

**Budget Highlights**

**2011-13**

**Legislatively Adopted Budget**



**LEGISLATIVE FISCAL OFFICE**  
**AUGUST 2011**



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

Following is the *Budget Highlights: 2011-13 Legislatively Adopted Budget*. This publication provides summary information of legislative actions affecting the budget, assumptions in the development of the budget, program areas, capital construction and state bonding debt, information technology, budget notes, fiscal impact statements, and substantive bills with a budget effect.

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.

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Legislative Fiscal Officer



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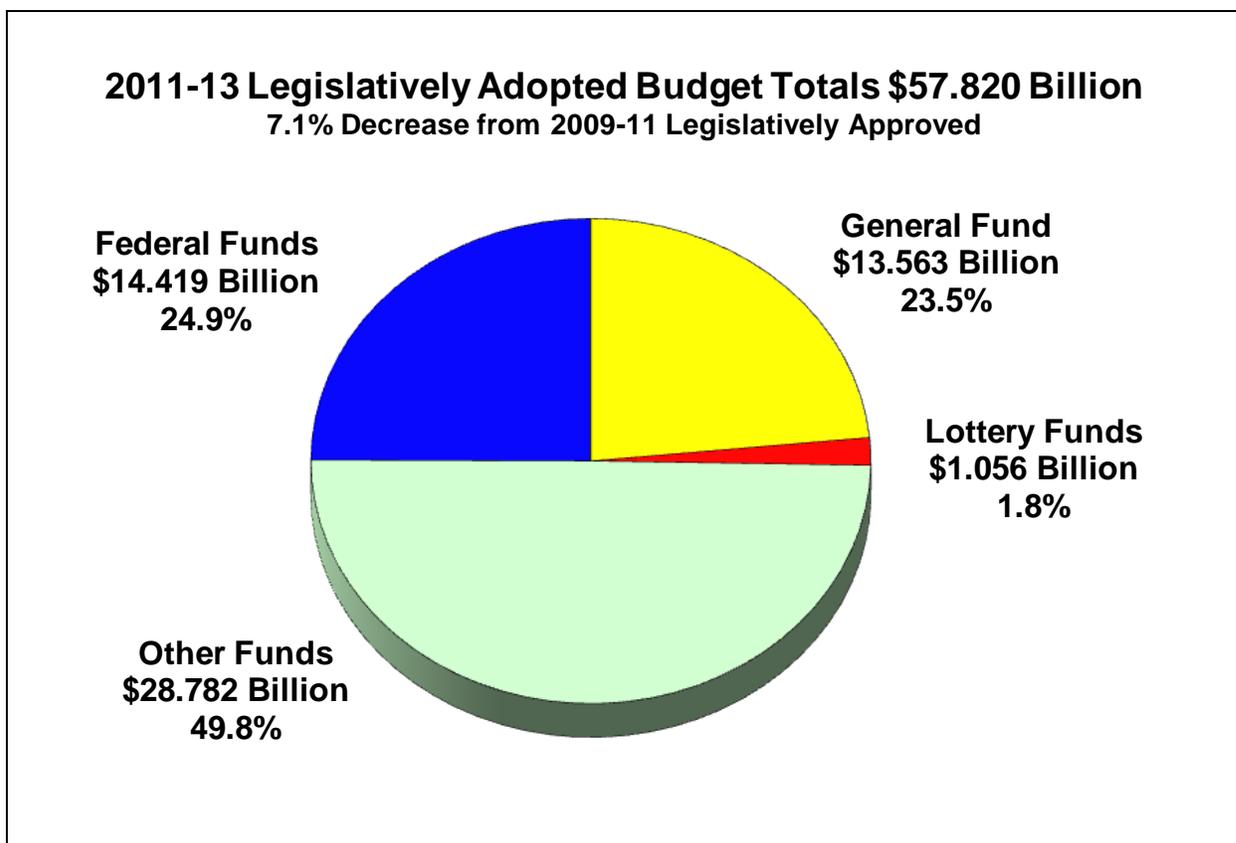
## Summary of 2011-13 Legislatively Adopted Budget

