide rebalance relied on the use of the Education Stability Fund. At the time of the May 2009 revenue forecast, the state was out of balance by \$351 million with only six weeks left in the biennium. Budget reductions of that magnitude at that time in the two-year budget period were not practical. The decision was made to use the 2007-09 projected balance of the Education Stability Fund (one of the state's two reserve funds) to cover the existing negative balance and to provide a modest cushion in case the final forecasts for the 2007-09 biennium continued to show a downward trend on actual revenue collections.

To balance the 2009-11 budget, the Legislature again relied on one-time resources as part of the overall plan. The largest amount came in the form of federal ARRA funding. As direct General Fund offsets, the budget plan used \$295.4 million in the Education program area, \$103.8 million in the Public Safety program area, and \$578.9 million in the Human Services program area, for a total of \$978.1 million Federal Funds that is not likely to be available in the 2011-13 biennium. In addition, the budget also used another \$355.3 million of federal ARRA funds to supplement General Fund budgets of various state agencies for the 2009-11 biennium; these funds are also not expected to be available in 2011-13.

The 2009-11 budget also includes the one-time use of the second state reserve fund, the Rainy Day Fund. As allowed under current law, the Legislature transferred two-thirds of the Rainy Day Fund's 2007-09 projected ending balance to the General Fund for general governmental purposes in the 2009-11 biennium. This transfer provided \$225 million for the 2009-11 budget, leaving approximately \$112.5 million in the reserve fund. Despite the fact that the Rainy Day Fund was established to be used in times of economic crisis such as that surrounding the 2009-11 budget, the Governor used the line item veto authority to negate the use of the Rainy Day Fund as part of the budget. However, the Legislature overrode the veto during the 2009 session and restored the use of the Rainy Day Fund in the adopted budget.

The following table compares the 2009-11 legislatively adopted General Fund and Lottery Funds budget with 2005-07 actual expenditures, the 2007-09 legislatively approved budget after 2009 session actions, and the 2009-11 essential budget level for each program area. Review of this table needs to take into consideration the use of federal funds as General Fund offsets and state reserve funds as additional one-time resources used in the budgets of 2007-09 and 2009-11.

General Fund & Lottery Spending by Major Program Area

(Dollars in Millions) ¹

	2003-05 Actuals	2005-07 Actuals	2007-09 Legislatively Approved Budget ² (LAB)	2009-11 Essential Budget Level (EBL)	2009-11 Legislatively Adopted Budget (LAB)	% Change 2009-11 Legislatively Adopted from 2007-09 LAB	% Change 2009-11 Legislatively Adopted from 2009-11 EBL
Education							
K - 12 State School Fund ³	\$4,914	\$5,305	\$6,014	\$6,545	\$5,553	-7.7%	-15.2%
Higher Education ^{4,5}	763	820	900	1,046	841	-6.6%	-19.6%
Community Colleges	416	434	505	517	474	-6.2%	-8.3%
All Other Education	342	371	488	526	489	0.2%	-7.0%
Total Education	6,436	6,931	7,907	8,633	7,356	-7.0%	-14.8%
Human Services ^{6,7}	2,333	2,790	3,209	3,924	3,544	10.4%	-9.7%
Public Safety/Judicial Branch ^{8,9}	1,636	2,000	2,363	2,787	2,392	1.2%	-14.1%
Natural Resources ¹⁰	223	301	388	312	327	-15.9%	4.6%
All Other Programs ¹¹	342	403	512	593	616	20.5%	4.0%
Total Expenditures	\$10,970	\$12,425	\$14,378	\$16,249	\$14,235	-1.0%	-12.4%

¹ Amounts may not add due to rounding.

² 2007-09 legislative approved reflects all actions through the 2009 legislative session.

³ General Fund in 2007-09 and 2009-11 reduced based on availability of \$115.4 million and \$226.1 million Federal Funds, respectively, from the American Recovery and Reinvestment Act of 2009 (ARRA); the Legislature also included an additional \$200 million General Fund trigger for 2009-11 if certain economic conditions are met.

⁴ Includes Oregon Health and Science University Public Corporation.

⁵ General Fund in 2007-09 and 2009-11 reduced based on availability of \$55.6 million and \$69.4 million Federal Funds, respectively, from the American Recovery and Reinvestment Act of 2009 (ARRA).

⁶ General Fund in 2003-05 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.

⁷ General Fund in 2007-09 and 2009-11 reduced based on availability of \$230.2 million and \$541.9 million Federal Funds, respectively, in revenue from improved federal match rates from the American Recovery and Reinvestment Act of 2009 (ARRA).

⁸ The 2003-05 budget was reduced by \$116 million General Fund based on one-time use of federal Jobs and Growth Tax Reconciliation Act funds.

⁹ The 2009-11 budget was reduced by \$103.8 million General Fund based on one-time use of Federal Funds from the American Recovery and Reinvestment Act of 2009 (ARRA).

¹⁰ The 2009-11 EBL does not include Measure 66 Capital Construction.

¹¹ The 2009-11 LAB includes \$76.1 million in the Emergency Fund as follows: \$30 million General Purpose; \$32 million State Agency Supplemental costs (including health benefits); \$14.1 million special purpose appropriations for specific state agency purposes.

Based on the May 2009 economic and revenue forecast, and actions taken during the 2009 session not included in the May forecast affecting General Fund revenues, the 2009-11 legislatively adopted budget included a projected ending balance of \$268.8 million. HB 2707 (2007) established the Oregon Rainy Day Fund, and, as a result, beginning with the 2007-09 budget cycle, 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 is to be transferred to the Oregon Rainy Day Fund. Based on the legislatively adopted budget for 2009-11, currently \$132.8 million of the projected ending balance would be required to be transferred to the Oregon Rainy Day Fund (most likely in March 2012). The remaining \$138.5 million of the projected ending balance would be available as a beginning balance for the 2011-13 biennial budget, based on current expenditures and forecasts.

Use of State Reserve Funds in 2007-09 and 2009-11 Budgets			
	<u>2007-09</u>	<u>2009-11</u>	
Education Stability Fund			
Total Transfer to General Fund	393,950,531		[transferred to State School Fund; GF removed]
Amount Needed to Rebalance	351,314,121		Based on May 2009 Forecast
Difference	<u>42,636,410</u>		For additional revenue declines or deposit into Rainy Day Fund as 2007-09 Ending Balance
Projected 2009-11 Deposits		184,400,000	
Rainy Day Fund			
2007-09 Ending Balance		337,544,844	
Total Transfer to General Fund		225,029,896	2/3 of ending balance
Difference		<u>112,514,948</u>	Amount remaining in Rainy Day Fund
Projected 2009-11 Interest Earnings		9,000,000	

Use of American Recovery and Reinvestment Act (ARRA) Funding in 2007-09 and 2009-11 Budgets			
	<u>2007-09</u>	<u>2009-11</u>	
ARRA State Fiscal Stabilization Fund			
Education:			
State School Fund	115,360,098	226,099,942	
Department of Higher Education	55,639,902	69,361,591	
Public Safety:			
Department of Corrections		103,784,840	
Subtotal	<u>171,000,000</u>	<u>399,246,373</u>	General Fund Offset
ARRA Other Federal Stimulus Funds for Education			
Department of Education	26,000,000	237,079,322	Grant-in-Aid: IDEA and Title 1A (pass thru to locals)
Student Assistance Commission		34,794,019	Federal Pell Grants and Tax Credits (direct to families)
Subtotal	<u>26,000,000</u>	<u>271,873,341</u>	Additional Federal Funds; not General Fund Offset
ARRA Federal Medical Assistance Percentage (FMAP)			
Human Services:			
Department of Human Services	230,200,000	541,900,000	Title XIX Medicaid and Title IV-E Foster Care and Adoption Assistance
Subtotal	<u>230,200,000</u>	<u>541,900,000</u>	General Fund Offset from FMAP
Subtotal		37,000,000	Other Fund Offset from FMAP
ARRA Other One-Time Federal Stimulus Funds for Human Services			
Department of Human Services	5,600,000	74,900,000	Temporary Assistance for Needy Families
	15,000,000	8,500,000	Child Care and Development Fund
		8,500,000	Federal Funds for program grants
Subtotal	<u>20,600,000</u>	<u>83,400,000</u>	Additional Federal Funds; not General Fund Offset
Total General Fund Offset	401,200,000	978,146,373	Includes DHS Other Fund Offset
Total ARRA Federal Funds	447,800,000	1,333,419,714	Includes GF Offset and other Federal ARRA Funds
Total ARRA Funds Over 2 Biennia		<u>1,781,219,714</u>	

2009-11 Legislatively Adopted Budget

	General Fund	Lottery Funds - Discretion	Lottery Funds - M66	Combined GF + LF	\$ millions
2009-11 Revenues - May 2009 Forecast					
Current Projected 2007-09 Ending Balance	\$40.4	\$1.4	\$1.6	\$43.3	May 2009 forecast w/ LF adj. RDF projected deposit
1% of Projected GF Expenditures	(40.4)			(40.4)	
Carryforward and Earnings		27.1	23.3	50.4	
Projected Available 2009-11 Beginning Balance	0.0	28.4	24.9	53.4	
Current Projected 2009-11 Revenues	12,473.8	993.9	170.6	13,638.2	LF includes ESF interest County Video, ESF; HB 3199
Current Projected LF Dedications (non-M-66)		(237.7)		(237.7)	
Current Projected Available 2009-11 Resources	\$12,473.8	\$784.6	\$195.5	\$13,453.8	
Other Resources in the LAB					
Revenue Additions					
HB 2672-B Moist Snuff	3.0			3.0	
HB 2078-A Federal Reconnect	0.9			0.9	
SB 180-A Consolidated Returns	0.6			0.6	
HB 2815-C Interagency Compliance Network	3.8			3.8	
HB 2472-B* BETC Change	19.6			19.6	
SB 880-B Tax Amnesty	0.2			0.2	
SB 621-A Film and Video Tax Credit	(4.7)			(4.7)	
HB 3405-A Corporate Income Tax	261.0			261.0	
HB 2649-A Personal Income Tax	472.0			472.0	
Subtotal	756.4			756.4	
Resource Additions					
Rainy Day Fund Transfer	225.0			225.0	
DAS Insurance Fund	30.0			30.0	
OLCC Bottle Surcharge	23.9			23.9	
DOR Collections Speed Up/Compliance	36.9			36.9	
DSL New Carissa Settlement	0.7			0.7	
DOJ Consumer Protection and Education Acct	2.0			2.0	
9-1-1 Interest Earnings	0.8			0.8	
LUBA Filing Fees	0.1			0.1	
WRD Water Development Fund	0.3			0.3	
Subtotal	319.6			319.6	
Total Revenues/Resources	13,549.8	784.6	195.5	14,529.9	
2009-11 LAB Program Area Expenditures					
K-12	\$5,112.9	\$439.8	\$0.0	5,552.7	
Education (Other)	1,707.1	96.6	-	1,803.7	
Human Services	3,532.1	11.6	-	3,543.6	
Public Safety	1,881.3	-	7.2	1,888.5	
Judicial Branch	504.0	-	-	504.0	
Economic and Community Development	24.5	122.4	-	146.9	
Natural Resources	144.7	2.5	179.4	326.6	
Transportation	10.0	85.4	-	95.4	
Consumer and Business Services	13.2	-	-	13.2	
Administration	197.5	12.1	-	209.6	
Legislative Branch	75.2	-	-	75.2	
Emergency Fund	76.1	-	-	76.1	
Program Area Subtotal	\$13,278.5	\$770.3	\$186.7	\$14,235.5	
Net Fiscal Position	\$271.3	\$14.2	\$8.8	\$294.4	
Dedicated for Reserves/2011-13 Payments	\$132.8	\$3.6	\$8.2	\$144.6	RDF/Debt Service/Cash Flow
Net Ending Balance	\$138.5	\$10.6	\$0.6	\$149.8	

Lottery Resources and Expenditures

Lottery Resources – Lottery resources are forecast to total \$1.143 billion in the 2009-11 biennium, a \$258 million (or 18.4%) decline from the 2007-09 biennium level. This will be the first biennial decline in lottery resources since the 1999-2001 biennium, and follows a period of rapid increases. The Office of Economic Analysis, which forecasts lottery resources through the 2013-15 biennium, projects that total lottery resources will not return to the 2007-09 level at anytime during this time horizon. Lottery resources grew substantially during the 2005-07 biennium, by 38.8% over the prior biennium level, due primarily to the addition of line games to video lottery terminals. In the 2007-09 biennium, lottery resources grew an additional 28%. The \$258 million decline forecast for the 2009-11 biennium follows a \$305.5 million increase in 2007-09, leaving total lottery resources at 4.3% above the level two biennia prior. In comparison, 2009-11 biennium General Fund resources, prior to any 2009 session law changes, are forecast to be 4.1% below the level two biennia prior.

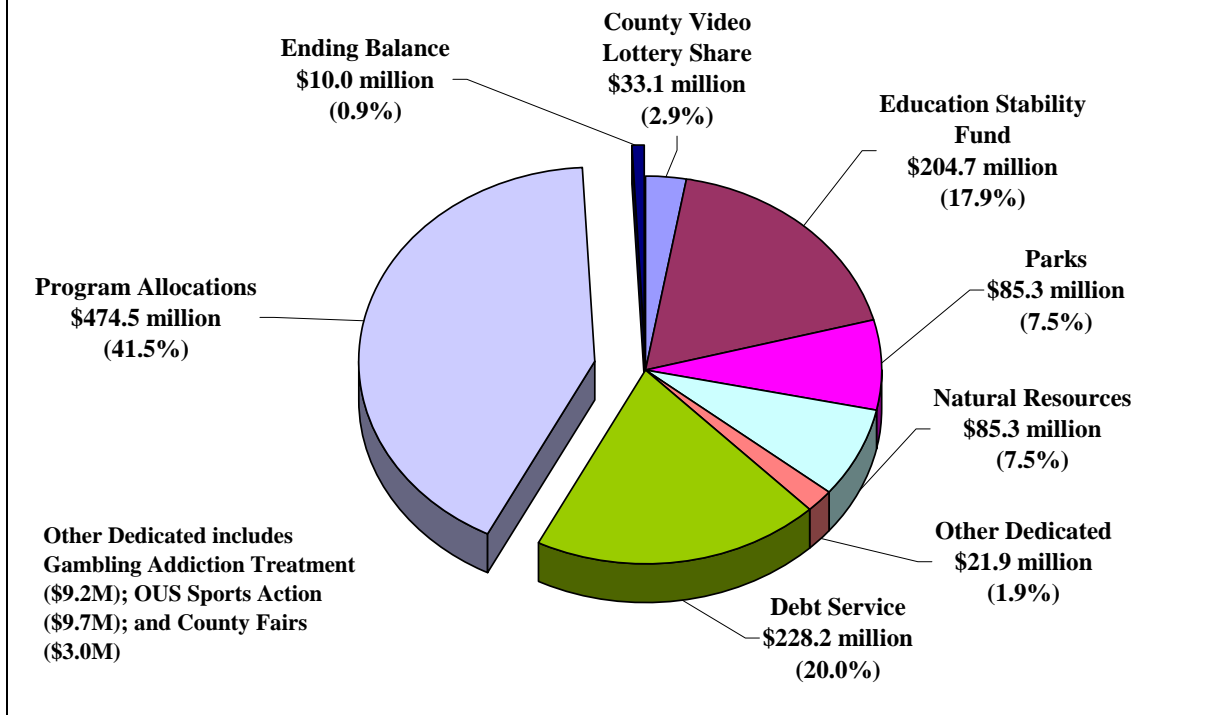
Difference between 2007-09 and 2009-11 Lottery Resources				
(\$ in millions)				
	2005-07 Actuals	2007-09 Legislatively Approved	2009-11 Legislatively Adopted	Difference 2007-09 to 2009-11
Total Earnings	\$1,060.9	\$1,223.4	\$1,137.1	(\$86.4)
Beginning Balance	0.0	\$64.1	\$1.4	(62.8)
Admin Savings and Contingency Transfers	26.7	\$103.5	\$0.0	(103.5)
Reversions	1.9	\$3.2	\$0.0	(3.2)
Interest Earnings	6.1	\$7.1	\$4.5	(2.6)
Total Lottery Resources	\$1,095.7	\$1,401.2	\$1,142.9	(\$258.3)

As part of the 2007-09 budget rebalance, the 2009 Legislature transferred \$394 million from the Education Stability Fund to the State School Fund as Lottery Funds and reduced General Fund by the same amount. This transfer is not reflected in the table for comparison purposes.

During the 2007 session, the Legislature anticipated \$1.39 billion of total lottery resources, and adopted a budget that authorized \$1.38 billion of the resources for transfer and allocation, retaining a \$13.2 million ending balance in the Administrative Services Economic Development Fund (EDF). Actual 2007-09 biennium lottery resources ended up totaling approximately \$9 million more than projected in the 2007 session. During the 2008 and 2009 sessions, however, lottery transfers and allocations were increased by a total of \$20.8 million over the 2007 session level, leaving a 2007-09 biennium ending balance in the EDF of just under \$1.4 million. In the 2009 session, the Legislature passed HB 2013, which allocated this \$1.4 million ending balance to the Department of Administrative Services for the Oregon School Facilities Task Force.

Total lottery resources are used for four general purposes in the budget: Dedicated Transfers, Debt Service payments, Program Allocations, and Ending Balance. Under HB 2012, passed in the 2009 session, any ending balance in the EDF is transferred to the school capital matching subaccount in the Education Stability Fund to be used to match designated school district capital expenditures. The following chart illustrates the distribution of lottery resources to dedicated transfers, debt service, program allocations, and the ending balance in the 2009-11 legislatively adopted budget.

Almost 60% of Lottery Funds are used for Dedicated Transfers & Debt Service



Dedicated Transfers – Certain portions of total lottery resources are dedicated to specific uses by the state Constitution or by statute. The Legislature, therefore, cannot use these funds for other purposes within the regular budget process.

There are two constitutional dedicated transfers and four statutory dedicated transfers. These dedicated transfers are projected to total \$430.2 million (or, 37.6% of total lottery resources) during the 2009-11 biennium, a 14.8% decline from the prior biennium level. The constitutional dedicated transfers include:

- Education Stability Fund** – In 1996, voters dedicated 15% of total net lottery proceeds and administrative savings transfers to the Education Endowment Fund. In 2002, in another vote, this fund was renamed the Education Stability Fund (ESF), and the percentage of proceeds transferred to the ESF was increased to 18%. The Constitution limits the balance of the Education Stability Fund, however, to an amount equal to no more than 5% of General Fund revenues in the prior biennium. When the ESF balance reaches this limit, transfers into the Education Stability Fund are suspended. During this suspension, a temporary transfer equal to 15% of net lottery proceeds and administrative savings is transferred to the school capital matching subaccount in the Education Stability Fund to be used to match designated school district capital expenditures. The ESF balance has never exceeded 5% of prior biennium General Fund revenues to date. Dedicated transfers to the ESF are projected to total \$204.7 million in the 2009-11 biennium (down 14.3% from the \$238.8 million transferred in 2007-09). Ten percent of the amount deposited in the Education Stability Fund had been deposited into the Oregon Growth Account within the ESF. Earnings from this Account were transferred to the Oregon Commercialized Research Fund. The Legislature, however, passed SB 496 which changed that. For the 2009-11 and 2011-13 biennia, only 5% (instead of 10%) of the deposits into the Education Stability Fund will be credited to the Oregon Growth Account. SB 496 also permanently changed how Oregon Growth Account

earnings are distributed. Now, all Account earnings are continuously appropriated to the Oregon Education Fund and the Oregon Student Assistance Commission. This is expected to increase the amounts transferred to these two entities by \$18 million in the 2009-11 biennium.

The Lottery Funds transferred to the Education Stability Fund cannot be spent unless approved by a 3/5 vote in both houses of the Legislature. Certain conditions must be met, however, before such a vote can even take place. Conditions that permit the Legislature, by 3/5 vote, to withdraw monies from the ESF for expenditure purposes include: a) the state experiences non-farm payroll employment declines extending for two or more consecutive quarters, b) projected General Fund declines exceed magnitudes established in the Constitution, or c) the Governor declares an emergency to exist. The conditions allowing expenditure of ESF funds on approval of 3/5 votes without the need of a gubernatorial declaration of emergency were met during the 2009 legislative session, and the Legislature transferred the 2007-09 biennium ESF ending balance, \$393.8 million, to the State School Fund to rebalance the 2007-09 biennium budget. The ESF (excluding the Oregon Growth Account), therefore, begins the 2009-11 biennium with a zero balance. A total of \$194.4 million is forecast to be deposited into the ESF (outside of the Oregon Growth Account) during the 2009-11 biennium.

The investment earnings of the ESF, unlike the Fund's corpus, are distributed for expenditures on a regular basis. Investment earnings are distributed as follows: 75% to finance debt service costs on bonds that the Legislature approved for schools in the 1997 and 1999 sessions, and 25% for need-based college scholarships awarded through the Oregon Opportunity Grant program. During the 2009-11 biennium, the distributions to these two programs are forecast to total \$17.2 million, and \$5.7 million, respectively. These distributions and any withdrawals of principle from the ESF are in addition to, and are not included in, the total lottery resources figures above. The distributions are almost exclusively derived from \$18 million of declared Oregon Growth Account earnings, which are available for distribution under SB 496. Investment earnings on the regular ESF corpus total only \$4.9 million as a result of transferring the corpus out of the fund to rebalance the 2007-09 budget.

- Parks and Natural Resources – The other constitutionally-mandated transfer is that a total of 15% of total lottery resources be dedicated to parks and natural resources. This dedication was established when voters approved Ballot Measure 66 in 1998. A total of \$170.6 million is forecast for parks and natural resources in the 2009-11 biennium from this dedicated transfer. The legislatively adopted budget includes expenditures of \$186.7 million of Measure 66 lottery funds, \$16.1 million of which are financed with monies received in prior biennia and carried forward.

The 2009 Legislature approved temporary, one-biennium changes to all of the four statutory dedicated transfers in the 2009-11 biennium budget. The statutory transfers, and their modifications for the 2009-11 biennium, are:

- 1% of total lottery resources are dedicated for gambling addiction treatment programs operated by the Department of Human Services. The Legislature reduced the 2009-11 biennium dedication by \$2,120,912 from the forecasted amount of \$11.371 million.
- 1% of total lottery resources are dedicated to the Oregon University System for athletic programs and graduate student scholarships. The Legislature limited the 2009-11 biennium dedication for these purposes to no more than \$9,665,082, a reduction from the forecasted amount of \$11.371 million.
- 2.5% of video lottery earnings (not of total lottery resources) are dedicated to counties for economic development programs. The distribution of 2.5% of video lottery earnings to counties is

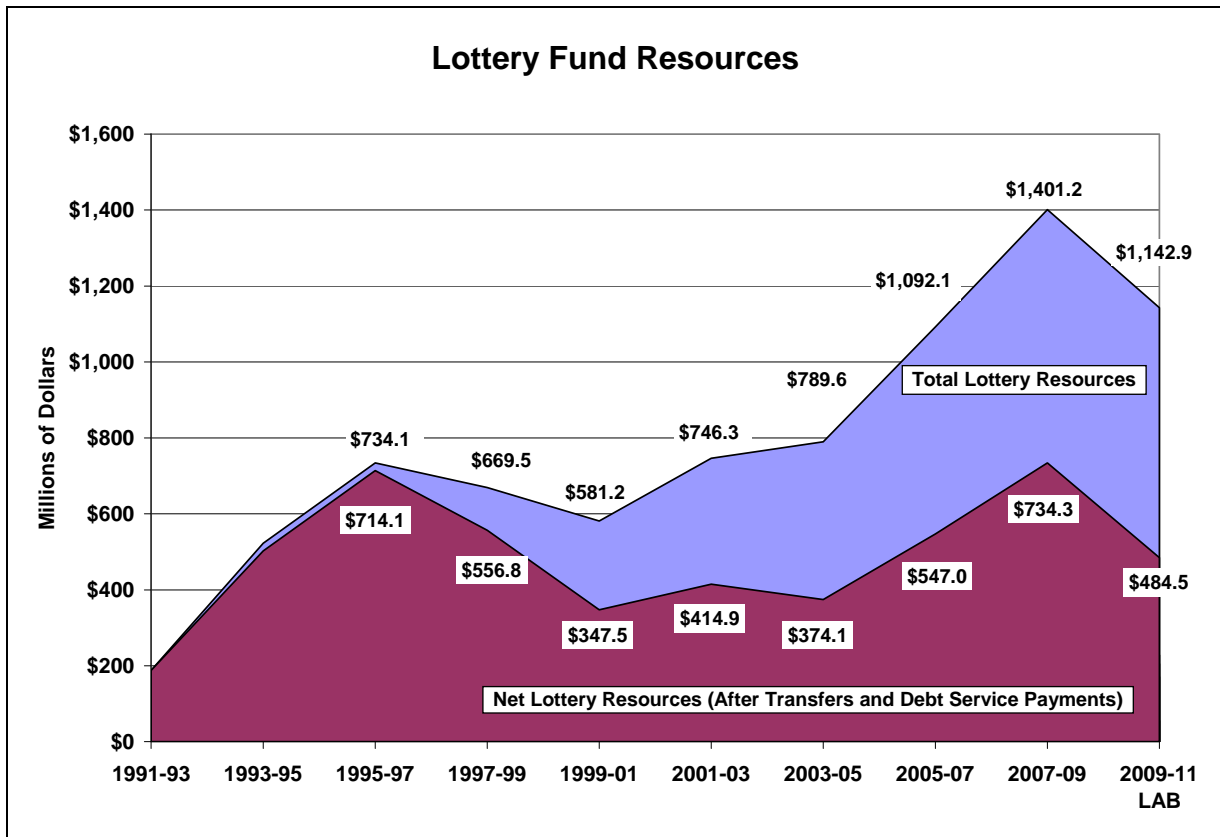
the state's primary shared revenue supporting local economic development programs. The Legislature reduced the 2009-11 biennium dedication by \$5 million from the forecasted amount of \$39.088 million (see page 16 for further information).

- 1% of total lottery resources, not to exceed \$1.53 million annually, are dedicated to the County Fair Account. The maximum amount is adjusted each biennium pursuant to changes in the Consumer Price Index. The Legislature, however, instead established a total allocation to the County Fair Account of \$3,043,303 for the 2009-11 biennium.

Debt Service – The second categorical use of lottery resources in the budget is to finance debt service costs associated with lottery revenue bonds. The state has issued lottery revenue bonds for a wide number of programs and projects that support public education or economic development. The state's lottery bond program includes covenants with bondholders guaranteeing that these Lottery Funds obligations will be given priority over other uses. For example, the state guarantees that it will not reduce debt service payments on lottery bonds when resources are insufficient to finance all Lottery Funds-financed expenditures in the budget. In such circumstances, the state allocates the full amount of any necessary expenditure reductions to the ending balance and to program allocations instead.

The legislatively adopted budget allocates \$228.2 million for debt service costs on outstanding and proposed lottery revenue bonds, equal to 20% of total lottery resources, and a 41.1% increase over the amount allocated for debt service in the prior biennium. These allocations support debt service costs for bonds issued for the Department of Transportation (\$84.9 million), the Oregon Business Development Department [formerly the Economic and Community Development Department] (\$70.9 million), the Department of Education (\$34.4 million), the Oregon University System (\$10.4 million), the Department of Community Colleges and Workforce Development (\$9.3 million), the Housing and Community Services Department (\$8.8 million), the Department of Administrative Services (\$7 million), the State Forestry Department (\$1.5 million), the State Department of Energy (\$0.6 million) and the Water Resources Department (\$0.4 million).

Total debt service costs represent a \$66.4 million (or 41.1%) increase over the \$161.7 million level in the 2007-09 biennium. In the 2007-09 biennium, debt service payments were equivalent to 11.5% of total lottery resources. As indicated above, debt service payments rise to 20% of total lottery resources in the 2009-11 biennium. A general bond covenant incorporated in the state's lottery revenue bonds requires the state to restrict debt service costs to no more than 25% of total lottery resources. The State Debt Policy Advisory Commission calculates the capacity for the state to issue additional lottery revenue bonds on this basis.

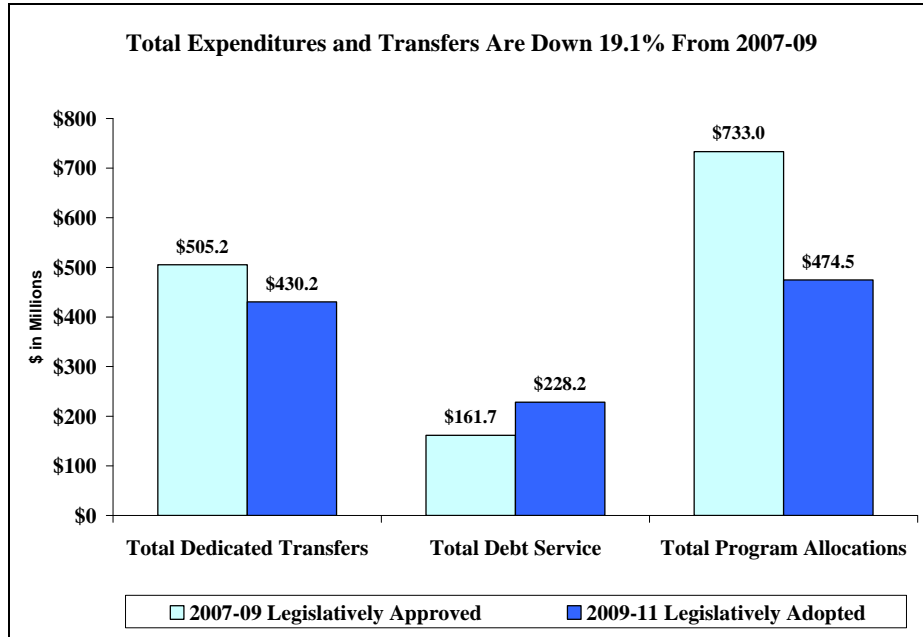


Net Lottery Resources after Dedicated Transfers and Debt Service – Dedicated transfers and debt service payments have priority claims to lottery resources in law and in the state Constitution. The resources remaining net of these purposes represent the funds available for two other uses: to be either spent as program allocations to support education or economic development programs *in lieu* of General Fund, or to be saved in the ending balance. The amount of net resources available for these purposes is projected to total \$484.5 million in the 2009-11 biennium. This represents a \$249.7 million (or 34%) decline from the prior biennium level, and is in sharp contrast to the 46.2% growth in these resources during the 2005-07 biennium and the 34.2% growth in the 2007-09 biennium. The legislatively adopted budget allocates \$474.5 million of these net lottery resources to programs, retaining \$10 million (or 0.9%) in the EDF ending balance. Under legislation passed in 2009 (HB 2012), the EDF ending balance will be transferred to the school capital matching subaccount in the Education Stability Fund to be used to match designated school district capital expenditures.

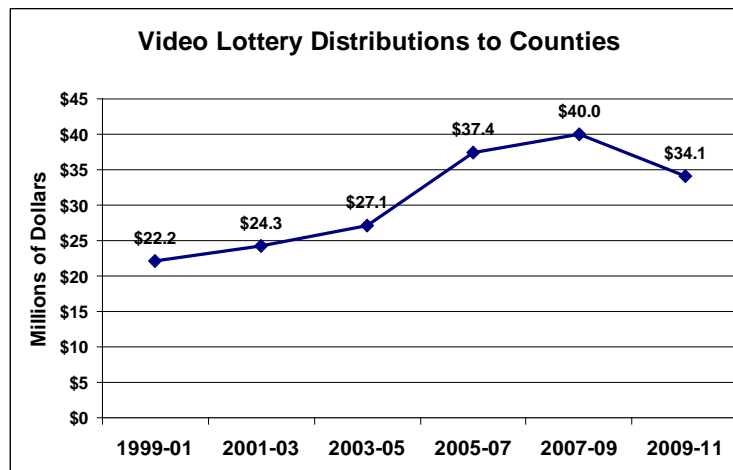
The budget distributes the \$474.5 million in program allocations as follows:

- \$439.8 million to the State School Fund
- \$31.3 million to the Oregon Business Development Department (formerly the Economic and Community Development Department)
- \$2 million to the Governor’s Office for the Economic Revitalization Team
- \$22,000 to the Department of Agriculture for County Fair Administration
- \$1.4 million to the Department of Administrative Services for the School Facilities Task Force

The chart below compares Program Allocation, Debt Service payments, and Dedicated Transfers in the legislatively adopted budget with prior biennium levels.



County Video Lottery Distribution – Another use of lottery receipts is the statutory distribution of 2.5% of lottery receipts from video lottery games to counties for economic development purposes. These funds are typically used by counties as part of their individual general purpose funds. Since this dedication goes directly to counties and does not flow through the state budget, these resources are not included as “available” lottery funds that can be used for state programs. This treatment is similar to how the lottery funds flowing into the Education Stability Fund are treated in the overall budget. As with the other percentage dedications of lottery resources, counties have experienced a significant increase in this funding source over the past four years. The Legislature reduced the regular statutory distribution by \$2 million in the 2007-09 biennium, and by \$5 million in the 2009-11 biennium. The resulting county distributions are shown below. Half of the funding for Economic Development Revitalization Teams (ERTs) in the Governor’s Office (equal to \$1 million in the 2009-11 biennium) comes out of the county distributions shown below.



The table below compares the 2007-09 biennium and 2009-11 biennium Lottery Funds resources and allocations.

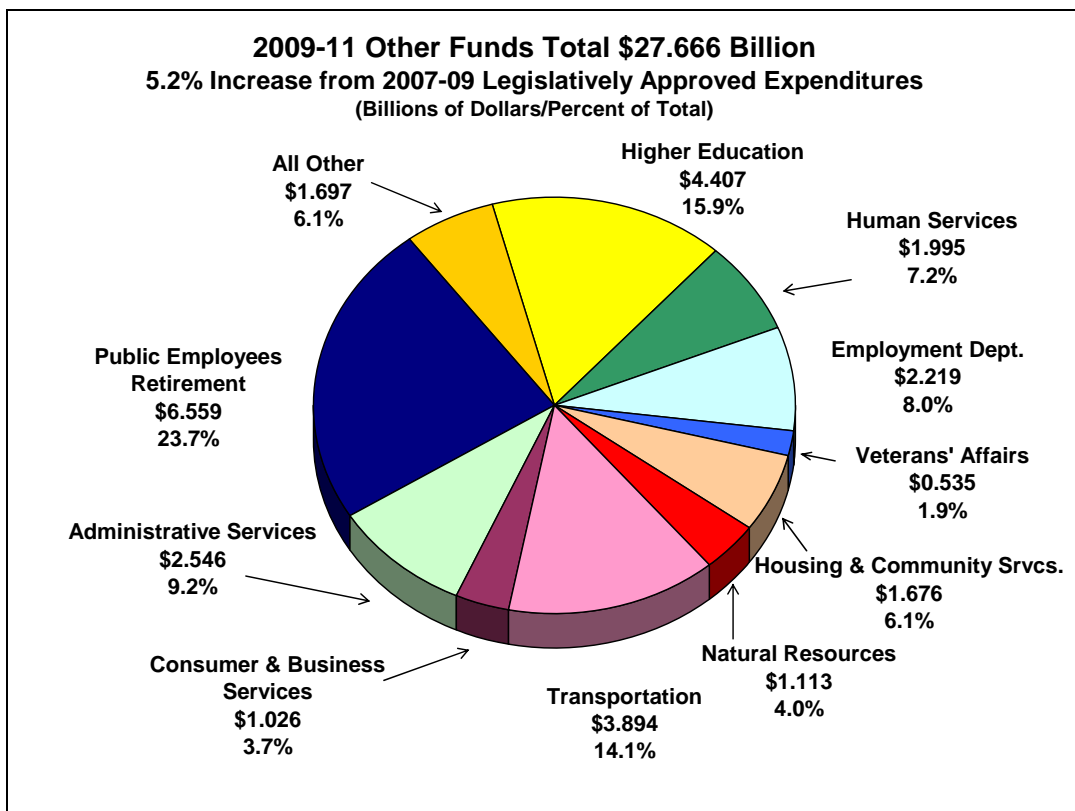
LOTTERY FUNDS CASH FLOW SUMMARY			
	2007-09 Legislatively Approved Budget	2009-11 Legislatively Adopted Budget	Percent Change
ECONOMIC DEVELOPMENT FUND			
RESOURCES			
Beginning Balance	\$64,108,567	\$1,352,767	-97.9%
REVENUES			
Transfers from Lottery			
Net Proceeds	1,326,883,488	1,137,068,431	-14.3%
Other Revenues			
Interest Earnings	7,082,420	4,500,000	-36.5%
Reversions	3,155,094	0	-100.0%
Total Revenue	1,337,121,002	1,141,568,431	-14.6%
TOTAL RESOURCES	1,401,229,569	1,142,921,198	-18.4%
DISTRIBUTIONS / ALLOCATIONS			
Distribution of Video Revenues to Counties	39,997,485	34,087,557	-14.8%
Distribution to Higher Education for Sports Programs	11,742,285	9,665,082	-17.7%
Distribution to Education Stability Fund	238,839,028	204,672,318	-14.3%
School Capital Matching Account	0	0	
Distribution to Parks and Natural Resources Fund	199,032,523	170,560,265	-14.3%
Distribution for Gambling Addiction	12,066,841	9,249,772	-23.3%
Allocation to State School Fund	667,412,210	439,791,571	-34.1%
Debt Service Allocations	161,732,954	228,156,424	41.1%
Other Agency Allocations	69,053,476	36,738,209	-46.8%
TOTAL DISTRIBUTIONS / ALLOCATIONS	1,399,876,802	1,132,921,198	-19.1%
ENDING BALANCE	\$1,352,767	\$10,000,000	639.2%
EDUCATION STABILITY FUND			
(not including OGA or ORTDF)			
RESOURCES			
Beginning Balance	178,890,827	0	-100.0%
Revenues			
Transfer from the Economic Development Fund	214,955,125	194,438,702	-9.5%
Interest Earnings	17,931,192	22,866,459	27.5%
Total Revenue	232,886,317	217,305,161	-6.7%
TOTAL RESOURCES	411,777,144	217,305,161	-47.2%
DISTRIBUTIONS			
Interest Distributions	17,931,192	22,866,459	27.5%
TOTAL DISTRIBUTIONS	17,931,192	22,866,459	27.5%
ENDING BALANCE	\$393,845,952	\$194,438,702	-50.6%

Other Funds Expenditures

The 2009-11 legislatively adopted budget provides for the expenditure of \$27.7 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 2009-11 adopted Other Funds budget represents an increase of \$1.37 billion, or 5.2%, over the 2007-09 legislatively approved budget. Other Funds comprise three categories of expenditures: Limited, Nonlimited, and Non-Adds. Of the \$27.7 billion Other Funds in the 2009-11 adopted budget, \$13.2 billion are Limited, \$13.6 billion are Nonlimited, and \$0.9 billion are Non-Adds. Nonlimited Other Funds expenditures are generally difficult to precisely estimate 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 are difficult to estimate exactly at the time of budget adoption, they can increase significantly during the biennial execution of the budget. The 2007-09 budget adopted at the close of the 2007 session, for example, totaled \$23.605 billion Other Funds. Administrative actions that occurred after the close-of-session through Emergency Board actions and approved increases to Nonlimited expenditures increased the 2007-09 approved Other Funds budget to a total of \$26.298 billion, an increase of nearly \$2.7 billion Other Funds.



Significant changes in Other Funds expenditure limitations in the 2009-11 legislatively adopted budget include the following:

Education

- The Oregon University System budget includes authority to spend \$178 million in additional tuition and fee revenue projected to come from high levels of increased enrollment, as well as tuition and fee rate increases. The additional tuition dollars will remain with the campuses where the enrollment growth occurred.
- The Oregon University System budget includes a \$2.2 million Other Funds increase from the extension of the Forest Products Harvest tax.
- The Department of Education's budget includes the transfer of \$95.5 million Other Funds (Common School Fund) from the Department of State Lands for distributions to K-12 schools in 2009-11. While this amount reflects a change in distribution policy to 5%, up from 3%, the total transfer is \$13.9 million, or 12.7%, lower than the 2007-09 legislatively approved budget.
- The Department of Community Colleges and Workforce Development budget includes \$128.6 million of Other Funds expenditures for community college capital construction and deferred maintenance projects. These expenditures are funded from Article XI-G bond and lottery revenue bond proceeds, and from community college funds transferred to the state for use as the required Article XI-G bond match. The total amount in the legislatively adopted budget is 60.5% higher than the amount approved in the 2007 session, but is 15% below the level approved during the entire 2007-09 biennium, which included the *Go Oregon!* state stimulus package in SB 338.

Human Services

The 2009-11 legislatively adopted budget for this program area includes the following significant Other Funds and matching Federal Funds revenue enhancements:

- \$94.8 million Other Funds generated from health insurance premium taxes, established in HB 2116, are used to support the Health Care for All Oregon Children program. These funds are matched with \$191.7 million of federal Medicaid and Children's Health Insurance Program (CHIP) funding within the Department of Human Services (DHS) and the Office of Private Health Partnerships (OPHP) to expand health insurance coverage to all of Oregon's uninsured children. Funding is also used to support 152 administrative, outreach, and eligibility positions (141.55 FTE) within DHS and OPHP.
- \$307.6 million Other Funds are generated from a new Medicaid hospital provider tax, also established in HB 2116. These funds are matched with \$652 million of federal Medicaid funds to double the size of the Oregon Health Plan Standard program to about 50,000 average persons during the 2009-11 biennium, and to enhance reimbursement to allow hospitals to recover the costs of the tax. Funding is also used for 121 administrative and eligibility positions (91.61 FTE) within DHS.
- The DHS adopted budget also uses \$116.4 million of anticipated ending balances of previously approved Medicaid provider taxes instead of General Fund within the Division of Medical Assistance Programs.