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### Budget Overview

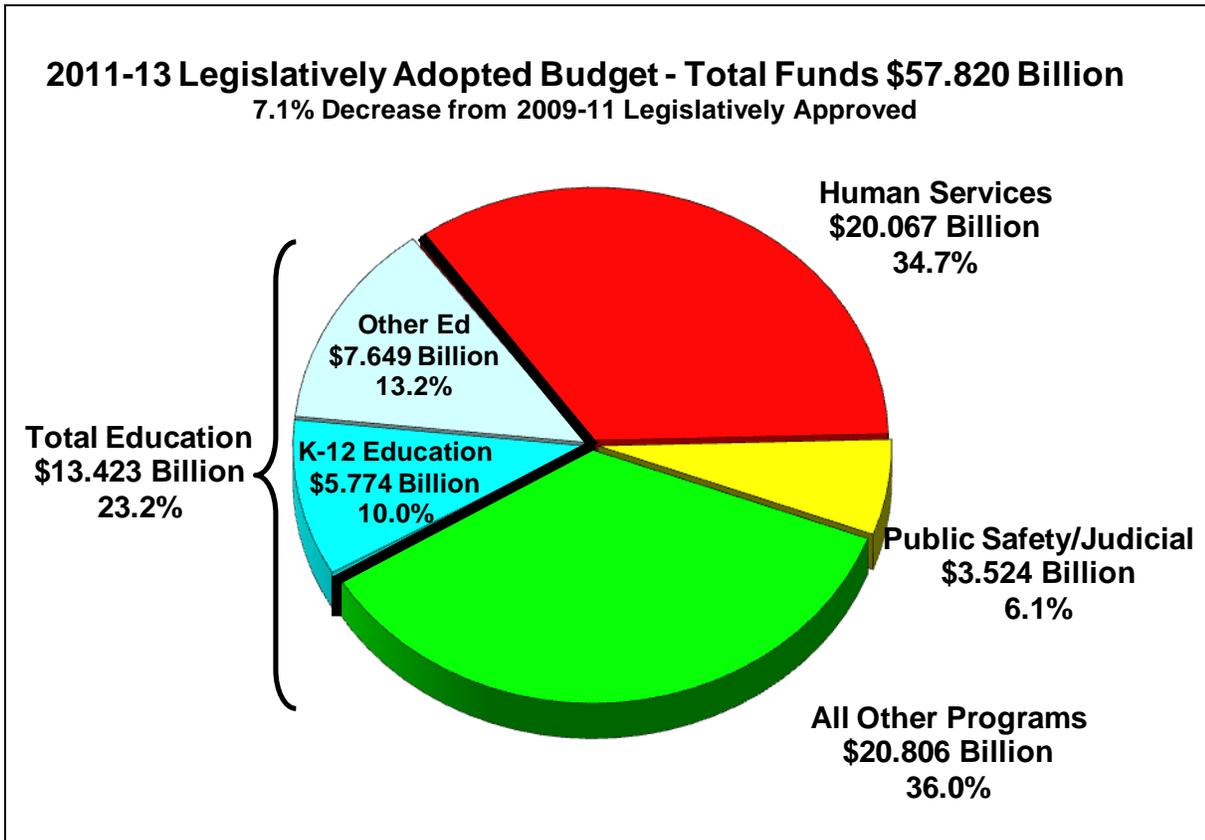
The legislatively adopted budget (LAB) for the 2011-13 biennium is \$57.820 billion total funds, a decrease of \$4.4 billion from the 2009-11 legislatively approved budget of \$62.210 billion, or a decline of 7.1%. The majority of this decline was caused by decreases in available Federal Funds, which dropped by \$3.3 billion between the two biennia. Due to federal economic stimulus funding provided in the 2009-11 biennium, Federal Funds expenditures had jumped from \$10.1 billion in 2007-09 to over \$17.7 billion in 2009-11. The decline in the total funds adopted budget is the first biennial decline since the 1981-83 biennium.

The adopted budget includes \$14.619 billion in combined General Fund and Lottery Funds, \$28.782 billion Other Funds, and \$14.419 billion Federal Funds. Although the total funds budget for 2011-13 is lower than the 2009-11 legislatively approved budget largely due to the 18.6% decline in Federal Funds, the combined General Fund and Lottery Funds budgeted expenditures are actually \$1 billion more in 2011-13 than in 2009-11, an increase of 7.5%. Other Funds budgeted expenditures are also lower in the 2011-13 biennium than in 2009-11 by \$2.1 billion, or a reduction of 6.8%.



A constitutional amendment adopted by the people in November 2010 changed the Oregon biennial session process into annual sessions. The odd-numbered year session is limited to 160 calendar days and allows for an organizational session where action on bills is prohibited. The even-year session is limited to 45 calendar days. In each case, the Legislature by a two-thirds vote can extend the session by five calendar days. For the 2011 regular session, the Legislature began on February 1<sup>st</sup> and completed business on June 30<sup>th</sup>, within the timeframes described by legislative leadership and ten

days before the constitutional limit of July 10<sup>th</sup>. This represents the fifth consecutive session (regular and special) that the Legislature adjourned within either the self-imposed or now constitutionally dictated deadlines.



As part of the regular session plan, the Co-Chairs of the Joint Committee on Ways and Means initiated budget development for the 2011-13 budget using the March 2011 economic and revenue forecast regularly that was released on February 15<sup>th</sup> to provide the Legislature time to respond to any changes in the state’s revenue situation. The forecast (still referred to as the March 2011 forecast) indicated a continuing weak economic condition with basically no change in revenues for the 2009-11 biennium, but a decline of \$81.2 million General Fund and \$28.2 million Lottery Funds from the previous forecast released in December 2010. The Legislature had been dealing with declining revenues through most of the 2009-11 interim after passing the 2009-11 budget in June 2009. General Fund revenues declined by \$1.146 billion from the time the budget was developed and the forecast released in February 2011. Most of these reductions were dealt with through the executive branch’s use of an across-the-board allotment reduction process, although the Emergency Board took several mitigation actions during the interim. The Legislature completed a rebalance of the 2009-11 biennium budget in February 2011 with the passage of House Bills 5050, 5051, and 5052.

For the 2011-13 budget development, the Co-Chairs of the Joint Committee on Ways and Means used revenues in the March 2011 forecast to set an initial revenue target of \$14.650 billion for the 2011-13 budget. In addition, by the end of March, a preliminary budget plan was developed and an agreement was reached to budget toward a \$150 million ending balance, plus an additional \$310 million supplemental ending balance which was held back from each state agency General Fund and Lottery Funds budget by reducing the budget by 3.5%. The supplemental ending balance approach was developed due to concerns about the state’s overall economic situation and the fact that the revenue situation had consistently deteriorated during the 2009-11 interim period. The Co-Chairs of the

Committee indicated that if economic conditions stabilized or improved between the 2011 regular session and the next regular session in February 2012, consideration would be given to providing the 3.5% hold back that generated the supplemental ending balance to agencies to supplement second year of the biennium budgets. To that end, all agency budget bills with General Fund and Lottery Funds included direction that the agency could expend up to 54% of the two-year budget amount in the first year of the biennium.

Final budget adjustments for the 2011-13 biennium budget were made after the release of the May 2011 economic and revenue forecast. This forecast showed another decline in current biennium, or 2009-11 resources, leaving the budget with a \$15.7 million deficit that needed to be resolved by June 30<sup>th</sup>. Overall resources for the 2011-13 biennium, however, were up by nearly \$130 million from the forecast released in February 2011.

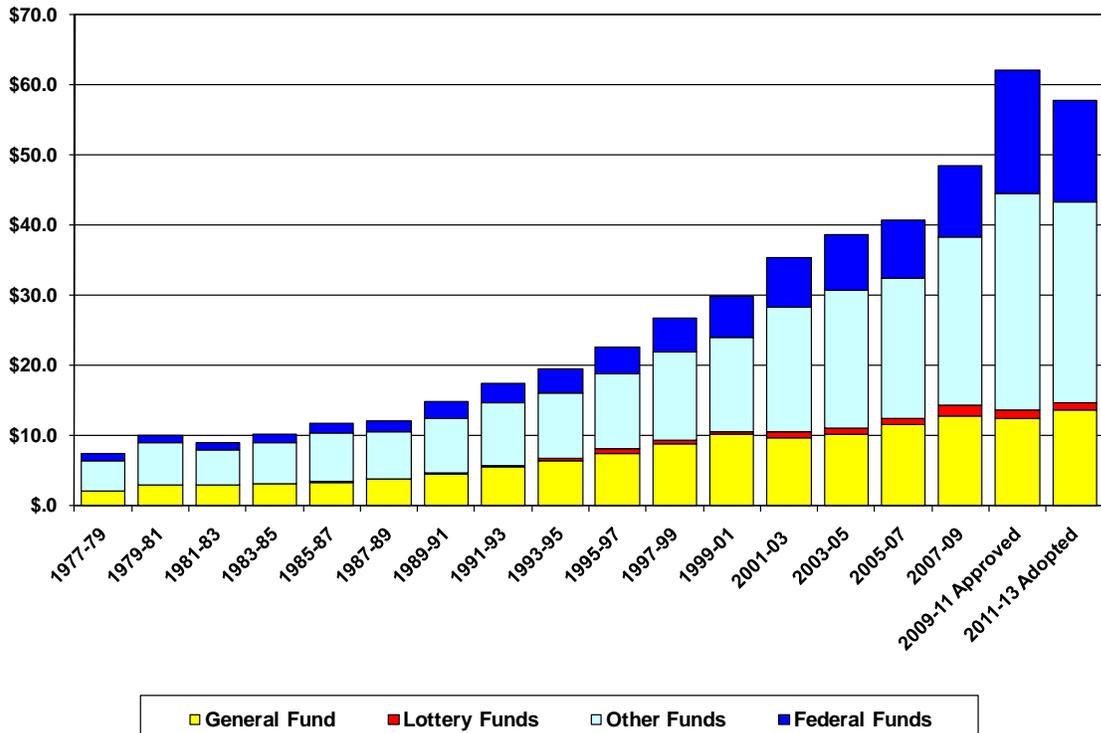
To implement the budget decisions made during the 2011 regular session, besides individual agency budget bills, the Joint Committee on Ways and Means produced the following major bills that determined the final pieces of the 2011-13 adopted budget:

- SB 5508 – Emergency Fund and omnibus budget reconciliation
- SB 939 – non-appropriation program changes to implement budget decisions
- HB 5005 – bonding authorization
- HB 5006 – capital construction
- HB 5035 – lottery allocations
- HB 5036 – lottery bonding authorization
- HB 5055 – education plan and final 2009-11 rebalance

Details of the content of these bills are described in the following sections of this document.

The following graph shows the change by fund type in the total funds budget between the 2011-13 legislatively adopted budget and previous biennia. Despite the slight increase in the combined General Fund/Lottery Funds budget for the 2011-13 legislatively adopted budget, the overall total funds budget has declined for the 2011-13 biennium, the first biennial decline in the total funds budget since the 1981-83 biennium. The majority of the decreases are directly related to the one-time federal stimulus package provided by Congress in the 2009-11 biennium and the increases in unemployment insurance payments. The table on the following page identifies the major elements of change in the total funds budget. Additional details on these changes can be found in the Other Funds and Federal Funds Expenditure sections and the Program Area Summaries included in this document.

### Oregon Budget History -- All Funds (Billions \$)



<b>All Funds Budget Change</b>				
(\$ millions)				
Fund Type	2009-11 Approved	2011-13 Adopted	Change	Comments
General Fund/Lottery Funds	13,600.7	14,618.9	1,018.2	7.5% increase
Other Funds	30,896.8	28,782.0	(2,114.8)	6.8% decrease
Federal Funds	17,712.2	14,419.2	(3,293.0)	18.6% decrease
<b>Total</b>	<b>62,209.7</b>	<b>57,820.1</b>	<b>(4,389.6)</b>	7.1% decrease
<b>Other Funds Change Components</b>				
Dept. of Administrative Services	3,569.5	1,018.0	(2,551.5)	Transfer of PEBB/OEBB to OHA
Employment Dept.	3,217.5	2,210.2	(1,007.3)	Unemployment insurance payments
Housing and Community Svcs. Dept.	1,681.3	721.0	(960.3)	Bond proceeds/fees/loan repayments
Dept. of Transportation	4,172.4	3,570.8	(601.6)	Highway construction/bonds/FF as OF pass-thru
Dept. of Consumer and Business Svcs.	818.3	398.2	(420.1)	Transfer of OMP to OHA
Dept. of Corrections	302.1	30.8	(271.3)	Capital construction/bond proceeds
Dept. of Veterans' Affairs	674.7	488.3	(186.4)	Bond proceeds/loan repayments
Community Colleges and Workforce Dev.	138.8	6.9	(131.9)	Capital construction/bond proceeds
Private Health Partnerships, Office of	123.0	0.0	(123.0)	Transfer to OHA
Oregon Health and Science University	98.5	31.6	(66.9)	Bond refunding
Judicial Department	84.6	25.0	(59.6)	One-time Other Fund court fee revenues
Public Employees Retirement System	6,866.6	7,513.4	646.8	PERS benefit payments
Dept. of Human Services/Health Authority	1,886.8	5,714.5	3,827.7	Provider taxes/transfers in from DAS, DCBS, OPHP
<b>Total</b>	<b>23,634.1</b>	<b>21,728.7</b>	<b>(1,905.4)</b>	
<b>Federal Funds Change Components</b>				
Employment Dept.	3,532.7	1,277.1	(2,255.6)	Unemployment insurance payments
State School Fund	342.6	61.0	(281.6)	ARRA State Fiscal Stabilization Fund
Dept. of Education	1,348.8	1,116.7	(232.1)	ARRA IDEA/Title 1A
Dept. of Human Services/Health Authority	10,727.3	10,500.2	(227.1)	ARRA Medicaid match/food stamps/TANF
Department of Corrections	116.1	8.2	(107.9)	ARRA State Fiscal Stabilization Fund
Housing and Community Services	390.8	307.3	(83.5)	HUD inspection fees/Section 8 subsidy payments
Oregon University System	70.8	4.9	(65.9)	ARRA State Fiscal Stabilization Fund
<b>Total</b>	<b>16,529.1</b>	<b>13,275.4</b>	<b>(3,253.7)</b>	