Public Safety

- The Department of State Police will rely on fee-generated revenues for criminal background checks and other Identification Services programs saving over \$4 million in General Fund. Greater reliance on Other Funds revenues from the Oregon Fish and Wildlife Department and other state agencies for funding of Fish and Wildlife Division troopers and the Division's share of central administrative and support services also allowed for less General Fund to be spent.

- The budget for the Judicial Department was increased by \$6.5 million Other Funds to account for temporary court fee and surcharge revenue generated by HB 2287. The revenue will be used to backfill select General Fund reductions. The Judicial Department also received \$20.4 million in certificates of participation funding for the continuation of its Electronic Court Program (eCourt). Lastly, \$10.2 million in Nonlimited expenditure authority was transferred to the Other Funds Limited portion of the budget making it under the budgetary control of the Legislature.
- The Public Defense Services Commission budget is increased by \$3.5 million Other Funds to account for temporary court fee and surcharge revenue generated by HB 2287. The revenue will be used to backfill General Fund reductions in trial-level public defense.
- The Military Department received \$30 million in Article XI-M and XI-N General Obligation bonds funding related to Seismic Rehabilitation Program. It also received an increase of \$5.7 million in Other Funds for the 9-1-1 program expenditures, including increasing the amount for quarterly distributions to local government.

Economic and Community Development

- \$10 million of Other Funds are withdrawn from the Special Public Works Fund and the Water Fund to offset a \$10 million Lottery Funds reduction to the business development programs in the Oregon Business Development Department budget. Those funds are not generally used for this purpose, and are usually used to provide loans and grants to support local government infrastructure investments.
- \$17.5 million of lottery revenue bond proceeds will be used to recapitalize the Special Public Works Fund and the Water Fund. These bonds will offset the impact of the withdrawals described above, and provide additional funds for infrastructure project loans and grants.
- The passage of HB 2436 adds a new \$15 fee to deeds and mortgage records filed with county clerks, and results in an additional \$15.2 million in expenditures for affordable housing-related programs.
- The budget for Housing and Community Services Department includes \$19 million in lottery bond proceeds to support preservation of affordable housing that might otherwise be converted to market rate housing.
- The Employment Department expects payment of unemployment insurance benefits to exceed \$2 billion in the 2009-11 biennium.

Natural Resources

Other Funds decreased by about \$47 million from the 2007-09 legislatively approved budget due, in large part, to removal of 2007-09 one-time increases. Major changes include:

- Elimination of \$18 million in one-time 2007-09 funding including Department of State Lands funding for planning and removal of the New Carissa.
- Removal of \$4.6 million in one-time 2007-09 funding for the State Department of Energy to forgive the Oregon Museum and Science and Industry loan.
- Elimination of \$15.8 million in the Department of Forestry due to lower revenues from state forest timber sales.
- A \$17.9 million reduction in the Parks and Recreation Department to align projected lower park user fees revenues to expenditures.
- Increased Other Funds revenues for the Department of Fish and Wildlife by \$22.3 million from increases in hunting and angling licenses, fees, and surcharges.
- Increased Other Funds revenues by \$2.2 million for the Water Resources Department by increasing water rights and transfer processing fees to 50% cost recovery and implementing a new fee for exempt wells.

Transportation

- The 2009-11 legislatively adopted budget for the Oregon Department of Transportation reflects substantial increases in highway construction programs and a continued commitment by the Legislature to invest in Oregon's transportation infrastructure. Preservation, highway operations, modernization, and local government programs was increased by \$120 million, to be funded by increases in the vehicle registration and title fees and a six cent increase in state fuel taxes to raise \$300 million annually.
- The Legislature authorized \$5.9 million for consultant support for various task forces and studies and \$26 million for distribution to counties for planning work.
- The budget includes just over \$580 million in highway revenue bond proceeds for bridge construction authorized under the Oregon Transportation Investment Act enacted by the 2003 Legislature. The 2003 measure allocates \$1.3 billion to repair or replace hundreds of aging state highway bridges. The Oregon Department of Transportation will complete this work by 2013.
- The budget also includes \$75 million in bond proceeds for the Oregon Wireless Interoperability Network (OWIN) project and \$24 million from bond proceeds for continued grants on multi-modal transportation infrastructure improvements.
- The budget includes \$208.3 million for federal highway funds passed through to local governments during 2009-11 and \$122.3 million increased distribution of highway revenues to cities and counties from increased fees and fuel taxes.

Consumer and Business Services

- The Department of Consumer and Business Services (DCBS) budget recognizes revenue reductions in several of its fee-supported programs resulting in a reduction of \$1.56 million and 12.5 full-time equivalent positions. An additional personal services reduction of \$866,573 was made to reflect holding vacant multiple positions for six months of the biennium. The Legislature transferred the Office of Minority, Women and Emerging Small Business, with five positions and \$938,423 expenditure limitation, to the Business Development Department.
- DCBS budget has a net increase of \$80.5 million in Nonlimited Other Funds primarily due to an increase of \$73.4 million in the Oregon Medical Insurance Pool to fund increased claims and third-party administrator costs, and an increase of \$7 million in Nonlimited workers compensation funds.

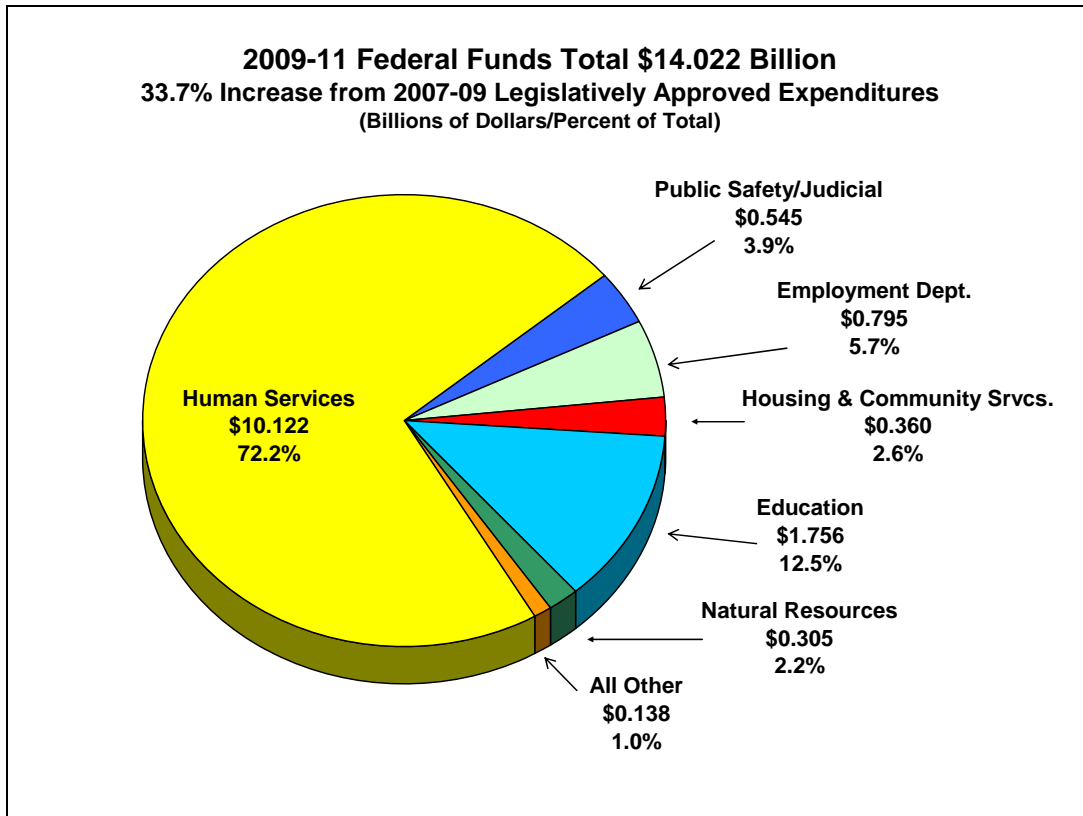
Administration

- Other Funds for the Administration program area increased by \$1.1 billion, or 13.1%, from the 2007-09 legislatively approved budget level. This growth is due to the phase-in of health insurance premium pass-throughs for the Oregon Educators Benefit Board, which is part of the Department of Administrative Services.
- The budget for the Department of Administrative Services includes a reduction of \$53 million Other Funds and the elimination of 105 positions, affecting most agency programs. These include human resources, budget services, fleet, facilities, information technology resources, and internal support. Corresponding expenditures for associated assessments and rates in other state agency budgets were reduced to reflect the decreased service level.

Federal Funds Expenditures

The 2009-11 legislatively adopted budget authorizes expenditure of \$14 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. For the 2009-11 budget (as well as a portion of the 2007-09 budget), Federal Funds also include economic stimulus payments provided by the federal government

under the American Recovery and Reinvestment Act (ARRA) of 2009. The 2009-11 adopted Federal Funds budget represents an increase of \$3.531 billion, or 33.7%, over the 2007-09 legislatively approved budget.



Significant changes in Federal Funds expenditure limitations include the following:

Education

- The budget for the Oregon University System includes \$69.3 million Federal Funds for state fiscal relief funding made available in ARRA. An equivalent amount of General Fund was removed from the agency budget as part of the 2009-11 balanced budget plan.
- The State School Fund includes one-time funding of \$226.1 million Federal Funds from the State Fiscal Stabilization Fund (ARRA).
- The Department of Education's budget includes the use of a one-time funding increase of \$237.1 million for IDEA and Title 1A of the Elementary and Secondary Education Act from the federal American Recovery and Reinvestment Act.
- Federal Funds in the Department of Community Colleges and Workforce Development budget total \$176.8 million, up \$47.4 million (or 36.6%) over the prior biennium level. The total includes \$42.8 million of one-time Federal stimulus monies received under the American Recovery and Reinvestment Act of 2009. ARRA funds support ongoing Workforce Investment Act Title IB programs, the re-establishment of a summer youth employment program, and Oregon Youth Conservation Corps programs.

Human Services

- The federal American Recovery and Reinvestment Act provided a temporary increase in the Federal Medical Assistance Percentage (i.e., the Medicaid match rate) that increased the federal share of Medicaid program costs in the 2009-11 biennium from about 61% to 70%. This enhanced

match rate contributed nearly \$541.9 million of additional Federal Funds which were used to support Medicaid program expenditures within the DHS budget.

- Nonlimited Federal Funds in the Department of Human Services increased from \$1.4 billion in 2007-09 to \$2.1 billion in 2009-11, reflecting a \$716 million (or 57%) increase in Food Stamps benefit payments.
- See the Other Funds description on page 19 for additional Federal Funds included in the budget as match for Other Funds increases.

Public Safety

- The Department of Corrections budget includes a \$103 million one-time fund shift from General Fund to Federal Funds available through the American Recovery and Reinvestment Act.
- The Department of Justice budget includes one-time federal stimulus funding of \$3.6 million to offset the need for General Fund in the Child Support program.
- The Criminal Justice Commission budget was increased by \$10.6 million to reflect the transfer of the administration of the criminal justice-related federal grants from the Department of State Police.
- The Military Department received \$15 million in federal funding for its Equipment Refurbishment Program. It will also receive \$1.2 million in Capital Improvement and \$6.2 million in Capital Construction one-time funding under the American Recovery and Reinvestment Act for various armories and military facilities projects.
- The Oregon Youth Authority's budget includes one-time federal funding from an enhanced Medicaid match rate totaling \$2.7 million. This funding will be used to backfill General Fund reductions in community programs.

Economic and Community Development

- The Employment Department's 2009-11 legislatively adopted budget was increased by \$403 million Nonlimited Federal Funds due to the increase in unemployment insurance benefits in the ARRA program. The budget also reflects a shift of \$58.6 million in expenditure authority from Nonlimited Other Funds to Nonlimited Federal Funds as a result of an audit finding regarding how unemployment insurance benefits for federal employees, military claimants, and trade act participants are recorded.
- Federal Funds expenditure limitation was also increased by \$28.5 million in the Employment Department for additional processing of unemployment insurance claims, job matching and reemployment services, UI Modernization Act workload, and U.S. Trade Act funding received through ARRA.
- The Housing and Community Services Department's 2009-11 legislatively adopted budget was increased by \$28.5 million Federal Funds for the Low Income Weatherization Program and by \$52.9 million Federal Funds for the Low Income Energy Assistance Program. These additional federal resources were the result of ARRA grants. In addition, the Neighborhood Stabilization Program included \$12.4 million in federal funding for the purchase and redevelopment of foreclosed, blighted, and vacant properties for the benefit of low-income individuals and households. Additional federal funds in the amount of \$24.6 million were provided for the Tax Credit Assistance Program for grants to complete housing projects that had been stalled due to declining tax credit values.

Transportation

- The Department of Transportation Federal Funds budget increased \$5 million from the 2009-11 essential budget level. This primarily reflects increases in the public transit Federal Highway Administration transportation funding authorization of \$3.4 million, and a \$1.6 million increase in

Federal Highway Administration resources for commercial driver licenses information system improvements.

- The American Recovery and Reinvestment Act provided \$27.5 billion for the federal highway program; \$26.6 billion of this will be distributed by formula. Oregon will receive \$310 million for highway projects and an additional \$17.5 million for public transit by formula. An additional \$415.7 million in competitive transportation grant opportunities has also been identified for which Oregon may make application. While the source of these funds is federal, the state records the revenue and expense as Other Funds since the state must first expend the money and be reimbursed for the expenses by the Federal Highway Administration.

Natural Resources

Federal Funds increased by nearly 29% primarily due to federal monies available to states through the America Recovery and Reinvestment Act and increases for base programs funded with Federal Funds received from federal agencies. Significant increases include:

- \$52 million increase to the state Department of Energy for energy efficiency grants.
- \$4.2 million increased federal funding to the Oregon Watershed Enhancement Board for the Pacific Coastal Salmon Recovery Fund for salmon recovery activities.
- \$2.6 million increase in ARRA funding to remediate leaking underground storage tanks.
- \$1.4 million in increased federal support to the Department of Environmental Quality (DEQ) for federally delegated air and water regulatory programs.
- In addition, a number of agency budgets anticipate federal grant funding such as the Environmental Protection Agency for DEQ's federally delegated pollution control programs and the Clean Water Revolving Fund.

Administration

Federal Funds for the Administration program area decreased by \$1.8 million, or 12.8%, from the 2007-09 legislatively approved budget level. This change in federal resources results from the elimination of one-time funding for information technology projects within the budget for the Secretary of State.

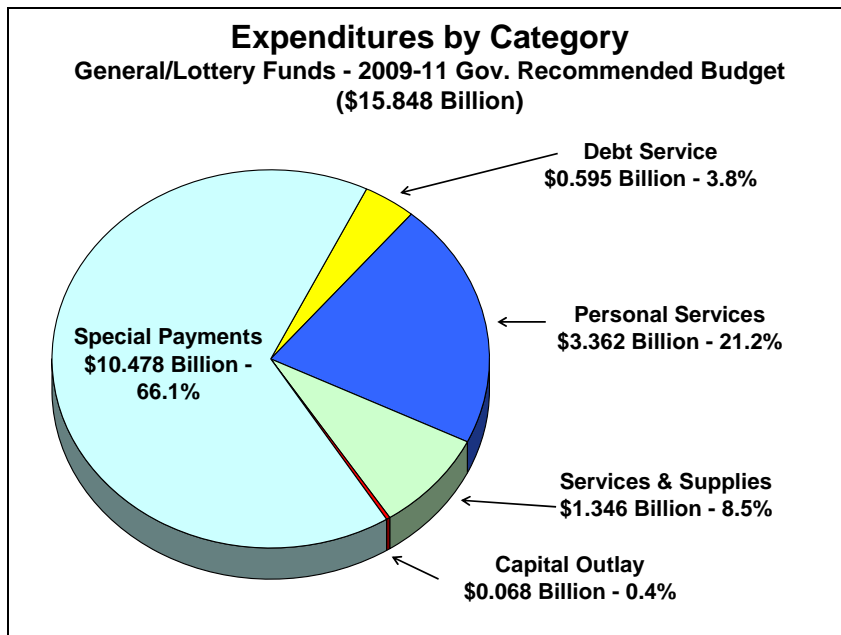
Summary of Legislative Actions Affecting the 2009-11 Budget

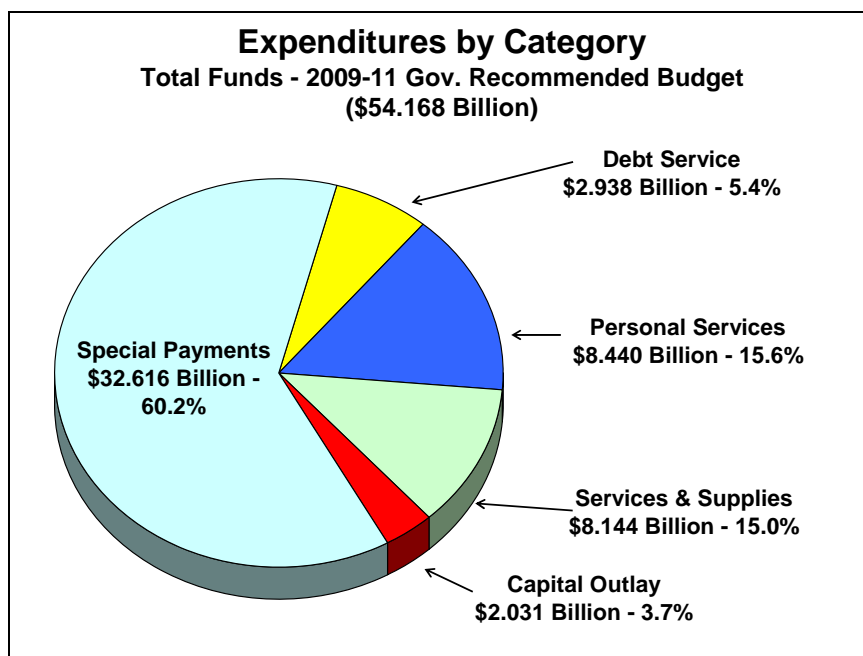
Budget Expenditures by Category

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), including consumable materials, travel, publishing, utilities, rent, telecommunications, personal service contracts, training, office expenses, and assessments and fees for central government services, such as costs related to the Department of Administrative Services.
- 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. Slightly over 66% 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 \$5.553 billion in the legislatively adopted budget, or 39% 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.



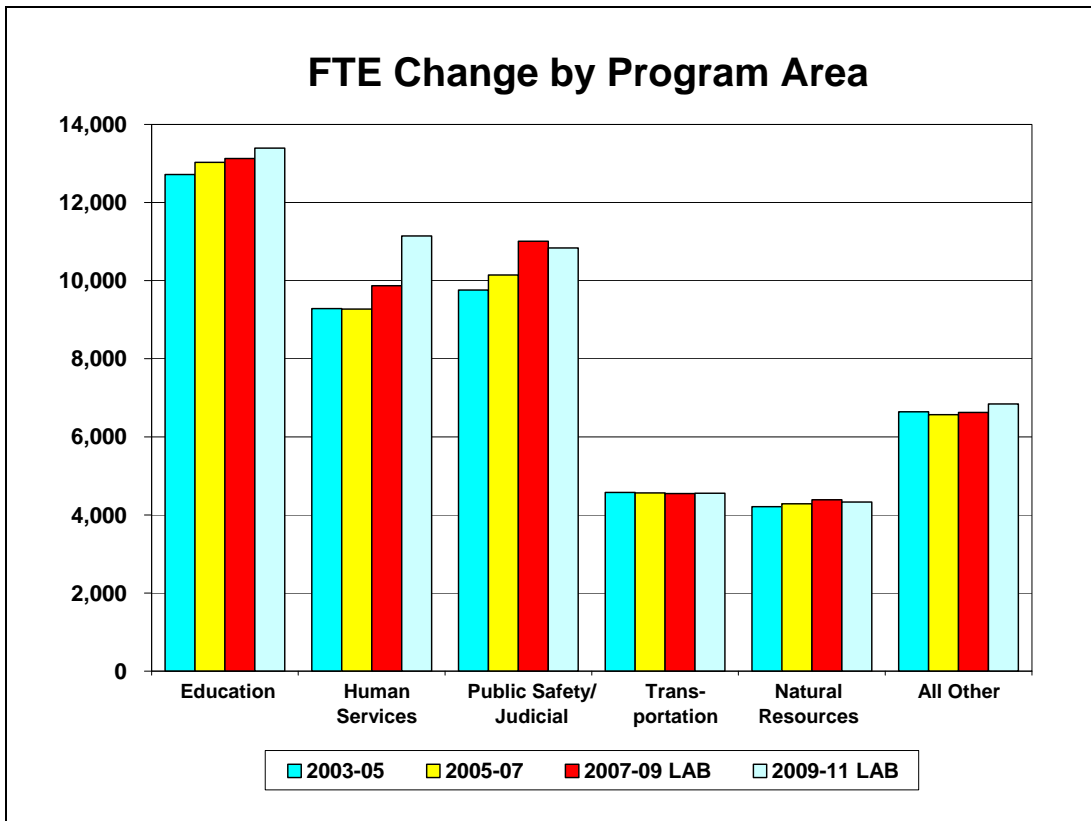
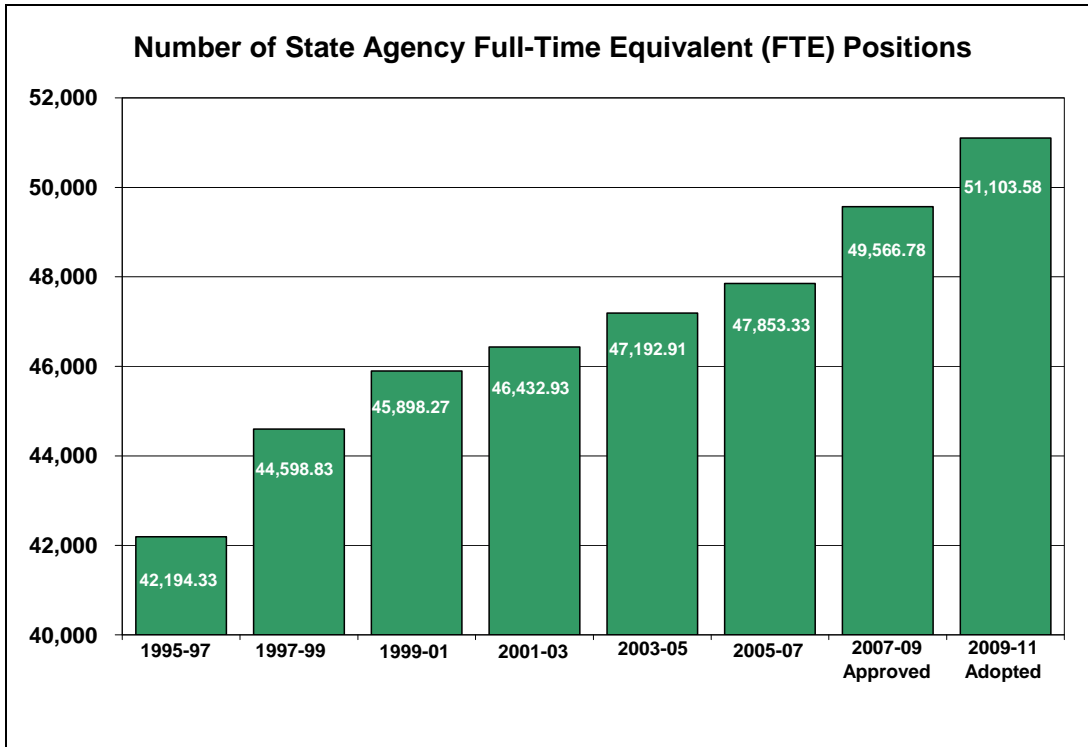


Note: The “Expenditures by Category” graphs reflect the Governor’s recommended budget since not all agency legislatively adopted budgets have passed audit.

State Employees

The legislatively adopted total funds budget supports 51,106.58 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, 2008, the state’s population was estimated at 3,796,000. The FTE limit at the beginning of the biennium is therefore 56,940.00, 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 State Treasurer, and some positions in the Employment Department and Oregon University System. Of the total FTE in the 2009-11 legislatively adopted budget, nearly 65% of the approved FTE are in four agencies (the Oregon University System, and Departments of Human Services, Corrections, and Transportation).

The number of state FTE increased in the 2009-11 adopted budget over the 2007-09 approved budget by 1,539.80 FTE, an increase of 3.1%. Nearly all of the increase can be accounted for by position growth in the Department of Human Services (+1,252.68 FTE) due primarily to caseload increases and staffing at the Oregon State Hospital; in the Oregon University System (+342.43 FTE) due to enrollment growth; and in the Employment Department (+324.55 FTE) due to unemployment insurance caseload growth. The combined position growth of these three agencies (+1,919.66 FTE) means that the rest of state government actually decreased by 379.86 FTE.



For a complete list of FTE by agency and program area, see Appendix C.

State Employee Salary and Benefit Actions

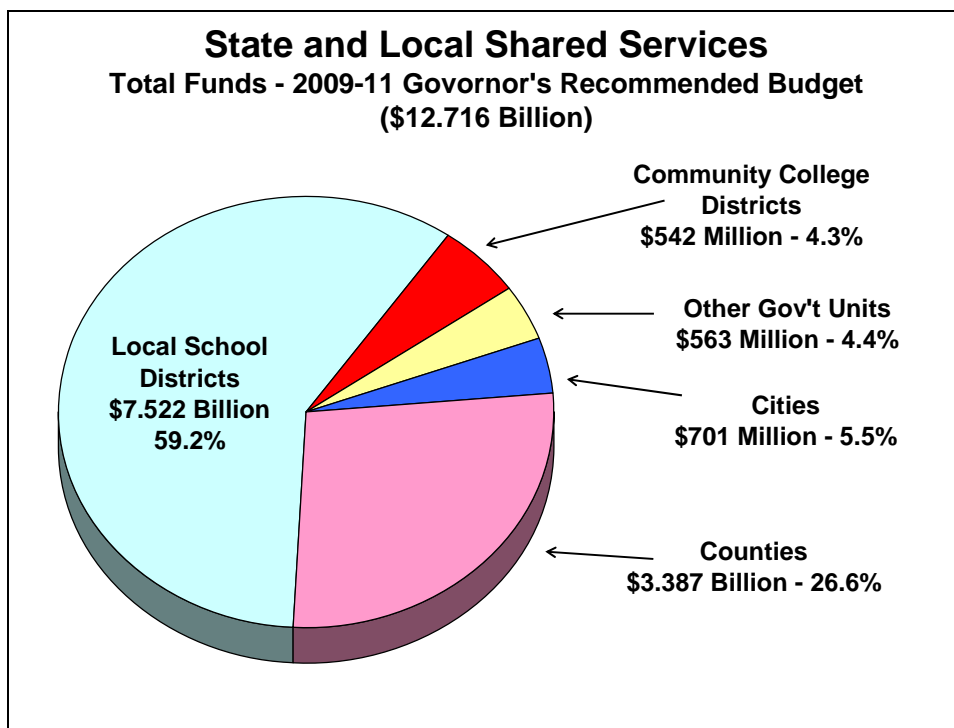
Due to the fiscal constraints placed on the state's budget by the economic recession, the legislatively adopted budget included no funding for state employee cost-of-living adjustments. In addition, the

adopted budget assumed personal services savings from a combination of actions that were anticipated to occur through Executive Branch management actions. These included the possibility of a salary freeze, vacancy savings, and the potential of unpaid furloughs or other salary reductions. At the time of *sine die* for the Legislature, no final agreement had been reached between the Executive Branch and the state employee collective bargaining units. Therefore, personal services adjustments able to be made by the Legislature were subject to adjustment. The legislatively adopted budget does include a \$32 million special purpose appropriation to the Emergency Board for state supplemental funding which could include any costs associated with employee health and benefit issues.

Aid to Local Government

The state provides three types of aid to local government: 1) direct payments by state agencies to local government 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 state’s budget explicitly reflects only some of these funds, with most of the shared revenue being sent directly to local government and thus not accounted for in the state budget. For example, 2.5% of video lottery proceeds, which are projected to amount to \$34 million in the 2009-11 biennium (after a \$5 million reduction included in HB 3199), are sent directly to the counties; an estimated \$148.7 million from liquor sales and \$20.9 million from cigarette taxes will also be transferred directly to cities and counties.

The Governor’s recommended budget included a total of \$12.7 billion total funds as aid to local government. Again, this accounts for only the funds that flow through the budget and are explicitly identified as aid to local government.



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

Approximately 62% of the aid to local government, or \$7.9 billion, is combined General Fund (\$7.3 billion) and Lottery Funds (\$611 million). The remaining 38% is nearly evenly split between Other Funds (\$2.6 billion) and Federal Funds (\$2.2 billion). It is not surprising that the majority of funds

budgeted for local governments are consistent with the major funding components of the statewide budget – education, human services, and public safety.

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. The 2009 Legislative Assembly used Other Funds in the form of fund shifts and fund sweeps for both the rebalance of the 2007-09 biennium budget and in balancing the 2009-11 budget.

The initial rebalance of the 2007-09 biennium budget included transfers of Other Funds balances from 40 state accounts and subaccounts to the General Fund. Those transfers of approximately \$83 million were made in lieu of General Fund budget cuts. The affected Other Funds accounts were reviewed to ensure they had a sufficient cash balance to accomplish the transfer and to retain adequate resources to meet working capital needs. These transfers included:

- \$20.2 million from the Department of Administrative Services Insurance Fund
- \$6 million from the Department of Administrative Services Tobacco Settlement Funds Account
- \$5 million from the Department of Administrative Services Oregon Educators Benefit Account
- \$4.7 million from the Employment Department Special Administrative Fund
- \$4.4 million from the Judicial Department Collections Account
- \$4.1 million from the Department of Environmental Quality Orphan Site Account
- \$3.5 million from the Department of Fish and Wildlife Deferred Maintenance Subaccount
- \$3.3 million from the Economic and Community Development Department Credit Enhancement Fund
- \$3.1 million from the Military Department 9-1-1 35% Enhanced Subaccount
- \$3 million from the Bureau of Labor and Industries Wage Security Fund
- \$3 million from the Department of Education School Improvement Fund Interest Earnings
- \$2 million from the Department of Justice Consumer Protection and Education Revolving Account
- \$2 million from the Department of Environmental Quality Motor Vehicle Pollution Account
- \$2 million from the Department of Education, Education Cash Account (Hospital/Long-Term Care and Treatment) and \$1 million Education Cash Account (Youth Corrections Education)
- \$2 million from the Department of State Police, State Fire Marshal Fire Insurance Premium Tax
- \$1.8 million from the Economic and Community Development Department Trust for Cultural Development Account
- \$1.6 million from the Water Resources Department Water Development Administration and Bond Sinking Fund
- \$1.2 million from the Department of Human Services various Public Health Accounts
- \$1.2 million from the Judicial Department State Court Facilities Security Account
- \$1 million from the Department of Agriculture Service Fund

As part of the 2009-11 balanced budget plan, the Legislature again used Other Funds balances where possible, including:

- \$116 million of hospital provider tax ending balance from the Department of Human Services
- \$30 million from the Department of Administrative Services Insurance Fund
- \$30 million from the Department of Administrative Services Tobacco Settlement Funds Account (to the Department of Human Services in lieu of General Fund)
- \$2 million from the Department of Justice Consumer Protection and Education Revolving Account
- \$1.1 million from the Department of Administrative Services Operating Fund

- \$0.8 million from the Military Department Emergency Communications Account (interest earnings)
- \$0.7 million from the Department of State Lands Distributable Income Account (New Carissa settlement)
- \$0.3 million from the Water Resources Department Water Development Administration and Bond Sinking Fund

It is anticipated that additional review of Other Funds balances to be used as fund shifts within agency budgets or to be swept into the General Fund may be necessary if further actions are required by the Legislature to rebalance the 2009-11 biennial budget due to declining revenues.

2009-11 Agency or Organizational Changes

The most significant change made to the organizational structure of state government during the 2009 legislative session was the establishment of the Oregon Health Authority (OHA), the Oregon Health Policy Board (OHPB), the Health Care Workforce Strategic Fund, and the Oregon Health Authority Fund (HB 2009). The legislation transferred to the new Oregon Health Authority all of the duties, functions, and powers of:

- the Department of Human Services with respect to health and health care;
- the Department of Administrative Services (DAS) with respect to the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB);
- the Department of Consumer and Business Services with respect to the Oregon Medical Insurance Pool Board and the operation of the Oregon Medical Insurance Pool; and
- the Office of Private Health Partnerships (OPHP) including the administration of the Family Health Insurance Assistance Program.

In addition, the bill abolishes the Oregon Health Policy Commission.

The 2009 Legislative Assembly also reestablished the Capitol Planning Commission in SB 671. The Capitol Planning Commission was originally established in 1949. Operations of the commission were suspended in 2003 and the commission was abolished in 2005. SB 671 directs that support for the commission and its activities are assigned to the Department of Administrative Services and that the commission is to work in conjunction with the existing Capital Projects Advisory Board.

The 2009 legislative session also eliminated funding for the Oregon Progress Board as part of the Department of Administrative Services. HB 3199 authorizes the board to contract with any state agency or nongovernmental entity for staff support and to accept funds from federal or other sources.

Other actions by the 2009 Legislative Assembly changed the name of the Oregon Economic and Community Development Department to the Oregon Business Development Department, transferred the Office of Minority, Women and Emerging Small Business from the Department of Consumer and Business Services to the Business Development Department, changed the name of the Department of Higher Education to the Oregon University System, and moved the Board of Nursing Home Administrators from being a separate state agency to a program within the Oregon Health Licensing 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 agencies 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.

Performance Measurement and Management

Oregon has a history of performance measurement use that goes back to the late 1960s. The current legal framework governing performance measures was passed by the 1993 Legislature. The statute requires state agencies to develop key performance measures (KPM) and to link measures to Oregon Benchmarks, a set of societal-level performance indicators. During Oregon's budget development process, the Legislature reviews and approves KPM and related targets for the next biennium. During the process, the Legislature may adjust an agency's KPM targets based on the final legislatively approved budget. Given continued declines in state revenues, legislation was passed at the end of session that reduced most agency budgets from previously approved amounts without reconsideration of KPM targets. Additional budget reductions may result in some agencies not being able to perform at previously agreed upon levels. As has always been the case, state agencies are responsible for analyzing, reporting, and addressing any performance shortcomings.

During the 2007-09 biennium, administration of KPM transferred to Department of Administrative Services, Budget and Management Division (BAM), who works collaboratively with the Legislative Fiscal Office (LFO) to continue to improve the KPM system. Key improvements focused on transitioning the KPM system from a performance reporting to a performance management system where data is used to improve performance. Specific advances include increased alignment between the performance reporting and budgeting processes; creation of a shared automated reporting system; development of a KPM Management Report to provide a quick summary of performance results; and training to agencies and the Legislature on KPM data analysis and usage for decision-making.

For the 2009-11 biennium, statewide resources allocated to administer and make further improvements to the KPM system remains at 1.50 FTE, with 1.00 FTE located in BAM and 0.50 FTE located in LFO. At this time, it is not known the extent to which state agency budget reductions have affected agency support for KPM activities. As resources allow, LFO will continue to work with BAM and the newly created Committee on Performance Excellence (SB 1099, 2008) to make further improvements to the KPM system.

The Oregon Benchmarks have historically been administered and reported on by the Oregon Progress Board. Budget challenges during the 2009-11 biennium resulted in the elimination of all General Fund support for the Progress Board, so, at this time, it is not clear whether funding will be found to continue administration and reporting on Oregon Benchmarks. Despite this change, agencies are still expected to report on KPM as a component of the state budgeting process and to submit Annual Performance Progress Reports to the Governor and Legislature that inform on KPM results.

For more information on performance measurement, see LFO's Budget Information Brief on *Oregon's Performance Measurement System: Improving and Expanding to Better Serve Users (#2008-4)*.

The Budget and 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 May 2009 economic and revenue forecast of personal income for the 2009-11 biennium, the statutory limit on appropriations for

governmental activities is \$22.4 billion. The legislatively adopted budget for 2009-11 provides for expenditures of \$20.6 billion for governmental activities. This is \$1.8 billion under the limit, and 7.4% of projected personal income.

The 2009-11 legislatively adopted budget totals \$55.1 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, with a total budget approaching \$6.6 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 \$5.3 billion. Also excluded are Federal Funds of \$16.2 billion (including Federal Funds as Other Funds). The remaining exclusions include donations, revenues from a voter-approved tobacco tax increase, and borrowings for capital construction and asset acquisition.

Oregon Reserve Funds – Rainy Day Fund and Education Stability Fund

The 2007 Legislature established a new general purpose reserve fund called the Oregon Rainy Day Fund (RDF) with passage of HB 2707 (ORS 293.144). The RDF 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 was transferred to the RDF. 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 RDF. 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.

The RDF also receives deposits of the interest attributable to the monies in the fund. The RDF earned \$18.6 million during the 2007-09 biennium, resulting in an ending balance of approximately \$337.9 million.

Use of the monies in the RDF 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 RDF at the beginning of the biennium to supplement General Fund resources.

During the 2009 legislative session, two bills were passed that affected the RDF:

- As part of the 2009-11 balanced budget plan, the Legislature approved the transfer of two-thirds of the balance in the Oregon Rainy Day Fund on July 1, 2009, to the General Fund for general governmental purposes, after finding that there had been a decline for two or more consecutive quarters in the past 12 months in seasonally adjusted nonfarm payroll employment (SB 5554). The Governor vetoed this transfer, but the veto was overridden by the Legislature in June 2009. The transfer amounted to \$225 million, leaving \$112.5 million in the RDF.

- As part of the increase in corporate income taxes, the Legislature directed that revenue collected from corporate income and excise tax rates above 6.6% be deposited to the RDF beginning with the 2013-15 biennium (HB 2073). This action is projected to result in a \$69 million deposit to the RDF before the end of the 2013-15 biennium.

The establishment of the Oregon Rainy Day Fund did not change the existence of the Education Stability Fund (ORS 348.696; Article XV, Section 4(4)(d), Oregon Constitution). This reserve fund was anticipated to have an available ending balance of \$394 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 RDF. As part of the rebalance of the 2007-09 biennium budget, the 2009 Legislature transferred the full amount of the Education Stability Fund (ESF) balance to the State School Fund while disappropriating an equal amount of General Fund from the State School Fund (SB 5554). While the ESF beginning 2009-11 balance is now zero, deposits from 18% of lottery proceeds are expected to total \$184.2 million during the biennium.

Summary of Revenue Measures/Other Resources in the Legislatively Adopted Budget

Revenue policy decisions were dominated by deteriorating economic conditions in the state. As the U.S. economy entered its deepest recession since 1929-33, the Oregon unemployment rate climbed above 12% and the state's revenue situation weakened dramatically. Between September 2008 and May 2009, the General Fund revenue forecast for the 2009-11 biennium was reduced by \$2.95 billion, or 19.1%. These conditions shaped revenue policy in four major ways:

- **General Fund Revenue Raising Actions.** Legislative leadership set a target of \$800 million in General Fund revenue raising actions to fill a portion of the budget gap. The bulk of the target revenue was raised through the passage of HB 3405 and HB 2649. HB 3405 contains an increase in the corporate income tax rate, a new corporate minimum based on Oregon sales and increases in Secretary of State filing fees. It is expected to raise \$261 million for the 2009-11 biennium. HB 2649 increases personal income tax rates for high income filers, phases out the federal tax subtraction for high income filers and establishes a one-year \$2,400 exclusion for unemployment benefits in conformity with the federal exclusion approved by Congress in February 2009. The net revenue impact of HB 2649 on 2009-11 General Fund revenue is estimated at \$472 million. The combined 2009-11 revenue impact of HB 3405 and HB 2649 is estimated at \$733 million.
- **Tax Credit Limitations.** Deteriorating economic conditions also led to legislative actions to reduce or limit tax credits. The focus was primarily on the Business Energy Tax Credit (BETC). HB 2472 is expected to reduce the revenue impact of the credit from \$143.8 million to \$124.2 million through reductions in the size of the credit for large renewable energy projects and tighter definitions of projects and eligible costs. The Legislature also approved HB 2067 which establishes a sunset date and review cycle for all state personal and corporate income tax credits. Despite the overall policy direction of limiting credits and rejecting most new credit proposals, the Legislature did expand two existing credits: the BETC manufacturing credit was expanded to include electric cars and the film and video production credit was increased from \$5 million per year to \$7.5 million per year.
- **Federal Tax Connection Policy.** Going into the 2009 session, state policy was to automatically connect Oregon law to federal changes in the personal and corporate income tax base unless the Legislature took action. Early in the session, as the major tax elements of the federal stimulus package became clear, the Legislature acted to freeze the state's connection date to December 31, 2008 through the passage of HB 2157. If allowed to become state law, the federal changes would

have reduced state General Fund revenue by an estimated \$135 million in the 2009-11 biennium. Later in the session, the Legislature modified the state's connection date through the passage of HB 2078. HB 2078 moves the federal connection date up to May 1, 2009 but disconnects from certain provisions that would reduce state revenue such as bonus depreciation, Section 179 expensing and the discharge of indebtedness for financial institutions. The bill also re-establishes the state's automatic connection policy beginning on January 1, 2011 and going forward.

- **Tax Compliance.** Building on a Department of Revenue study of the state's personal income tax gap, the Legislature approved a series of measures designed to improve long-term tax compliance. These bills include HB 2815 which establishes an interagency compliance network, HB 3082 which creates a pilot program linking tax compliance with occupational licenses, and SB 690 which increases information sharing among state agencies, boards and local governments. The Legislature also approved the state's first tax amnesty program. SB 880 directs the Department of Revenue to conduct an amnesty program between October 1 and November 19, 2009. The program provides penalty and interest relief for those who come forward. The program is expected to generate \$16.4 million in net revenue for the 2009-11 biennium after administrative costs.

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 \$139.1 million, and \$32 million to pay debt service and administrative fees on the Oregon Opportunity Bonds issued for the Oregon Health and Science University Public Corporation. The Oregon Appropriation Bonds were issued in April 2003 in an amount of approximately \$432 million and were used to partially rebalance the 2001-03 biennium budget; the final debt service payment is scheduled for September 2013. The Oregon Opportunity Bonds were issued in two series, one during the 2001-03 biennium and one during the 2003-05 biennium, in a total amount of \$200 million; the final debt service payment is scheduled for December 2023. After the debt service transfers have been satisfied for the 2009-11 legislatively adopted budget, the Department of Administrative Services will transfer funds to the Oregon Department of Justice (approximately \$1 million) for tobacco enforcement and to the Department of Human Services (\$30 million) for the Oregon Health Plan.

Criminal Fines and Assessments (CFAA) – The revenues generated from CFAA include fines, assessments and other financial penalties relating to felonies, misdemeanors and non-parking related violations. Total available revenue assumed in the 2009-11 legislatively adopted budget is \$114.6 million. Since the revenues are split between public safety programs (\$50.9 million) and the General Fund (\$63.7 million), they are basically interchangeable with General Fund for eligible public safety programs. The eligible programs included law enforcement training, crime victims programs, forensics, medical examiner, and the Law Enforcement Data System (LEDS). The 2009 Legislature chose to use CFAA revenues to fund only the first two eligible program types and funded the other programs with General Fund. Final legislative decisions allocated \$29.2 million for the training of public safety personnel and other programs of the Department of Public Safety Standards and Training. The Department of Justice was allocated \$18.7 million for crime victims' programs and another \$3.1 million was directed to the Department of Human Services for the Domestic Violence and Sexual Assault program and the Sexual Assault Victims' program as well as an emergency medical program.

Fees – The 2009-11 legislatively adopted budget includes a variety of fee increases, some of which were used to directly backfill General Fund reductions made to balance the state budget, but most of which were used to maintain or expand services in a number of agencies, including the Departments of Fish and Wildlife, Transportation, Water Resources, Environmental Quality, and Human Services, and

various licensing boards and commissions. Some of the fee increases were set administratively by the state agencies during the 2007-09 interim and ratified by legislative action during the 2009 session. Other fees are set directly in statute and require passage of legislation. Other fees are implicitly assumed to be approved by the provision of Other Funds expenditure limitation in the agency's 2009-11 budget with administrative action to increase the fee set for the 2009-11 interim. The total amount of 2009-11 Other Funds revenue generated from the fee increases is estimated at \$330.9 million. Of this amount, \$244.5 million is from fee increases in the Department of Transportation, most of which are related to the transportation package authorized in the Jobs and Transportation Act of 2009 (HB 2001). Another \$39.6 million is from the temporary fees and surcharges authorized for the Judicial Department in HB 2287.

Lottery Revenue and Lottery Bonds – See “Lottery Resources and Expenditures” and “Capital Construction and State Bond Debt” sections of this document.

Note: For further discussion of tax and revenue policy actions taken by the 2009 Legislature, see “Revenue Measures Passed by the 75th Legislature (2009)”, Legislative Revenue Office Research Report #5-09.

Technical Assumptions in the 2009-11 Legislatively Adopted Budget

In building the budget, various assumptions regarding rates and assessments need to be made. Since these are statewide assumptions, they affect nearly every agency budget. HB 5054 was passed at the end of the regular session and made adjustments to some of the items listed below based on estimated budgets for each agency. It is expected that a bill will be needed during the 2010 special session to “rebalance” the statewide adjustments based on the final budgets that were approved.

Inflation – The standard biennial inflation factors used for the 2009-11 budget are 2.8% for general inflation and for non-state employee contract providers, and 4.4% 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 certain programs with medical costs such as programs for the developmentally disabled, mental health services, and medical components of residential care. However, some programs – such as the Oregon Health Plan, medical services in corrections facilities, and nursing homes – receive medical inflation increases that typically exceed the standard factor. Some agency budgets, most notably the Department of Human Services, forego inflationary increases for contract providers for 2009-11.

Merit Increases – The amount, if any, for merit increases will be determined by collective bargaining. Since bargaining is not complete, statewide budget adjustments may be necessary during the 2010 special session. The budget usually assumes the equivalent of one salary step increase for the biennium for eligible employees of agencies with more than 10.00 FTE. Smaller agencies are usually fully funded for merit increases since they are less likely to incur vacancy savings or other budget savings in order to finance the total cost of step increases.

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 Employee Retirement System (PERS) contribution rates, workers’ compensation charges, Employment Relations Board (ERB) assessments, and Flexible Benefits. This category also includes pension obligation bonds debt service, which is discussed below. The following table shows the OPE rates applicable to 2005-07, 2007-09, and the adopted budget for 2009-11.

OPE Factors	2005-07 LAB	2007-09 LAB	2009-11 LAB
ERB (per employee)	\$1.35/month	\$1.50/month	\$1.75/month
PERS (% of salary)	14.63%	12.71%	SEE BELOW
Social Security (% of salary)	7.65%	7.65%	7.65%
Workers’ Comp (per employee)	\$2.95/month	\$2.60/month	\$2.60/month
Flexible Benefits (per employee)	\$769/month	\$952/month	\$1,070/month

PERS – Default Rate (agencies without police and fire employees)	8.22%
Agencies that have significant police and fire employees:	
Oregon Liquor Control Commission	10.14%
Department of Forestry	9.36%
Department of Public Safety Standards and Training	12.88%
Department of State Police	12.94%
Oregon Youth Authority	13.67%
Department of Corrections	14.15%
Judges	21.95%
State School Fund	20.08%

OPE Rate Comparison

As the chart shows, the standard PERS rate is reduced for the 2009-11 biennium, while ERB assessments and Flexible Benefits (health insurance) rates increase.

The ERB increase in 2007-2009 allowed for the addition of one Administrative Law Judge. The increase for 2009-11 would cover increased salaries as well as increased costs for travel and other Services and Supplies.

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, Workers' Benefit Fund. The \$2.60 rate is based on 1.5 cents-per-hour per employee. (Note: 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 2009-11, state agencies are being assessed approximately \$59 million total funds by Department of Administrative Services (DAS) Risk Management.

The default PERS rate decrease to 8.22% was developed by the PERS actuary to produce a reasonable budgetary rate. The rate is based on rates approved by the PERS Board. The primary drivers for the rate decrease are prior years' investment earnings and the effect of 2003 legislation that made changes to PERS.

For the first time, agencies with police and fire employees are being separated from the default rate. Previously all employees were budgeted at one blended rate. Last biennium, federal auditors stated that they would only reimburse the state for PERS costs based on a rate without the police and fire employees included, since those employees are significantly more expensive and they are not actually covered by federally funded programs. This split rate is estimated to cost the state about \$20 million General Fund for the 2009-11 biennium.

The Flexible Benefits are primarily for health insurance and the rate built into budgets is an estimate of the composite cost rate applicable to all employees for the biennium. The actual rate charged depends on negotiated labor agreements, as well as individual employee/family coverage needs. The amount initially built into agency budgets generally does not cover the actual costs that will be incurred, so the adopted budget commonly includes a special purpose appropriation to the Emergency Fund to, at least partially, cover these costs. Specifically, the adopted budget proposes \$32 million for health insurance costs which would cover an increase in premiums of 5% per year.

Attorney General Charges – The 2009-11 essential budget level (EBL) was based on charging state agencies an hourly rate of \$158 for attorney services, an increase from the \$126 per hour charged during 2007-09. Based on changes made to the Department of Justice's budget and on assumptions on statewide employee compensation issues, the legislatively adopted budget for 2009-11 assumes an hourly rate of \$137. As a result, almost \$8 million of General Fund savings was realized. The Attorney General has the authority to set the actual rate but generally has followed the amount assumed in the budget.

State Government Service Charges – Each agency budget includes a "State Government Service Charge" 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 during the 2009-11 biennium. The estimated

legislative adjustments to State Government Service Charges assumed in the Governor's 2009-11 budget proposal were captured in HB 5054.

Pension Obligation Bonds (POBs) – The Department of Administrative Services assesses agencies for their share of actual debt service costs associated with \$2 billion in Pension Obligation Bonds that were issued in October 2003. The 2009-11 adopted budget includes state agency assessments totaling \$225.1 million (\$93.5 million General Fund, \$2.3 million Lottery Funds, \$91.9 million Other Funds, and \$37.4 million Federal Funds) for Pension Obligation Bond debt service.

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, are not part of the state 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 funding distributed to school districts, and federal funding to support work force training programs, which are distributed through the Department of Community Colleges and Workforce Development budget.

Unlike other types of education, for the Oregon University System all funds are included in the state budget. These other funds include tuition, bond funds for capital construction, grant funds (including research grants), and auxiliary activity funds that finance student housing and food services, student loan programs, bookstores, and health centers.

Total General Fund plus Lottery Funds support for the Education program area in the 2009-11 legislatively adopted budget is \$7.4 billion. This is down \$550.1 million, or 7%, from the 2007-09 legislatively approved budget. However, the total funds budget of \$13.8 billion reflects a 1.2% increase over the essential budget level.

K-12 School Funding

The 2009-11 legislatively adopted budget provides \$6 billion in total funds for K-12 schools and education service districts. Of this amount, \$200 million is contingent on statewide financial conditions. If the sum of the balances in the Oregon Rainy Day Fund and Education Stability Fund plus the General Fund ending balance as forecast in June 2010 exceeds \$100 million, all of the resources in the Oregon Rainy Day Fund and any unappropriated General Fund dollars will be appropriated up to the additional \$200 million.

Allocations for the School Improvement Fund and for District Best Practice Audits were suspended for the biennium. However, up to \$1.8 million may be expended for the purposes of the Oregon Virtual School District Fund. In addition, \$1.4 million General Fund was approved for equalization grants to eligible districts that have passed local option levies. This reflects the anticipated grant level for the 2009-10 school year. An additional \$900,000 General Fund for the second year funding of these grants was included as a special purpose appropriation to the Emergency Board. The 2009-11 legislatively adopted budget is \$130.7 million, or 2.1%, below the 2007-09 legislatively approved budget.

State School Funding			
	2007-09 Legislatively Approved	2009-11 Essential Budget	2009-11 Legislatively Adopted
General Fund	\$4,952,296,586	\$6,005,773,807	\$5,112,927,276
Lottery Funds	1,061,362,741	539,063,144	439,791,571
Other Funds	3,247,438	340,252	3,637,214
Federal Funds – State Fiscal Stabilization Fund (ARRA)	115,360,098	-	226,099,942
Common School Fund – increased distribution	-	-	19,140,000
Rainy Day Fund/General Fund	-	-	200,000,000
Total:	\$6,132,266,863	\$6,545,177,203	\$6,001,596,003

In addition to state support, as described above, local revenues (primarily property taxes) are available for general school operations. These revenues are not reflected in the state budget, but are estimated to provide an additional \$3 billion for the 2009-10 and 2010-11 school years. When combined (state and local support), funding for schools is essentially flat at \$9 billion for both the 2007-09 and 2009-11 biennia.

Department of Education

The budget for the agency (not including K-12 School Funding) includes central operations, the School for the Deaf, Youth Corrections and Juvenile Detention Education Programs, Grant-in-Aid support to local programs, and Common School Fund distributions.

The 2009-11 legislatively adopted budget of \$1.8 billion total funds is \$188.3 million, or 11.5%, higher than the 2007-09 legislatively approved budget, with an increase in Federal Funds for Grant-in-Aid programs accounting for most of the increase. Nearly 84% of the total funds budget supports Grant-in-Aid to local programs.

Grant-In-Aid Program (\$ in millions)						
Program	2007-09 LAB		2009-11 EBL		2009-11 LAB	
	GF	All Funds	GF	All Funds	GF	All Funds
EI/ECSE	\$103.05	\$131.58	\$116.83	\$146.24	\$111.32	\$140.73
Oregon Prekindergarten	94.42	94.42	110.08	110.08	110.08	110.08
Regional Programs	31.44	60.54	32.68	62.59	31.87	61.78
Long-term Treatment and Hospital	19.57	40.86	20.34	36.31	19.79	35.76
Title I Low-Income/Migrant Education	-	284.18	-	276.14	-	395.53
Nutrition	0.11	284.61	0.21	278.90	2.51	281.20
Local and Other Special Education	-	200.69	-	180.34	-	298.02
Title II Teacher Quality	-	56.70	-	55.89	-	55.89
Vocational Education	-	31.02	-	29.56	-	29.56
Teacher/Admin Quality (Mentoring)	4.95	4.95	5.14	5.14	5.07	5.07
Connectivity	0.61	0.61	0.64	0.64	0.64	0.64
Start Making a Reader Today (SMART)	0.25	0.25	0.26	0.26	-	-
Civics/Chess for Success	0.20	0.20	0.22	0.22	-	-
Student Leadership	0.75	0.75	0.78	0.78	0.50	0.50
Physical Education	-	-	-	-	0.50	0.50
Other Programs (primarily under NCLB Act)	-	95.28	-	97.61	-	95.65
Total:	\$255.35	\$1,286.64	\$287.18	\$1,280.70	\$282.27	\$1,510.90

The legislatively adopted budget reflects adjustments for:

- an increase to child nutrition programs such as Farm-to-School and the Fresh Fruit and Vegetable Program, including three positions (3.00 FTE) and \$445,027 Federal Funds;

- the closure of the School for the Blind (as part of HB 2834) which includes the elimination of 69 positions and \$5.6 million total funds;
- a reduction of \$1.3 million General Fund and eight positions for the School for the Deaf;
- the elimination of 11 positions and \$7 million General Fund in central operations; and
- an increase in Common School Fund distributions to school districts of 5%, up from 3%, for a total of \$95.5 million.

Post-Secondary Education

The state budget supports post-secondary education through the Oregon University System, the Department of Community Colleges and Workforce Development, the Oregon Health and Science University public corporation, and the Oregon Student Assistance Commission. The 2009-11 legislatively adopted budget includes \$1.4 billion of General Fund and Lottery Funds to support post-secondary education. This is a decrease of \$102.6 million, or 6.8%, from the 2007-09 legislatively approved budget. However, an additional \$69.4 million is allocated from the State Fiscal Stabilization Fund (ARRA).

The budgets of the post-secondary education agencies also include \$4.8 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 Oregon University System budget; and
- capital construction expenditures in both the Oregon University System 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 Oregon University System, where tuition and other student fees are combined with state support 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 budgets.

Oregon University System

State support for the Oregon University System (OUS) in the 2009-11 legislatively adopted budget totals \$761.2 million. This is a decrease of \$56.3 million, or 6.9%, from the final 2007-09 approved biennium level. The Department budget also includes \$4.4 billion Other Funds and \$69.3 million Federal Funds for state fiscal relief from the American Recovery and Reinvestment Act (ARRA) for a total of \$5.2 billion from all fund sources. Since the OUS 2009-11 budget was adopted and the Legislature adjourned, the Governor has announced his intention to line-item veto reductions taken in this budget as part of a statewide reconciliation. These adjustments removed funding for state agency assessments such as Attorney General fees based on new lower rates, funding in budgets for merit increases which will not be needed due to salary freezes, and reductions in personnel services costs to reflect other salary actions such as furloughs or holding positions vacant to generate salary savings. If the Governor does line-item veto OUS's share of these reconciliation actions, the Department will retain \$13.3 million General Fund at the expense of lowering the statewide ending balance by a like amount, and retain Other Funds expenditure limitation which it is not projected to need during the 2009-11 biennium.

General Fund and ARRA Federal Funds support for the Education and General Services program, which includes the instruction, research, public service, and operating costs of the seven institutions that make up OUS, totals \$634 million, which is \$37.2 million, or 5.5%, below the 2007-09 legislatively approved 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 \$2.02 billion, which is 5.8% above the level approved by the Legislature for the prior biennium due to inclusion of tuition revenues from record enrollment at the state's institutions of higher education.

To accommodate recent large enrollment growth rates, the budget added \$128.5 million in Other Funds expenditure limitation for additional tuition revenues from higher enrollment. The budget also includes \$6.9 million additional General Fund to supplement tuition revenues for the additional students. The adopted budget also removed about \$50 million General Fund support and replaced it with Other Funds from tuition increases. While this package results in no expenditure reductions, it has the effect of transferring more Department costs onto tuition revenues. The budget also included a budget note limiting rates of tuition increases for resident undergraduates only at the various institutions. These resident undergraduate rates were capped at 8% for the large institutions (University of Oregon, Oregon State University, and Portland State University) and 5% at the regional institutions (Eastern Oregon University, Southern Oregon University, Western Oregon University, and Oregon Institute of Technology).

Other notable changes to existing program levels in the adopted budget include:

- \$37.7 million in General Fund reductions to reflect the full biennial savings from permanent reductions taken to rebalance the 2007-09 biennium;
- \$4.2 million General Fund reductions to Chancellor's Office operations, which is a 25% reduction from the 2009-11 essential budget level;
- 15% General Fund reductions from the 2009-11 essential budget level for Engineering (\$7.3 million) and Research (\$2.1 million) targeted programs; and
- \$1.9 million General Fund reductions to campus institutes and public services programs, which is 5% below the 2009-11 essential budget level.

Community Colleges

State support (General Fund plus Lottery Funds) in the legislatively adopted budget for the Department of Community Colleges and Workforce Development (CCWD) totals \$473.7 million. This is a decrease of \$31.2 million, or 6.2%, from the 2007-09 biennium level after the rebalance of that biennium's budget in the 2009 session. Most of the General Fund in the budget is transferred to community colleges, either through the Community College Support Fund (CCSF), or for specified activities. Of the total \$464.4 million General Fund in the budget, \$450.5 million is allocated for community college support through the Community College Support Fund, \$8 million is to pay debt service on Article XI-G bonds previously issued to finance capital construction projects on community college campuses, \$4 million is for the office operations of the state Department, and \$1.9 million is for community college support distributed outside of the CCSF. Lottery Funds are included in the budget for the first time in several biennia. The \$9.3 million of Lottery Funds in the budget are for debt service on \$43.9 million of lottery revenue bonds issued in the 2007-09 biennium for community college deferred maintenance projects in the *Go Oregon!* state stimulus package, and on another \$13.7 million of lottery revenue bonds approved for new construction and deferred maintenance projects as part of the 2009-11 biennium budget.

The state provides most funding to community colleges through the Community College Support Fund. Of the total \$452.4 million of General Fund for community college support, \$450.5 million is distributed to colleges through the CCSF. These monies are unrestricted funds used by the colleges to support all of their operations, and are not dedicated to any particular purpose or program. The budget includes an additional \$1.3 million General Fund for community colleges, outside of the CCSF, to support healthcare workforce programs, and \$0.6 million General Fund for skill centers.

CCSF funds are distributed to the colleges primarily on an enrollment basis. The CCSF appropriation is \$44 million, or 8.9%, below the prior biennium level, and represents a reduction of \$49.7 million, or 9.9%, from the essential budget level. The Joint Committee on Ways and Means approved a budget note stating that the current calculation of the essential budget level for the Community College Support Fund is not developed to a level of detail that captures the true costs of operating Oregon's community colleges, and directing the Department of Administrative Services and the Legislative Fiscal Office to develop a new proposal for calculating the CCSF essential budget level.

The General Fund/Lottery Funds enhancements above the essential budget level in the budget include:

- \$9.1 million of General Fund and Lottery Funds for 2009-11 biennium debt service costs on lottery revenue bonds and Article XI-G bonds issued during the 2009 session to finance \$53.6 million of shovel-ready deferred maintenance projects at Oregon community colleges under the *Go Oregon!* state economic stimulus package (SB 338).
- \$1.4 million of Lottery Funds for 2009-11 biennium debt service costs on the \$71.2 million of lottery revenue bonds and Article XI-G bonds issued to support fifteen capital construction and deferred maintenance projects in thirteen community college districts approved in the 2009-11 biennium capital construction budget. Biennial debt service costs on these bonds are projected to total \$10.3 million General Fund/Lottery Funds per biennium when fully phased in, beginning with the 2011-13 biennium.
- \$81,442 General Fund in one-time funding of the development of a plan for offering applied baccalaureate degree programs, as required under HB 3093.

The Department's budget also includes \$314.6 million of Federal Funds and Other Funds, for a total of \$788.2 million from all fund sources. Expenditure limitations 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 total \$176.8 million, up \$47.4 million, or 36.6%, over the prior biennium level. The total includes \$42.8 million of one-time Federal stimulus monies received under the American Recovery and Reinvestment Act of 2009.

The Federal Funds support the agency's workforce programs through the Workforce Investment Act (WIA Title IB) and Adult Education and Family Literacy (WIA Title II) programs, and the Oregon Youth Conservation Corps. The budget also establishes two positions and supports using approximately \$3.35 million of the Federal Funds to administer a new Oregon Career Readiness Certification Program established in HB 2398.

Most of the budget's Other Funds, \$128.6 million out of a total of \$137.7 million, support capital construction expenditures. These funds include \$57.5 million of Article XI-G bonds (and an equal amount of community college matching funds), and \$13.7 million of lottery revenue bond proceeds. The expenditures support fifteen capital construction and deferred maintenance projects in thirteen community college districts. The level of state-paid bonds approved for community college capital construction projects is a 77.6% increase over the \$40 million approved in the 2007 session, but is

27.1% below the \$97.6 million of state-paid bonds approved during the 2007-09 biennium, which included the *Go Oregon!* state stimulus package in SB 338.

OHSU Public Corporation

The 2009-11 legislatively adopted budget for the Oregon Health and Science University (OHSU) public corporation totals \$111.4 million, and includes \$79.4 million General Fund, and \$32 million of debt service payments for the Oregon Opportunity Program. This funding level represents a \$2.8 million General Fund (and total funds) reduction to the 2007-09 legislatively approved budget of \$114.2 million. The adopted budget is also 7.2% less than the 2009-11 essential budget level of \$120.1 million total funds.

As noted above, the budget 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.

The \$79.4 million of General Fund included in the 2009-11 legislatively adopted budget was appropriated to three areas: Education and general services (\$67.4 million), University hospitals and clinics – the Oregon Poison Center (\$2.6 million), and the Child Development and Rehabilitation Center (\$9.3 million). These latter two funding amounts are 7.5% less than those in the 2007-09 legislatively approved budget. The Education and general services budget supports the nursing, medical, and dental schools, as well as area health education centers and the Office of Rural Health. This budget is 8.4% lower than the 2007-09 budget and is expected to result in tuition increases of 2.6% for nursing students, 4% for medical students, and from 8 to 21% for dental students.

These budgetary reductions, while manageable, come at a time when OHSU must otherwise reduce its expenditures by \$50-60 million over the next two years. Relatively flat hospital patient volumes, recent investment losses, and credit market issues have already necessitated, for example, staff layoffs and reduced support for rural health initiatives. While OHSU is emerging from a financial crisis, its leadership has concluded that it does not yet have operating margins required to maintain quality at current levels. Nonetheless, with the steps it has already taken, OHSU now has some time to consider new strategies to achieve its financial and institutional goals.

Oregon Student Assistance Commission

State funding for the Oregon Student Assistance Commission (OSAC) totals \$119.3 million. This is a decrease of \$10.8 million, or 8.3%, from the 2007-09 biennium level. The budget includes \$97.1 million total funding for the Opportunity Grant student aid which is down \$11.8 million, or 10.8%, over the amount approved for the prior biennium. However, the adopted budget level anticipated an additional \$34.8 million in direct support to students and families with changes in federal funding for Pell Grant awards to needy students and higher education tax credits for the 2009 and 2010 tax years. OSAC estimates between 31,250 and 40,960 students could be served each year of the biennium.

General Fund support was eliminated for new awards in the Rural Health and Nursing Services loan repayment programs. However, with passage of SB 701, OSAC will administer the Nursing Faculty Loan Repayment program which was appropriated \$200,000 General Fund.

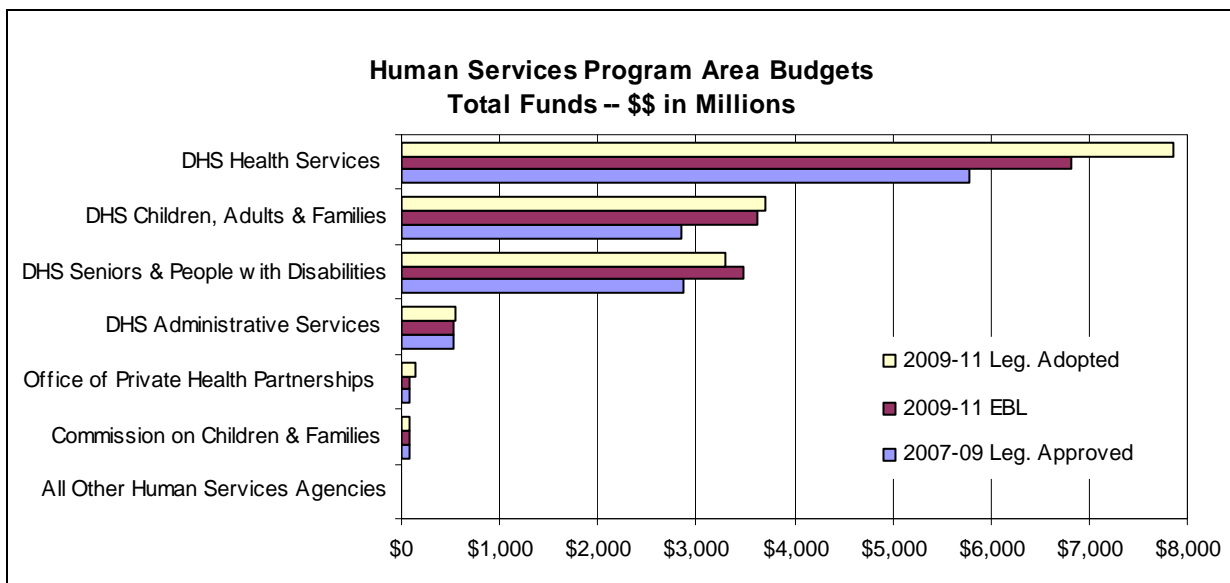
Human Services Program Area

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 2009-11 legislatively adopted budget for the Human Services program area represents 24.9% of Oregon's combined General Fund and Lottery Funds expenditures, and 28% of its total funds expenditures. The 2009-11 essential budget level for this program area, as updated in spring 2009, is calculated at \$3.91 billion General Fund and \$14.634 billion total funds. The 2009-11 legislatively adopted budget for the Human Services program area is \$15.66 billion total funds, including \$3.532 billion General Fund and \$11.6 million Lottery Funds. The combined General Fund/Lottery Funds 2009-11 adopted budget is 10.4% more than the 2007-09 legislatively approved budget for the program area, but 9.7% less than the updated essential budget level. The \$15.66 billion total funds budget is 28.3% higher than the 2007-09 legislatively approved budget and 7% higher than the updated essential budget level. Over 98% of the Human Services program area budget is in the Department of Human Services (DHS), which has major cost drivers in caseload growth, health care inflation, continued work on the Oregon State Hospital replacement project, and health care expansions in the Health Care for All Oregon Children initiative and the Oregon Health Plan Standard program. Just over half of the program area budget supports health services expenditures in DHS and the Office of Private Health Partnerships.

The Human Services program area budget includes \$1.995 billion Other Funds. Major sources are tobacco taxes, Medicaid provider taxes and insurance premium taxes, certificates of participation proceeds for the Oregon State Hospital replacement project, transfers from other state agencies, and various fees. At \$10.122 billion, Federal Funds include matching funds such as Medicaid, capped block grants such as Temporary Assistance to Needy Families (TANF), and Nonlimited funds, primarily for food stamps benefits. The legislatively adopted budget also reflects significant use of time-limited enhanced federal Medicaid matching funds and other one-time federal stimulus funds available as a result of the federal American Recovery and Reinvestment Act of 2009 (ARRA).

The following table compares the program area agencies' 2009-11 total funds legislatively adopted budget, the calculated 2009-11 essential budget level (EBL), and the 2007-09 legislatively approved budget at the close of the 2009 session.



Department of Human Services

The 2009-11 legislatively adopted budget for the Department of Human Services is \$3.458 billion General Fund and \$15.425 billion total funds. As comparison, DHS’ 2007-09 legislatively approved budget at the close of the 2009 session was \$3.113 billion General Fund and \$12.027 billion total funds, and the 2009-11 modified essential budget level, updated as of spring 2009, was \$3.817 billion General Fund and \$14.439 billion total funds. The 2009-11 legislatively adopted budget is 11.1% General Fund and 28.2% total funds more than the agency’s 2007-09 legislatively approved budget; it is 9.4% General Fund less and 6.8% total funds more than the essential budget level.

Overall, the budget anticipates more than \$700 million in one-time revenues – from the ARRA federal stimulus package and provider tax ending balances – that reduce General Fund need for the 2009-11 biennium. This revenue has helped address immediate program needs and avoid more significant reductions than those that remain in the budget.

The adopted budget maintains most program services, with significant caseload growth in self-sufficiency programs and the Oregon Health Plan, although some services are capped or reduced. Administrative cost savings are anticipated in all areas of the agency, from both personnel and services and supplies reductions. Most program providers will maintain current reimbursement levels, with no cost of living adjustments during the 2009-11 biennium. Reimbursement for Oregon Health Plan providers and nursing home facilities is limited, but still higher than in the 2007-09 biennium. The 2009 Legislature approved major investments in health care for Oregon’s children and low-income adults, funded with higher provider taxes on hospitals and health insurance premium assessments.

More detail follows on each of the four major program areas in DHS: Children, Adults and Families; Health Services, which includes the Division of Medical Assistance Programs, the Addictions and Mental Health Division, and the Public Health Division; Seniors and People with Disabilities; and the Administrative Services Division.

DHS Children, Adults and Families

The Children, Adults and Families (CAF) Division is responsible for programs that promote independence for families and adults, provide child welfare and adoption services, and administer vocational rehabilitation services. CAF’s 2009-11 modified essential budget level is \$705.2 million General Fund and \$3.63 billion total funds, which is 24.6% and 27.5% higher, respectively, than the

\$566.2 million General Fund and \$2.848 billion 2007-09 legislatively approved total funds budget. The EBL calculation reflects a substantial shift to General Fund to replace capped federal funds, TANF and child care program enhancements phased-in during the 2007-09 biennium, caseload increases in mandated programs (most significantly in the food stamps program), and inflationary adjustments. By definition, EBL does not include \$131 million General Fund costs for non-mandated program caseload and funding issues, or additional related staffing costs. CAF's 2009-11 legislatively adopted budget is \$670.6 million General Fund and \$3.704 billion total funds. This is 18.4% General Fund and 30.1% total funds higher than the 2007-09 funding level; it is 4.9% General Fund less and 2% total funds more than EBL.

Nonlimited Federal Funds for the Supplemental Nutrition Assistance Program (food stamps) make up 53.1% of CAF's total budget. At almost \$2 billion, food stamps benefit payments for the 2009-11 biennium are expected to be 57.1% higher than in 2007-09.

The legislatively adopted budget uses \$74.9 million in federal TANF stimulus funds to support the TANF Basic and Unemployed Two-Parent programs, and maintain other related services. However, the combination of increasing caseloads and capped federal funds drives a number of reductions in TANF program eligibility, post-TANF payments, and JOBS employment and training services. The budget continues the Employment Related Day Care program eligibility and client co-payment changes implemented late in the 2007-09 biennium. It also anticipates \$25.6 million General Fund savings from limiting the program, effective July 2010, to families who have been on TANF within the past 24 months of application for day care assistance, leaving other low-income working families without help with child care costs.

The legislatively adopted budget adds \$13.4 million General Fund and \$30.8 million total funds to restructure reimbursement rates for foster care and adoptive families, and adds \$8.9 million General Fund and \$14.6 million total funds for 130 new child welfare program positions. Funding for one-time foster care payments and selected medical services for children or parents of children in DHS' custody will be reduced by half (\$6.4 million General Fund).

The budget also adds \$2.2 million General Fund for the vocational rehabilitation services program to fully match expected federal funding. However, the program will remain in an Order of Selection for the 2009-11 biennium, building a wait list for serving eligible clients, since demand for services is expected to continue to exceed available funding.

DHS Division of Medical Assistance Programs

The Division of Medical Assistance Programs (DMAP) budget contains funding for the Oregon Health Plan (OHP), non-OHP expenditures, the Children's Health Insurance Program (CHIP), and program support and central administrative costs. The OHP provides medical care, including physician, hospital, pharmaceutical, vision, and dental services, to more than 475,000 low income Oregonians. It is funded with a combination of state funds and federal matching Medicaid funds. CHIP expenditures are also for medical services and, similar to Medicaid, are a combination of state funds and an allocation of federal matching CHIP funds. Non-OHP expenditures include a payment to the federal government for Oregon's "dual-eligible" citizens – those that are eligible for both Medicare and Medicaid – that is required under the Medicare Modernization Act for Medicare Part D, a drug benefit. The non-OHP budget also includes funding on behalf of certain Qualified Medicare Beneficiaries for their Medicare cost sharing such as co-payments or coinsurance.

The 2009-11 legislatively adopted budget is \$943.1 million General Fund and \$6.1 billion total funds. This total funds budget is 14.4% higher than the 2009-11 modified essential budget level, and 38.6% higher than the 2007-09 legislatively approved budget of \$4.4 billion. The 2009-11 adopted General Fund budget is, however, about 21.1% less than the \$1.2 billion contained in the modified essential budget level for 2009-11, and about 3.4% higher than the 2007-09 legislatively approved General Fund budget.

The significant total funds increase along with the modest General Fund increase reflected in the 2009-11 adopted budget is the result of four main factors. First, the economic recession is driving the overall OHP caseload higher. The spring 2009 forecast of the 2007-09 OHP caseload is 464,176 average monthly cases. The same forecast for the 2009-11 biennium is 560,178 average monthly cases, a 20.7% increase. Coupled with this caseload increase are ongoing increases in OHP per member per month (pmpm) costs that range from 2% to nearly 21%, depending upon the OHP caseload category.

The second factor influencing the 2009-11 budget is the impact of the federal American Recovery and Reinvestment Act, which increased the Medicaid match rate. The increase allowed federal Medicaid revenue to replace General Fund and Other Funds in both the 2007-09 biennium (\$125 million) and, to a greater degree, in the 2009-11 biennium (\$321 million). In addition, the budget also reflects the use of \$116 million of existing provider tax revenue (Other Funds) in lieu of General Fund. Both of these revenue sources, used to replace General Fund in the 2009-11 budget, are not expected to be available during the 2011-13 biennium.

Third, the adopted budget includes \$1.1 billion total funds related to the expansion of OHP Standard and implementation of the Health Care for All Oregon Children program. State funding for these expansion efforts is generated from a new hospital provider assessment and health care premium tax, required under HB 2116. Federal funding for the program is comprised of Medicaid and CHIP revenue. The \$1.1 billion total funds increase reflects both funding for health care services as well as enhanced reimbursement for hospitals and Medicaid managed care plans (i.e., health insurers) to acknowledge their higher assessment and premium tax costs.

DHS Addictions and Mental Health Division

The Addictions and Mental Health (AMH) Division budget supports treatment services to those with addictions or mental disorders. Services are delivered through community non-profit providers, county mental health agencies, and the Oregon State Hospital system, which has facilities in Salem, Portland, and Pendleton.

The 2009-11 legislatively adopted budget is \$612.7 million General Fund and \$936.8 million total funds. This total funds budget is about equal to the modified essential budget level for the 2009-11 biennium, but about 24.5% higher than the 2007-09 legislatively approved budget. (This increase is slightly lower than the 28.4% increase from the 2005-07 biennium to the 2007-09 biennium.)

The significant budgetary increase from the 2007-09 biennium to the 2009-11 biennium is the result of two main factors. First, the increase reflects higher expected community-based care caseloads and the costs for a full biennium of community-based treatment facilities that had been added over the course of the 2007-09 biennium. Second, the 2009-11 budget includes the costs of higher staffing levels at the Oregon State Hospital – both the full biennial cost of 190 positions that were added by the Emergency Board in June and September, 2008, as well as 527 positions that are expected to be added throughout the 2009-11 biennium. The staffing enhancements at the Oregon State Hospital are part of

an overall plan to improve care to hospital patients by constructing new hospital facilities in Salem and Junction City and by responding to a critical U.S. Department of Justice review of hospital procedures, reported in January 2008.

DHS Public Health Division

The Public Health Division (PHD) provides numerous services to improve and protect the health of all Oregonians. The division manages more than 100 prevention-related programs that halt the spread of disease, protect against environmental hazards, and promote healthy behaviors. Much of the work is carried out by local county health departments which are supported in their work by Public Health Division staff.

The 2009-11 legislatively adopted budget is \$508.9 million total funds (\$49 million General Fund). The total funds budget is about 1% less than the 2009-11 modified essential budget level of \$514 million and about 1% higher than the 2007-09 legislatively approved budget. The legislatively adopted General Fund budget for the 2009-11 biennium of \$49 million is about 9% below the modified essential budget level of \$53.9 million, but about 7% higher than the 2007-09 legislatively approved General Fund budget of \$45.7 million.

The adopted budget anticipates administrative savings in personal services and services and supplies, no cost-of-living increases, and a decrease of funding for the safe drinking water program. The budget includes \$6.6 million Other Funds from HB 2116 to augment the Health Care for All Oregon Children program – \$1.4 million for school-based health centers and \$5 million for grants to community health centers for vulnerable and underserved children.

DHS Seniors and People with Disabilities

The Seniors and People with Disabilities (SPD) program area includes the Medicaid long-term care program for seniors and people with physical disabilities, and services for people with developmental disabilities. The 2009-11 legislatively adopted budget is \$948.5 million General Fund and \$3.298 billion total funds. This is 7.7% General Fund and 14.6% total funds more than the 2007-09 legislatively adopted budget of \$880.6 million General Fund and \$2.878 billion total funds, but 6.5% General Fund and 5% total funds less than the modified 2009-11 essential budget level of \$1.014 billion General Fund and \$3.474 billion total funds.

The legislatively adopted budget fully funds projected caseload growth in long-term care programs for seniors and people with physical disabilities and programs for persons with developmental disabilities. It also reflects phased-in costs such as provider rate increases started during the 2007-09 biennium, and the transfer of the Medicare Buy-in Programs from the Division of Medical Assistance Programs budget (which adds \$102.2 million General Fund, \$249.6 million total funds to this budget). The budget maintains all in-home, community-based, and nursing facility care for seniors and persons with physical disabilities, with no change in program eligibility or services provided. However, some services for persons with developmental disabilities will be reduced, with a \$7 million total funds reduction in the employment and community inclusion program, a \$6 million General Fund reduction in the family support program, and a \$2.5 million General Fund reduction in development of community housing. Nursing facility rate increases will be limited by reducing certain allowable costs, saving \$7.3 million General Fund and \$29.5 million total funds, although nursing facility rates overall will still increase. Other providers will not receive standard cost-of-living rate adjustments (\$39 million General Fund, \$80 million total funds).

DHS Administrative Services Division

The Administrative Services Division (ASD) budget funds central operations and support for DHS. The 2009-11 legislatively adopted budget for ASD, including debt service payments, is \$560.1 million total funds (\$233.3 million General Fund). The total funds budget is about 8% higher than the 2009-11 essential budget level of \$519.1 million, but the General Fund budget is about 5% lower than the General Fund EBL of \$246 million. The 2009-11 total funds budget is also about 6% higher than the 2007-09 legislatively approved budget of \$526.4 million. The 2009-11 General Fund legislatively adopted budget of \$233.3 million is about 13% higher than the 2007-09 approved General Fund budget of \$206.2 million.

The 2009-11 legislatively adopted budget reflects six kinds of adjustments. First, the Legislature reduced staffing and services and supplies by nearly \$68 million total funds, including salary freezes and implementing furlough days. Second, the budget includes \$58.8 million of total funds to implement four additional information systems projects – the enhancement of core information technologies; the continuation of the OR Kids project to support the child welfare system; a project to enhance Children, Adults and Families and Public Health system databases; and a project to implement a provider payroll system for home care workers and adult foster home providers. Third, the budget adds \$3.9 million General Fund to provide administrative support for the Oregon State Hospital staffing initiative and \$17.6 million of Other Funds debt service for construction of the new state hospital. Fourth, the 2009-11 legislatively adopted budget includes \$6.2 million total funds to support health care reform initiatives mandated by HB 2009. Fifth, the budget contains \$15.1 million total funds to support the Health Care for All Oregon Children and OHP Standard expansions, funded through HB 2116 provider and premium assessments (as well as federal Medicaid revenue). Finally, the adopted budget includes \$2.8 million total funds to support ASD costs related to additional staffing in the Children, Adults and Families program.

Office of Private Health Partnerships

The Office of Private Health Partnerships (OPHP) manages the Family Health Insurance Assistance Program (FHIAP) and provides outreach and information about governmental health coverage to insurance sales and brokerage staff, and to the general public. (FHIAP provides health insurance premium subsidies to eligible low-income individuals or employees.) In the 2009-11 legislatively adopted budget, the agency assumes a significant role in the Health Care for All Oregon Children program, by providing premium subsidies to eligible households with incomes above 200% of the federal poverty level.