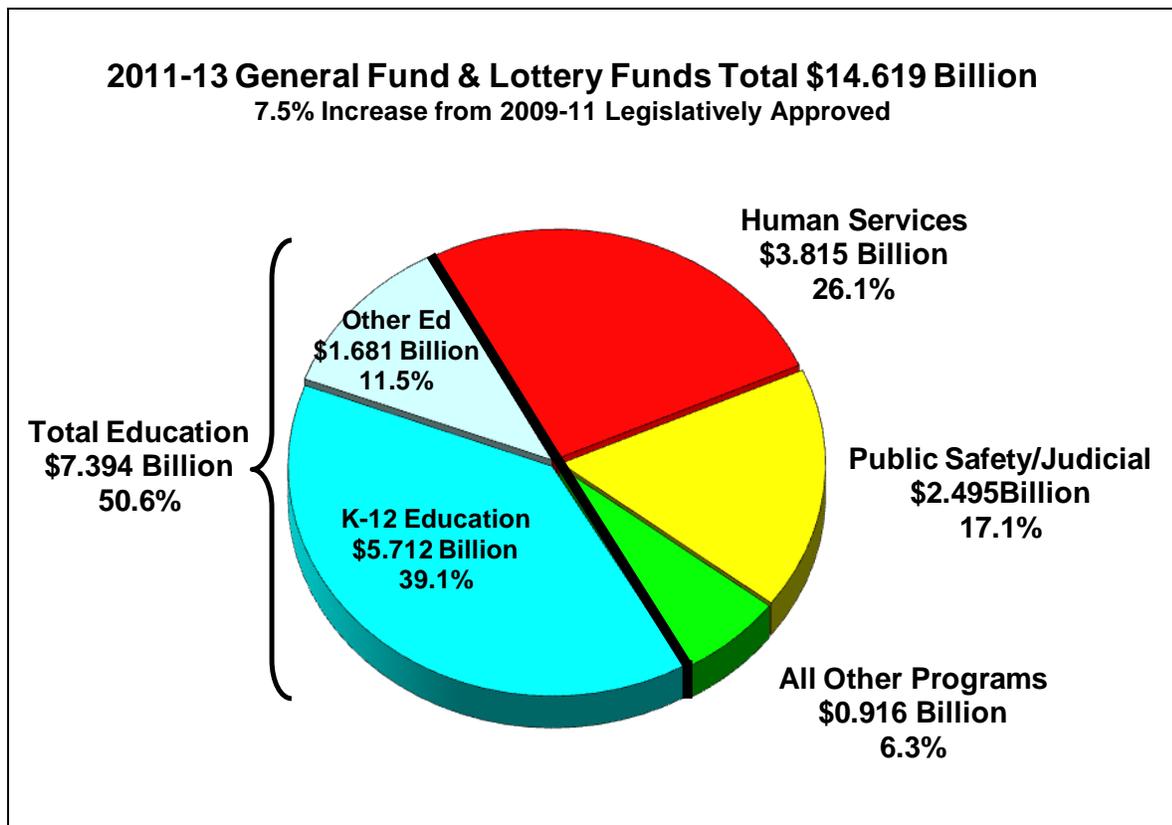
## Budget Process

With respect to the overall development of the 2011-13 biennial budget, highlights of the 2011 session budget process were:

- An adjustment to the new annual session structure with the convening of the odd-numbered year session on February 1<sup>st</sup>.
- Planning and executing a budget rebalance for the 2009-11 biennium budget during most of the month of February.
- The release of a Joint Committee on Ways and Means Co-Chair budget plan on March 29<sup>th</sup> that included an agreement on the revenues to be used and a targeted amount of ending balance to be incorporated.
- The passage of the State School Fund budget on April 13<sup>th</sup>, the earliest the State School Fund budget was passed by both chambers of the Legislature since at least 1989.
- A series of community hearings on the budget were held by the Joint Committee on Ways and Means between April 19<sup>th</sup> and May 6<sup>th</sup>. The hearings were held in Portland, Medford, Bend, and Newport, with audio/video links to Pendleton, LaGrande, and Coos Bay. During these community budget hearings, the Committee received oral testimony from approximately 280 residents.
- In addition to the 106 budget bills heard and passed by the Joint Committee on Ways and Means (and its seven subcommittees), the Committee also had approximately 260 policy bills referred to it, of which 161 received at least a public hearing and with 120 being passed out of the Committee to either the Senate or House floor for further action.
- The processing of budget decisions and the development of budget documentation that enabled the Legislature to complete its business by the self-imposed goal of June 30<sup>th</sup>. Legislation passed to establish the annual session process allowed for 160 calendar days for the odd-numbered year session, which would have forced *sine die* by July 10<sup>th</sup>.