The 2009-11 legislatively adopted budget is \$144.3 million total funds (\$21.3 million General Fund). This total funds budget is about 67% higher than the 2009-11 essential budget level of \$86.3 million total funds, and nearly double the 2007-09 legislatively approved budget of \$73.5 million total funds. The General Fund component of the adopted budget, however, is about 19% lower than the essential budget level and about 6% less than the 2007-09 approved General Fund budget.

The overall net increase in the 2009-11 legislatively adopted budget is the result of three main adjustments. First, the budget removes \$11.8 million of excess Other Funds expenditure limitation that had been carried over from the 2007-09 biennium. Second, the FHIAP program budget is reduced by about 15% (\$12.8 million total funds, \$4.8 million General Fund). Third, the budget adds \$83.1 million total funds, including \$22.6 million of revenue from a new health insurance premium assessment, to fund OPHP's share of the Health Care for All Oregon Children program. The \$22.6 million is matched with federal Children's Health Insurance Program funding. OPHP anticipates that by the end of the 2009-11 biennium, the program will be serving nearly 34,000 children.

Commission on Children and Families

The State Commission on Children and Families facilitates and supports statewide planning for services to children and families, and provides policy direction, technical assistance, and state and federal funding for 36 local commissions across the state. The Commission's 2009-11 legislatively adopted budget of \$49.1 million General Fund and \$71.7 million total funds is 14.3% General Fund and 15.8% total funds below its 2007-09 legislatively approved budget, and 20.9% General Fund and 19% total funds below the essential budget level. The budget maintains all of the Commission's grants and program initiatives, most with reductions from 15% to 25% below EBL, with the exception of the Child Care and Development Fund program. All funding for this program is moved to the Department of Human Services for the 2009-11 biennium to help support that agency's Employment Related Day Care program.

Other Human Services Agencies

The legislatively adopted budget for the **Commission for the Blind** is \$1.4 million General Fund and \$15.6 million total funds. This is 3.3% below the 2007-09 legislatively approved total funds budget, and 0.3% below the 2009-11 essential budget level. The budget uses \$1.3 million in ARRA federal stimulus funds to maintain three positions and skills training and rehabilitation services for the 2009-11 biennium. Even with this added federal funding, the program will remain in an Order of Selection, serving only the highest priority clients, due to funding constraints.

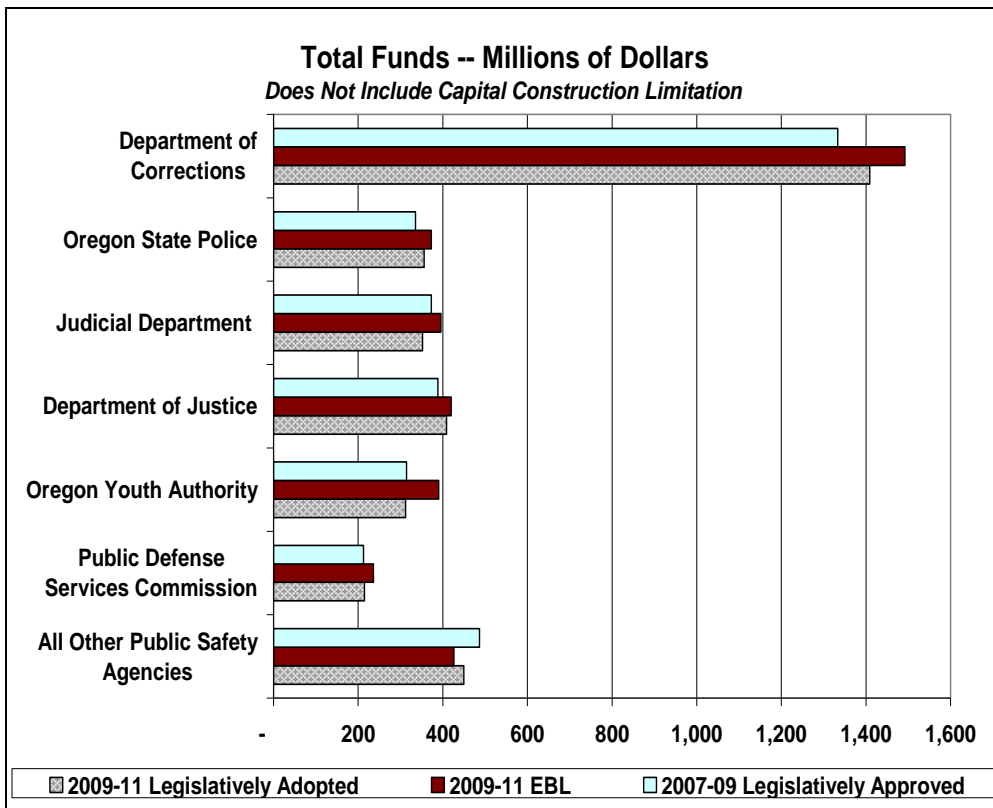
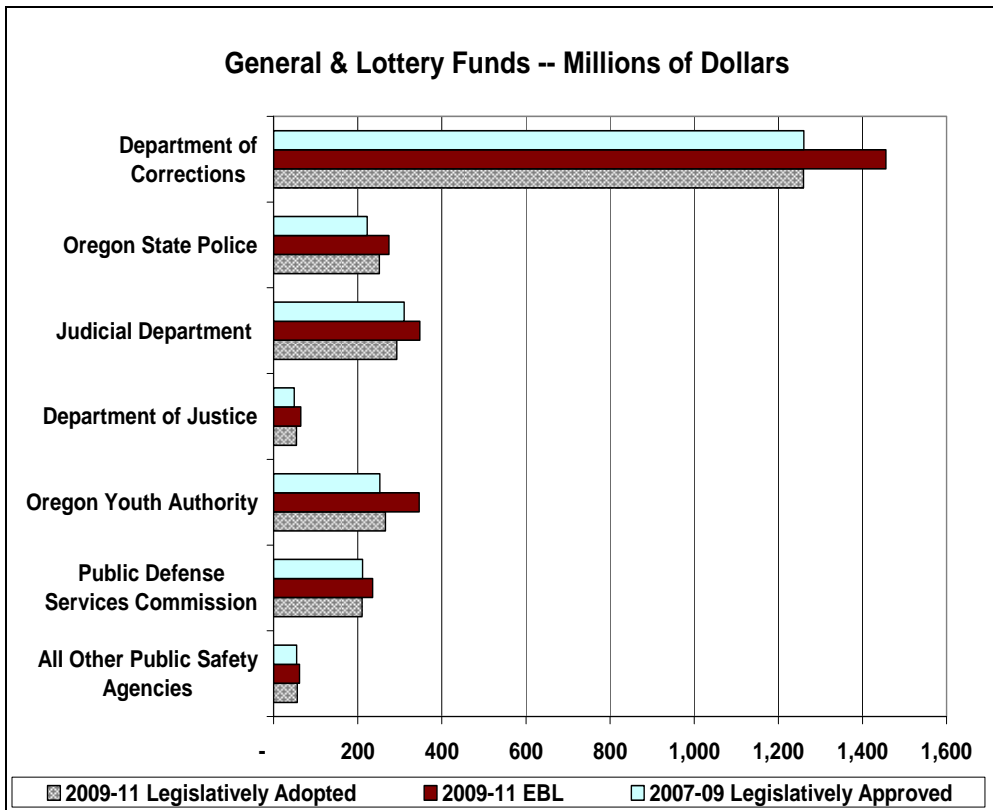
The **Long Term Care Ombudsman** budget of \$1.2 million General Fund and \$3.1 million total funds is 11.9% total funds more than the 2007-09 legislatively approved budget, but 0.3% below the 2009-11 essential budget level. The adopted budget continues a full 24-months funding for two deputy state ombudsman positions phased in during the last biennium, and reflects a reorganization of agency staff to improve support for ombudsman program volunteers within existing resources.

The legislatively adopted budget for the **Psychiatric Security Review Board**, at \$1.1 million General Fund and \$2,056 Other Funds, is 4.2% more than the 2007-09 legislatively approved budget but 19.3% below the essential budget level. The adopted budget maintains stability as the agency was held harmless from program reductions, but does not provide any additional resources needed to address the agency's workload issues.

Public Safety/Judicial Program Area

The agencies in the combined Public Safety and Judicial 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 2009-11 legislatively adopted budget for the agencies in this program area total \$2.385 billion General Fund and \$3.776 billion total funds, a 1.2% increase from the 2007-09 legislatively approved budget in General Fund resources and a 3.8% increase in total funds. Compared to the 2009-11 essential budget level, the adopted budget is 14.2% less for General Fund and 6.2% less for total funds (not including capital construction).



Department of Corrections

The 2009-11 legislatively adopted budget for the Department of Corrections (DOC) of \$1.455 billion total funds represents an increase of \$87.9 million, or 6.4%, over the legislatively approved budget for 2007-09. The General Fund budget of \$1.260 billion decreases by \$1.1 million for the same period.

This relatively small change in General Fund resources is largely due to a \$103 million one-time fund shift to Federal Funds available through the American Recovery and Reinvestment Act. There is a 13.5% (\$195.8 million) General Fund decrease from the essential budget level (EBL). Even with the \$103 million backfill, the decrease is almost \$93 million. This is even more significant since the EBL figure does not include any resources for the estimated impact of Ballot Measure 57 which voters passed in November 2008 increasing sentencing for many property-related crimes. The Governor had estimated the cost at \$74 million in his budget, but because of changes in the effective date and other reductions the amount included in the legislatively adopted budget for Measure 57 is approximately \$47 million General Fund. HB 3508 requires those offenders who are sentenced before February 15, 2010 to serve their entire Measure 57 sentence. After that date the enhanced Measure 57 sentences are suspended until January 1, 2012. The DOC budget still includes \$10 million General Fund for treatment and intensive community supervision for Measure 57 offenders.

Other major changes from EBL for the 2009-11 DOC budget include:

- Changes in employee compensation included in HB 5054 total \$29 million in General Fund reductions for DOC.
- Opening of the Deer Ridge medium security facility in Madras is delayed saving an estimated \$23 million General Fund (135.26 FTE); and the 49 bed expansion at the Shutter Creek facility in North Bend is also delayed, saving an estimated \$2.2 million General Fund. DOC will use temporary beds across the system to fill this gap in capacity as well as the increase due to Measure 57 offenders.
- Sentencing changes that reduce the need for prison beds include an increase in the amount of earned time eligible offenders can accumulate from 20% of their sentence to 30% (estimated savings of \$6 million General Fund), and a streamlining of the Governor's commutation process for non-violent inmates subject to a U.S. Immigration and Customs Enforcement Order (estimated savings of \$2.1 million General Fund).
- Total funds resources for community corrections grants to counties are reduced by a total of \$30.1 million. Sentencing changes related to probation revocation, active and inactive probation status, and local control post-prison supervision status account for \$16 million of this decrease. Most of the remaining amount is due to updated caseload numbers reflecting the April 2009 forecast.
- A number of staffing and other changes reduce General Fund need by \$42 million. These include a net \$6.9 million savings from transferring basic training of correctional officers from the Department of Public Safety Standards and Training (DPSST) to DOC, \$20 million in unspecified reductions in operations and health services, reductions in central service staffing, and updated information on debt service needs.

Department of State Police

The Department of State Police's 2009-11 legislatively adopted budget of \$543.4 million total funds represents a \$128.2 million increase from the 2007-09 legislatively approved budget. This includes over \$187 million in Other Funds capital construction for the Oregon Wireless Interoperability Network (OWIN) project. If capital construction is factored out, the total funds growth from 2007-09 is 6%. General Fund resources grow by \$29 million (or 13.5%) to \$244.3 million for 2009-11. The majority of this General Fund growth reflects the roll-up costs of new positions added in 2007-09 including 139 troopers and additional forensics staffing. Other major features of this budget include:

- Changes in employee compensation included in HB 5054 total \$6.6 million in General Fund reductions for OSP.
- \$8.1 million General Fund for funding the 39 troopers whose hiring was delayed from 2007-09. This budget assumes 20 troopers will be hired in August 2009 and the remaining 19 hired in October 2009.

- A total of 11 detective positions in the Criminal Division are eliminated affecting identity theft, drug investigations, and assistance to local governments in major crime investigations.
- A \$2.3 million shift in funding from General Fund to Other Funds is assumed, reflecting a portion of the Fish and Wildlife Division's share of agency wide support and administrative costs.
- Full funding at the EBL (less statewide employee compensation reductions) for the Forensics Division is included.
- A \$4.6 million fund shift from General Fund to fee-generated Other Funds for the Identification Services unit is made utilizing current Other Funds balances for the 2009-11 budget. The program will need to assess the need for fee increases or other options to support the program in 2011-13.

Judicial Branch Agencies

The 2009-11 legislatively adopted budget for the **Judicial Department** is \$352 total funds, a decrease of \$20.9 million, or 5.6%, from the legislatively approved budget for the 2007-09 biennium. The General Fund portion of the budget totals \$293 million, which declines by \$17.4 million, or 5.6%, over the same period. The Department's total funds budget is a \$43.5 million, or 11%, decrease from the 2009-11 EBL. Major features of the budget include:

- A portion of temporary new court fees and surcharge revenue that will be raised under HB 2287 is anticipated to be used to backfill a portion of the Department's General Fund reductions including Citizen Review Board, court referees, pro se litigant support, mediation, and drug courts. The Department's budget includes an initial \$6.5 million in Other Funds expenditure limitation related to this revenue. A further allocation of HB 2287 revenue will be made during the 2010 special session.
- The Electronic Court Program (eCourt) is continued for a second biennium with funding financed with certificates of participation (\$20.4 million authorized under HB 5005). Debt service for the project is estimated at \$3.4 million General Fund.
- A reduction in employee compensation included in HB 5054 totals \$5.1 million total funds, of which \$4.6 million is General Fund.

The 2009-11 legislatively adopted budget for the **Public Defense Services Commission (PDSC)** is \$214.8 total funds which represents an increase of \$2.2 million, or 1%, over the legislatively approved budget for the 2007-09 biennium. The General Fund portion of the budget totals \$210.8 million which is a decrease of \$696,539, or one-third of a percent. PDSC's legislatively adopted budget is a \$21.7 million decrease or 9% less than the 2009-11 EBL. Major features of the budget include:

- Trial-level public defense funding for the last seven weeks of the 2009-11 biennium is anticipated to be funded with a portion of temporary new court fees and surcharge revenue that will be generated under HB 2287. The budget includes \$3.5 million in Other Funds expenditure limitation related to this revenue. A further allocation of HB 2287 revenue will be made during the 2010 special session.
- The Commission's re-forecasting of its 2009-11 projected caseload projection lead to a reduction in anticipated demand for public defense services.
- A reduction in employee compensation included in HB 5054 totals \$623,419 General Fund.

Military Department

The 2009-11 legislatively adopted budget for the **Military Department** is \$410.7 million total funds which represents a decrease of \$84.7 million, or 17%, from the legislatively approved budget for the 2007-09 biennium. The decrease is mostly due to the \$80.4 million, or 24%, reduction in federal funding, the majority of which relates to one-time expenditures for capital construction projects. The General Fund portion of the budget totals \$26.1 million, increasing \$2 million (or 8.4%) over the 2007-

09 budget. The Department's total funds budget is a \$61.2 million (or 17.5%) increase from the 2009-11 EBL. Major features of the budget include:

- Continuation for a third biennium of a \$500,000 General Fund appropriation for Emergency Financial Assistance and full funding of the Department's Reintegration Program in the amount of \$200,000.
- Additional Other Funds expenditure limitation to insure the distribution of 9-1-1 revenue to local governments.
- The first issuance of Article XI-M and XI-N General Obligation bonds related to Seismic Rehabilitation in the amount of \$30 million. Debt service for the bonds will be paid with General Fund (estimated at \$1.2 million for 2009-11).
- Capital improvement funding totals \$1.2 million Federal Funds received under the American Recovery and Reinvestment Act.
- Capital construction funding to modernize three armories and replace one armory will be financed with \$4.7 million in certificates of participation (COPs) and \$6.2 million in federal funding. There is also \$3.2 million in federal funding under the American Recovery and Reinvestment Act for projects at various other armories and military facilities.

Oregon Youth Authority

The 2009-11 legislatively adopted budget for the Oregon Youth Authority (OYA) is \$266 million General Fund and \$312.1 million total funds. The total funds budget is about 1% below the agency's 2007-09 legislatively approved budget. While funding appears flat, programs are supported at reduced levels due to inflation. To continue original 2007-09 program levels and anticipated caseload growth in 2009-11, the budget would need to have been increased by \$78 million. Key elements of agency program capacity and budget include:

- The budget includes funding for 900 close custody beds. This number is down from the 995 originally budgeted for 2007-09 and the 925 beds remaining after the 2007-09 rebalance. The April 2009 youth corrections population forecast produced by the Office of Economic Analysis projects an average demand of 1,050 beds over the biennium.
- Potential closure of the Eastern Oregon Youth Correctional Facility (Burns) and additional reductions in close custody bed capacity were averted.
- Community (residential treatment and foster care) placement capacity of 555 slots is assumed. The actual 2009-11 demand for placements is expected to be close to 700.
- The statewide gang intervention competitive grant program is eliminated. State support for gang prevention, intervention, and enforcement activities in Multnomah County is increased by 24.1% from 2007-09 service levels.
- One-time federal funding from an enhanced Medicaid match rate totaling \$2.7 million is used to backfill General Fund reductions in community programs.

Department of Justice

The legislatively adopted budget of \$408.6 million total funds for the Department of Justice represents a \$20.2 million increase (or 5.2%) from the 2007-09 legislatively approved budget. For the same period, the \$54.7 million General Fund budget is \$5.6 million (or 11.4%) more than 2007-09. The General Fund increase would have been larger but the budget uses one-time federal stimulus funding of \$3.6 million to offset the need for General Fund in the Child Support program. Major features in the budget include:

- Funding for the Defense of Criminal Convictions totals \$20.9 million General Fund, which is \$7.5 million less than the EBL. A portion of the decrease is due to a lower rate charged internally for legal services (\$3.7 million) while the other \$3.8 million represents an underfunding of this mandated caseload program.

- Federal changes in the Child Support programs requires an additional \$1 million General Fund to maintain funding for 28 positions.
- Two new units in the agency are established – one specializing in environmental prosecutions (\$714,728 Other Funds) funded through the Department of Justice’s Protection Fund, and the other unit addressing civil rights related issues (\$642,861 General Fund).
- Crime Victims’ programs funded through the Criminal Fines and Assessment (CFAA) revenue stream were reduced by \$1.8 million (or 8.8%). This decrease was partially offset by a \$1 million General Fund appropriation directed for increased medical assessments for children who are suspected victims of physical abuse.

Other Public Safety and Judicial Branch Agencies

The 2009-11 legislatively adopted budget for the **Department of Public Safety Standards and Training** of \$47.8 million total funds represents a 3.6% decrease from the 2007-09 budget and an 11.6% reduction from EBL. This budget limits the agency’s ability to train public safety personnel through a \$3.1 million reduction, including a \$1.2 million savings assumed by transferring the basic training for Department of Correction’s correctional officers. There were major reductions to regional and leadership training while the number of basic law enforcement classes was reduced from 19 classes in 2007-09 to 14 classes in 2009-11. Another \$2.4 million was reduced by eliminating positions and other funding for the agency administration and the maintenance of the agency’s facility in Salem.

The \$10.2 million 2009-11 General Fund budget for **District Attorneys and Their Deputies** is a 2.9% decrease from the 2007-09 legislatively approved budget. Changes to the budget include the elimination of state assistance with paying for deputy district attorneys and a \$160,120 reduction in the pay for the 36 District Attorneys, similar to reductions taken in most state agencies.

The **Criminal Justice Commission’s** 2009-11 budget of \$18.1 million total funds represents a 126% increase from the 2007-09 legislatively approved budget. This increase reflects the transfer of the administration of the criminal justice-related federal grants (\$10.6 million Federal Funds and 5 positions) from the Department of State Police. General Fund resources are decreased by 18.2%, to \$5.4 million. Drug court grants are reduced by a total of \$1.6 million, but the Governor is expected to replace a portion of the lost General Fund for these grants with federal grant funds.

The 2009-11 legislatively adopted budget for the **Board of Parole and Post Prison Supervision** of \$3.75 million total funds represents a 9.5% reduction from EBL. This budget reflects a reduction of approximately \$375,000 in the agency’s usage of legal services through the Attorney General. Another approximately \$20,000 was reduced by eliminating budgeted resources for a number of Board-ordered psychological evaluations. After the budget was passed, the Governor increased the size of the board by appointing a fourth board member. Funding for the addition of the fourth board member is not contained in the 2009-11 legislatively adopted budget and has yet to be identified.

Economic Development Program Area

Oregon Business Development Department

During the 2009 session, the Legislature passed HB 2152. This bill reorganized the Economic and Community Development Department to allow its economic development and community development programs to operate more independently, and changed the name of the agency to the Oregon Business Development Department.

The legislatively adopted budget for the agency totals \$418.9 million, and includes \$118.2 million of state support (Lottery Funds and General Fund). The state support total is \$15.5 million (or 11.6%) below the prior biennium level. Most of the state support, a total of \$113.6 million, is financed from Lottery Funds. Total Lottery Funds expenditures are reduced 12.1% from the prior biennium. Debt service expenditures on lottery revenue bonds, however, comprise \$72.8 million (or 64%) of the agency's Lottery Funds expenditures. This amount is a 24.7% increase over the prior biennium. Lottery Funds expenditures for the agency's other operating and program costs, excluding debt service, are reduced by 43.2% from the prior biennium level. The budget utilizes monies in the agency's Lottery Funds beginning balance to further reduce the need for allocations from the Economic Development Fund. Lottery Funds allocations for the agency's other operating and program costs, excluding debt service, are reduced by 51.7% from the prior biennium level.

The budget for the agency includes the following highlights:

- \$8.67 million in Lottery Funds reductions from the essential budget level to support for agency operations and program funding. This represents a 20.4% reduction from the essential budget level for this portion of the agency budget. The reductions eliminate support for Regional Investment Board activities, and reduce support for the Strategic Reserve Fund, Industry Competitiveness, and Small Business Development Centers programs.
- Lottery Funds were reduced by an additional \$10 million, and replaced with a one-time use of Other Funds fund balances in the Special Public Works Fund and the Water Fund. Those Funds are generally used for infrastructure programs that are not Lottery Fund-supported.
- \$16 million Lottery Funds was provided for Oregon Innovation Council (Oregon InC) initiatives. This funding level is a \$12.2 million (or 43.2%) reduction from the \$28.2 million initially provided for these programs in the 2007-09 biennium budget. Funding for the Manufacturing Competitiveness Initiative within Oregon InC was eliminated. All other initiatives were continued at reduced support levels, with the exception of funding for the Built Environment and Sustainable Technology Center (BEST), which was increased 10% over the prior biennium level.
- \$0.3 million General Fund to the Arts Commission for the Creative Oregon II initiative.
- \$5 million in additional tax credits to support the film and video production subsidies offered by the Film and Video Office.
- The budget supports expenditures of \$35.3 million of federal stimulus monies for the Safe Drinking Water, Community Development Block Grant, Brownfields, and Arts Commission programs. These expenditure are one-time and will phase out in the development of the 2011-13 budget.

The budget also includes \$17.5 million of lottery revenue bond proceeds for the Department's community development revolving loan funds (Special Public Works Fund and the Water Fund). These monies will be added to the corpus of these Funds and be used for infrastructure development for industrial land sites, water and wastewater systems, and other economic development-related infrastructure; and to offset the impact of the \$10 million withdrawal from these Funds approved to offset Lottery Funds reductions. The budget also includes \$2.1 million in Lottery Funds for debt service costs on these bonds in the 2009-11 biennium. When they are fully phased-in during the 2011-13 biennium, the debt service cost is projected to total \$4.2 million.

The legislatively adopted budget also reduces the statutory distribution of 2.5% of video lottery revenues to counties for economic development programs by \$5 million in the 2009-11 biennium. After this reduction, counties are projected to receive \$34.1 million in the 2009-11 biennium, a decline of 14.8% from the prior biennium level.

Housing and Community Services Department

The legislatively adopted budget for the Housing and Community Services Department includes \$19 million in lottery bond proceeds to support preservation of affordable housing that might otherwise be converted to market rate housing. Up to \$3 million of this amount may be used for low interest loans to tenants' cooperatives who wish to purchase manufactured dwelling parks that go up for sale.

The budget adds 17.60 limited duration FTE funded through \$132.4 million in additional Federal Funds, primarily from the American Recovery and Reinvestment Act, for additional weatherization, low income bill payment assistance, food assistance, homelessness prevention, and volunteer support, and for the redevelopment of blighted and foreclosed properties, tax credit assistance, and support for local service providers.

The Legislature also approved additional expenditure limitation in the amount of \$15.2 million and 4.53 permanent FTE to reflect passage of the Housing Opportunity Act, HB 2436. The positions and additional funding for homelessness assistance, capacity building, and affordable housing are funded through a new \$15 fee added to fees pertaining to deeds and mortgage records filed with county clerks.

Employment Department

The legislatively adopted budget for the Employment Department includes a \$34.3 million increase in Federal Funds expenditures and 279 limited duration positions for the Unemployment Insurance program to accommodate the growth in Oregon's unemployment rate.

Additional expenditures funded with \$418.2 million in federal American Recovery and Reinvestment Act funds are included for child care quality improvements, Unemployment Insurance administration, extended and increased benefit levels, and for Worksource Oregon Centers, which assist unemployed Oregonians. Policy packages funded through fees for service were also approved for client job-placement services and research and workforce studies.

Employment-related policy bills that affect the Employment Department's budget include the following: HB 3483, which provides benefits to economically distressed workers in approved job training programs, and provides for an extension of unemployment insurance benefits for the period of October – January 2, 2010 if additional extensions of benefits by the Federal government are not forthcoming; HB 2203, which brings Oregon's laws regarding unemployment insurance benefit eligibility into compliance with the federal unemployment insurance tax act and ensures Oregon's eligibility for federal funds under the American Recovery and Reinvestment Act; and SB 461, which authorizes the use of an alternative base year, effectively increasing the number of Oregonians eligible for unemployment insurance benefits.

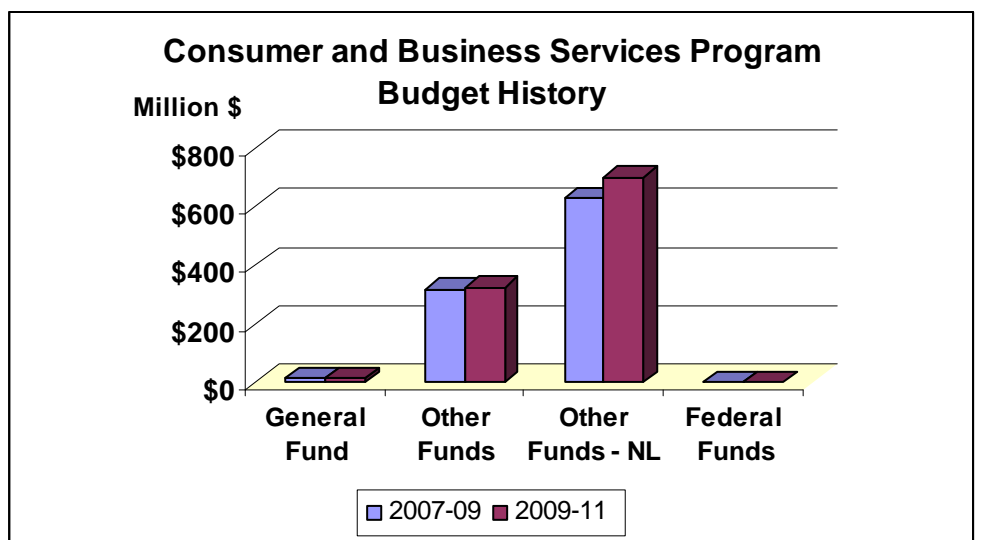
Department of Veterans' Affairs

The legislatively adopted budget includes \$6.2 million General Fund, essentially unchanged from the prior biennium, but approximately \$0.4 million (or 6.3%) below the essential budget level. Approximately \$0.3 million of the reduction from essential budget level results from eliminating the Small Business Repair Program that was established during the 2008 special session to assist veterans. Otherwise, the General Fund budget is little changed from the essential budget level, except for the across-the-board personal services adjustments adopted in the budget. The budget also includes support for a new Campus Veterans' Service Officer program to serve student veterans, to be operated as a pilot project. The program is financed with \$0.4 million from the Oregon War Veterans' Fund (Other Funds) and includes five limited duration positions.

Consumer and Business Services Program Area

The Consumer and Business Services program area includes the Oregon Board of Accountancy, Board of Chiropractic Examiners, Board of Clinical Social Workers, Construction Contractors Board, Department of Consumer and Business Services, Board of Licensed Professional Counselors and Therapists, Board of Dentistry, Oregon Health Licensing Agency, Health-Related Licensing Boards, Bureau of Labor and Industries, Oregon Medical Board, Board of Nursing, Board of Pharmacy, Board of Psychologist Examiners, Public Utility Commission, Real Estate Agency, and Board of Tax Practitioners. Consumer and Business Service agencies are primarily funded with Other Funds revenues generated through licenses and fees.

The 2009-11 legislatively adopted budget for the Consumer and Business Services program area totals \$1.041 billion, of which \$13.1 million is General Fund, \$351 million is Other Funds, and \$2 million is Federal Funds. The budget also includes \$603.7 million in Nonlimited Other Funds for Workers' Compensation and Insurance programs and \$94.8 million Nonlimited Other Funds for the Oregon Universal Service Fund, which subsidizes the rates charged by any eligible carrier providing basic telephone service in high cost areas. Including Nonlimited Other Funds, the total program area budget for 2009-11 is approximately \$77.6 million above the 2007-09 approved budget after all rebalance actions, primarily due to the increase in Nonlimited Other Funds in the Oregon Medical Insurance Pool.



General Fund resources for consumer and business agencies increased by \$0.38 million from the 2007-09 approved budget but are \$0.67 million less than the 2009-11 essential budget level. The Bureau of Labor and Industries is the only agency in this program supported by the General Fund. The 2009-11 legislatively adopted General Fund budget is one position less than the 2009-11 essential budget level. The General Fund budget reduces support in administration, wage and hour compliance, and apprentice training, and increases support in employer technical assistance and training.

Other Funds limitation increased \$6.4 million from the 2007-09 approved budget but is \$1.8 million, or 0.18%, less than the 2009-11 essential budget level. The 2009-11 budget reflects combining the Board of Examiners of Nursing Home Administrators with the Oregon Health Licensing Agency. For several biennia, the Board of Examiners of Nursing Home Administrators has operated with severe revenue

constraints, a result of a small and decreasing licensing base. The board's ability to overcome its lack of resources has now reached its limit.

The Department of Consumer and Business Services' (DCBS) legislatively adopted budget is 1.4% lower than the 2009-11 essential budget level. The 2009-11 essential budget level is 12.6% higher than the 2007-09 legislatively approved budget. Limited Other Funds expenditures are 5.6% above the essential budget level, while Nonlimited Other Funds expenditures increased by 15.4%, largely due to quickly rising medical payments within the Oregon Medical Insurance Pool. The budget supports a revenue transfer of \$89.9 million to the Oregon Health Authority from a tax on insurers for the Healthy Kids initiative. Legislation affecting DCBS included adoption of HB 2009 which transfers to the Oregon Health Authority all of the duties, functions, and powers of the Oregon Medical Insurance Pool Board (OMIP) and its operations by June 30, 2011 and requires the Department to collect and report information from insurance carriers and third party administrators, changes to the health insurance market including a requirement that every resident have health insurance coverage, how to advance reforms in the health insurance market, and adopt administrative rules. The budget for OMIP includes 9 staff positions and \$2.1 million Other Funds and \$407 million Nonlimited Other Funds for third-party insurance claims. The Legislature added 3 positions to support the Oregon Health Fund Board initiatives adopted by the Legislature in HB 2009; 7 positions in Mortgage Lending programs; and 5 positions in the Building Codes Division to support Energy Efficient Standards required under SB 79 and the Boiler and Pressure Vessel program totaling \$2.3 million. The budget also continues support at current levels for statewide electronic permitting. The budget recognizes revenue reductions in several of its fee-supported programs resulting in a reduction of \$1.56 million and 12.50 FTE. An additional personal services reduction of \$866,573 was made to reflect holding vacant multiple positions for six months of the biennium. The Legislature transferred the Office of Minority, Women and Emerging Small Business with five positions and \$938,423 expenditure limitation to the Oregon Business Development Department.

The Public Utility Commission's legislatively adopted budget is \$134.8 million total funds, including \$94.8 million Nonlimited Other Funds. Total limited Other Funds, which is more representative of agency operational activities, is \$39.5 million. The budget is \$8.5 million, or 27.2%, more than the 2009-11 essential budget level. The budget continues the Residential Service Protection Fund program until 2020, maintaining access to phone service, adaptive telecommunications devices, and services for disabled and low income Oregonians. The budget provides speech-generating devices for speech impaired Oregonians; funding and position authority for a new engineering analyst to ensure compliance by all electric utilities with safety regulations related to utility poles and wires; and an internal auditor position. The Legislature also approved green house gas emissions standards, which requires a utility analyst position to ensure compliance by investor owned utilities and analysis of the impact of the standards on utility rates.

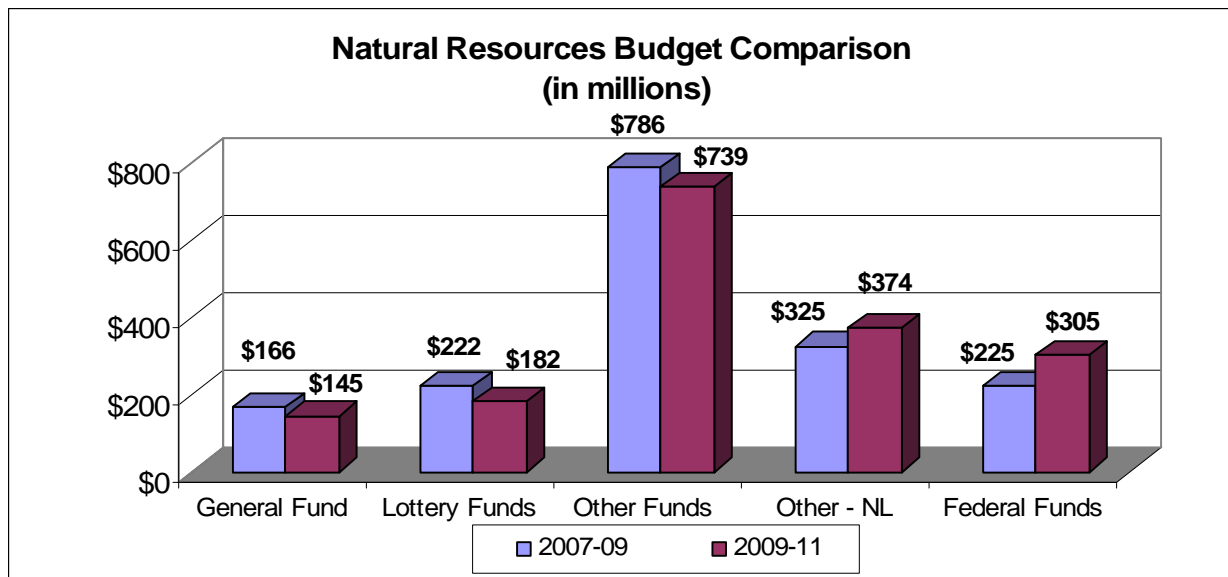
Natural Resources Program Area

Budget Environment

Natural resource agencies are largely funded with Other Funds 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 Funds 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. However, 2009-11 marks the first significant shortfall between the amount of Lottery Funds needed to continue Lottery-supported programs and the amount forecasted to be available during the biennium. This legislative session there was widespread support for fee increases to generate additional Other Funds revenues due to reductions in state General Fund resources available on a statewide basis.

The 2009-11 legislatively adopted budget for the Natural Resources program area totals \$1.37 billion limited funds, including \$145 million General Fund and expenditure limitation for \$182 million Lottery Funds, \$739 million Limited Other Funds, and \$305 million Federal Funds. The budget also includes \$374 million in Nonlimited Other Funds, mainly for loan program activity and bond sales proceeds.



Including Nonlimited Other Funds, the total program area budget for 2009-11 is approximately \$19.8 million above the 2007-09 approved budget after all rebalance actions, primarily due to increased revenue from Other Funds and anticipated increases in Federal Funds availability. The combined Limited budget for the natural resource agencies, which is more representative of agency operational activities, is about \$80.7 million, or 5.5%, below the previous biennium.

The 2009-11 legislatively adopted General Fund resources for natural resource agencies decreased by \$23 million, or 13.7%, below 2007-09 approved levels. Notable changes include:

- \$6.8 million General Fund reduction compared to the 2009-11 essential budget level for the Department of Forestry, eliminating stewardship forester positions, decreasing state support for forest health, technical support for landslides related to forest practices, monitoring resources for riparian and wildlife resource protection on private forestlands, and harvesting best practices.
- \$5.3 million General Fund was added to the Department of Land Conservation and Development to complete resolution of Measure 49 claims, including an additional 500 claims added by passage of HB 3225. This increase in General Fund support is partially offset by \$3.7 million in General Fund reductions, including \$3.2 million in Attorney General costs related to Measure 49 and \$500,000 in the local government grant program.

- \$3.2 million General Fund reduction to the Department of Environmental Quality (DEQ) for reductions made in the Air, Water, and Land Quality programs reducing compliance inspections, enforcement, technical assistance, and Clean Diesel program grants.
- \$3.1 million General Fund reduction for money that was provided to the Department of Energy on a one-time basis in 2007-09 for the Oregon Museum of Science and Industry (OMSI) for payment of a loan from the State Energy Loan Program.
- \$1.4 million General Fund reduction to the Water Resources Department for activities related to water measurement, water use reporting, the in-stream water rights, Klamath adjudication, and ground water studies.
- \$4.7 million special purpose appropriation in the Emergency Fund for fire protection severity resources and one half of the second year of the biennium's General Fund cost share of the insurance premium.

Lottery Funds limitation decreased by a net \$39.8 million, or 18%, due to falling lottery revenues expected for the 2009-11 biennium. Nearly \$6 million of this reduction was taken in the Department of Fish and Wildlife by replacing Lottery Funds with Other Funds from the Pacific Coastal Salmon Recovery Fund (PCSRF). PCSRF monies have been used in the past to replace state support in salmon recovery and watershed improvement programs due to revenue shortfalls. The budget includes \$15 million less to Oregon Watershed Enhancement Board for grants that support restoration activities that improve water quality and protect fish habitat. The Parks and Recreation Department Lottery Funds budget was reduced a net \$4.2 million from the essential budget level to reflect the anticipated decline in Lottery Funds revenue. The Legislature also shifted \$5 million Lottery Funds resources from the parks land acquisitions program and beginning balance to facility repair, focusing investments on programs that will create or sustain jobs in the current economy.

Limited Other Funds decreased by about \$47 million from the 2007-09 legislatively approved budget level. One reason for this decrease was elimination of 2007-09 one-time funding including \$18 million in the Department of State Lands for planning and removal of the New Carissa and \$4.6 million in the Department of Energy to forgive the OMSI loan. Revenue shortfalls caused some of the overall reduction in limited Other Funds. Large limited Other Funds reductions include \$15.8 million in the Department of Forestry due to lower revenues from state forest timber sales and \$17.9 million in the Parks and Recreation Department to align projected park user fees revenues to expenditures. Some of these decreases were offset by Other Funds growth caused primarily by a number of fee increases approved by the Legislature to ensure continued service levels due to increasing program costs or to avoid reductions due to General Fund constraints. For example, reductions to Water Resource programs were avoided by increasing water rights and transfer processing fees to 50% cost recovery and implementing a new fee for exempt wells. These fees are expected to increase Other Funds revenues by \$2.2 million. The Legislature also approved the sale of \$15 million lottery-backed revenue bonds for the purchase of approximately 95,000 acres of forest land surrounding the former timber town of Gilchrist in Klamath County.

Expenditure limitation for Federal Funds increased by nearly 29%, primarily due to federal funding available to states through the America Recovery and Reinvestment Act, such as \$52 million to the Department of Energy for energy efficiency grants. In addition, a number of agency budgets anticipate increases for base programs funded with Federal Funds received from federal agencies such as the Environmental Protection Agency for DEQ federally delegated pollution control programs and the Clean Water Revolving Fund.

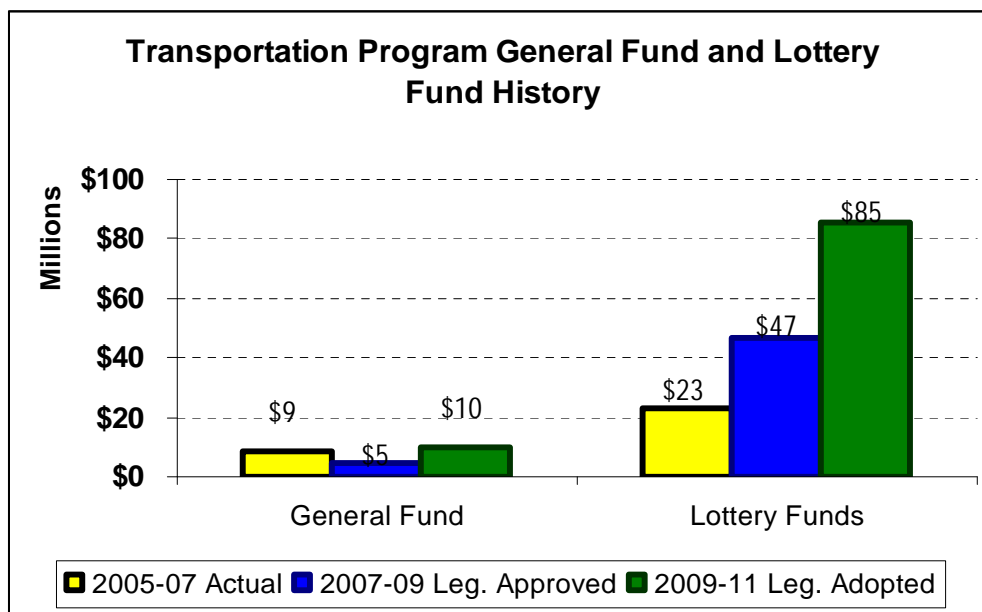
Nonlimited Other Funds increased by almost \$50 million, or 15%. This increase is largely due to increases in the number of loans the Department of Environmental Quality anticipates making from the Clean Water State Revolving Loan Fund due to increased federal funding for the program included in the American Recovery and Reinvestment Act.

Transportation Program Area

The Transportation Program Area includes the Department of Transportation and the Department of Aviation. Transportation agencies are primarily funded with Other Funds 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.

The 2009-11 legislatively adopted budget for the Transportation program area totals \$4.1 billion, of which \$10 million is General Fund, \$85 million Lottery Funds, \$3.876 billion Other Funds, and \$90 million Federal Funds. The budget also includes \$18.1 million in Nonlimited Other Funds for the Infrastructure Bank Loan program activity.

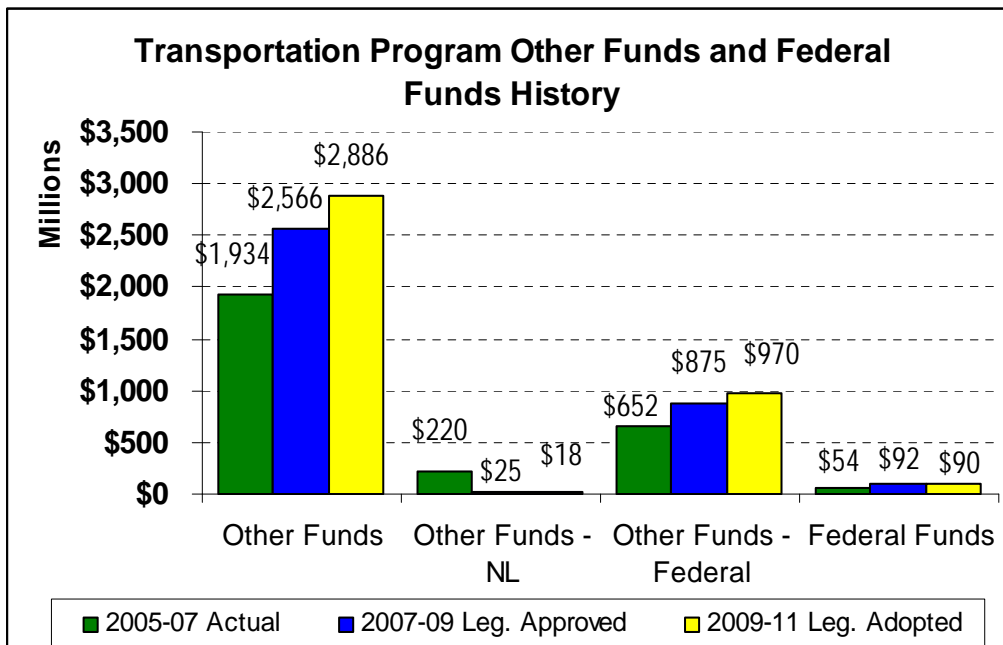
Including Nonlimited Other Funds, the total program area budget for 2009-11 is approximately \$471 million, or 13%, above the 2007-09 approved budget and \$476.3 million, or 13.2%, above the 2009-11 essential budget level. The increase in total funds is primarily due to the Legislature’s adoption of the Jobs and Transportation Act of 2009 (HB 2001) increasing fuel taxes and fees to generate an additional \$568 million for the 2009-11 biennium for the Oregon Department of Transportation, cities, and counties. Aviation Department fees were also increased for pilot and aircraft registrations, generating an additional \$181,000.



General Fund resources for transportation agencies increased by \$5.5 million, or 122%, from the 2007-09 approved levels, due to the Legislature’s addition of \$10 million General Fund to support senior and disabled transportation operating grants. General Fund totaling \$4.5 million was replaced by an increase in fee revenue for customized vehicle registration plates which were dedicated to the

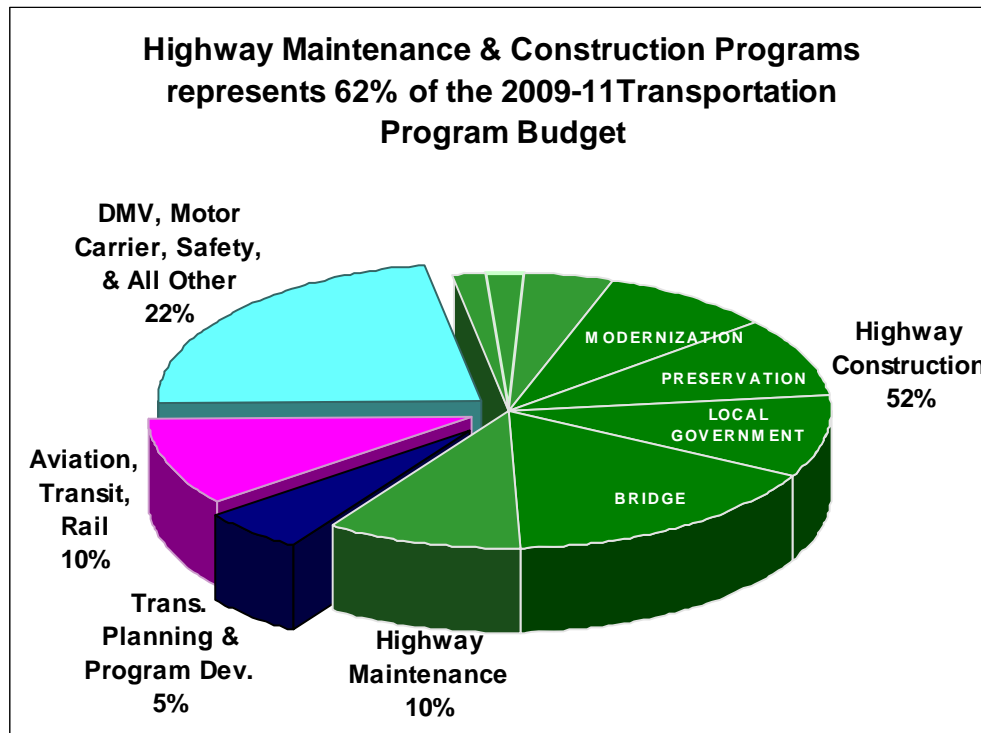
passenger rail program by the 2007 Legislature. Fees were increased by \$25 per year from \$25 to \$50 to generate approximately \$2.3 million additional revenue per year.

Lottery Funds limitation increased by a net \$38.9 million, or 84%, largely due to additional debt service for current obligations in 2009-11, which is estimated at \$80.4 million, but decreased by a net \$7.3 million, or 8%, from the essential budget level as a result of refinancing current debt service in spring of the 2007-09 biennium saving the state \$12.3 million on existing debt. Legislative approval in 2007 for 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 increased the debt service requirements for the 2009-11 biennium; debt service for the bonds was not required in the 2007-09 biennium. The Legislature also approved the use of lottery-backed bonds for \$100 million to continue the multi-modal transportation initiative known as “Connect Oregon” for multimodal projects to improve public transportation, aviation, rail networks, and marine ports. Debt service for the 2009-11 biennium is estimated to be \$5 million plus \$2.3 million for debt issuance costs for the multi-modal program.



Other Funds limitation increased by \$428.6 million, or 12.3%, from the 2007-09 legislatively approved budget level and \$471.8 million, or 13.8%, from the 2009-11 essential budget level. The total Other Funds limitation includes \$970 million Federal Funds recorded as Other Funds, an increase of \$95 million from the essential budget level. The 2009-11 legislatively adopted budget reflects substantial increases in highway construction programs and smaller investments in Aviation Department programs. It increases preservation, highway operations, modernization, and local government programs by \$120 million, and 25 positions (21.86 FTE), to be funded by increases in the vehicle registration and title fees and a six cent increase in state fuel taxes to raise \$300 million annually. It provides \$5.9 million for consultant support for various task forces and studies, including developing congestion pricing pilot programs in the Portland area, an efficient fee study, and developing a road that is used to carry hazardous materials. Also anticipated is a review of state and local responsibilities for state highway system resources available at each level of government of the state highway allocation of new revenue to be spent on maintenance preservation and safety projects and \$26 million for distribution to counties for planning work. The budget includes just over \$680 million in highway revenue bond proceeds for bridge construction authorized under the Oregon Transportation Investment

Act enacted by the 2003 Legislature. The 2003 measure allocates \$1.3 billion to repair or replace hundreds of aging state highway bridges. The Oregon Department of Transportation will complete this work by 2013. It also includes \$75 million in bond proceeds to provide for the Oregon Wireless Interoperability Network (OWIN) project, \$20 million for the Oregon Street Car grant program, and \$24 million for a portion of the Connect III. It continues investments for ongoing administration of the legal presence standard now required for Oregon Driver Licensing and Identification Cards. As shown in the chart below, highway maintenance and construction programs represent 62% of the total Transportation Program budget. Of that 62%, 44% is dedicated to modernization, preservation, local government, and bridge improvements.



Federal Funds limitation is decreased \$1.9 million, or 2%, from the 2007-09 legislatively approved budget, but increased by \$6.4 million, or 7.7%, from the essential budget level. The decrease in Federal Funds from the 2007-09 legislatively approved budget level reflects one-time federal grant expenditures related to airport construction (\$9.4 million). Increases in Federal Funds from the essential budget level are related to construction at Joseph Airport and implementation of legal residence legislation and for commercial driver licenses information system improvements. The budget includes \$1.5 million Federal Funds for the Department of Aviation to construct safety-related improvements through the renovation of the runway, taxiway, and apron at the Joseph Airport. It also includes increases in public transit grant and rail programs through the Federal Highway Administration transportation authorizations.

Administration Program Area

The Administration program area provides centralized support and guidance to other Executive Branch program areas. It includes budgets for the offices of Oregon’s three constitutionally established executives: the Governor, the State Treasurer, and the Secretary of State. The budgets for several other agencies, whose operations do not fit within other program areas, are also recorded in this

program area. These agencies include the Department of Revenue, Oregon Liquor Control Commission, and Public Employees Retirement System.

The legislatively adopted budget for the Administration program area is \$9.6 billion total funds, which is an increase of 12.9% from the 2007-09 legislatively approved budget. About 2.1%, or \$209.6 million, of the budget for this program area comes from General Fund and Lottery Funds. The adopted budget includes reductions for most agencies consistent with statewide actions, but also makes additional reductions and strategic investments in certain programs.

Notable budget highlights for specific agencies in the program area are described below.

Office of the Governor

The recommended budget for the Office of the Governor is \$17.2 million total funds, which is 7.5% higher than the 2007-09 legislatively approved budget. The budget includes a 13% reduction from the essential budget level for both General and Lottery Funds. Other Funds expenditures are increased by \$1.5 million and 10 positions (5.00 FTE) for the establishment of the Governor's Economic Recovery Executive Team. The American Recovery and Reinvestment Act requires all states to create an oversight group to monitor and report on the federal stimulus funds.

Treasurer of State

The Treasurer's budget is \$35.1 million total funds, which is a 4.3% increase over the 2007-09 legislatively approved budget. The State Treasurer's budget is financed entirely by Other Funds and receives no General Fund appropriation. The budget includes additional expenditures to improve the agency's financial reporting functions, and the investment of funds in the Oregon Savings Growth Plan. These increases to the budget are partially offset by reducing expenditures for existing agency programs; these are intended to contain costs and avoid future fee increases. The budget supports performance-based bonus compensation for Investment Officers for the first year of the biennium, but directs the agency to report on competing compensation plans offered by other states and the private sector, prior to requesting authority to offer Investment Officers bonuses for the second year.

Secretary of State

The Secretary of State's total funds budget is a 7.7% decrease from the 2007-09 legislatively approved budget. The decrease is due to the phase-out of \$5.7 million in one-time costs and an overall reduction to the agency's budget that is equivalent to a 13% reduction in General Fund from the essential budget level. These reductions are offset by increases in Other Funds expenditure limitation to support four agency policy packages and \$0.6 million General Fund for costs associated with initiative petition and referendum signature verification. The increased Other Funds revenues were created by a statutory change that allows the agency to retain a portion of the business registry fees that used to be transferred to the General Fund.

Oregon Liquor Control Commission

The 2009-11 legislatively adopted budget for the Oregon Liquor Control Commission is \$134.3 million Other Funds. This budget is expected to result in gross liquor sales amounting to \$927 million, with \$214.9 million available for distribution to the General Fund. Other revenue distributions are assumed as follows: \$570,000 for the Oregon Wine Board; \$17.5 million to the Department of Human Services Office of Alcohol and Drug Abuse programs; \$68.2 million for cities; \$47.8 million for city revenue sharing; and \$34.1 million for counties.

The budget maintains public safety and administrative staffing and services. Warehouse distribution capabilities were enhanced by the addition of 6 warehouse workers. This action is estimated to generate \$21.9 million in gross revenue, resulting in an estimated \$5.6 million in revenue for the state General Fund.

The budget provides for liquor agents compensation at an average rate of 8.88% of gross sales, and reflects the continuation of a \$0.50 per bottle surcharge imposed by the Oregon Liquor Control Commission, generating \$27 million in additional gross revenue. The legislatively adopted budget provides that all revenue from the surcharge remaining after agents' compensation and dispenser discounts are applied be credited to the state General Fund. This action is expected to generate an additional \$23.9 million.

Department of Revenue

The Department of Revenue was provided a total budget of \$186.2 million: \$152.5 million General Fund and \$33.7 million Other Funds. The total funds budget is 2.7% above the 2007-09 legislatively approved budget. To maintain and enhance the state's General Fund revenue stream, limited budget reductions were taken, while adding 35 positions for targeted filing enforcement and compliance efforts. These resources are expected to bring in an additional \$19.3 million General Fund over the 2009-11 biennium. The agency also received \$1.5 million General Fund to support work under HB 3405, which raises the corporate minimum tax along with other corporate taxes and fees.

Government Ethics Commission

The legislatively adopted budget for the Government Ethics Commission of \$1.6 million total funds is a 22.7% increase over the 2007-09 legislatively approved budget, but includes a 50% reduction in General Fund support. The agency is transitioning to an assessment-based funding model and will have no General Fund included in the budget starting in the 2011-13 biennium. The budget includes two limited duration positions to provide administrative and training support.

Public Employees Retirement System

The adopted budget for the Public Employees Retirement System is about a 3% increase from the 2007-09 legislatively approved level. The budget supports payments of all benefits, refunds, and health insurance premiums. It also includes resources to handle ongoing workload, work process improvements, and system conversion tasks.

Department of Administrative Services

The Department of Administrative Services budget is \$2.6 billion total funds, which is 53.9% above the 2007-09 legislatively approved budget. This large increase is due to the phase-in of health insurance premium pass-throughs for the Oregon Educators Benefit Board.

The budget includes \$53 million Other Funds in program reductions and the elimination of 105 positions, affecting most agency programs. These include human resources, budget services, fleet, facilities, information technology resources, and internal support. Corresponding expenditures for associated assessments and rates in other state agency budgets were reduced to reflect the decreased service level. The budget does add new resources to support small agencies, address workload increases for contracting and surplus property, replace end-of-life equipment, and complete information technology projects approved in agency budgets.

The budget contains \$2.1 million General Fund for distribution to organizations and programs focused on preserving the arts, providing legal assistance, and promoting economic development. Also

included are \$48 million in revenues from lottery-backed bonds for distribution to several projects around the state along with \$5.1 million Lottery Funds for debt service on these projects.

Oregon Historical Society

The Oregon Historical Society (OHS) is provided with a General Fund grant of \$625,000 through the Department of Administrative Services. State funding for OHS over the last decade has been sporadic, ranging from no support in the 2003-05 and 2005-07 biennia to \$2.6 million General Fund in 2007-09.

Oregon Public Broadcasting

Oregon Public Broadcasting (OPB) is provided with a General Fund operating grant of \$125,000 through the Department of Administrative Services. Additionally, there are \$1.9 million of Lottery Funds allocated for debt service on bonds previously issued for OPB infrastructure improvements.

Legislative Branch

The 2009 Legislature adopted a budget of \$75.2 million General Fund and \$83 million total funds for the six legislative branch agencies. The General Fund budget is a 13.2% reduction from the 2009-11 essential budget level and an 8.4% reduction from the 2007-09 legislatively approved budget.

General Fund reductions include:

- The continuation of a salary freeze through January 2011.
- A reduction of one month from the 2011 legislative session.
- The elimination of General Fund pass-through funding for the Oregon Law Commission and the Council on Court Procedures. Funding for these programs will be funded with new court fees.
- An increase in fees for the Senate and House lounge will result in savings of General Fund.
- Miscellaneous reductions in Services and Supplies and Capital Outlay accounts.
- The reduction of 20 positions (22.55 FTE) from the 2007-09 legislatively approved budget.

Certificates of participation proceeds were used in place of \$2 million General Fund to pay a portion of the debt service on the Capitol Wings Restoration Project. The proceeds were available because actual project costs were below the budgeted estimates.

The Department of Administrative Services will now pick up a larger share of the funding for the Department of State Police that patrol the Capitol Mall, saving the Legislative Branch \$1 million General Fund. The transfer better reflects each agency's proportional share of the contract.

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 2009-11 legislatively adopted budget includes eleven separate General Fund appropriations to the Emergency Board. Ten 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 HB 5054 to cover any unanticipated needs in approved agency budgets during the 2009-11 interim. The amount represents the same amount as appropriated

for the last two interims, but \$10 million less than the amount appropriated for each of the previous three biennia. The Legislature also has the authority to establish reservations of amounts within the general purpose Emergency Fund; for the 2009-11 interim, no reservations were established.

The Legislature appropriated \$32 million General Fund to the Emergency Board in HB 5054 as a special purpose appropriation for state agency supplemental budget needs, including the increased cost of state employee health benefits during the 2009-11 biennium based on projected insurance cost increases for the 2010 and 2011 benefit years. The amount represents less than full coverage of the estimated General Fund cost to state agencies for these costs. The Department of Administrative Services will develop a plan for the distribution of these funds based on the needs for the 2009-11 biennium. The Department will present the plan either to the Emergency Board or to the Legislature for approval during the 2010 special session. The plan will also include agency requests for related Other Funds and Federal Funds expenditure limitation adjustments for benefit costs covered by these sources.

As noted earlier, in addition to the state agency supplemental costs special purpose appropriation, the Legislature also established various special purpose appropriations for specific agency uses in HB 5054 and in agency budget bills. These include:

- \$4.7 million for the Department of Forestry for forest fire suppression severity and fire insurance premium costs;
- \$2.9 million for costs associated with the closure of the Oregon School for the Blind;
- \$2 million for the Secretary of State for special election costs;
- \$1.5 million for the Department of Justice for workload associated with defending the state in the Tobacco Master Settlement Agreement litigation;
- \$0.9 million for the Department of Education for local option equalization grants;
- \$0.8 million for the Legislative Branch agencies for potential special session costs;
- \$0.75 million for costs associated with developing and implementing the Interagency Compliance Network;
- \$0.6 million for the Legislative Administration Committee or the Secretary of State for redistricting costs; and
- \$0.025 million for the Columbia River Gorge Commission for an ordinance adoption report.

These special purpose appropriations are expected to be requested by the individual agencies once specified activities are completed or the need can be documented.

Capital Construction and State Bonding Debt

State Bonding and Capital Construction in the Legislatively Adopted Budget

In May 2009, the State Debt Policy Advisory Commission updated its recommended capacity limits for General Fund and Lottery Funds debt based upon the updated revenue forecast. The recommended capacity for General Fund is \$2.9 billion for the next three biennia with Lottery funds capacity of \$878 billion during the same timeframe. The Commission recommends issuing debt in a phased approach and therefore no more than \$989 million per biennium for General Fund debt and \$292 million per biennium for Lottery Funds debt.

The Legislature approved \$984.5 million in General Fund debt. The amount includes \$308.3 million in General Fund obligations, which are mostly XI-G bonds for post-secondary education, and \$676.2 million in certificates of participation. With the approved amounts, there is only \$4.5 million left under the recommended capacity for the rest of 2009-11.

The Legislature approved \$274.3 million of Lottery Funds debt which includes cost of issuance and reserves. The total approved is \$17.7 million below the recommended capacity for the biennium. Detail on Lottery funded debt is included below.

Direct revenue bonds total \$1.972.8 billion and include \$798.5 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 \$1.6 billion and include \$400 million in Industrial Development bonds, \$950 million for the Oregon Facilities Authority, and \$250 million for housing projects.

The largest General Fund COP-funded projects include \$316.7 million for the new Oregon State Hospital facility, \$191.7 million for the Oregon Wireless Interoperability Network (OWIN), \$109.1 million for higher education, and \$56.3 million for corrections. A complete list of COP projects is available in Appendix B. General Fund debt service on these new COP projects is estimated to increase from \$40 million in 2009-11 to \$163 million in 2011-13.

Capital Construction

The legislatively adopted capital construction projects total \$1.306 billion. Other Funds projects total \$1.299 billion, including \$757.6 million for higher education facilities, improvements, and deferred maintenance, \$279.2 million for the new state hospital facility, \$187.8 million for OWIN, and \$44.7 million for site infrastructure for facilities in Junction City. Federal Funds expenditures for projects total \$7.7 million and include \$6.2 million for Military Department facilities and \$1.5 million for a project at the Joseph airport.

A complete list of capital construction projects for all agencies is included in Appendix A.

Oregon University System and Community Colleges

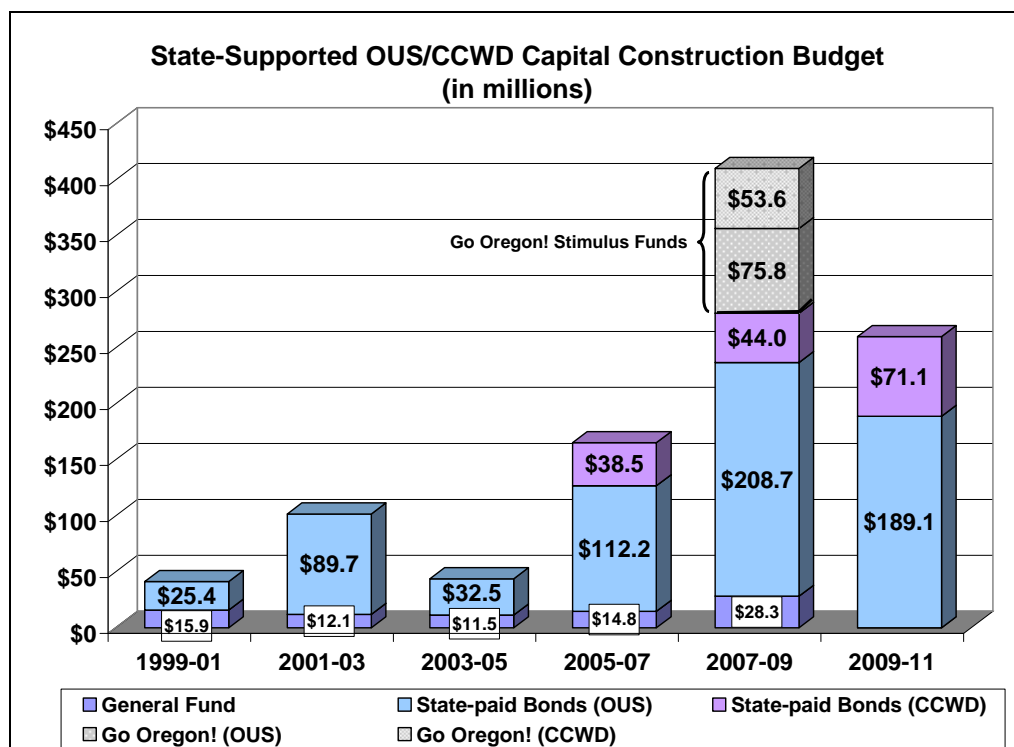
The legislatively adopted budget includes \$757.6 million for post-secondary education capital construction projects. This total includes \$629 million for the Oregon University System, and \$128.6 million for capital construction and deferred maintenance projects at community colleges. The projects will be funded from a variety of sources, including various categories of bonds, certificates of participation, gifts, grants, and other revenues including community college matching funds. All of the

\$757.6 million of expenditures are supported by Other Funds. Unlike in prior biennia, no General Fund is appropriated to support Oregon University System capital construction or deferred maintenance expenditures.

The bonds and certificates of deposit approved for higher education and community college capital construction projects can broadly be separated into two categories: 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 \$260.2 million of state-supported debt for post-secondary education capital construction, including \$189.1 million for the Oregon University System and \$71.1 million for community colleges. This represents a 6.1% increase over the \$245.2 million of state-supported debt approved for post-secondary education in the 2007 session, but is 31.9% less than the \$382.1 million approved during the entire 2007-09 biennium, which included \$129.4 million of state-supported debt in the *Go Oregon!* stimulus package (SB 338).

For the Oregon University System, the primary reason for the reduction in state-supported debt from the prior biennium level is that many of the capital projects that were proposed by the system for the 2009-11 biennium budget were accelerated and approved, instead, to start during the 2007-09 biennium. Early in the 2009 session the Legislature passed the *Go Oregon!* state stimulus package (SB 338), which accelerated a number of “shovel-ready” OUS projects that were ready to begin work by May 2009. This action was taken as an economic recovery measure. As such, SB 338 moved up \$75.8 million in projects for which the state will pay the debt service, from the 2009-11 biennium into 2007-09. If these SB 338 projects had been included in the 2009-11 budget instead of the 2007-09 budget, total state-supported debt would have increased slightly in 2009-11.

General Fund and Lottery Funds debt service costs on the approved 2009-11 biennium state-supported debt are forecast to total only \$1.4 million in the 2009-11 biennium, because almost all state-supported debt will be issued late in the biennium to avoid costs in 2009-11. Debt service costs are forecast to increase to \$39.3 million in the 2011-13 biennium, however, when they fully phase in.



The legislatively adopted budget for the Oregon University System supports 36 specified capital construction projects, and includes general support to address capital repair and deferred maintenance needs. An important aspect of the budget is the continued funding for campuses to address deferred maintenance issues. The budget includes \$20 million of certificates of participation proceeds to address capital repair and deferred maintenance needs (an additional \$34 million was approved as part of the capital construction acceleration initiative in SB 338). This level of funding, along with \$60 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 \$640 million.

For the Department of Community Colleges and Workforce Development, the legislatively adopted budget includes \$71.2 million of state-paid debt to support fifteen capital construction and deferred maintenance projects in thirteen community college districts that total \$128.6 million in cost. The state-paid debt includes \$57.5 million of Article XI-G bonds and \$13.7 million of Lottery revenue bond proceeds. This is the first session where Lottery revenue bonds have been authorized for community college projects. Lottery revenue bonds were authorized twice this session, first in the *Go Oregon!* state stimulus package, and then again in the 2009-11 biennium budget.

The total amount of state-supported debt for community college projects in the legislatively adopted budget is 78% higher than the amount approved in the 2007 session, but is 27% below the level approved during the entire 2007-09 biennium, (including the *Go Oregon!* state stimulus package).

Lottery Revenue Bonds

Not including the cost of issuance and reserves, \$243.2 million is authorized for projects financed with Lottery revenue bonds in 2009-11. It is projected that the state will need to issue \$274.3 million of Lottery revenue bonds to generate both the proceeds for the approved projects, and to finance required Lottery bond reserves and pay associated bond-related costs. Debt service costs on the authorized bonds are projected to total \$17.5 million in the 2009-11 biennium, and \$49.9 million per biennium when they fully phase in beginning in 2011-13.

The 2009 Legislature authorized proceeds for the following projects:

- \$100 million for the Department of Transportation's Connect Oregon III transportation projects. This is in addition to the \$100 million Connect Oregon bond sale authorized in the 2005-07 biennium and the \$100 million Connect Oregon II bond sale authorized in 2007-09.
- \$22.4 million for capital construction and deferred maintenance projects in the Oregon University System.
- \$13.7 million for community college capital construction and deferred maintenance projects.
- \$19.4 million to support preservation of affordable housing that might otherwise be converted to market rate housing.
- \$17.5 million for new capital for the Economic and Community Development Department's Infrastructure Loan funds.
- \$15 million for purchasing forestland parcels in the Gilchrist area.
- \$5 million for the Department of Energy's Loan Offset Grant Fund.
- \$3.5 million for the Water Resources Department for water development projects and development of an integrated water resources strategy.
- \$46.7 million for pass-through payments supporting various projects at the local level.

Information Technology in the 2009-11 Legislatively Adopted Budget

Due to the increasing importance of technology in the budgets of state agencies, the Legislative Fiscal Office (LFO) added a new Information Technology (IT) analyst during the 2007-09 interim to provide the Legislature with analytical support and advice related to the state's IT budget, projects, and expenditures. This newly added section to LFO's *Budget Highlights: 2009-11 Legislatively Adopted Budget* report focuses on the IT-related actions taken during the 2009 legislative session.

One of the key initial LFO findings in reviewing the state's legislative and budgeting process as it relates to information technology is that it is very difficult to track how agency IT budgets are developed, reviewed, approved, and tracked. While there are common budgetary processes required by the Legislature and the Department of Administrative Services (DAS), each agency has considerable leeway in the planning, development, review, approval, and tracking of its IT budget, resources, expenditures, and projects. That said, LFO has done its best to collect key high-level IT-related information at the branch, agency, and project levels related to IT budgets approved during the 2009 legislative session. Much of the information that follows has been provided by individual branches and agencies of Oregon state government and has not been independently verified by LFO. As LFO refines its budgetary oversight of IT within state government, the IT contents of future "highlight reports" will become increasingly more accurate and verifiable.

Information technology (IT) is a critical component in the State of Oregon's ability to provide services to the state's taxpayers. Each of the three branches of government and the university system utilizes information technology in a wide variety of ways to support its core business functions. The table below provides a summary of the 2007-09 and 2009-11 information technology legislatively approved budgets (LAB) and staff resources for each of the three branches and the university system. The overall statewide IT LAB budget for the 2007-09 biennium was \$886.6 million and is \$1.135 billion for the 2009-11 biennium (2% of the state's \$55.923 billion total 2009-11 legislatively adopted budget).

Branch Biennium Budgets and Positions*				
Branches	2007-09		2009-11	
	Positions	LAB	Positions	LAB
Executive	1,768	742,834,061	1,730	967,286,776
Judicial	56	18,752,453	59	41,265,394
Legislative	33	11,994,476	31	9,666,648
University System	**	113,046,117	**	116,527,849
Totals	1,857	886,627,107	1,820	1,134,746,667

* Data in this table was collected from multiple sources and has not been verified by LFO

** Data not available at this time

The LAB budget for the State Data Center (SDC) was \$167,634,842 with 159 positions in 2007-09. The LAB for SDC in 2009-11 is \$165,240,762 with 164 positions. The following table shows specifics related to the executive branch staffing as of December 31, 2008. Due to the recent workforce reductions which were required in the 2009 legislative session, comparable figures for 2009-11 are not available at this time.

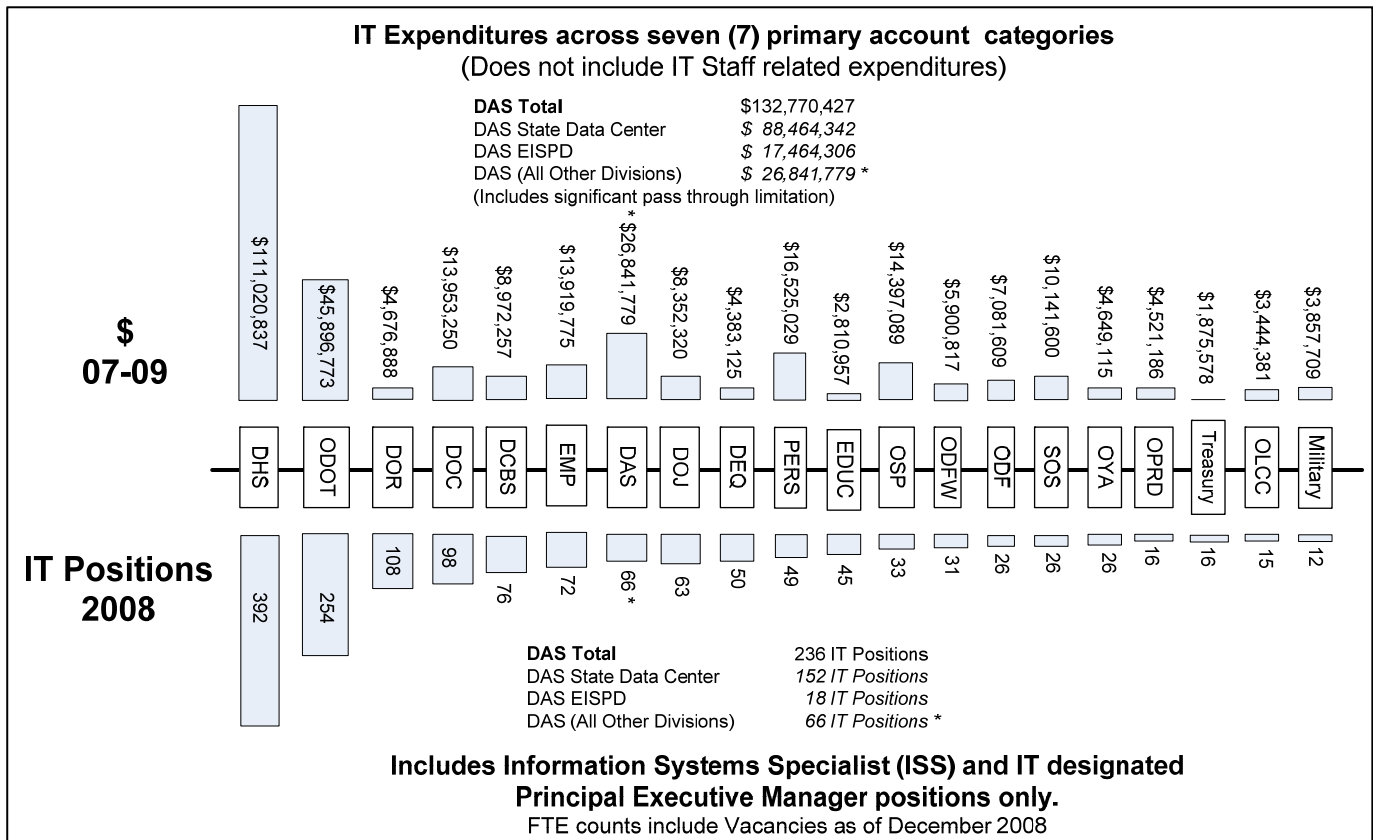
**Executive Branch Staffing
(2007-09 Biennium-as of Dec. 31, 2008)**

Total Executive Branch positions – all classifications	33,991
Information Systems Specialist (ISS) and other IT-related Positions	1,768
IT Percentage of Total Executive Branch Workforce	5.2%
# of ISS classified positions	1,438
# of Principal Executive Manager (PEM) positions “I” designation	169
Number of vacancies	161 positions
Average Length of Service	12.44 years
Average Salary – ISS classified staff	\$5,395/month
Average salary – management service	\$8,414/month
Eligible for Retirement in 1 year (~18% of IT Workforce)	311 positions
Eligible for Retirement in 5 years (~29% of IT Workforce)	510 positions
IT Turnover Rate (Total Workforce Turnover Rate – 8.17%)	5.8%

Note: Biennial IT personnel costs including other payroll expenses (OPE) are estimated at ~\$300 M – not including vacancies.

Executive Branch IT Expenditures and Related Staffing

A majority of the executive branch IT expenditures across state government is done by 20 large state agencies. Expenditures and FTE for the 2007-09 biennium for each of these 20 organizations are summarized in the diagram below. Similar data for planned budgeted expenditures and staffing for the 2009-11 LAB budget period is not available at this time.



LFO Focus

During the 2009 legislative session, the state's economic condition required LFO to focus on agency IT budgets and on areas where IT could be utilized to contribute to cost savings for the state. These areas of LFO focus during the 2009 legislative session included:

- Verifying agency IT budget reasonableness
- Minimizing redundancies within and between agency IT budgets
- Reviewing proposed law and policy changes related to IT
- Identifying IT expenditures that could be delayed
- Initiating efforts for leveraging IT to deal with the state's economic situation
- Reviewing and providing oversight for IT policy option packages exceeding \$1 million
- Evaluating business case, value, and foundational work for policy option packages
- Identifying cost savings on IT-related opportunities
- Review and oversight of major new, and ongoing, IT initiatives
- Identifying projects requiring "budget note" directives
- Assuring subcommittee review of major IT issues
- Assuring subcommittee review of Secretary of State audit findings

A summary of the major highlights in these areas during the 2009 legislative session follows.

Overview of the Biennial IT Planning and Budgeting Process

Information technology budget requests are included within the individual biennial budget requests for each agency within the three branches of Oregon state government. Individual agencies typically develop biennial business plans, which are in turn, supported by an agency information technology plan for the biennium. The agency level information technology plans include a wide-range of IT-related budget needs for maintaining and operating existing IT organizations, developing new application systems in support of agency business needs, and providing related IT products and services. Both ongoing and one-time IT budget items are identified for each agency and typically include funding in support of:

- Staffing
- Equipment/Software Support
- Maintenance Support
- Operational Support
- State Data Center (SDC) Charges
- New Projects
- Contractual Support
- Staff Technical Training
- IT Materials and Supplies

Each biennium, hundreds of newly proposed projects are identified by agencies for possible development. Individual agencies typically take their newly proposed projects through a "three-gate" review process to determine which projects will be included in their biennial budget requests. Projects are reviewed for reasonableness (Gate-1 "straight-face" test), value (Gate-2 "business case" test); and do-ability (Gate-3 "affordability" test). Projects that pass these three tests are identified for tentative inclusion in each agency's overall biennial budget. Projects costing more than \$75,000 require additional DAS reviews and approvals and those projects with estimated costs greater than \$1,000,000 also require additional ongoing DAS oversight. For approved new agency IT projects which have estimated one-time costs over \$1,000,000, Policy Option Packages (POPs – including business cases) must be developed and submitted to DAS, Enterprise Information Strategy and Policy Division

(EISPD) for review, approval, and possible inclusion in the Governor’s recommended budget (GRB). POPs that are approved by DAS and the Governor’s office are added to the agency’s IT budget, which in turn is included in the agency’s overall biennial budget request. Individual agency budget requests are reviewed by LFO prior to the agency presenting its overall agency budget request (including IT) to the Legislature.

Major Projects (2009-11) – Policy Option Packages

The table below provides a summary of the 2007-09 legislatively approved budget and the 2009-11 adopted budget related to major IT project requests.

Biennium Major Projects (Policy Option Packages)				
Biennium	Total # of Project Requests	# of Projects >\$1,000,000	# of Projects <\$1,000,000	Total Cost
2007-09	107	35 (\$154.8M)	72* (\$25.7M)	~\$180,000,000
2009-11	50	20 (\$157M)	30** (\$13M)	\$169,961,753

* Only fifteen (15) of the 72 <\$1 M IT project requests were >=\$500,000 – two (2) were >=\$900,000.

** Twelve (12) of the 30 < \$1M requests were >=\$500,000 – Only one (1) request was >= \$900,000

A total of 50 policy option packages (totaling \$169,961,753) were submitted as part of the 2009-11 GRB Proposed IT Project portfolio. Not included in this total were the 2009-11 biennium Judicial Department (OJD) eCourt Program funding (\$20.4 million) and the Department of State Police Oregon Wireless Interoperability Network (OWIN) Project funding (\$3.7 million General Fund, \$191.7 million certificates of participation (COP), and 2007-09 OWIN carry-over COP funding – \$76 million).

The table below provides an overview by “agency type” of proposed 2009-11 biennium projects with a cost greater than \$1 million.