## General Fund and Lottery Expenditures

Combined General Fund and Lottery Funds expenditures for the 2011-13 biennium as a result of the 2011 legislative session actions total \$14.619 billion, up \$1.02 billion from the legislatively approved budget for the 2009-11 biennium, an increase of 7.5%. General Fund appropriations increased by 8.7% in the adopted budget over the 2009-11 approved level, growth of \$1.08 billion, while the net Lottery Funds expenditure limitation was down by 5.9%, a decrease of \$66 million.



Planning for the 2011-13 budget started with an estimated tentative budget that showed a \$3.5 billion General Fund and Lottery Funds budget gap. This tentative budget calculation is only provided to give decision makers a point-in-time estimate of the state's relative fiscal position for the coming two-year budget period. It is based on the projected revenues for the next two budget years and the "current service level" budget, or the amount needed to continue all currently existing programs, services, and revenue sources for the next two budget years. In order to address this current service level budget gap, the adopted budget assumed a cap on personal services growth, the elimination of standard inflation from the budget, the continuation for a full two-year period of the allotment reduction cuts made by agencies during the 2009-11 biennium, an additional 6.5% reduction to services and supplies expenditures for all agencies, and targeted restorations of programs and services based on legislative priorities. The adopted General Fund/Lottery Funds budget is \$3.242 billion below the calculated 2011-13 current service level budget, a reduction of 18.1%. Comparisons by program area can be found in the following table.

General Fund and Lottery Funds Total								
(\$millions)								
	2007-09 Actual	2009-11 Approved	2011-13 Current Service Level	2011-13 Governor's Rec	2011-13 Leg Adopted	% Change 11-13 from 09-11	% Change LAB from CSL	% Change LAB from GRB
State School Fund	6,013.4	5,407.4	6,714.4	5,557.3	5,712.3	5.6	(14.9)	2.8
Other Education	1,883.4	1,752.6	2,060.6	1,883.1	1,681.4	(4.1)	(18.4)	(10.7)
Human Services	3,208.3	3,295.6	5,357.0	3,795.1	3,814.6	15.8	(28.8)	0.5
Public Safety	1,835.1	1,803.5	2,213.1	1,893.9	1,912.8	6.1	(13.6)	1.0
Judicial Branch	521.9	495.9	598.2	507.2	581.9	17.4	(2.7)	14.7
Economic Development	162.0	147.0	160.5	190.5	170.7	16.2	6.3	(10.4)
Natural Resources	362.6	324.5	300.1	315.5	296.1	(8.7)	(1.3)	(6.2)
Transportation	51.1	92.4	136.6	103.9	87.1	(5.7)	(36.2)	(16.1)
Consumer/Business Services	12.7	11.9	14.0	11.9	11.3	(5.4)	(19.4)	(5.4)
Administration	195.2	197.1	218.8	196.8	197.7	0.3	(9.6)	0.5
Legislative Branch	77.9	72.9	87.1	75.2	80.2	10.1	(7.9)	6.7
Emergency Fund	0.0	0.0	0.0	20.0	72.7	NA	NA	263.7
<b>Total</b>	<b>14,323.6</b>	<b>13,600.7</b>	<b>17,860.5</b>	<b>14,550.5</b>	<b>14,618.9</b>	<b>7.5</b>	<b>(18.1)</b>	<b>0.5</b>

As part of the plan to balance the General Fund/Lottery Funds budget, the Legislature took a number of actions including:

- Eliminating inflation from state agency budgets (\$145.3 million)
- Restricting personal services growth in the current service level budget (\$640.5 million)
- Continuing the budgetary reduction effects of the 2009-11 allotment cuts (\$1.02 billion)
- Reducing services and supplies budgets by 6.5% (\$61.1 million)
- Eliminating vacant positions (\$13.8 million)
- Implementing various assessment reductions and other reconciliation adjustments (\$24.4 million)

Another significant part of the 2011-13 budget plan was the decision to set aside a supplemental ending balance due to general concerns about the status of the state's economic situation and the effects of those conditions on revenues. In order to accomplish this plan, state agency budgets were developed and then 3.5% of the biennial appropriation was reduced from that amount and allowed to accumulate in a supplemental ending balance. The target amount was \$310 million. Agencies were provided direction and authority to spend up to 54% of their biennial appropriations in the first year of the biennium, but were cautioned to pay close attention to economic trends that would be reported in the subsequent quarterly economic and revenue forecasts starting in September 2011. For the amounts reduced from each agency's budget for the supplemental ending balance, please see Appendix E.