Overview of Agency 2009-11 – Projects >\$1,000,000		
Agency	Number of IT Project Requests	2009-11 Total Funds IT Project Requests
Human Services	9	\$127,395,432
Transportation	4	6,507,107
Education	2	10,692,400
Administrative Services	3	6,507,107
OJD eCourt Program	1	20,345,000
OSP – OWIN Project	1	191,695,000
Totals	20	\$363,142,046

Budget Notes and Reports

Of the major projects and related IT efforts included in the 2009-11 LAB, several were of particular interest to the Legislature and LFO due to their overall cost, their complexity and risk, their importance to public safety and health, and/or their cross-biennium timeframes. These projects included: 1) OSP’s OWIN Project (\$191.7 million in 2009-11); 2) OJD’s eCourt Program (\$20.4 million in 2009-11); 3) SDC’s strategic plan and cost savings efforts; 4) SB 355 – Prescription Drug Monitoring System; and 5) DAS IT Leadership. Budget notes and/or reporting language were approved by the Legislature for each of these projects as follows:

- OWIN Project – OWIN Project leadership was provided 17 “action items” in HB 5054 regarding how the OWIN Project is to be managed, controlled, funded, and overseen during the 2009-11 biennium. The focus of this direction is to make sure that project leadership follows best practices in the management and execution of this project. In addition, a legislative workgroup was identified to be set up to verify that satisfactory progress occurs on the OWIN Project throughout the 2009-11 biennium. The budget report included a legislative Information Technology Program/Project Directive to assure a “controlled release” of project funding occurs in conjunction with the Legislative Oversight Plan for the project. The OWIN project leadership was also directed to return with a comprehensive problem analysis and “go-forward” strategy to its internal steering committee, any appropriate workgroups, and LFO anytime the project deviates significantly from currently planned schedules.
- eCourt Program – OJD eCourt Program leadership was provided 22 “action items” in HB 5054 regarding how the eCourt Program is to be managed, controlled, funded, and overseen during the 2009-11 biennium. The focus of this direction is to make sure that project leadership follows best practices in the management and execution of this project. In addition, a legislative workgroup was identified to be set up to verify that satisfactory progress occurs on the program elements scheduled for development throughout the 2009-11 biennium. The budget report included a legislative Information Technology Program/Project Directive to assure a “controlled release” of project funding occurs in conjunction with the Legislative Oversight Plan for the project. The OJD eCourt project leadership was also directed to return with a comprehensive problem analysis and “go-forward” strategy to its internal steering committee, any appropriate workgroups, and LFO anytime the project deviates significantly from currently planned schedules.
- State Data Center – HB 5002 directed the SDC to conduct an assessment of their cost-savings efforts in five key technology areas (i.e., computing, network, security, voice, and infrastructure management) and to report back to the Legislature in January 2010 with its findings. The budget report included a budget note directing DAS to contract with a third-party to assess and make recommendations on cost savings and cost avoidance strategies for the SDC including data center virtualization, network optimization, and voice over internet protocol telephony. A report is to be provided to the appropriate legislative committee no later than December 31, 2009.
- Prescription Drug Monitoring Program – SB 355 directed the Department of Human Services in a budget note, in consultation with the Prescription Monitoring Program Advisory Commission, to take the following key actions:
 1. Develop an IT business plan by October 1, 2009.
 2. Develop a business case and implementation plan for the program by October 1, 2009.
 3. Develop proposed data access protocols and related administrative rules (including security and access), and identify needed legislation by February 15, 2010.
- DAS IT Leadership Effectiveness – Legislative concern was expressed about the effectiveness of DAS in performing as the state’s leader in IT planning, management, and policy development. A budget note directed DAS to take the following actions:
 1. Update the Enterprise Information Resource Management Strategy with a focus on improving statewide IT budget and project controls.
 2. Develop and implement an Enterprise IT Security Plan and report on progress in addressing the Secretary of State audit findings relating to the Enterprise Security Office and the SDC.
 3. Develop an e-government program transition plan that describes the future operating model and the steps required to complete the program’s transition.

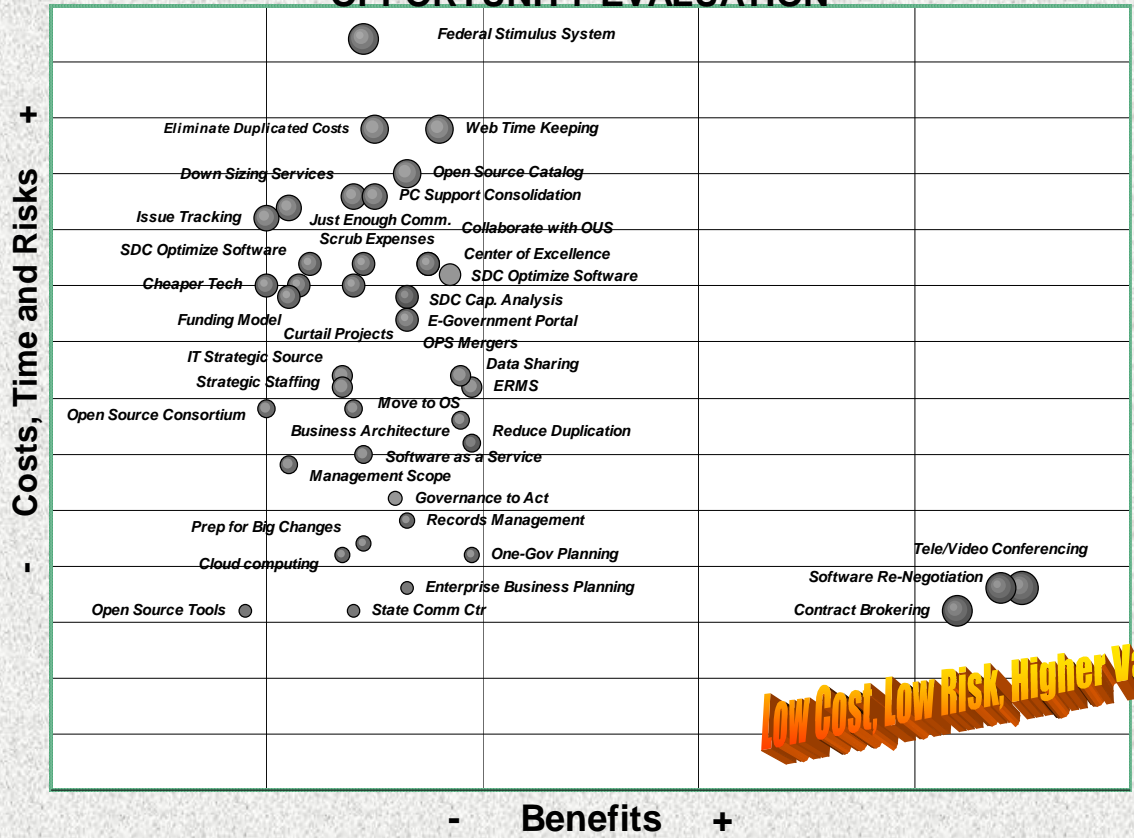
4. Report on the progress toward completion of the directives to the appropriate legislative committee by February 1, 2010.

Committee Oversight Activities

During the 2009 legislative session, LFO worked with agency staff, the General Government Subcommittee, the Capital Construction and Information Technology Subcommittee, and the House Rules Committee on a wide-range of key IT-related initiatives. A brief summary of each key activity follows:

- Agency budgets (including DAS, SDC, DHS, etc.) were reviewed and approved for all agencies assigned to the General Government and the Capital Construction and Information Technology Subcommittees of the Joint Committee on Ways and Means.
- The House Rules Committee reviewed and approved DAS's request via HB 2145 for updating "dated" language in ORS 298.038. In addition, DAS was provided the ability to implement a new chargeback model for its existing portfolio of e-government and e-commerce services (HB 2146).
- The Department of Human Services' BHIP Project management presented project status to the Capital Construction and Information Technology Committee. They reported that the project was on track, but that their RFP for computer software had to be re-issued with revised reduced requirements due to the fact that an insufficient number of vendors responded to the original RFP's highly comprehensive BHIP software requirements. BHIP project management were comfortable that their second RFP would result in sufficient vendor responses.
- The State Data Center's (SDC) chargeback methodology and rates were reviewed for completeness and fairness.
- The Secretary of State's (SOS) Security Audit Report findings and DAS corrective actions were reviewed. DAS was asked to return at the 2010 special session to report on progress on its corrective actions.
- DAS/EISPD's IAM Security Service decision to cancel its security service was reviewed and evaluated on its merits and business value.
- The Oregon State Treasury's (OST) Debt Management System package, business case, and supporting documentation were reviewed by LFO prior to action by the Legislature.
- SOS's packages and associated business cases were reviewed by LFO prior to action by the Legislature.
- DAS's Enterprise Information Strategies and Policies Department's (EISPD) process for providing IT investment oversight and value through its stewarding of the state's IT project portfolio was reviewed.
- The Department of Health Services IT Strategic Plan was reviewed.
- OJD's eCourt Program funding request, status, and progress on its remediation efforts were reviewed.
- OSP's OWIN project funding request, status, and progress on its remediation efforts were reviewed.
- LFO was directed to work with the Legislature to establish an interim workgroup or subcommittee for reviewing and approving major IT planning, funding, and technology issues.
- LFO was directed to work with the Legislature to establish eCourt and OWIN workgroups to facilitate oversight and progress on both efforts in the 2009-11 biennium.
- The CIO Council Cost Savings Initiative results were provided to the Legislature. The following table provides an overview of the 40+ key cost savings opportunities that the CIO task force identified. The CIO Council is planning on first focusing on those cost savings initiatives that provide the best chance for low cost, low risk, and high value.

OPPORTUNITY EVALUATION



2009 Fiscal Impact Statements

The following is a brief summary of fiscal impact statements, process, and statistics for the 2009 legislative session. The 2009 session differed from recent sessions in that there was a change in process coupled with a statewide revenue shortfall.

Fiscal Impact Statement

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 five general types of fiscal impact statements:¹

- **No fiscal impact:** A statement issued on an 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 a measure has a fiscal impact, but the impact can be absorbed or accommodated within an agency's existing legislatively approved budget without additional appropriation or expenditure limitation.
- **Written fiscal analysis:** A statement issued on a measure determined to have a fiscal impact beyond a "minimal" fiscal impact. When a fiscal impact cannot be determined, an "indeterminate" fiscal impact statement may be issued in order to explain why. An "explanatory" fiscal analysis may be used to describe a measure's mechanical defects or ambiguity.
- **Hall Pass:** A brief, standardized statement used to move a substantive measure from one committee to another, most typically to the Joint Committee on Ways and Means.
- **May have Fiscal Impact:** A generic statement to categorize an introduced measure for which a Legislative Fiscal Office fiscal impact analysis has yet to be completed based on a formal request from a substantive committee.

2009 Process

Oregon Revised Statute Chapter 173 states that fiscal impact statements are required on measures that are reported out of committee. During the 2009 session, House and Senate substantive committees, by model committee rules, were required to receive and review a fiscal impact prior to a measure being reported out of committee. This rule applied to most substantive measures, including those with subsequent referrals to the Committees on Finance and Revenue and/or Joint Ways and Means.² The purpose of the rules was to inform substantive committee decision-making on the fiscal implications of a particular measure. This rule change resulted in the issuance of a significantly larger number of fiscal impact statements, particularly on amendments, even though the number of measures introduced fell from the prior biennium and the number of amendments drafted increased only nominally.

Fiscal Impact Statistics

The fiscal impact process is affected by a number of factors including: the volume of measures introduced, the number of substantive committees, committee model rules, committee scheduling of a measure, whether the measure is amended, the number of amendments, the fiscal nature and

¹ A budget report is also considered a type of fiscal impact. A budget report, however, is a product of the Joint Committee on Ways and Means and is produced for any bill, substantive or budgetary, that appropriates or allocates funds, limits expenditures, or provides for new position or full-time equivalent authority.

² A fiscal impact was not required for measures with a subsequent referral to another substantive committee (i.e., "Hall Pass"). There were 48 "Hall Passes" issued during the 2009 session as compared to 269 issued during the 2007 session, many of which were for measures transiting to the Joint Committee on Ways and Means.

complexity of the measure and/or amendment, the duration of the session, and Legislative Fiscal Office (LFO) and state and local government staffing and their experience with the legislative and fiscal impact processes.

Senate Concurrent Resolution 2 outlined specific timelines for the legislative process, the advancement of measures, and adjournment that resulted in a 170 day session, which was one day less than the 2007 session and 22 days less than the 192 day average of the last six biennia.

There were 2,782 measures introduced during the session, which is 138 fewer than the 2007 session and 280 fewer than the average of the last six biennia. The number of amendments drafted, which was approximately 4,407, increased slightly from the 2007 session by 42 amendments.

For the 2009 session, 32 standing (27), special (1), or joint (4) committees were established. Eight of the standing substantive committees accounted for over 50% of the fiscal impacts issued.³

While not every measure introduced or amendment drafted advanced legislatively and a fiscal impact prepared, LFO produced 3,225 fiscal impacts during the 2009 session, which is 1,264, or 65%, more than the 2007 session and 575 more than the average for the last six biennia.

Of the 2,782 introduced measures, 928, or 33%, had a fiscal impact statement issued, which is a 6% increase over the prior biennium. Over 70% of the fiscal impacts produced related to requests for fiscal impacts on amendments or engrossed measures. The number of fiscal impact statements issued on amendments and engrossed measures was 2,297, which is 1,253, or 120%, more than the 2007 biennium. Such a significant increase in fiscal impacts, particularly for amendments, may be explained by the model committee rule(s) change and substantive committee's sensitivity to the state's revenue deficit.

Of the 3,225 fiscal impacts produced, 1,133, or 35%, were written fiscal analyses, 1,095, or 34%, were Minimal, and 997, or 31%, were No Fiscal. This compares to the six biennia historic average of 35% of fiscals were written analysis, 19% were Minimal, and 46% were No Fiscal. When compared to the prior biennium, the number of written analyses increased by 475, or 72%. Minimal impacts increased by 715, or 188%, and No Fiscal impacts increased by 74, or 8%. The state's revenue deficit may offer one explanation as to the change in the categorization of fiscal impacts as LFO was more conservative in the classification of No Fiscal and Minimal fiscal impact statements.

LFO fiscal impact staff comprised six positions (5.50 FTE) dedicated to the preparation of fiscal impacts. Of these positions, one had more than one regular session of experience preparing fiscal impacts, two positions had one regular session experience, and for the remaining three positions, the 2009 session was their first regular session preparing fiscal impacts. On average, each fiscal analyst produced 541 fiscal impacts, which equates to the preparation of three impacts per session day. LFO was assisted in this process by hundreds of staff across state agencies and local governments with varying levels experience with the fiscal impact process.

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

³ House Committees on Judiciary (11.7%), Business and Labor (5.7%), Rules (4.9%), and Consumer Protection (4.6%). Senate Committees on Judiciary (8.9%), Education and General Government (5.1%), Business and Transportation (5%), and Health Care and Veterans' Affairs (4.3%).

Regular Legislative Session Biennium/Statistic	1999	2001	2003	2005	2007	2009	Six biennia Average
Length of Regular Session	195	181	227	208	171	170	192
Number of Measures and Amendments							
Measures introduced	3,308	3,297	2,922	3,141	2,920	2,782	3,062
Amendments drafted	5,894	5,133	4,569	4,202	4,365	4,407	4,792
Total	9,202	8,430	7,491	7,343	7,285	7,189	7,823
Number of amendments adopted	2,297	1,988	1,540	1,033	1,044	1,018	1,487
% of drafted amendments adopted	38.97%	38.73%	33.71%	24.58%	23.92%	23.10%	30.50%
Measures Enrolled	1,252	1,075	869	914	982	980	1,012
% of measures introduced enrolled	37.85%	32.61%	29.74%	29.10%	33.63%	35.23%	33.02%
Fiscal Impact Statements (FIS)							
Written Fiscal Analysis	1,503	1,233	716	524	658	1,133	961
Minimal Fiscal	344	400	387	478	380	1,095	514
No Fiscal	1,446	1,431	1,003	1,252	923	997	1,121
Total	3,293	3,064	2,106	2,254	1,961	3,225	2,650
% Written Analysis	45.65%	40.24%	34.00%	23.25%	33.55%	35.13%	35.30%
% Minimal Fiscal	10.45%	13.05%	18.38%	21.21%	19.38%	33.95%	19.40%
% No Fiscal Impacts	43.91%	46.70%	47.63%	55.55%	47.07%	30.91%	45.57%
FIS for introduced	996	1,076	566	1,221	917	928	951
FIS for amended	2,297	1,988	1,540	1,033	1,044	2,297	1,700
Total	3,293	3,064	2,106	2,254	1,961	3,225	2,650
% FIS for measures introduced	30.24%	35.12%	26.88%	54.17%	46.76%	28.78%	36.99%
% FIS for adopted amendments	69.76%	64.88%	73.12%	45.83%	53.24%	71.22%	63.01%

*The primary sources of information for this table are: the Oregon Legislative Information System – LFO Fiscal Docket; the Final Status Report(s) for House and Senate Measures; and Legislative Counsel’s Statistical Summaries, including its 2009 draft summary.

**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.

***The number of No Fiscal Impacts for the 1999 session is an estimate. Some percentages may not foot.

****Budget report statistics are excluded from this analysis.

2009 Substantive Bills with Budget Effects

In addition to appropriation bills, the Legislature approved a number of substantive bills that had a budgetary or fiscal impact. The following is a brief summary, by program area, detailing the 50 most noteworthy substantive bills reported out of the Joint Committee on Ways and Means (JWM) and which became law or were referred to voters.⁴ Also discussed is the number of bills referred to JWM.

Referrals to the Joint Committee on Ways and Means

Of the 2,782 measures introduced during the 2009 session, 392 (or 14%) were referred to JWM. Of the referred bills, 128 (or 33%) were budget bills referred directly to JWM. The remaining 264 (or 67%) of bills were substantive, or non-budget, bills. Of the substantive bills in JWM, 187 (or 71%) received a hearing. JWM reported out 141 (or 53%) of the substantive measures that were referred to the Committee. The preponderance of these measures, 122 in total (or 87%) were reported out during the month of June.⁵

Education Program Area

SB 701 (Chapter __, 2009 Laws) creates the Nursing Faculty Loan Repayment Program and Fund to provide loan repayments on behalf of nurse educators at nursing schools in Oregon. The bill directs the Oregon Student Assistance Commission to administer the program (HB 5054 appropriated \$200,000 General Fund and \$200,000 of Other Funds expenditure limitation for the Fund).

HB 2012 (Chapter __, 2009 Laws) establishes the School Capital Matching Subaccount, which in the future will be used to make matching funds available for school district capital construction projects and provides for an additional source of funding for the Subaccount. Beginning with the 2009-11 biennium, any Lottery Funds remaining at the end of a biennium will be transferred to the School Capital Matching Subaccount (also see HB 2013 under the Administration Program Area).

HB 2398 (Chapter __, 2009 Laws) creates the Oregon Career Readiness Certification Program within the Department of Community Colleges and Workforce Development, whose purpose is to certify the workplace and college readiness skills of Oregonians. The Department's budget includes \$3.35 million of Federal Funds for this program. HB 5054 provided two positions (2.00 FTE) to implement the program.

HB 2834 (Chapter 562, 2009 Laws) directs the closure of the Oregon School for the Blind (OSB) by September 1, 2009 and provides for the transition of the school's students to other programs and services and provides for the disposition of assets. The bill creates the Blind and Visually Impaired Student Fund and appropriates \$2,985,218 General Fund to the Fund (HB 5054 provides \$2,985,218 in Other Funds expenditure limitation for the Fund). A special purpose appropriation is made to the Emergency Board totaling \$2,850,000 General Fund for other costs associated with the implementation of this bill. In addition, the Department of Administrative Services Other Funds expenditure limitation was increased by \$450,000 for costs related to any revenues that may be generated from the lease payments or the disposition of the school property.

⁴ Additional information can be found in a measure's budget report, an agency budget report, the budget reconciliation (i.e., HB 5054) budget report, or a fiscal impact statement. This information is available on the Legislature's website at: <http://www.leg.state.or.us/comm/sms/SMS07Frameset.html>. Other information posted to the Legislature's website includes summaries of major legislation produced by the Legislative Revenue Office and Legislative Committee Services.

⁵The average number of measures referred to JWM since the 2003 biennium is 13% of introduced measures.

Human Services Program Area

SB 25 (Chapter 704, 2009 Laws) establishes the Oregon State Hospital Advisory Board, charged with helping to improve the safety, security, and care of Oregon State Hospital patients. This bill has minimal fiscal impact as the Department of Human Services already performs a similar function.

SB 37 (Chapter 795, 2009 Laws) requires the Department of Human Services (DHS) to ensure that, on or after May 17, 2011, rural health clinics receive full wrap-around reimbursement within 45 days of receipt of completed billing forms, instead of the existing nine months in arrears. The bill has an estimated fiscal impact of \$410,466 for the 2011-13 biennium, of which \$153,022 is General Fund and \$257,444 is Federal Funds. DHS does not anticipate a fiscal impact after the 2011-13 biennium, at which time the Department's payments are anticipated to fall within the 45 day requirement.

SB 158 (Chapter 792, 2009 Laws) clarifies the roles, responsibilities, operating and licensing requirements for certain health care facilities and home health agencies including ambulatory surgical centers and providers, referral agencies, and caregiver registries. The fiscal impact on the Department Human Services includes licensing fee revenue of \$295,815 Other Funds during the 2009-11 biennium and \$765,316 during the 2011-13 biennium with expenditures estimated at \$306,610 Other Funds (4.00 FTE) and \$630,248 Other Funds (4.00 FTE), respectively.

SB 161 (Chapter __, 2009 Laws) establishes civil penalty authority and modifies the licensing, certification, and accreditation of hospice programs in Oregon. The bill specifies a \$750 annual licensing fee. The fiscal impact on the Department of Human Services includes licensing fee revenue estimated at \$109,500 per biennium with expenditure of \$58,919 Other Funds (0.28 FTE) for the 2009-11 biennium and \$129,380 Other Funds (0.75 FTE) for the 2011-13 biennium.

SB 355 (Chapter 799, 2009 Laws) establishes an electronic prescription drug monitoring program in the Department of Human Services (DHS). The program is funded with a \$25 annual fee on licensed drug prescribers and dispensers, and from with revenue from a federal grant. DHS received \$250,000 in Other Funds limitation and \$10,000 in Federal Funds expenditure limitation for work related to the first six months of planning and implementation. The funds will be used to prepare a business plan and a technology plan. The Legislature may increase the expenditure limitation and establish position authority during the 2010 special session if it determines that the program should be fully implemented.

SB 630 (Chapter 707, 2009 Laws) creates a 21-member Task Force on Disproportionality in Child Welfare Foster Care to study why Oregon's foster care system has a higher percentage of children of certain racial and ethnic backgrounds when compared to the state's overall population. The fiscal impact on the Department of Human Services for the 2009-11 biennium is estimated at \$181,035 total funds (one position/1.00 FTE), of which \$117,673 is Other Funds [non-profit Casey Family Programs grant] and \$63,362 is Federal Funds.

HB 2009 (Chapter 595, 2009 Laws) makes significant changes to Oregon state governance of health care, including the establishment of an Oregon Health Policy Board and transfers to the Oregon Health Authority all of the duties, functions, and powers of the Department of Human Services (DHS) with respect to health and health care; the Department of Administrative Services (DAS) with respect to the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB); the Department of Consumer and Business Services with respect to the Oregon Medical Insurance Pool Board and the operation of the Oregon Medical Insurance Pool; and the Office of Private Health

Partnerships (OPHP) including the administration of the Family Health Insurance Assistance Program. The fiscal impact of this bill is estimated at \$6.5 million total funds (17 positions/14.75 FTE) for the 18 months of the 2009-11 biennium (\$3 million General Fund, \$1.2 million Other Funds and \$2.3 million Federal Funds). For the 24 months of the 2011-13 biennium, the bill has an estimated impact of \$3.9 million total funds (14 positions/12.25 FTE; \$2.2 million General Fund, \$0.3 million Other Funds and \$1.4 million Federal Funds) (also see HB 5054).

HB 2116 (Chapter __, 2009 Laws) creates the Health Care for All Oregon Children Program and expands the Oregon Health Plan Standard program. These programs are funded by two temporary assessments, both of which sunset on September 30, 2013 and creates the Health System Fund. The measure will provide insurance coverage for nearly 80,000 children during the 2009-11 biennium and the Oregon Health Plan Standard program is anticipated to double its average monthly caseload from 25,000 to 50,000 low-income adults (also see HB 5054).

For the Department of Human Services (DHS), the fiscal impact related to the “Health Care for All Oregon Children” is estimated to be \$177.7 million total funds (106.97 FTE) for the 2009-11 biennium. The \$61.9 million Other Funds is expected to come from the 1% health insurance premium assessment and be match by \$115.8 million Federal Funds (Title XIX Medicaid). For the 2011-13 biennium, the fiscal impact is estimated to be \$228.7 million total funds (166.34 FTE), of which \$82.9 million Other Funds will be from the 1% health insurance premium and \$145.8 million from Federal Funds (Title XIX Medicaid).

The DHS fiscal impact of expanding the Oregon Health Plan Standard program is estimated to be \$966.5 million total funds (92.61 FTE) for the 2009-11 biennium. The \$298.6 million Other Funds is expected to come from an assessment on hospitals and be matched by \$667.9 million Federal Funds (Title XIX Medicaid). For the 2011-13 biennium, the fiscal impact is estimated to be \$1.3 billion total funds (128.54 FTE). The \$493.6 million Other Funds assessment on hospitals will be matched by \$824.7 million Federal Funds (Title XIX Medicaid).

The fiscal impact for the Office of Private Health Partnerships (OPHP) is estimated to be \$84.2 million (38 positions/33.58 FTE) for the 2009-11 biennium. Funding is expected to be \$23.4 million Other Funds from the 1% health insurance premium and be matched by \$60.8 million Federal Funds (Title XIX Medicaid). For the 2011-13 biennium, the fiscal impact on OPHP is estimated to be \$116.5 million total funds (38 positions/38.00 FTE). Funding is expected to be \$32.7 million Other Funds, again from the 1% health insurance premium, and be matched by \$83.8 million Federal Funds (Title XIX Medicaid).

HB 2134 (Chapter __, 2009 Laws) modifies existing statutes and creates complementary programs within the Department of Human Services (DHS) and the Construction Contractors Board (CCB) for licensing and certification of lead-based paint activities in order to comply with new Environmental Protection Agency (EPA) regulations. For DHS, licensing and certification fees are expected to generate approximately \$527,997 Other Funds during the 2009-11 biennium and \$75,663 Other Funds during the 2011-13 biennium with expenditures estimated to be \$221,071 Other Funds (1.13 FTE) and \$244,887 Other Funds (1.50 FTE), respectively. For the CCB, fee revenue is expected to be approximately \$300,000 Other Funds per biennium with expenditures estimated to be \$237,939 (1.51 FTE) during the 2009-11 biennium and \$305,052 (2.00 FTE) during the 2011-13 biennium.

HB 2442 (Chapter __, 2009 Laws) clarifies definitions of abuse, requires better information on potential employees, mandates greater consistency in training and investigations, and enables greater

interagency collaboration when crimes are committed against seniors and people with physical and developmental disabilities in certain care facilities. For the Department of Human Services, the increase in fees and civil penalties are expected to generate approximately \$551,925 Other Funds per biennium. The bill requires a \$150,000 payment from the Quality Care Fund to the General Fund on June 30, 2011, to replace the General Fund revenue that would otherwise be expected under current law. The expenditure impact of this bill is estimated at \$603,851 total funds (four positions/3.00 FTE) for the 2009-11 biennium (\$301,937 Other Funds and \$301,914 Federal Funds). For the 2011-13 biennium, the fiscal impact is estimated at \$582,022 total funds (four positions/3.00 FTE) for the 2009-11 biennium (\$292,033 Other Funds and \$289,989 Federal Funds).

HB 3065 (Chapter __, 2009 Laws) allows the Department of Human Services to provide non-cash benefits to individuals who receive assistance under the Oregon Supplemental Income Program. The bill does not reduce overall funding available for program services, but would save administrative costs of approximately \$1 million General Fund each biennium.

HB 3114 (Chapter __, 2009 Laws) requires the Department of Human Services to improve monitoring of psychotropic medication taken by children in foster care. The bill has a minimal fiscal impact as costs will be funded through current enrollment payments to Mental Health Managed Care plans.

Public Safety Program Area

HB 2343 (Chapter __, 2009 Laws) expands the definition of “mentally incapacitated” to any situation where the victim is rendered incapable of appraising or controlling his or her conduct at the time of the offense. The Criminal Justice Commission and the Department of Corrections (DOC) estimates that the provisions of this bill will result in the need of two additional beds in the 2009-11 biennium at a cost of \$125,230 General Fund, 12 additional beds in 2011-13 at a cost of \$698,933 General Fund, and 29 additional beds in 2013-15 at a cost of \$1,650,593 General Fund. The Public Defense Services Commission estimates public defense costs at \$192,672 General Fund per biennium. The Oregon Judicial Department estimates an increase of \$49,536 General Fund in court costs per biennium.

HB 2501 (Chapter __, 2009 Laws) modifies ORS 243.746 which covers selection of arbitrators and procedures for arbitration when a strike is prohibited. Among other criteria, this bill would require the arbitrator to take into account the base pay for city police officers in the five most populous cities in the state when a labor dispute concerning the Department of State Police goes to arbitration. The fiscal impact is estimated to be \$9 million total funds in 2009-11. Of that amount, \$6.5 million would be General Fund and the balance a mix of other funds, federal funds, and lottery funds. The \$9 million includes all other payroll expenses such as retirement and benefits.

HB 3508 (Chapter 660, 2009 Laws) makes a number of changes in sentencing and other changes that generate net savings by reducing the need for prison beds and community corrections caseloads. These include: increased earned time (\$6 million); phase-in of Ballot Measure 57 (\$25.5 million); probation revocation (\$9.8 million); active and inactive probation status (\$5.1 million); Inactive Local Control Post-Prison Supervision Status (\$1.1 million); Immigration and Customs Enforcement Order detainees (\$2.1 million); Assault in the third degree (\$0.1 million); crime of kidnapping (indeterminate); and parole hearings (indeterminate). The savings to the Department of Corrections are based on the numbers of offenders that each provision affects. The bill also provides for a \$100 assessment of persons convicted of drug offenses (also see HB 5053).

In addition, the bill adds State Troopers to conduct performance-based enforcement on Oregon's highways. This is funded with \$8.1 million General Fund (39 positions/35.88 FTE).

Economic Development Program Area

SB 462 (Chapter 71, 2009 Laws) expands eligibility for Unemployment Insurance (UI) benefits by authorizing the use of an alternate base year (ABY) for calculating benefits as required by the federal stimulus law. Oregon becomes eligible for an additional \$85 million in Federal Funds for UI benefits. The Employment Department (OED) estimates that 17,000 UI claimants per year are ineligible for benefits because of insufficient wages or hours worked in the base year. Another group of claimants would receive benefits earlier under the ABY provisions. Combined, approximately 6,079 additional claimants per year would become eligible for UI benefits under the ABY provisions. The total annual cost for these benefits is estimated at \$8,039,484 Federal Funds. OED estimates that the workload related to processing these additional claims is \$1,801,518 Federal Funds (20 positions/16.65 FTE) for the 2009-11 biennium. The UI Trust Fund will receive \$1,356,663 Other Funds in Reimbursable Assessments from employers.

HB 2152 (Chapter __, 2009 Laws) changes the name of the Economic and Community Development Department to the Oregon Business Development Department, reorganizes the Department to allow its economic development and community development programs to operate more independently, and establishes an Infrastructure Finance Authority within the agency and charges this Authority with oversight of the agency's infrastructure and community development programs. The bill also transfers the Office of Minority, Women and Emerging Small Business from the Department of Consumer and Business Services to the Department. The fiscal impact to the Oregon Business Development Department is primarily the result of the transfer of the Office of Minority, Women and Emerging Small Business and totals \$1.3 million in Other Funds revenue and \$954,492 in expenditures (five positions/5.00 FTE). There is a minimal fiscal impact associated with the other changes in the bill.

HB 2436 (Chapter 556, 2009 Laws) adds a new \$15 fee to the existing fees pertaining to deeds and mortgage records filed with county clerks, with some exceptions. The \$15 fee imposed by this bill would be collected by counties for deposit into specified accounts within the Housing and Community Services Department (HCSA) for affordable housing-related programs. The bill creates a new statutory account within the Housing and Community Services Department. The fiscal impact of this bill will result in total collections of \$15 million in the 2009-11 biennium and \$26.5 million in 2011-13. Monies collected from the fee are to be used by HCSA for housing-related programs. There is a minimal fiscal impact to state agencies that are required to pay document recording fees as part of their normal business operations (e.g., Department of Business and Consumer Services and Department of Transportation).

HB 3483 (Chapter __, 2009 Laws) expands eligibility for Unemployment Insurance (UI) benefits to workers who have been employed in work paying less than 110% of the minimum wage during their entire base year who are enrolled in training programs approved by the Employment Department and Department of Community Colleges and Workforce Development (CCWD). The bill specifies that a base year employer's account may not be charged for benefits paid to eligible workers in training, and limits the total benefits available for distressed workers in training to \$9.2 million. The bill sunsets the program on January 2, 2012. Beginning in October 2009 through January 2, 2010, the bill also extends UI benefits to workers who have exhausted benefits, providing for total payments under the extension of no more than \$30 million. The Employment Department estimates that 2,400 claimants per year would be eligible for UI benefits under this bill. The fiscal impact is \$536,015 Federal Funds (six

position/4.63 FTE) for the 2009-11 biennium. Costs and staffing requirements will be reduced in the 2011-13 biennium, since the program sunsets on January 2, 2012. Additionally, the Department estimates that the increased expenditures for UI benefits will result in a loss of \$3,277,166 Other Funds in interest earnings in the 2009-11 biennium and \$3,874,907 in the 2011-13 biennium. The UI Trust Fund will receive \$3,477,924 Other Funds in Reimbursable Assessments from these employers in 2009-11 and \$50,076 Other Funds in the 2011-13 biennium. CCWD does not anticipate a fiscal impact.

Consumer and Business Services Program Area

HB 2189 (Chapter 71, 2009 Laws)⁶ implements the requirements of Title V of the 2008 federal Housing and Economic Recovery Act. This Act requires all states to have a system of licensing for residential mortgage loan originators by August 1, 2009. The Act also requires annual, rather than biennial, licensing. The bill exempts manufactured structure dealer employees from loan originator licensing requirements if they perform only administrative or clerical functions. The Department of Consumer and Business Services (DCBS) will require licensees to pay the licensing fees and any service fees directly to the Nationwide Mortgage Licensing System and Registry (NMLSR). NMLSR will then forward the licensing fees to DCBS to pay the cost of the program. The budget bill for DCBS (see SB 5513) includes \$422,955 Other Funds (three positions/3.00 FTE) to implement the requirements of this bill. Revenue for this program is from examination fees.

Natural Resources Program Area

SB 79 (Chapter 750, 2009 Laws) creates the Task Force on Energy Performance Scores to study energy use and develop recommendations for a voluntary energy performance scoring system. The Department of Energy (DOE) will provide support to the Task Force. The Department of Consumer and Business Services will administer a Reach Code and amend the state building codes to achieve energy efficiency targets identified in the bill. DOE anticipates expenditures of \$608,872 (one position/1.00 FTE) to implement the bill, which includes a \$404,857 one-time special payment to DCBS. DCBS anticipates needing \$404,857 (two positions/2.00 FTE) to complete activities identified in the bill. The Other Funds revenue source for these expenditures is Energy Supplier Assessments.

SB 788 (Chapter __, 2009 Laws) establishes and modifies water permit fee schedules for applications regulated by the Water Resources Department (WRD) for two biennia; fees reverting to current levels on July 1, 2013. WRD anticipates increased Other Funds fee revenues of \$2,227,100 in 2009-11 and \$2,267,100 in the 2011-13 biennia. Implementation of the bill is expected to cost \$213,978 (two positions/1.50 FTE) in 2009-11 and \$124,050 Other Funds (one position/1.00 FTE) in the 2011-13 biennia. Revenues raised are appropriated to WRD and may be used for evaluating ground water supplies, conducting ground water studies, carrying out ground water monitoring, and administration and enforcement of the exempt ground water provisions of the bill.

HB 2220 (Chapter __, 2009 Laws) authorizes the Department of Fish and Wildlife (ODFW), the Oregon State Marine Board (OSMB), and Department of Agriculture (ODA) to operate check stations to inspect for and decontaminate watercraft from invasive species. Anticipated Other Funds revenues from permit fees are \$2,133,000 for the 2009-11 and \$2,700,000 for the 2011-13 biennia. The OSMB received \$588,500 in Other Funds expenditure limitation (three positions/2.38 FTE) to replace its boat registration system and to provide public outreach and coordination in the implementation of bill (see HB 5054). ODFW received \$413,500 in Other Funds expenditure limitation (11 positions/3.15 FTE)

⁶ Also see HB 2188.

for check stations and invasive species mitigation work (see HB 5054). The Department of State Police received \$250,000 in Other Funds expenditure limitation to provide enforcement support at check stations (HB 5054). OSMB may distribute fee revenues to other agencies to cover expenditures associated with implementing the bill.

HB 2626 (Chapter __, 2009 Laws) directs the Department of Energy (DOE) to establish and administer the Energy Efficiency and Sustainable Technology loan program (EEAST) to provide low cost loans to individuals for energy efficiency projects. The initial pilot program will be funded using general obligation Small Scale Energy Loan Program bonds, and full implementation is to be funded by revenue bonds that are payable solely from the revenues or assets of the DOE. Estimated start-up costs are \$300,000 (one position/1.00 FTE), which is provided to DOE through a one-time increase in the Energy Supplier Assessment. The Legislature also provided DOE with \$5,466,367 in Other Funds expenditure limitation (two positions/1.50 FTE) for ongoing EEAST program implementation, and \$5 million in Lottery Bonds and \$590,347 in related debt service costs for the loan offset grant fund (see HB 5054). The bill assigns certain responsibilities to the Public Utility Commission which are being accommodated within existing resources. The Construction Contractors Board (CCB) is required to certify qualifying contractors and to charge a fee to cover related expenditures. CCB anticipates seeking expenditure limitation and position authority for this task from the Emergency Board or Legislature during the interim.

HB 2929 (Chapter __, 2009 Laws) authorizes the Department of State Lands (DSL) to apply for and receive grants, loans, or other funds, and to use Common School Funds to conduct studies related to removal and fill permitting. The also allows DSL to establish, by rule, a volume-based fee for commercial removal and fill permits to administer provisions of the removal fill law. The fiscal impact is indeterminate as the bill is permissive and the number of studies and potential funding sources are not known at this time. However, completion of the ten river systems identified for review is estimated to cost \$2.7 million Other Funds. If no grant funding is available, the volume based fee for removal fill permits would be approximately \$.80 per cubic yard if the agency were to recover all the costs for removal and fill permitting. DSL will need to return to the Emergency Board or Legislature to receive expenditure limitation to implement the study components of the bill.

HB 3225 (Chapter __, 2009 Laws) modifies Measure 49 (2007) relief eligibility, establishes a fee for new claims of \$175, and sets June 30, 2010 as the deadline for issuance of final orders. The bill is expected to result in approximately 500 additional claims being filed under Measure 49 (2007). The bill is expected to generate just over \$75,000 in Other Funds fee revenues. The fiscal impact for processing the remaining claims is expected to be \$5,348,754 General Fund (28 positions/15.38 FTE) for the 2009-11 biennium.

HB 3369 (Chapter __, 2009 Laws) directs the Water Resources Commission (WRC) to establish standards for borrowers obtaining loans issued from the Water Development Fund, establishes the Water Investment Grant Fund to provide resources for water development projects located in the Columbia River Basin, and directs the Water Resources Department (WRD) to develop an integrated state water resources strategy to meet in-stream and out-of-stream water needs. WRD anticipates needing to consult with bond counsel and a financial advisor at an estimated cost of \$225,000. The bill provides for loan application fees, however, revenues and related expenditures are not known as this will depend upon the number of applications received and size of loans provided. WRD estimates needing \$246,000 (two positions/2.00 FTE) to develop the integrated state water resources strategy. The Legislature approved issuances of \$10 million in Article XI-1(1) Bonds and \$3.6 million in

Lottery Revenue Bonds and related debt services of \$354,911 to implement the bill (see HB 5054 and HB 5505).

Transportation Program Area

HB 2001 (Chapter __, 2009 Laws) establishes the transportation funding plan for 2009. The bill authorizes \$100 million in lottery-backed revenue bonds to fund the various multi-modal projects. Of this amount, \$25 million is expected to be spending during the 2009-11 biennium. This bill will also fund \$216.2 million (14 positions/11.63 FTE) in transportation projects in the 2009-11 biennium and \$184.5 million (14 positions/14.00 FTE) in the 2011-13 biennium with increases in titling and registration fees and a six-cent fuel tax increase. In addition, the Department of Land Conservation and Development reports a fiscal impact of \$401,468 General Fund and Other Funds (three positions/0.75 FTE) in the 2009-11 biennium and \$561,956 General Fund and Other Funds (four positions/2.75 FTE) in the 2011-13 biennium.

Administration Program Area

SB 581 (Chapter 21, 2009 Laws) implements statutory changes necessary to support the 2007-09 legislatively approved budget and to clarify the application of statutes to achieve a balanced budget for the 2007-09 biennium (also see the budget reconciliation bill, SB 5552).

SB 776 (Chapter __, 2009 Laws) increases the filing fee for candidates for office, nominating parties or assemblies, and persons filing an argument for the voters' pamphlet. The revenue generated by this bill, which is estimated \$547,200 for the 2009-11 biennium, is to be deposited in the General Fund. The bill does not have a fiscal impact on the Secretary of State.

SB 880 (Chapter 710, 2009 Laws) directs the Department of Revenue (DOR) to develop and administer a tax amnesty program for corporate income and excise tax, personal income tax, inheritance tax, and transit district (self-employment) taxes. The program expects to net an estimated \$16.2 million in revenues for 2009-11 that will be deposited in a Tax Amnesty Fund, and \$200,000 from new taxpayers that will be deposited in the General Fund. The bill allows DOR to recover program costs up to \$1 million once the Legislature or the Emergency Board reviews the agency costs incurred to administer the program. Net revenue in the Tax Amnesty Fund is transferred to the General Fund. The bill has a January 2, 2014 sunset date.

SB 897 (Chapter __, 2009 Laws) includes the following four modifications to statutes affecting Public Employees Retirement System (PERS): (a) validation of retirement benefits and allows members of Tier One, Tier Two, and the Oregon Public Service Retirement Program (OPSRP) who are within two years of their earliest retirement date to request that PERS verify their retirement data; (b) the modification of eligibility for one of the five members of the PERS Board, specifically one position must be reserved for a public employee in an appropriate bargaining unit, (c) the modification to allow retired members of the OPSRP, their spouses, and eligible dependents to participate, at their own expense, in the PERS Health Insurance Program, and (d) the modification for members to receive retirement credit for certain retroactive salary payments. The fiscal impact of the requirement to provide early verifications is expected to be \$500,000 Other Funds for the 2011-13 biennium. The remaining three modifications to PERS statutes have a minimal or no fiscal impact.

HB 2013 (Chapter __, 2009 Laws) establishes the Oregon School Facilities Task Force and creates the Oregon School Facilities Task Force Fund. Monies in the fund are appropriated to the Department of

Administrative Services (DAS). The bill makes available \$1.3 million in Lottery Funds for the study. Any monies remaining in the Fund on January 2, 2012 will revert to the General Fund. DAS received \$35,000 Lottery Funds for purposes of preparing a report regarding options for conducting the study of public school facilities, including the costs and scope of each option (also see HB 2012, which allocates the lottery ending balance for 2007-09 to DAS for the task force).

HB 2073 (Chapter __, 2009 Laws) provides for corporate excise and income tax revenues tied to tax rates above 6.6% to be deposited into the Oregon Rainy Day Fund. The Legislative Revenue Office projects that \$69 million would be deposited into the Fund in 2013-15. The fiscal impact of this bill is indeterminate, but expected to be minimal. Also see HB 3405 below.

HB 2178 (Chapter __, 2009 Laws) creates the Campus Veterans' Service Officers [pilot] Program in the Department of Veterans' Affairs. The purpose of this program is to provide student veterans with benefits and claims support by placing veterans' service officers directly on college campuses. The fiscal impact of the bill to the Department is \$392,482 Other Funds (five positions/3.43 FTE) for the 2009-11 biennium and \$579,407 Other Funds (five positions/5.00 FTE) for the 2011-13 biennium. Other Funds are paid from revenues generated by the Oregon War Veterans' Fund (see HB 5048).

HB 2386 (Chapter __, 2009 Laws) directs the Secretary of State (SOS) to adopt an electronic voter registration system. The Department of Transportation (ODOT) is directed to provide the SOS digital copies of driver's license, driver permit, or state identification card signatures for every person who completes the registration. The total expense to the Secretary to develop and implement this program would be \$217,000 Federal Funds [Help America Vote Act] for the 2009-11 biennium and \$22,000 Federal Funds to maintain this program through the 2011-13 biennium. The fiscal impact to ODOT is \$17,000 Federal Funds, which would be transferred from the SOS during the 2009-11 biennium.

HB 2414 (Chapter 714, 2009 Laws) establishes criteria for referendum petition referrals to voters and contains ballot measure titles and explanations for House Joint Resolution 7 [expanding availability of Home Ownership Loans for Oregon Veterans] and House Joint Resolution 13 [Allows state bonding to match voter approved school district bonds for school capital costs]. With the exception for HB 2649 and HB 3405, any 75th Legislative act referred to the people by petition shall go to the May 2010 primary election. The bill sets January 26, 2010, as the date for a possible special election if HB 2649 and/or HB 3405 are referred to the ballot. The bill provides for a process for preparing ballot titles, explanations, financial estimates, and the review of certain contested ballot amendment titles and explanatory statements. The bill provides for a special purpose appropriation of \$2 million to the Emergency Board that the Secretary of State may access for election costs if a January 26, 2010 statewide special election is held.

HB 2500 (Chapter __, 2009 Laws) directs the Department of Administrative Services (DAS) to develop and make available to the public the Oregon transparency website, which is to include state agency revenue and expenditure information, human resources expenses and compensation information, contracting and subcontracting information, funding categories, program information, performance measure information, and copies of any audit report issued by the Secretary of State for the agency. The bill directs agencies to provide information for the website at no additional cost, using existing resources, without reallocation of resources. The bill establishes a new continuously appropriated fund. DAS, the Oregon University System, and the Legislative Fiscal Office would each have a minimal fiscal impact.

HB 2649 (Chapter __, 2009 Laws) increases personal income tax rates on higher-income households. The Legislative Revenue Office anticipates that the bill will generate an additional \$472 million in tax revenues in 2009-11 and \$375 million in the 2011-13 biennia. The Department of Revenue anticipates a minimal fiscal impact associated with this bill.

HB 2815 (Chapter __, 2009 Laws) establishes an Interagency Compliance Network to enforce compliance under taxation, employment, and independent contractor laws. The revenue impact for 2009-11 is estimated at \$3.8 million General Fund and \$3.8 million Other Funds. This bill provides for a special purpose appropriation of \$750,000 General Fund to the Emergency Board that may be allocated to one or more of the state agencies that are members of the Interagency Compliance Network [Department of Justice, Department of Revenue, Employment Department, Department of Consumer and Business Services, Bureau of Labor and Industries, Construction Contractors Board, and State Landscape Contractors Board, or other agencies by agreement]. Ongoing funding for the program would be funded by a portion of the dollars captured through increased compliance.

HB 2867 (Chapter __, 2009 Laws) requires that contracting agencies subject to the Oregon Public Procurement Code perform a written cost analysis and feasibility study before conducting procurements for services with an estimated contract price that exceeds \$250,000. The fiscal impact of the bill is indeterminate. State and local governments note staff workload will increase due to the documentation and reporting requirements of the cost analysis and feasibility studies.

HB 2920 (Chapter __, 2009 Laws) establishes a twenty-one member Task Force on Effective and Cost-Efficient Service Provision charged with reviewing the opportunities to provide services in the most effective and cost-efficient manner; considering the ability of intergovernmental agreements, existing or new service districts and technology to achieve cost savings; and analyzing categories of services under the categories of assessment and taxation, elections, human services, and criminal justice. The task force is staffed by the permanent staff of the offices of the Governor, Secretary of State, State Treasurer, Judicial Department, and Legislative Fiscal Officer. There is an indeterminate fiscal impact to the agencies directed to provide staff support to the task force during the 2009-11 biennium.

HB 3199 (Chapter __, 2009 Laws) implements statutory changes necessary to support the legislatively adopted budget and to clarify the application of statutes to achieve a balanced budget for the 2009-11 biennium (also see the budget reconciliation bill, HB 5054).

HB 3405 (Chapter __, 2009 Laws) increases the corporate minimum tax, other corporate taxes, and certain Secretary of State fees. The Legislative Revenue Office anticipates that the bill will generate an additional \$261 million in General Fund revenues in 2009-11 and \$270 million in the 2011-13 biennia. Secretary of State anticipates receiving increased Other Funds revenues of \$969,360 in 2009-11 and \$1,107,840 in the 2011-13 biennia from Uniform Commercial Code and Notary Public Commission fee increases, which will be used to cover program funding shortfalls. HB 5054 appropriated \$1,501,251 million General Fund (nine positions/7.36 FTE) to the Department of Revenue to implement the bill.

Legislative Branch

SB 778 (Chapter __, 2009 Laws) maintains current statutory salary levels for elected officials and limits the duties of the Public Officials Compensation Commission to making recommendations to

Legislative Assembly on salaries of elected officials. For the 2009-11 biennium, these salary levels are included in the essential budget level so the bill has a minimal fiscal impact.

Judicial Branch

HB 2287 (Chapter 659, 2009 Laws) extends the sunset on existing filing fee surcharges from June 30, 2009 to September 30, 2009 and establishes temporary surcharges and fees effective October 1, 2009 through June 30, 2011. The bill creates a Judicial System Surcharge Account. Fees raised by local Justice of the Peace, municipal, and county courts are retained by those courts. The bill is anticipated to generate \$39.5 million in revenue. The revenue raised by this bill will be used to partially restore General Fund budget reductions in the Judicial Department, Public Defense Services Commission, and Legislative Counsel. Revenue received during the 2011-13 biennium from satisfaction of 2009-11 cases will accrue to the Judicial Department. The bill also establishes an Interim Committee on State Justice System Revenues to evaluate and make recommendations on the revenue structure of the Judicial Department.

2009-11 Potential Budget Risks and 2011-13 Tentative Budget Issues

2009-11 Budget Risks

The legislatively adopted budget for the 2009-11 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 2009 economic and revenue forecast, which is the basis for the 2009-11 legislatively adopted budget, anticipated \$12.5 billion in available General Fund resources. The May forecast for available 2009-11 General Fund resources was down by \$532.5 million from the forecast released in March 2009, continuing a recent trend of projected revenue declines. Unemployment remains at record-high, double-digit levels. If economic factors cause continued reductions in anticipated job growth and the forecasted recovery is delayed, more declines in projected available resources could become reality.

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 and 2007-09 interims, 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, including an average 12% reduction from agency essential budget levels in the 2009-11 legislatively adopted budget, 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 2007-09 interim, a number of emergency funding issues were deferred due to the potentially inadequate reserves in the general purpose Emergency Fund even after the Emergency Board retained \$25 million of a \$125 million special purpose appropriation for state employee salary and health benefits, largely due to the signs that the state's economy was entering into a downturn. Additionally, it is always possible that fire season costs will require an Emergency Fund allocation, one of the primary reasons the Emergency Fund exists. If an additional allocation is necessary after the 2009 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 2010 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). The current largest referendum threat is to the two tax measures passed by the 2009 Legislative Assembly. Opponents of the tax increases have declared their intent on collecting signatures to refer one or both of the tax measures to a statewide vote. In anticipation of this possibility, the Legislature set a special election date of January 26, 2010 for any referral of tax measures. This date provides the Legislature with an ability to react during the 2010 special session if a referred tax measure is defeated in the statewide vote.

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 replaced the federal funding with state funding. The 2009-11 budget includes significant amounts of federal stimulus funding, similar to the 2003-05 budget, from the American Recovery and Reinvestment Act of 2009.

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. Currently, no agreements have been made between the state and state employee collective bargaining units for the 2009-11 biennium.

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.

2010 Special Session and 2011-13 Regular Session Tentative Budget Issues

There are a number of issues which were identified as needing further study and as possible items for consideration during the 2010 special session. These potentially include:

- Potential rebalance of the state budget due to possible changes in revenues resulting from forecast changes and the possible referral of tax measures to a special election.
- Updates and review of approved capital construction projects.
- Rebalance of state agency reductions made in HB 5054 that were based on estimated budgets.
- Review of progress in implementation of the Interagency Compliance Network (HB 2815).
- Monitoring report on Measure 57 population trends and overall prison population.

- Review of revenues from the bottle surcharge implemented by the Oregon Liquor Control Commission.
- Review and potential rebalance of the Department of Human Services budget due to caseload changes and revenue re-projections.
- Funding and implementation of the Oregon Wireless Interoperability Network (OWIN).
- Review of the status, implementation, and allocation of the court fees (HB 2287).
- Implementation, status, and funding of the Judicial Department's eCourt program.

The majority of the potential risks identified for the 2009-11 legislatively adopted budget may also have a significant impact on the 2011-13 tentative budget. There are additional cost issues that will affect the 2011-13 budget, including:

Continued Economic Downturn – Although the state's economy is projected to begin recovering from the current recession during the latter half of the 2009-11 biennium, continued economic sluggishness would result in declining revenues for the 2011-13 biennial budget. The May 2009 economic and revenue forecast projects a robust recovery in General Fund revenues for the 2011-13 biennium, up 20.1% from 2009-11. This assumes, however, nearly 8% growth in nonfarm employment between 2010 and 2013.

Replacement of One-Time Revenues in the Budget – A large part of the 2009-11 state budget rebalance plan relied on federal stimulus dollars (approximately \$1 billion in direct General Fund offset). While there is a possibility of a second federal stimulus package to assist states with their revenue issues, there is no guarantee that an additional \$1 billion of federal stimulus funds will be available when the Legislature is developing its 2011-13 balanced budget.

Roll-Up Costs of 2009-11 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). In addition, phased-in programs and services will need to be funded for a full 24 months (e.g., the phase-in of additional trooper positions in the Department of State Police and additional positions at the Oregon State Hospital in the Department of Human Services).

PERS – Due to fund losses resulting from the recession, it is likely that rates charged to employers for PERS benefits could increase up to the 6% maximum allowed for the 2011-13 budget period. Under current actuarial practices, this could potentially increase the default PERS rate from the 8.22% of salary charged in the 2009-11 budget to over 14% of salary.

Employee Compensation and Benefits – Although collective bargaining with the state employee labor unions for the 2009-11 budget period was not completed as of the close-of-session, the 2009-11 adopted budget basically assumed a state employee salary freeze including no merit increases and no cost-of-living adjustments. In addition, there was a possibility of a salary reduction either through furloughs or pay cuts. As has been the case with previous salary freezes for state workers during recessionary periods, this situation will likely lead to demands for salary adjustments during the 2011-13 biennium to make-up for lost wages.

Appendix A

2009-11 Capital Construction Projects

Oregon University System

System-Wide Projects

Capital renewal, code compliance, and safety: \$20,286,000 Other Funds from certificates of participation, or COPs, to maintain facilities throughout the Oregon University System (OUS) and keep the deferred maintenance backlog from growing. Debt service on the COPs will be paid with General Fund.

South Waterfront Life Sciences facility: \$50,000,000 Other Funds (Article XI-G bonds), \$60,000,000 Other Funds (Article XI-F (1) bonds), and \$90,000,000 Other Funds (Other Revenues) to construct a facility for health professions education, graduate and undergraduate education in life sciences and bioengineering, basic and translational biomedical research, and development of partnerships with private industry. The facility will house education and research programs from Oregon Health and Science University, Portland State University, Oregon State University, University of Oregon, and Oregon Institute of Technology. Sources of Other Revenues include private donations and grants from government agencies. Debt service on the Article XI-G bonds will be paid with General Fund. Debt service on the Article XI-F (1) bonds will be paid with revenues from student tuition, rents paid by research and retail occupants, charges for service, parking, and general university operating funds.

Oregon Center for Sustainability: \$80,000,000 Other Funds (Article XI-F (1) bonds) to construct a facility in Portland, in partnership with the Portland Development Commission, that will co-locate private businesses, non-profit organizations, City of Portland planning staff, and university programs. The purpose of the building will be to develop and promote sustainable technologies in energy, transportation, building construction, water resources and management, social sustainability, and other topics. Debt service on the Article XI-F (1) bonds will be paid with tenant rents, including general university operating revenues from several OUS campuses.

Biofuels demonstration project: \$4,000,000 Other Funds (Article XI-G bonds) and \$4,000,000 Other Funds (Other Revenues) for a pilot program to develop and test the use of biofuels for generation of electricity in the new OSU power plant. Grants and gifts are the source of the Other Revenues. Debt service on the Article XI-G bonds will be paid with General Fund.

Wind demonstration project: \$4,000,000 Other Funds (Other Revenues) to construct wind turbines on campus or leased land and buildings. The source of Other Revenues is grants and gifts.

Eastern Oregon University (EOU)

Zabel Hall: \$1,522,000 Other Funds (Article XI-G bonds), \$2,215,000 Other Funds (lottery bonds), and \$2,706,000 Other Funds (energy loans) for deferred maintenance and seismic upgrades. Beginning in the 2011-13 biennium, debt service costs will be split between campus energy savings, estimated at \$36,000, and General Fund.

Pierce Library: \$4,000,000 Other Funds (Article XI-G bonds) and \$4,000,000 Other Funds (COPs) for renovations for the university's library. Debt service on the Article XI-G bonds and COPs will be paid with General Fund.

Oregon Institute of Technology (OIT)

Geothermal renewable energy project: \$2,000,000 Other Funds (Article XI-G bonds), \$2,000,000 (Other Funds (Article XI-F (1) bonds), and \$2,600,000 Other Funds (Other Revenues) to complete an expansion of its geothermal plant. The source of Other Revenues is gifts and donations. General Fund will pay the debt service on the Article XI-G bonds. Debt service on the Article XI-F (1) bonds will be paid with energy savings and general university operating funds.

Oregon State University (OSU)

Education Hall: \$4,000,000 Other Funds (lottery bonds) to address additional structural deficiencies discovered in a deferred maintenance project originally authorized in the 2005-07 LAB. Debt service on the lottery bonds will be paid with Lottery Funds.

Strand Agricultural Hall: \$6,586,000 Other Funds (Article XI-G bonds), \$6,586,000 Other Funds (lottery bonds), \$6,851,000 Other Funds (energy loans), and \$4,847,000 Other Funds (COPs) for deferred maintenance and seismic upgrades. Debt service on the Article XI-G bonds and COPs will be paid with General Fund. Beginning in the 2011-13 biennium, debt service costs will be split between campus energy savings, estimated at \$52,000, and General Fund. Lottery bond debt service will be paid with Lottery Funds.

Bates Hall/Hallie Ford Healthy Children and Families Center: \$6,000,000 Other Funds (Article XI-G bonds) and \$6,000,000 Other Funds (Other Revenues) to remodel an existing building and construct a new building in order to enhance research into issues related to families, children, and aging. Debt service on the Article XI-G bonds will be paid with General Fund. The university has received gifts to finance the Other Revenues.

Student Success Center: \$2,054,000 Other Funds (Article XI-G bonds), \$4,554,000 Other Funds (lottery bonds), and \$7,392,000 Other Funds (Other Revenues) to construct a new building offering tutoring, mentoring, academic advising, peer study sessions, and study skills classes for students and student-athletes. Debt service on the Article XI-G bonds will be paid with General Fund. Donations are the source of Other Revenues.

Sonpark/EPA acquisition: \$1,900,000 Other Funds (COPs) to purchase two buildings on land owned by OSU and leased to a private developer. Debt service on the COPs will be paid with rental payments from building tenants. COPs are approved for purchase of this property due to the constitutional issue with use of Article XI-F (1) bonds for purchase of existing buildings.

Warehouse acquisition: \$1,000,000 Other Funds (COPs) to purchase an existing warehouse building on the edge of the Corvallis campus for use by the College of Oceanic and Atmospheric Sciences (COAS). Debt service would be paid with general university funds dedicated to COAS. COPs are approved for purchase of this property due to the constitutional issue with use of Article XI-F (1) bonds for purchase of existing buildings.

Cultural Center: \$10,000,000 Other Funds (Article XI-F (1) bonds) to relocate four student cultural centers from aging facilities into a new building. Debt service on the Article XI-F (1) bonds will be paid with Student Building Fee revenues.

International Residence Hall: \$52,000,000 Other Funds (Article XI-F (1) bonds) to construct a new 300-500 bed residence hall with a living-learning center, academic offices, and other services. Debt service on the Article XI-F (1) bonds will be paid with revenue from housing fees.

Sports Performance Center: \$12,000,000 Other Funds (Article XI-F (1) bonds) to add a practice gym to an existing athletic facility. Debt service on the Article XI-F (1) bonds will be paid with athletic revenues.

CH2M Hill Alumni Center: \$4,200,000 Other Funds (Other Revenues) to expand the ballroom, kitchen, and other facilities in the Alumni Center. The source of the Other Revenues is donations.

Portland State University (PSU)

Market Center building purchase: \$1 Other Funds (COPs) expenditure limitation in anticipation of a request to the Emergency Board or Joint Committee on Ways and Means to purchase a nine-story office building at the corner of Market and 4th Street in Portland. PSU currently leases about two-thirds of the facility. SB 5505 includes \$27 million in COP debt capacity for this project. Debt service on the COPs will be paid with rental receipts, tuition and fee revenues, and indirect cost recovery from research grants. COPs are approved for purchase of this property due to the constitutional issue with use of Article XI-F (1) bonds for purchase of existing buildings. PSU will substitute the Market Center's underground parking capacity for a \$23 million parking structure planned for the 2011-13 biennium, removing the parking structure from its six-year construction plan.

City Tower building purchase: \$1 Other Funds (COPs) expenditure limitation in anticipation of a request to the Emergency Board or Joint Committee on Ways and Means to purchase a seven-story building from the City of Portland that will be leased back to the city and/or used for university purposes. SB 5505 includes \$27.5 million in COP debt capacity for this project, based on a 2004 appraisal. Debt service on the COPs would be paid with rental receipts, tuition and fee revenues, and indirect cost recovery from research grants. COPs are approved for purchase of this property due to the constitutional issue with use of Article XI-F (1) bonds for purchase of existing buildings. PSU intends to relocate its School of Business Administration into the building at some point in the future. The university would then remove planned 2011-13 construction of a new \$90 million building for the School of Business from its six-year construction plan.

Science Research and Teaching Center/Hazardous Waste Facility Phase 2: increases of \$2,500,000 Other Funds (Article XI-G bonds) and \$2,500,000 Other Funds (Other Revenues) to continue a remodel of Science Building II that previously housed the Public Health and Department of Environmental Quality labs. The project will also provide PSU with a facility to adequately dispose of hazardous materials. The project was initially funded in 2007 with \$9.5 million in Article XI-G bonds and \$9.5 million in Other Revenues. In order to accelerate construction as a job creation measure, SB 338 (2009) reduced the existing expenditure authority by \$2.5 million in Article XI-G bonds and \$6 million in Other Revenues and established a new \$3.5 million Other Funds (COPs) expenditure limitation. Debt service on the Article XI-G bonds and COPs will be paid with General Fund. As a result of the current action, total General Fund-paid debt for this project has increased from \$9.5

million to \$13 million. Other Revenues, which will be provided by PSU through grants and donations, have declined from \$9.5 million to \$6 million.

Land acquisition: \$8,000,000 Other Funds (Article XI-F (1) bonds) to purchase six parcels in downtown Portland from TriMet. PSU is planning to enter into a land-lease with a developer that will construct and operate a mixed-use development that includes student housing, classrooms, and other space. The development project will proceed as an “off-balance sheet/off-credit transaction” that does not require legislative approval. This project replaces a \$1 expenditure limitation established in SB 5516 (2007) for student housing and land acquisition.

Southern Oregon University (SOU)

Churchill Hall: \$2,730,000 Other Funds (Energy loans) and \$3,192,000 Other Funds (COPs) for deferred maintenance and seismic upgrades. Debt service on the COPs will be paid with General Fund. Beginning in the 2011-13 biennium, debt service costs will be split between campus energy savings, estimated at \$38,000, and General Fund.

Theatre Arts Building: \$5,500,000 Other Funds (Article XI-G bonds) and \$5,500,000 Other Funds (Other Revenues) to remodel an existing facility and construct a four-story addition to add educational, technical, and performance space for the Theatre Arts Department. Debt service on the Article XI-G bonds will be paid with General Fund. The source for Other Revenues will be gifts and grants.

University of Oregon (UO)

Straub Hall: \$8,998,000 Other Funds (energy loans) and \$4,321,000 Other Funds (COPs) for deferred maintenance and seismic upgrades. Debt service on the COPs will be paid with General Fund. Beginning in the 2011-13 biennium, debt service costs will be split between campus energy savings, estimated at \$39,000, and General Fund.

Allen Hall: \$7,500,000 Other Funds (Article XI-G bonds) and \$7,500,000 Other Funds (Other Revenues) to renovate and expand classroom, office, meeting and other space for the School of Journalism and Communication. Debt service on the Article XI-G bonds will be paid with General Fund. Donations are the source for the Other Revenues.

Power station phase 2, waste gasification demonstration project: \$5,000,000 Other Funds (Lottery Bonds), \$13,502,000 Other Funds (Energy loans), \$3,663,000 Other Funds (COPs), \$29,150,000 Other Funds (Article XI-F (1) bonds), and \$5,000,000 Other Funds (Other Revenues) to complete replacement of the university’s central power station. The system will be designed to use alternative fuels and reduce the university’s carbon footprint. Debt service on the lottery bonds will be paid with Lottery Funds. Debt service on the COPs will be paid with General Fund. Beginning in the 2011-13 biennium, debt service costs for energy loans will be split between campus energy savings, estimated at \$1,400,000, and General Fund. Debt service on the Article XI-F (1) bonds will be paid with revenues from operation of the plant, including charges to academic and other campus programs.

Erb Memorial Union: \$2,260,000 Other Funds (Article XI-F (1) bonds) and \$300,000 Other Funds (Other Revenues) for a partial renovation of the west lower level of the facility. Debt service on the Article XI-F (1) bonds will be paid from student building fee revenues. Donations are the source of the Other Revenues.

Chiles Center: \$1,000,000 Other Funds (Other Revenues) for renovation of classroom, laboratory, and other space in a College of Business facility.

Alumni Center: \$9,975,000 Other Funds (Article XI-F (1) bonds) and \$6,825,000 Other Funds (Other Revenues) to complete construction of the university's Alumni Center. Debt service on the Article XI-F (1) bonds will be paid with general university operating funds. Donations are the source of the Other Revenues.

Riverfront Research Park business incubator: \$1,500,000 Other Funds (Other Revenues) to create space for a technology business incubator in a building constructed by the university with Article XI-F (1) bonds approved by the 2007 Legislature. Gifts and donations provide the funds for the Other Revenues.

Barnhart Hall building envelope restoration: \$900,000 Other Funds (Other Revenues) to protect the interior of the residence hall from water damage. The source of the Other Revenues is housing and dining fees.

Carson Hall electrical upgrade: \$560,000 Other Funds (Other Revenues) to update electrical systems in a building that retains much of its original equipment from 1949. The source of the Other Revenues is housing and dining fees.

Earl Complex upgrade: \$2,924,000 Other Funds (Article XI-F (1) bonds) to replace and upgrade electrical and plumbing systems and resurface the roof in this 1950s era building that retains much of its original equipment. Housing and dining fees are the source for the Other Revenues.

Western Oregon University (WOU)

Three capital projects were approved in SB 338 (2009) so that construction could begin on an accelerated basis. No additional WOU projects were approved for the 2009-11 biennium.

Department of Community Colleges and Workforce Development

Treasure Valley Community College Ontario University Center: \$3,000,000 Other Funds (Article XI-G bonds) and \$3,000,000 Other Funds (Other Revenues) to construct a new university center in Ontario for science, agriculture, technology, and allied health programs.

Umpqua Community College Roseburg Regional Health Occupations Training Center: \$8,500,000 Other Funds (Article XI-G bonds) and \$8,500,000 Other Funds (Other Revenues) to construct a new classroom and laboratory facility in Roseburg for healthcare, public safety, and information technology programs.

Chemeketa Community College McMinnville Campus: \$6,255,000 Other Funds (Article XI-G bonds) and \$6,255,000 Other Funds (Other Revenues) to construct a new facility for healthcare programs and other academic uses in McMinnville.

Columbia Gorge Community College Workforce Building: \$8,000,000 Other Funds (Article XI-G bonds) and \$8,000,000 Other Funds (Other Revenues) to construct a new facility for renewable energy and other workforce programs, a One-Stop Center, and other uses supporting college and community needs.

Central Oregon College Technology Education Center: \$5,700,000 Other Funds (Article XI-G bonds) and \$5,700,000 Other Funds (Other Revenues) to construct a new facility for flight instruction, aviation maintenance, automotive, and information technology programs.

Portland Community College Cascade Campus Education Center: \$8,000,000 Other Funds (Article XI-G bonds) and \$8,000,000 Other Funds (Other Revenues) to construct a new facility for education programs at the Cascade Campus on North Killingsworth Street in Portland.

Lane Community College Downtown Campus Building: \$8,000,000 Other Funds (Article XI-G bonds) and \$8,000,000 Other Funds (Other Revenues) to construct a new building to replace the downtown Eugene academic building.

Clackamas Community College Harmony Campus Phase II: \$8,000,000 Other Funds (Article XI-G bonds) and \$8,000,000 Other Funds (Other Revenues) to construct a second building on the Harmony Campus near Clackamas Town Center for allied health, workforce, and other educational programs.

Oregon Coast Community College Marine Science Building: \$2,000,000 Other Funds (Article XI-G bonds) and \$2,000,000 Other Funds (Other Revenues) to construct a new facility on the Central County Campus to support the aquarium science and other marine related programs.

Blue Mountain Community College Hermiston Higher Education Center: \$7,400,000 Other Funds (lottery bonds) to construct a new facility in Hermiston for physical and biological sciences.

Rogue Community College: \$1,250,000 Other Funds (lottery bonds) to replace aging windows and air handling systems and renovate instructional classroom and laboratory space.

Clackamas Community College: \$1,000,000 Other Funds (lottery bonds) for electrical improvements; repair and renovation of air handling units, exhaust fans, pumps, and controls; roof repairs; and necessary building upgrades.

Central Oregon Community College: \$1,200,000 Other Funds (lottery bonds) for construction of six classrooms on space currently occupied by the college's tennis courts.

Clatsop Community College: \$1,900,000 Other Funds (lottery bonds) for seismic upgrades to Towler Hall.

Mt. Hood Community College: \$950,000 Other Funds (lottery bonds) to seismically upgrade a classroom/laboratory facility.

Department of Transportation

Co-location of State and Local Facilities: \$1 Other Funds limitation to allow the Emergency Board to allocate additional limitation to take advantage of co-location opportunities identified during the biennium. Such opportunities are expected to save money for both state and local government.

Department of Administrative Services

Mill Creek Infrastructure: \$5 million Other Funds limitation to expedite the development of the Mill Creek Corporate Center (Phase 1A parcels) by providing the needed development infrastructure so that

the sites are “shovel ready” by late summer 2010. The project includes fill, completion of primary entrance to the property, and connecting facility sewer and water lines.

Roof Replacements: \$2,113,535 for roofing at the Human Services Building, Print Plant, and the Blind Commission.

Planning Funds: \$250,000 Other Funds to contract with various architects, engineers, and other specialists to develop feasibility analyses and reliable cost information; prepare preliminary design for small to medium sized projects; and evaluate options to solve maintenance problems.

HVAC Improvement Projects: \$750,357 Other Funds for refurbishing the cooling tower, chillers, and performing HVAC upgrades at multiple buildings including the Portland State Office Building, the Public Service Building, Public Utility Commission, Employment, Central Point Lab, Portland Crime Lab, and the State Library.

Revenue Building Lighting Upgrade: \$617,329 Other Funds to provide major maintenance or replace failing lighting at the Revenue Building. Replacement fixtures will provide improved energy efficiency.

Justice Building Elevator Replacement: \$875,000 Other Funds to replace the elevator originally installed in the 1920s with a more reliable unit.

Department of Corrections

Junction City Site: \$44,675,713 Other Funds to complete pre-engineering studies, design, wetland mitigation, and construct off-site infrastructure for facilities at Junction City. Infrastructure will be sufficient to enable the mental health facilities co-located on the site to move forward while the initial prison construction decision is delayed, reducing 2009-11 expenditures.

Department of Human Services

Mental Health Care Facilities, Phase 2: \$279,179,118 Other Funds for continuing work on the project to replace the current Oregon State Hospital with two new facilities. This amount will allow continued work on both the 620-bed facility in Salem and the 360-bed facility proposed for Junction City. Both of these facilities are designed to meet the hospital’s continuous improvement plan which requires significant change in the way patients are housed and receive treatment. This change initiative has been substantiated by issues raised in the U.S. Department of Justice report of January 2008, which reviewed conditions at the hospital and details its evaluation of the state hospital's deficiencies.

Department of State Police

Oregon Wireless Interoperability Network: \$187,779,889 Other Funds to fund phases 2 and 3 of the OWIN project. Phase 2 will complete infrastructure and radio capabilities for the western half of the state, as well as infrastructure build out for the northeastern section. Phase 3 completes the radio installation for the northeastern section and completes the infrastructure build out for the southeastern section. The final phase, adding the radio component to the southeastern region, is scheduled for the 2011-13 biennium.

Forestry Department

Land Acquisition: \$15 million Other Funds for acquisition of forest property in Klamath County known as the former Gilchrist Tract forest lands, and other adjacent forest lands. The source of Other Funds for this acquisition will be \$15 million from the sale of Lottery Revenue Bonds.

Military Department

The Dalles Readiness Center: \$1 Other Funds and \$1 Federal Funds placeholders for construction of a new readiness center at the Columbia Gorge Community College site. In addition to relieving overcrowded conditions at the existing 1949 structure, this facility will provide rental classrooms and an assembly hall for community events.

Milton Freewater Armory: \$3,348,000 Other Funds for design and construction of needed additions and alterations. The existing facility, constructed in 1954, has severe deficiencies in its electrical, mechanical, and structural components that threaten ongoing functionality. The size of the facility is more than 10,000 square feet under current federal requirements for its use.

Hood River Armory: \$1,358,762 Other Funds for design and construction of needed additions and alterations. The existing facility, constructed in 1955, has severe deficiencies in its electrical, mechanical, and structural components that threaten ongoing functionality. The size of the facility is more than 28,000 square feet under current federal requirements for its use.

Camp Withycombe Storm-water Infrastructure: \$1,300,000 Federal Funds for the Sanitary and Storm Sewer Infrastructure project includes upgrades and repairs to comply with municipal code requirements. The existing system has broken storm water conveyances which introduce storm water into the sanitary sewer lines, resulting in increased utility costs. This project will remove and replace 3,200 linear feet of noncompliant storm lines and catch basins and re-route approximately 1,200 linear feet of an existing open conveyance system.

Central Oregon BIAK Training: \$550,000 Federal Funds for the construction of a new restroom/shower facility as an addition to the main building. Using units and rental groups are currently forced to use portable toilets. This project will enhance the ability of the department to rent this facility.

Camp Rilea Roof and Siding Replacement: \$200,000 Federal Funds for replacing roofing, siding, and block wall around the base of a warehouse building.

Clackamas Armory Re-roofing: \$170,000 Federal Funds for improving roof drainage, replacing fascia board, and installing a new roof system.

Hermiston Armory Drill Hall HVAC: \$90,000 Federal Funds for adding air conditioning to the Armory Drill Hall, installing a back-up power generator for continuity of operations, and providing some funding for expansion of the military vehicle compound.

Coos Bay Armory Unit Transformation Project: \$350,000 Federal Funds for remodeling the Armory kitchen and female restroom, adding a female shower and locker room, and upgrading the classroom. The project also includes a data/telecommunications re-wire to bring this facility up to current standards.

Hood River Armory Improvements: \$233,000 Federal Funds for remodeling the Armory kitchen, providing upgrades to the classroom, replacing interior doors, improving finishes, and adding energy efficient lighting.

Central Oregon Readiness Center Interior Improvements: \$300,000 Federal Funds to address functionality issues resulting from the transition of the facility from a former Oregon Youth Authority correctional facility. Restroom and security systems will be updated to meet current needs. Repairs to HVAC systems, changing out jail type doors, improving paving, and adding military vehicle parking are all addressed in this project.

Camp Rilea Water Supply System: \$3,000,000 Federal Funds to address a critical need to provide potable and fire suppression water. The project includes installing two new wells and refurbishing an existing well, installation of a storage tank, construction of support buildings, and connection to the existing water system.

Department of Aviation

Joseph Airport Runway Taxiway/Apron Rehab: \$75,000 Other Funds and \$1,500,000 Federal Funds to construct safety-related improvements. The renovation of the runway, taxiway, and apron is required under Federal Aviation Administration pavement standards.

Appendix B

2009-11 Certificates of Participation

Department of Administrative Services

Mill Creek Infrastructure	\$	5,110,000
Subtotal:	\$	5,110,000

Forestry Department

	\$	
John Day Unit Relocation (Appr. 2007)		520,000
Agency Business System Modernization (Appr. 2007)	\$	1,420,000
Sisters Subunit Relocation (Appr. 2007)	\$	270,000
Subtotal:	\$	2,210,000

Oregon University System

Sys - Capital Renewal	\$	20,835,000
EOU - Pierce Library	\$	4,095,000
OSU - Strand Hall – Def. Maintenance	\$	4,945,000
OSU - Warehouse Acquisition	\$	1,040,000
OSU - Sonpark/EPA acquisition	\$	1,955,000
PSU - City Tower Acquisition	\$	27,670,000
PSU - Market Center Acquisition	\$	28,180,000
SOU - Churchill Hall – Def. Maintenance	\$	3,265,000
UO - Straub Hall – Def. Maintenance	\$	4,410,000
UO - Power Station – Ph. 2 (Waste Gasif.)	\$	3,740,000
Technology		
Sys - Communications Infrastructure Upgrades	\$	2,038,636
PSU - Storage and Server Expansion	\$	611,590
PSU - Creation of Virtual Server Environment	\$	407,728
PSU - Upgrade Back-up and Recovery Systems	\$	407,728
PSU - Desktop Replacement and Upgrades	\$	407,728
UO - Classroom and Laboratory Upgrades	\$	3,057,954
UO - Info. Tech. Equipment and Software	\$	2,038,636
Subtotal:	\$	109,105,000

Military Department

The Dalles Readiness Center	\$	3,155,000
Milton Freewater Armory	\$	3,410,000
Hood River Armory	\$	1,630,000
Woodburn Armory (Appr. 2007)	\$	1,680,000
Gresham Armory (Appr. 2007)	\$	1,030,000
Camp Withycombe (Appr. 2007)	\$	930,000
Subtotal:	\$	11,835,000

Judicial Department

e-Court System	\$	20,345,000
Subtotal:	\$	20,345,000

Department of Human Services

Mental Health Facilities	\$	316,660,000
Case Management System	\$	14,485,000
OR Kids (Child Welfare System)	\$	12,510,000
Subtotal:	\$	343,655,000

Department of Corrections

Junction City Site	\$	45,795,000
Deferred Maintenance (Appr. 2007)	\$	10,530,000
Subtotal:	\$	\$56,325,000

Oregon Youth Authority

MacLaren Infrastructure Rep. & Improve (Appr. 2007)	\$	1,435,000
Deferred Maintenance (Appr. 2007)	\$	2,040,000
Corvallis House (Appr. 2007)	\$	1,025,000
Subtotal:	\$	4,500,000

Department of State Police

Wireless Interoperability Network (OWIN)	\$	191,695,000
Subtotal:	\$	191,695,000

Unidentified Financing Needs:

	\$	20,000,000
	\$	764,780,000

Appendix C

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

	2005-07 ACTUALS	2007-09 LEGISLATIVELY APPROVED	2009-11 ESSENTIAL BUDGET LEVEL	2009-11 LEGISLATIVELY ADOPTED	Change			
					07-09 Approved to 09-11 Adopted		09-11 EBL to 09-11 Adopted	
					#	%	#	%
PROGRAM AREA: EDUCATION								
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT	49.70	56.03	55.70	59.36	3.33	5.9	3.66	6.6
EDUCATION, DEPT OF	442.61	448.28	443.47	375.22	(73.06)	(16.3)	(68.25)	(15.4)
HIGHER EDUCATION, DEPT OF	12,495.08	12,566.58	12,594.10	12,909.01	342.43	2.7	314.91	2.5
STUDENT ASSISTANCE COMMISSION	22.75	31.91	30.16	25.83	(6.08)	(19.1)	(4.33)	(14.4)
TEACHER STANDARDS & PRACTICES COMMISSION	21.50	23.50	20.50	25.00	1.50	6.4	4.50	22.0
EDUCATION TOTAL	13,031.64	13,126.30	13,143.93	13,394.42	268.12	2.0	250.49	1.9
PROGRAM AREA: HUMAN SERVICES								
BLIND, COMMISSION FOR THE	44.60	47.24	47.60	47.60	0.36	0.8	0.00	0.0
CHILDREN & FAMILIES, COMMISSION ON	28.77	30.92	29.67	25.67	(5.25)	(17.0)	(4.00)	(13.5)
HUMAN SERVICES, DEPT OF	9,124.28	9,727.30	9,919.58	10,979.98	1,252.68	12.9	1,060.40	10.7
LONG TERM CARE OMBUDSMAN	8.16	10.00	10.50	10.50	0.50	5.0	0.00	0.0
PRIVATE HEALTH PARTNERSHIPS, OFFICE OF	56.80	52.42	52.50	76.08	23.66	45.1	23.58	44.9
PSYCHIATRIC SECURITY REVIEW BOARD	4.75	5.00	5.00	5.00	0.00	0.0	0.00	0.0
HUMAN SERVICES TOTAL	9,267.36	9,872.88	10,064.85	11,144.83	1,271.95	12.9	1,079.98	10.7
PROGRAM AREA: PUBLIC SAFETY								
CORRECTIONS, DEPT OF	4,170.25	4,647.32	4,665.29	4,621.17	(26.15)	(0.6)	(44.12)	(0.9)
CRIMINAL JUSTICE COMMISSION	5.25	6.00	6.00	9.50	3.50	58.3	3.50	58.3
DISTRICT ATTORNEYS & THEIR DEPUTIES	36.00	36.00	36.00	36.00	0.00	0.0	0.00	0.0
JUSTICE, DEPT OF	1,210.81	1,306.71	1,305.68	1,319.83	13.12	1.0	14.15	1.1
MILITARY, DEPT OF*	437.37	476.23	470.93	485.72	9.49	2.0	14.79	3.1
PAROLE & POST PRISON SUPERVISION BRD	15.00	15.00	15.00	15.00	0.00	0.0	0.00	0.0
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF	134.73	167.13	168.12	143.87	(23.26)	(13.9)	(24.25)	(14.4)
STATE POLICE, DEPT OF*	1,159.36	1,229.16	1,320.75	1,295.65	66.49	5.4	(25.10)	(1.9)
YOUTH AUTHORITY, DEPT OF	1,048.10	1,147.46	1,416.89	1,142.30	(5.16)	(0.4)	(274.59)	(19.4)
PUBLIC SAFETY TOTAL	8,216.87	9,031.01	9,404.66	9,069.04	38.03	0.4	(335.62)	(3.6)
PROGRAM AREA: JUDICIAL BRANCH								
JUDICIAL DEPARTMENT	1,871.21	1,912.85	1,923.13	1,696.06	(216.79)	(11.3)	(227.07)	(11.8)
JUDICIAL FITNESS AND DISABILITY, COMM. ON	0.50	0.50	0.50	0.50	0.00	0.0	0.00	0.0
PUBLIC DEFENSE SERVICES COMMISSION	55.05	65.85	77.07	69.00	3.15	4.8	(8.07)	(10.5)
JUDICIAL BRANCH TOTAL	1,926.76	1,979.20	2,000.70	1,765.56	(213.64)	(10.8)	(235.14)	(11.8)
PROGRAM AREA: ECONOMIC & COMMUNITY DEVELOPMENT								
BUSINESS DEVELOPMENT DEPARTMENT**	119.23	126.00	125.00	126.34	0.34	0.3	1.34	1.1
EMPLOYMENT DEPARTMENT	1,356.77	1,284.10	1,273.39	1,608.65	324.55	25.3	335.26	26.3
FAIR & EXPO CENTER, STATE***	0.00	0.00	0.00	0.00	0.00	NA	0.00	NA
HOUSING & COMMUNITY SERVICES DEPT.	145.50	140.42	135.70	148.33	7.91	5.6	12.63	9.3
VETERANS' AFFAIRS, DEPT OF	111.03	110.53	110.21	107.64	(2.89)	(2.6)	(2.57)	(2.3)
ECONOMIC & COMMUNITY DEVELOPMENT TOTAL	1,732.53	1,661.05	1,644.30	1,990.96	329.91	19.9	346.66	21.1
PROGRAM AREA: NATURAL RESOURCES								
AGRICULTURE, DEPT OF	364.12	375.05	368.29	357.02	(18.03)	(4.8)	(11.27)	(3.1)
ENERGY, DEPT. OF	86.73	90.49	84.79	112.75	22.26	24.6	27.96	33.0
ENVIRONMENTAL QUALITY, DEPT OF	773.89	797.31	787.59	790.13	(7.18)	(0.9)	2.54	0.3
FISH & WILDLIFE, DEPT OF	1,160.74	1,147.90	1,124.65	1,162.20	14.30	1.2	37.55	3.3
FORESTRY DEPARTMENT	909.15	920.96	893.41	864.07	(56.89)	(6.2)	(29.34)	(3.3)
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	39.71	36.20	35.20	36.58	0.38	1.0	1.38	3.9
LAND CONSERVATION & DEVELOPMENT, DEPT OF	69.63	85.54	57.71	74.81	(10.73)	(12.5)	17.10	29.6
LAND USE BOARD OF APPEALS	6.00	6.00	6.00	6.00	0.00	0.0	0.00	0.0
LANDS, DEPT. OF STATE	96.11	108.75	91.50	108.46	(0.29)	(0.3)	16.96	18.5
MARINE BOARD	39.00	39.00	39.00	41.38	2.38	6.1	2.38	6.1
PARKS & RECREATION, DEPT OF***	571.22	602.20	600.94	600.89	(1.31)	(0.2)	(0.05)	0.0
WATER RESOURCES DEPT	138.13	147.60	142.42	146.29	(1.31)	(0.9)	3.87	2.7
WATERSHED ENHANCEMENT BOARD	26.38	30.00	23.00	31.00	1.00	3.3	8.00	34.8
NATURAL RESOURCES TOTAL	4,280.81	4,387.00	4,254.50	4,331.58	(55.42)	(1.3)	77.08	1.8
PROGRAM AREA: TRANSPORTATION								
AVIATION, DEPT OF	17.92	17.00	16.00	16.38	(0.62)	(3.6)	0.38	2.4
TRANSPORTATION, DEPT OF	4,544.69	4,532.62	4,512.72	4,538.08	5.46	0.1	25.36	0.6
TRANSPORTATION TOTAL	4,562.61	4,549.62	4,528.72	4,554.46	4.84	0.1	25.74	0.6