The final legislatively adopted budget reflecting these actions is summarized in the following table. It is broken into three sections – resources, expenditures, and ending balances. An explanation of each of these sections follows the table.

## 2011-13 Legislatively Adopted Budget

2011-13 Legislatively Adopted Budget					
	General Fund	Lottery Funds	Lottery Funds-M76	Total GF/LF	Comments
<b>May 2011 Forecast Revenues</b>					
Beginning Balance	-	11.8	17.4	29.2	Carry-forward amounts from agencies
Agency Interest Earnings	-	1.2	0.6		Interest on agency LF accounts
Projected Revenues	13,901.4	961.6	169.2	15,032.2	
<b>Total Resources</b>	<b>13,901.4</b>	<b>974.6</b>	<b>187.3</b>	<b>15,061.4</b>	
<b>Anticipated Administrative Actions</b>	<b>(23.1)</b>	<b>-</b>	<b>-</b>	<b>(23.1)</b>	TANS projected interest costs
<b>Total Available Resources</b>	<b>13,878.3</b>	<b>974.6</b>	<b>187.3</b>	<b>15,040.1</b>	
<b>Dedicated Distributions</b>					
County Economic Development	-	(37.1)	-	(37.1)	Adjusted for ERT
Education Stability Fund	-	(203.1)	-	(203.1)	
<b>Net Current Law Resources</b>	<b>13,878.3</b>	<b>734.4</b>	<b>187.3</b>	<b>14,799.9</b>	
<b>Additional Resources</b>					
Education Stability Fund for SSF	-	100.0	-	100.0	SB 5553
ESF Withdrawal for Education Plan	-	82.2	-	82.2	HB 5055
DOR Enhanced Audits/Collections	14.7	-	-	14.7	HB 5040
Tax Enforcement Fund	18.0	-	-	18.0	SB 939
Tax Amnesty Fund	2.6	-	-	2.6	SB 939
OLCC Bottle Surcharge	29.0	-	-	29.0	SB 939
SOS Business Registry Fees	4.7	-	-	4.7	SB 939
DAS Refunding of Agency Charges	9.1	-	-	9.1	SB 939
DOJ - Fund transfer used in DOJ	6.0	-	-	6.0	SB 939
OHA - TURA transfer	1.7	-	-	1.7	SB 939
DAS - Insurance Fund transfer	5.0	-	-	5.0	SB 939
School Facilities Task Force	-	1.4	-	1.4	SB 939
Court Fee Revenue	55.3	-	-	55.3	HB 2710/HB 2712
OLCC Distribution	2.2	-	-	2.2	SB 5522
OUS - GF Interest Earnings	(7.4)	-	-	(7.4)	SB 242
<b>Total Additional Resources</b>	<b>140.9</b>	<b>183.6</b>	<b>-</b>	<b>324.5</b>	
<b>Tax Credits</b>	<b>(10.3)</b>	<b>-</b>	<b>-</b>	<b>(10.3)</b>	
<b>Net Resources</b>	<b>14,008.9</b>	<b>918.0</b>	<b>187.3</b>	<b>15,114.1</b>	
<b>2011-13 Expenditures by Program Area</b>					
	General Fund	Lottery Funds	Lottery Funds-M76	Total GF/LF	
Education (All Other)	1,596.6	84.8	-	1,681.4	
State School Fund	5,155.3	557.0	-	5,712.3	+\$23 million from CSF for \$5.735 billion
Human Services	3,803.8	10.8	-	3,814.6	
Public Safety	1,906.1	-	6.7	1,912.8	
Judicial	581.9	-	-	581.9	
Transportation	17.4	69.7	-	87.1	
Economic Development	24.0	146.7	-	170.7	
Natural Resources	129.0	5.3	161.8	296.1	Regular LF is lottery bond debt service
Consumer and Business Services	11.3	-	-	11.3	
Administration	184.1	13.6	-	197.7	
Legislative Branch	80.2	-	-	80.2	
Emergency Fund	72.7	-	-	72.7	General Purpose (\$25 million) plus SPAs
<b>Total 2011-13 Budgeted Expenditures</b>	<b>13,562.6</b>	<b>887.8</b>	<b>168.5</b>	<b>14,618.9</b>	
<b>Ending Balance Supplement</b>	<b>299.3</b>	<b>12.5</b>	<b>6.1</b>	<b>318.0</b>	If forecasts are stable, then FY 2012-13 may be restored with up to \$311.8 million
<b>Final Fiscal Position (Ending Balance)</b>	<b>147.0</b>	<b>17.6</b>	<b>12.7</b>	<b>177.3</b>	M76 = OPRD cash flow/debt service
<b>Total Ending Balance</b>	<b>446.3</b>	<b>30.1</b>	<b>18.8</b>	<b>495.3</b>	