	2005-07 ACTUALS	2007-09 LEGISLATIVELY APPROVED	2009-11 ESSENTIAL BUDGET LEVEL	2009-11 LEGISLATIVELY ADOPTED	Change			
					07-09 Approved to 09-11 Adopted		09-11 EBL to 09-11 Adopted	
					#	%	#	%
PROGRAM AREA: CONSUMER AND BUSINESS SERVICES								
ACCOUNTANCY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
CHIROPRACTIC EXAMINERS, BOARD OF	4.50	4.50	4.50	4.50	0.00	0.0	0.00	0.0
CLINICAL SOCIAL WORKERS, BOARD OF	2.50	3.50	3.00	4.00	0.50	14.3	1.00	33.3
CONSTRUCTION CONTRACTORS BOARD	61.34	80.26	79.00	76.50	(3.76)	(4.7)	(2.50)	(3.2)
CONSUMER & BUSINESS SERVICES, DEPT OF	1,054.78	1,072.03	1,064.58	1,064.08	(7.95)	(0.7)	(0.50)	0.0
COUNSELORS AND THERAPISTS, BOARD OF LICENSED	2.00	2.50	2.50	3.00	0.50	20.0	0.50	20.0
DENTISTRY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
HEALTH LICENSING AGENCY****	27.00	31.40	29.00	33.00	1.60	5.1	4.00	13.8
<i>HEALTH RELATED LICENSING BOARDS</i>								
LICENSED DIETICIANS	0.30	0.30	0.30	0.30	0.00	0.0	0.00	0.0
MORTUARY & CEMETERY BOARD	6.50	5.00	5.00	6.00	1.00	20.0	1.00	20.0
NATUROPATHIC EXAMINERS	2.00	2.00	2.00	2.00	0.00	0.0	0.00	0.0
NURSING HOME ADMINISTRATORS****	1.00	0.92	0.92	0.00	(0.92)	(100.0)	(0.92)	(100.0)
OCCUPATIONAL THERAPY LICENSING BOARD	1.25	1.25	1.25	1.25	0.00	0.0	0.00	0.0
RADIOLOGIC TECHNOLOGY	3.00	3.00	3.00	3.00	0.00	0.0	0.00	0.0
SPEECH PATHOLOGY AND AUDIOLOGY	1.40	1.40	1.40	1.40	0.00	0.0	0.00	0.0
VETERINARY MEDICAL EXAMINERS BOARD	2.25	2.25	2.25	2.75	0.50	22.2	0.50	22.2
LABOR & INDUSTRIES, BUREAU OF	107.88	111.00	111.00	106.00	(5.00)	(4.5)	(5.00)	(4.5)
MEDICAL BOARD, OREGON	34.30	35.30	35.30	38.00	2.70	7.6	2.70	7.6
NURSING, BOARD OF	44.25	41.75	41.75	47.75	6.00	14.4	6.00	14.4
PHARMACY, BOARD OF	17.50	20.75	18.50	19.00	(1.75)	(8.4)	0.50	2.7
PSYCHOLOGIST EXAMINERS, BOARD OF	3.00	3.58	3.00	4.00	0.42	11.7	1.00	33.3
PUBLIC UTILITY COMMISSION	124.69	124.50	119.62	127.25	2.75	2.2	7.63	6.4
REAL ESTATE AGENCY	30.41	31.62	29.63	30.63	(0.99)	(3.1)	1.00	3.4
TAX PRACTITIONERS, STATE BOARD OF	4.00	5.00	5.00	4.00	(1.00)	(20.0)	(1.00)	(20.0)
CONSUMER & BUSINESS SERVICES TOTAL	1,549.85	1,597.81	1,576.50	1,592.41	(5.40)	(0.3)	15.91	1.0
PROGRAM AREA: ADMINISTRATION								
ADMINISTRATIVE SERVICES, DEPT OF	898.52	948.30	930.37	851.74	(96.56)	(10.2)	(78.63)	(8.5)
ADVOCACY COMMISSIONS OFFICE	2.18	2.00	2.00	2.00	0.00	0.0	0.00	0.0
EMPLOYMENT RELATIONS BOARD	12.00	13.00	13.00	12.50	(0.50)	(3.8)	(0.50)	(3.8)
GOVERNMENT ETHICS COMMISSION	3.00	6.25	6.00	8.00	1.75	28.0	2.00	33.3
GOVERNOR, OFFICE OF	45.50	62.56	62.00	66.00	3.44	5.5	4.00	6.5
LIBRARY, STATE	42.47	42.84	42.47	42.26	(0.58)	(1.4)	(0.21)	(0.5)
LIQUOR CONTROL COMM	215.46	225.68	223.72	230.72	5.04	2.2	7.00	3.1
PUBLIC EMPLOYEES RETIREMENT SYSTEM	386.71	394.88	295.05	361.55	(33.33)	(8.4)	66.50	22.5
RACING COMMISSION	13.22	14.52	14.52	14.52	0.00	0.0	0.00	0.0
REVENUE, DEPT OF	997.34	968.22	962.11	1,012.26	44.04	4.5	50.15	5.2
SECRETARY OF STATE	200.50	198.50	197.50	197.30	(1.20)	(0.6)	(0.20)	(0.1)
TREASURER OF STATE	74.10	81.24	81.10	83.10	1.86	2.3	2.00	2.5
ADMINISTRATION TOTAL	2,891.00	2,957.99	2,829.84	2,881.95	(76.04)	(2.6)	52.11	1.8
PROGRAM AREA: LEGISLATIVE BRANCH								
INDIAN SERVICES, COMM	2.00	2.00	2.00	2.00	0.00	0.0	0.00	0.0
LEGISLATIVE ADMINISTRATION	103.39	107.45	107.45	99.15	(8.30)	(7.7)	(8.30)	(7.7)
LEGISLATIVE ASSEMBLY	216.95	216.20	216.20	207.44	(8.76)	(4.1)	(8.76)	(4.1)
LEGISLATIVE COUNSEL	46.81	50.27	50.36	45.28	(4.99)	(9.9)	(5.08)	(10.1)
LEGISLATIVE FISCAL OFFICER	18.75	21.00	20.50	20.50	(0.50)	(2.4)	0.00	0.0
LEGISLATIVE REVENUE OFFICER	6.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
LEGISLATIVE BRANCH TOTAL	393.90	403.92	403.51	381.37	(22.55)	(5.6)	(22.14)	(5.5)
STATE OF OREGON TOTAL FTE POSITIONS	47,853.33	49,566.78	49,851.51	51,106.58	1,539.80	3.1	1,255.07	2.5

* Reflects transition of Office of Emergency Management functions from Oregon State Police to Military

** Reflects renaming of Oregon Economic and Community Development Department to the Oregon Business Development Department (HB 2152)(2009)

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

**** Reflects transition of Board of Nursing Home Administrators to the Health Licensing Agency

Appendix D

Summary of Expenditures by Program Area and Fund

2009-11 Legislatively Adopted Budget by Program Area and Fund Source						
Program Area	General Fund	Lottery Funds	GF&LF Total	Other Funds	Federal Funds	All Funds
Education	6,819,998,207	536,375,882	7,356,374,089	4,729,433,138	1,755,698,966	13,841,506,193
Human Services	3,532,079,644	11,557,611	3,543,637,255	1,994,568,653	10,122,490,029	15,660,695,937
Public Safety	1,881,267,221	7,223,958	1,888,491,179	776,249,385	544,581,438	3,209,322,002
Judicial Branch	503,966,203	0	503,966,203	62,083,760	859,163	566,909,126
Natural Resources	144,709,253	181,921,474	326,630,727	1,112,611,279	304,528,484	1,743,770,490
Economic Development	24,462,706	122,402,655	146,865,361	4,695,971,237	1,189,320,253	6,032,156,851
Consumer and Business Svs.	13,156,979	0	13,156,979	1,025,831,938	1,906,252	1,040,895,169
Transportation	10,000,000	85,445,103	95,445,103	3,894,113,721	89,936,949	4,079,495,773
Administration	197,506,897	12,086,248	209,593,145	9,367,422,167	12,263,720	9,589,279,032
Legislative Branch	75,178,600	0	75,178,600	7,869,628	0	83,048,228
Miscellaneous (E Fund)	76,147,321	0	76,147,321	0	0	76,147,321
Total	13,278,473,031	957,012,931	14,235,485,962	27,666,154,906	14,021,585,254	55,923,226,122

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 2007-09 legislatively approved column. Special purpose appropriations for specific agencies are not included within the agency General Fund budgets for the 2009-11 legislatively adopted amounts, but are included in the legislatively adopted amount appropriated to the Emergency Board.
- The 2007-09 legislatively approved amounts represent expenditure authorizations through all 2007-09 Emergency Board actions and all 2007-09 budget adjustments addressed during the 2009 legislative session (including the most recent Department of Human Services rebalance adopted in HB 5052). The 2007-09 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 2009-11 essential budget level reflects the original December 2008 calculated essential budget level with some modifications developed during the 2009 legislative session.

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
EDUCATION				
Community Colleges and Workforce Development				
General Fund	433,764,035	504,905,039	516,563,006	464,376,904
Lottery Funds	-	-	-	9,306,103
Other Funds	82,478,580	156,575,166	6,468,473	137,735,836
Federal Funds	131,932,717	129,458,668	127,212,011	176,828,611
Total Expenditures	648,175,332	790,938,873	650,243,490	788,247,454
Education, Dept of				
General Fund	252,080,396	320,304,272	353,578,057	334,840,286
Lottery Funds	56,466,743	56,415,089	55,834,298	55,232,892
Other Funds	147,663,275	190,770,408	169,408,124	157,461,798
Federal Funds	1,002,009,072	1,073,360,467	1,043,294,840	1,281,617,816
Total Expenditures	1,458,219,486	1,640,850,236	1,622,115,319	1,829,152,792
State School Fund & Other K-12 Grants				
General Fund	4,858,068,416	4,952,296,586	6,005,773,807	5,112,927,276
Lottery Funds	447,302,659	1,061,362,741	539,063,144	439,791,571
Other Funds	657,980	3,247,438	340,252	3,637,214
Federal Funds	-	115,360,098	-	226,099,942
Total Expenditures	5,306,029,055	6,132,266,863	6,545,177,203	5,782,456,003
Oregon University System				
General Fund	737,484,478	791,522,349	924,840,969	738,131,684
Lottery Funds	9,630,340	25,982,232	32,885,315	23,104,431
Other Funds	3,689,645,298	4,414,504,967	3,601,694,608	4,375,273,200
Federal Funds	-	55,639,902	-	69,361,591
Total Expenditures	4,436,760,116	5,287,649,450	4,559,420,892	5,205,870,906
Oregon Health and Science University				
General Fund	73,337,163	82,233,539	88,201,785	79,381,606
Other Funds	31,945,510	31,978,666	31,912,991	31,978,974
Total Expenditures	105,282,673	114,212,205	120,114,776	111,360,580
Student Assistance Commission				
General Fund	62,791,959	101,610,307	107,560,206	90,340,451
Lottery Funds	253	9,879,176	8,960,475	8,940,885
Other Funds	12,682,289	16,481,030	18,655,644	18,228,045
Federal Funds	2,063,925	2,104,655	1,791,006	1,791,006
Total Expenditures	77,538,426	130,075,168	136,967,331	119,300,387
Teacher Standards & Practices Comm				
Other Funds	4,174,259	5,090,324	4,661,306	5,118,071
EDUCATION PROGRAM AREA TOTAL				
General Fund	6,417,526,447	6,752,872,092	7,996,517,830	6,819,998,207
Lottery Funds	513,399,995	1,153,639,238	636,743,232	536,375,882
Other Funds	3,969,247,191	4,818,647,999	3,833,141,398	4,729,433,138
Federal Funds	1,136,005,714	1,375,923,790	1,172,297,857	1,755,698,966
Total	12,036,179,347	14,101,083,119	13,638,700,317	13,841,506,193

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
HUMAN SERVICES				
Blind, Commission for the				
General Fund	1,233,746	1,520,038	1,710,148	1,449,953
Other Funds	2,786,193	2,497,700	2,517,386	2,525,619
Federal Funds	11,364,345	12,157,237	11,448,361	11,651,863
Total Expenditures	15,384,284	16,174,975	15,675,895	15,627,435
Children and Families, Commission on				
General Fund	46,119,756	57,246,821	62,078,040	49,062,670
Other Funds	18,320,733	23,487,919	21,706,708	17,829,193
Federal Funds	2,421,701	4,522,936	4,864,514	4,836,294
Total Expenditures	66,862,190	85,257,676	88,649,262	71,728,157
Human Services, Department of				
General Fund	2,707,105,503	3,112,559,523	3,817,475,079	3,457,960,945
Lottery Funds	9,191,451	13,159,004	13,712,288	11,557,611
Other Funds	1,086,680,639	1,351,076,755	1,002,163,230	1,849,254,005
Federal Funds	6,020,928,817	7,549,876,528	9,605,356,247	10,106,001,872
Total Expenditures	9,823,906,410	12,026,671,810	14,438,706,844	15,424,774,433
Long Term Care Ombudsman				
General Fund	581,337	947,535	1,184,701	1,174,082
Other Funds	1,487,945	1,828,365	2,000,527	1,932,156
Total Expenditures	2,069,282	2,775,900	3,185,228	3,106,238
Private Health Partnerships, Office of				
General Fund	25,075,821	22,611,503	26,326,825	21,291,139
Other Funds	56,349,908	50,928,448	59,923,264	123,025,624
Total Expenditures	81,425,729	73,539,951	86,250,089	144,316,763
Psychiatric Security Review Board				
General Fund	873,358	1,095,087	1,413,015	1,140,855
Other Funds		2,000	2,056	2,056
Total Expenditures	873,358	1,097,087	1,415,071	1,142,911
HUMAN SERVICES PROGRAM AREA				
General Fund	2,780,989,521	3,195,980,507	3,910,187,808	3,532,079,644
Lottery Funds	9,191,451	13,159,004	13,712,288	11,557,611
Other Funds	1,165,625,418	1,429,821,187	1,088,313,171	1,994,568,653
Federal Funds	6,034,714,863	7,566,556,701	9,621,669,122	10,122,490,029
Total	9,990,521,253	12,205,517,399	14,633,882,389	15,660,695,937

	<u>2005-07</u> <u>Actual</u> \$	<u>2007-09</u> <u>Legislatively</u> <u>Approved</u> \$	<u>2009-11</u> <u>Essential</u> <u>Budget Level</u> \$	<u>2009-11</u> <u>Legislatively</u> <u>Adopted</u> \$
PUBLIC SAFETY				
Corrections, Dept of				
General Fund	1,060,812,814	1,260,826,243	1,455,542,591	1,259,731,433
Other Funds	53,410,765	88,136,123	31,838,251	86,553,299
Federal Funds	3,648,414	17,785,700	4,696,921	108,541,761
Total Expenditures	<u>1,117,871,993</u>	<u>1,366,748,066</u>	<u>1,492,077,763</u>	<u>1,454,826,493</u>
Criminal Justice Commission				
General Fund	3,278,770	6,616,896	7,203,683	5,364,461
Other Funds	78,503	1,223,647	33,158	196,866
Federal Funds	100,650	126,984	126,993	12,513,937
Total Expenditures	<u>3,457,923</u>	<u>7,967,527</u>	<u>7,363,834</u>	<u>18,075,264</u>
District Attorneys and Their Deputies				
General Fund	<u>9,161,601</u>	<u>10,481,366</u>	<u>10,818,348</u>	<u>10,188,466</u>
Justice, Dept of				
General Fund	34,463,132	49,095,726	64,884,333	54,721,022
Other Funds	156,212,673	223,970,729	235,799,607	227,375,333
Federal Funds	95,054,809	115,379,117	119,187,549	126,512,997
Total Expenditures	<u>285,730,614</u>	<u>388,445,572</u>	<u>419,871,489</u>	<u>408,609,352</u>
Military Department				
General Fund	18,237,338	24,068,731	28,323,692	26,078,460
Other Funds	11,733,037	132,711,916	84,111,080	126,447,477
Federal Funds	70,018,953	338,651,526	237,131,727	258,213,859
Total Expenditures	<u>99,989,328</u>	<u>495,432,173</u>	<u>349,566,499</u>	<u>410,739,796</u>
Oregon Youth Authority				
General Fund	212,774,323	252,455,324	346,165,025	266,009,019
Other Funds	10,195,513	31,926,779	16,341,610	14,669,929
Federal Funds	21,199,132	30,231,731	27,601,588	31,443,386
Total Expenditures	<u>244,168,968</u>	<u>314,613,834</u>	<u>390,108,223</u>	<u>312,122,334</u>
Parole & Post Prison Supervision, Bd. of				
General Fund	3,450,872	3,921,748	4,138,063	3,517,191
Other Funds	5,624	16,539	10,048	10,048
Total Expenditures	<u>3,456,496</u>	<u>3,938,287</u>	<u>4,148,111</u>	<u>3,527,239</u>
Police, Dept of State				
General Fund	177,443,107	215,344,908	266,694,456	244,296,881
Lottery Funds	6,364,954	7,150,132	7,596,103	7,223,958
Other Funds	149,614,503	166,991,154	85,311,266	284,623,374
Federal Funds	147,562,352	25,741,644	13,310,911	7,299,333
Total Expenditures	<u>480,984,916</u>	<u>415,227,838</u>	<u>372,912,736</u>	<u>543,443,546</u>
Public Safety Standards & Training, Dept of				
General Fund	8,480,768	11,010,130	11,360,288	11,360,288
Other Funds	29,141,449	38,582,501	42,680,364	36,373,059
Federal Funds	52,992	54,635	56,165	56,165
Total Expenditures	<u>37,675,209</u>	<u>49,647,266</u>	<u>54,096,817</u>	<u>47,789,512</u>

	<u>2005-07 Actual</u>	<u>2007-09 Legislatively Approved</u>	<u>2009-11 Essential Budget Level</u>	<u>2009-11 Legislatively Adopted</u>
	\$	\$	\$	\$
PUBLIC SAFETY PROGRAM AREA				
General Fund	1,528,102,725	1,833,821,072	2,195,130,479	1,881,267,221
Lottery Funds	6,364,954	7,150,132	7,596,103	7,223,958
Other Funds	410,392,067	683,559,388	496,125,384	776,249,385
Federal Funds	337,637,302	527,971,337	402,111,854	544,581,438
Total	2,282,497,048	3,052,501,929	3,100,963,820	3,209,322,002

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
JUDICIAL BRANCH				
Court Procedures, Council on				
General Fund	583	-	-	-
Other Funds	7,996	-	-	-
Total Expenditures	8,579	-	-	-
Judicial Department				
General Fund	282,060,774	310,355,186	348,048,319	292,993,113
Other Funds	31,153,045	61,527,433	46,306,763	58,102,359
Federal Funds	1,478,760	1,013,463	1,047,391	859,163
Total Expenditures	314,692,579	372,896,082	395,402,473	351,954,635
Judicial Fitness, Commission on				
General Fund	220,903	166,688	190,577	178,929
Public Defense Services Commission				
General Fund	183,534,420	211,439,300	235,774,872	210,794,161
Other Funds	316,795	1,125,502	676,845	3,981,401
Total Expenditures	183,851,215	212,564,802	236,451,717	214,775,562
JUDICIAL BRANCH PROGRAM AREA				
General Fund	465,816,680	521,961,174	584,013,768	503,966,203
Other Funds	31,477,836	62,652,935	46,983,608	62,083,760
Federal Funds	1,478,760	1,013,463	1,047,391	859,163
Total	498,773,276	585,627,572	632,044,767	566,909,126

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
ECONOMIC AND COMMUNITY DEVELOPMENT				
Business Development Department*				
General Fund	1,791,094	4,544,947	4,431,047	4,665,252
Lottery Funds	93,797,043	129,157,908	113,014,071	113,582,000
Other Funds	230,020,998	296,260,277	212,310,469	266,378,222
Federal Funds	23,312,513	36,374,862	27,140,696	34,238,986
Total Expenditures	348,921,648	466,337,994	356,896,283	418,864,460
Employment Department				
General Fund	3,714,007	3,773,516	4,170,698	3,316,072
Other Funds	1,170,845,830	2,257,866,994	1,620,646,687	2,219,251,506
Federal Funds	247,466,002	390,159,367	255,114,976	795,361,075
Total Expenditures	1,422,025,839	2,651,799,877	1,879,932,361	3,017,928,653
Housing & Community Services Dept				
General Fund	10,872,777	19,609,773	12,760,057	10,312,467
Lottery Funds	4,460,536	5,932,768	7,516,467	8,820,655
Other Funds	1,628,808,600	2,248,317,105	1,646,793,520	1,675,698,941
Federal Funds	214,452,947	260,292,336	227,612,585	359,720,192
Total Expenditures	1,858,594,860	2,534,151,982	1,894,682,629	2,054,552,255
State Fair & Exposition Center				
Other Funds	4,367,770	-	-	-
Total Expenditures	4,367,770	-	-	-
Veterans' Affairs, Department of				
General Fund	5,608,595	6,151,775	6,584,883	6,168,915
Other Funds	443,305,106	649,304,589	530,838,399	534,639,868
Total Expenditures	448,913,701	655,456,364	537,423,282	540,808,783
ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA				
General Fund	21,986,473	34,080,011	27,946,685	24,462,706
Lottery Funds	98,257,579	135,090,676	120,530,538	122,402,655
Other Funds	3,477,348,304	5,451,748,965	4,010,589,075	4,695,968,537
Federal Funds	485,231,462	686,826,565	509,868,257	1,189,320,253
Total	4,082,823,818	6,307,746,217	4,668,934,555	6,032,154,151

* HB 2152 (2009) changed the name of the Oregon Economic and Community Development Department to the Oregon Business Development Department

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
NATURAL RESOURCES				
Agriculture, Department of				
General Fund	14,835,593	14,210,873	17,393,910	14,264,994
Lottery Funds	10,924,178	10,358,644	10,799,970	10,144,720
Other Funds	40,181,341	52,213,165	49,108,221	49,174,448
Federal Funds	7,357,069	8,338,822	6,751,898	12,287,361
Total Expenditures	73,298,181	85,121,504	84,053,999	85,871,523
Columbia River Gorge Commission				
General Fund	852,939	1,050,770	1,179,356	860,811
Other Funds	-	-	-	73,030
Total Expenditures	852,939	1,050,770	1,179,356	933,841
Energy, Department of				
General Fund	-	3,100,000	-	-
Lottery Funds	-	-	-	590,347
Other Funds	99,090,924	180,102,456	189,224,372	200,214,206
Federal Funds	3,781,133	5,622,500	5,847,654	57,739,196
Total Expenditures	102,872,057	188,824,956	195,072,026	258,543,749
Environmental Quality, Department of				
General Fund	23,091,569	36,505,910	40,371,909	33,330,127
Lottery Funds	3,799,400	5,610,171	5,555,984	5,426,117
Other Funds	241,107,066	281,536,901	216,591,281	326,935,124
Federal Funds	35,360,617	30,659,385	32,033,198	35,935,314
Total Expenditures	303,358,652	354,312,367	294,552,372	401,626,682
Fish & Wildlife, Department of				
General Fund	10,993,233	13,975,193	16,909,505	13,521,898
Lottery Funds	5,719,505	12,164,453	11,281,640	6,105,448
Other Funds	116,757,237	136,439,786	130,985,313	151,472,795
Federal Funds	79,664,474	98,842,749	96,432,261	90,736,188
Total Expenditures	213,134,449	261,422,181	255,608,719	261,836,329
Forestry, Department of				
General Fund	52,819,882	46,393,176	44,963,795	40,474,980
Lottery Funds	-	-	-	1,507,601
Other Funds	198,662,336	263,482,943	185,400,142	214,755,346
Federal Funds	15,163,791	26,483,943	26,816,820	46,558,712
Total Expenditures	266,646,009	336,360,062	257,180,757	303,296,639
Geology & Mineral Industries, Dept of				
General Fund	3,515,026	3,289,957	3,476,189	2,896,740
Lottery Funds	-	1,500,000	-	500,000
Other Funds	3,328,411	6,664,966	3,661,759	6,868,294
Federal Funds	1,377,697	1,945,003	2,045,936	2,396,172
Total Expenditures	8,221,134	13,399,926	9,183,884	12,661,206
Land Conservation & Development, Dept of				
General Fund	13,786,288	20,267,035	16,179,286	16,793,066
Other Funds	759,582	861,793	819,845	863,649
Federal Funds	5,370,272	6,559,044	6,440,348	6,598,675
Total Expenditures	19,916,142	27,687,872	23,439,479	24,255,390

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
Land Use Board of Appeals				
General Fund	1,315,100	1,525,950	1,599,580	1,531,111
Other Funds	62,644	77,054	81,546	80,003
Total Expenditures	1,377,744	1,603,004	1,681,126	1,611,114
State Lands, Department of				
General Fund	186,656	213,075	244,741	-
Other Funds	17,340,196	42,610,668	22,667,180	25,911,841
Federal Funds	2,227,353	4,929,187	2,399,608	6,062,037
Total Expenditures	19,754,205	47,752,930	25,311,529	31,973,878
Marine Board				
Other Funds	22,453,222	25,397,723	25,949,147	26,262,518
Federal Funds	4,880,114	8,588,830	8,710,980	6,934,578
Total Expenditures	27,333,336	33,986,553	34,660,127	33,197,096
Parks & Recreation Department				
Lottery Funds	87,520,218	107,432,184	95,043,951	90,624,929
Other Funds	92,163,590	113,155,587	114,105,658	94,416,010
Federal Funds	7,363,360	9,420,900	8,153,759	14,862,468
Total Expenditures	187,047,168	230,008,671	217,303,368	199,903,407
Water Resources Department				
General Fund	21,254,080	25,957,473	25,451,601	21,035,526
Lottery Funds	-	-	-	354,911
Other Funds	5,567,010	7,233,243	7,168,086	13,574,310
Federal Funds	551,585	1,184,828	1,079,877	1,197,639
Total Expenditures	27,372,675	34,375,544	33,699,564	36,162,386
Oregon Watershed Enhancement Board				
Lottery Funds	50,561,621	84,630,076	21,863,785	66,667,401
Other Funds	753,210	1,664,862	2,136,718	2,009,705
Federal Funds	21,870,571	22,001,679	21,541,600	23,220,144
Total Expenditures	73,185,402	108,296,617	45,542,103	91,897,250
NATURAL RESOURCES PROGRAM AREA				
General Fund	142,650,366	166,489,412	167,769,872	144,709,253
Lottery Funds	158,524,922	221,695,528	144,545,330	181,921,474
Other Funds	838,226,769	1,111,441,147	947,899,268	1,112,611,279
Federal Funds	184,968,036	224,576,870	218,253,939	304,528,484
Total	1,324,370,093	1,724,202,957	1,478,468,409	1,743,770,490

	<u>2005-07 Actual</u> \$	<u>2007-09 Legislatively Approved</u> \$	<u>2009-11 Essential Budget Level</u> \$	<u>2009-11 Legislatively Adopted</u> \$
TRANSPORTATION				
Aviation, Department of				
Other Funds	6,886,659	9,508,576	6,826,725	6,738,855
Federal Funds	2,863,075	10,443,166	970,000	2,470,000
Total Expenditures	9,749,734	19,951,742	7,796,725	9,208,855
Transportation, Department of				
General Fund	8,626,167	4,504,713	4,630,845	10,000,000
Lottery Funds	22,819,711	46,559,957	92,782,785	85,445,103
Other Funds	2,798,948,109	3,455,983,939	3,415,432,926	3,887,374,866
Federal Funds	50,690,562	81,466,942	82,510,966	87,466,949
Total Expenditures	2,881,084,549	3,588,515,551	3,595,357,522	4,070,286,918
TRANSPORTATION PROGRAM AREA				
General Fund	8,626,167	4,504,713	4,630,845	10,000,000
Lottery Funds	22,819,711	46,559,957	92,782,785	85,445,103
Other Funds	2,805,834,768	3,465,492,515	3,422,259,651	3,894,113,721
Federal Funds	53,553,637	91,910,108	83,480,966	89,936,949
Total	2,890,834,283	3,608,467,293	3,603,154,247	4,079,495,773

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
CONSUMER AND BUSINESS SERVICES				
Accountancy, Board of				
Other Funds	1,472,666	2,063,391	1,766,821	1,752,239
Chiropractic Examiners, Board of				
Other Funds	1,003,629	1,156,726	1,295,037	1,243,565
Clinical Social Workers, Board of				
Other Funds	581,996	857,778	808,079	927,435
Construction Contractors Board				
Other Funds	11,333,433	15,802,536	16,832,130	15,082,530
Consumer and Business Services, Dept of				
Other Funds	587,391,992	731,895,947	824,605,038	813,829,694
Dentistry, Board of				
Other Funds	1,674,133	1,963,097	2,091,744	2,182,624
Health Licensing Agency				
Other Funds	5,102,020	6,410,206	5,899,299	6,403,386
Health Related Licensing Boards:				
Licensed Dietitians				
Other Funds	58,026	81,722	78,971	76,603
Mortuary and Cemetery Board				
Other Funds	1,021,759	1,093,108	1,212,236	1,260,188
Naturopathic Examiners				
Other Funds	342,014	426,581	479,489	495,406
Nursing Home Administrators*				
Other Funds	179,584	216,925	227,181	-
Occupational Therapy Licensing Bd				
Other Funds	213,006	296,776	360,241	338,178
Radiologic Technology				
Other Funds	433,225	548,450	648,171	615,094
Speech-Language Path. and Audio.				
Other Funds	258,523	299,360	326,107	314,657
Veterinary Medical Examiners Bd				
Other Funds	505,033	557,967	631,330	660,617
Health Related Licensing Boards Total				
Other Funds	3,011,170	3,520,889	3,963,726	3,760,743

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
Investigators, Board of				
Other Funds	73,332	-	-	-
Labor & Industries, Bureau of				
General Fund	11,658,779	12,774,373	13,832,851	13,156,979
Other Funds	7,223,172	8,867,282	9,262,949	9,049,612
Federal Funds	1,256,505	1,546,856	1,654,391	1,412,409
Total Expenditures	20,138,456	23,188,511	24,750,191	23,619,000
Licensed Prof Counselors and Therapists, Bd				
Other Funds	655,496	675,068	751,671	789,059
Medical Board, Oregon				
Other Funds	7,009,267	8,815,036	8,826,794	9,457,645
Nursing, Board of				
Other Funds	8,206,560	10,247,281	10,917,539	11,700,411
Pharmacy, Board of**				
Other Funds	3,478,189	4,407,856	4,725,674	4,903,896
Federal Funds	14,352	357,545	-	-
Total Expenditures	3,492,541	4,765,401	4,725,674	4,903,896
Psychologist Examiners, Board of				
Other Funds	720,718	1,042,816	971,603	1,041,395
Public Utility Commission				
Other Funds	132,955,731	141,250,848	125,877,673	134,333,365
Federal Funds	365,169	484,012	508,801	493,843
Total Expenditures	133,320,900	141,734,860	126,386,474	134,827,208
Real Estate Agency				
Other Funds	6,912,911	8,045,251	7,954,482	8,377,812
Tax Practitioners, Board of				
Other Funds	892,929	1,105,711	1,126,108	996,527
CONSUMER AND BUSINESS SERVICES PROGRAM AREA				
General Fund	11,658,779	12,774,373	13,832,851	13,156,979
Other Funds	779,699,344	948,127,719	1,027,676,367	1,025,831,938
Federal Funds	1,636,026	2,388,413	2,163,192	1,906,252
Total	792,994,149	963,290,505	1,043,672,410	1,040,895,169

* Board of Examiners of Nursing Home Administrators moved into Oregon Health Licensing Agency beginning with the 2009-11 legislatively adopted budget.

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

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
ADMINISTRATION				
Administrative Services, Dept of*				
General Fund	9,816,287	8,238,635	7,925,382	15,977,629
Lottery Funds	600,000	-	-	5,168,130
Other Funds	921,800,550	1,661,199,838	1,190,346,735	2,546,325,457
Federal Funds	470,721	-	-	47,000
Total Expenditures	932,687,558	1,669,438,473	1,198,272,117	2,567,518,216
County Fairs*				
Lottery Funds	3,344,827	3,554,474	3,554,474	3,021,303
Historical Society*				
General Fund	-	2,609,668	-	625,000
Oregon Public Broadcasting*				
General Fund	-	-	-	125,000
Lottery Funds	1,619,165	1,790,684	1,882,673	1,882,590
Other Funds	-	3,000,000	-	-
Total Expenditures	1,619,165	4,790,684	1,882,673	2,007,590
Advocacy Commissions Office				
General Fund	175,365	380,455	461,655	419,895
Other Funds	72,102	103,988	106,691	75,000
Total Expenditures	247,467	484,443	568,346	494,895
Employment Relations Board				
General Fund	1,449,843	1,781,669	1,858,241	1,717,400
Other Funds	1,351,934	1,714,806	1,809,436	1,758,626
Total Expenditures	2,801,777	3,496,475	3,667,677	3,476,026
Government Ethics Commission				
General Fund	636,522	1,266,701	403,618	176,399
Other Funds	3,262	3,379	864,101	1,381,699
Total Expenditures	639,784	1,270,080	1,267,719	1,558,098
Governor, Office of the				
General Fund	8,168,306	11,249,832	12,612,969	10,905,192
Lottery Funds	1,674,526	2,106,349	2,289,279	2,014,225
Other Funds	973,742	2,662,537	2,721,794	4,314,229
Federal Funds	62,943	16,750	-	-
Total Expenditures	10,879,517	16,035,468	17,624,042	17,233,646
Oregon Liquor Control Comm				
Other Funds	115,365,891	122,141,357	131,416,805	134,285,467
Public Employees Retirement System				
Other Funds	5,481,963,346	6,373,907,468	6,537,717,628	6,558,969,367

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
Racing Commission, Oregon				
Other Funds	4,983,295	5,848,854	6,114,165	5,941,351
Revenue, Dept of				
General Fund	134,178,423	146,199,886	160,041,827	152,533,566
Other Funds	29,384,991	35,102,489	35,500,847	33,698,188
Total Expenditures	163,563,414	181,302,375	195,542,674	186,231,754
Secretary of State				
General Fund	11,413,725	13,983,671	11,688,558	11,639,792
Other Funds	32,004,781	39,108,419	37,536,318	38,386,600
Federal Funds	5,747,937	9,222,719	7,520,712	7,505,935
Total Expenditures	49,166,443	62,314,809	56,745,588	57,532,327
State Library				
General Fund	2,870,571	3,231,652	3,493,861	3,387,024
Other Funds	6,615,839	7,136,406	7,181,816	7,176,422
Federal Funds	3,987,317	4,822,563	4,755,410	4,710,785
Total Expenditures	13,473,727	15,190,621	15,431,087	15,274,231
Treasury, Oregon State				
Other Funds	24,218,151	33,662,234	34,695,709	35,109,761
ADMINISTRATION PROGRAM AREA				
General Fund	168,709,042	188,942,169	198,486,111	197,506,897
Lottery Funds	7,238,518	7,451,507	7,726,426	12,086,248
Other Funds	6,618,737,884	8,285,591,775	7,986,012,045	9,367,422,167
Federal Funds	10,268,918	14,062,032	12,276,122	12,263,720
Total	6,804,954,362	8,496,047,483	8,204,500,704	9,589,279,032

* Oregon Public Broadcasting, County Fairs, and Oregon Historical Society are included in the budget for the Department of Administrative Services as pass-throughs; they are shown separately in this table for informational purposes.

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
	\$	\$	\$	\$
LEGISLATIVE BRANCH				
Indian Services, Commission on				
General Fund	289,848	379,753	426,916	413,427
Other Funds	321	6,109	6,280	6,280
Total Expenditures	290,169	385,862	433,196	419,707
Legislative Administration Committee				
General Fund	21,817,506	31,551,257	31,952,708	25,297,160
Other Funds	4,425,687	38,052,738	2,666,396	5,001,240
Total Expenditures	26,243,193	69,603,995	34,619,104	30,298,400
Legislative Assembly				
General Fund	27,722,266	34,068,340	36,298,773	32,943,483
Other Funds	173,273	289,758	297,872	345,740
Total Expenditures	27,895,539	34,358,098	36,596,645	33,289,223
Legislative Counsel Committee				
General Fund	7,241,019	8,530,009	9,561,610	8,394,303
Other Funds	1,920,286	2,374,943	2,241,627	2,516,368
Total Expenditures	9,161,305	10,904,952	11,803,237	10,910,671
Legislative Fiscal Officer				
General Fund	4,555,885	5,633,630	6,197,674	5,995,339
Legislative Revenue Officer				
General Fund	1,585,121	1,945,713	2,211,308	2,134,888
LEGISLATIVE BRANCH PROGRAM AREA				
General Fund	63,211,645	82,108,702	86,648,989	75,178,600
Other Funds	6,519,567	40,723,548	5,212,175	7,869,628
Total	69,731,212	122,832,250	91,861,164	83,048,228

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 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)	-	-	10,219,084	46,147,321

MISCELLANEOUS PROGRAM TOTAL

General Fund	-	-	40,219,084	76,147,321
Total	-	-	40,219,084	76,147,321

Special Purpose Appropriations (SPA)

State Employee Supplemental Costs - Health Benefits	-		5,100,000	32,000,000
ODF - Fire Protection Services	-		5,119,084	4,722,321
Various Agencies - Oregon School for Blind Closure	-		-	2,850,000
CRGC - Ordinance Adoption Report	-		-	25,000
ODE - Local Option Equalization Grants				900,000
Various Agencies - Interagency Compliance Network				750,000
SOS - Special Election Costs				2,000,000
DOJ - TMSA Defense				1,500,000
LAC/SOS - Redistricting Costs				600,000
Legislative Branch Agencies - Special Session Costs				800,000
SPA Totals	-		10,219,084	46,147,321

	<u>2005-07 Actual</u>	<u>2007-09 Legislatively Approved</u>	<u>2009-11 Essential Budget Level</u>	<u>2009-11 Legislatively Adopted</u>
	\$	\$	\$	\$
STATE OF OREGON TOTAL EXPENDITURES				
General Fund	11,609,277,845	12,793,534,225	15,225,384,322	13,278,473,031
Lottery Funds	815,797,130	1,584,746,042	1,023,636,702	957,012,931
Other Funds	20,103,109,148	26,297,807,178	22,864,212,142	27,666,152,206
Federal Funds	8,245,494,718	10,491,229,279	12,023,168,700	14,021,585,254
Total Expenditures	<u>40,773,678,841</u>	<u>51,167,316,724</u>	<u>51,136,401,866</u>	<u>55,923,223,422</u>