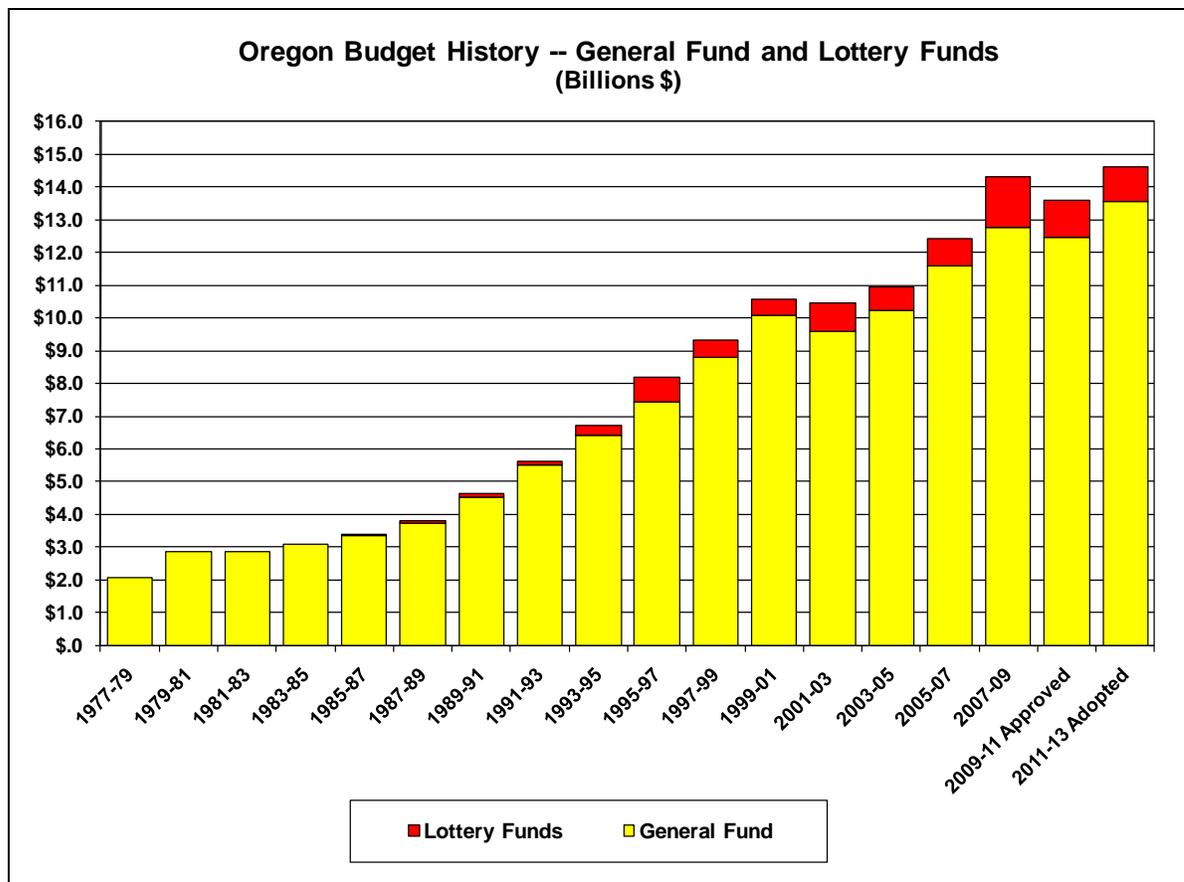
## Resources

- Resources are based on the May 2011 forecast, but are adjusted with beginning balance and agency specific interest earnings that are ultimately included in expenditures.
- The General Fund resources from the forecast are adjusted by the estimated amount of interest costs for the use of Tax Anticipation Notes by the Treasury.
- Lottery Funds are reduced by projected distributions for county economic development and transfers to the Education Stability Fund, which are not part of the adopted budget.
- Additional resources approved by the Legislature during the session are identified, including the legislation responsible for the resource change.
- Includes the amount of additional tax credits beyond current law as approved by the Legislature.
- Actual final resources will be officially presented in the close-of-session forecast in September.

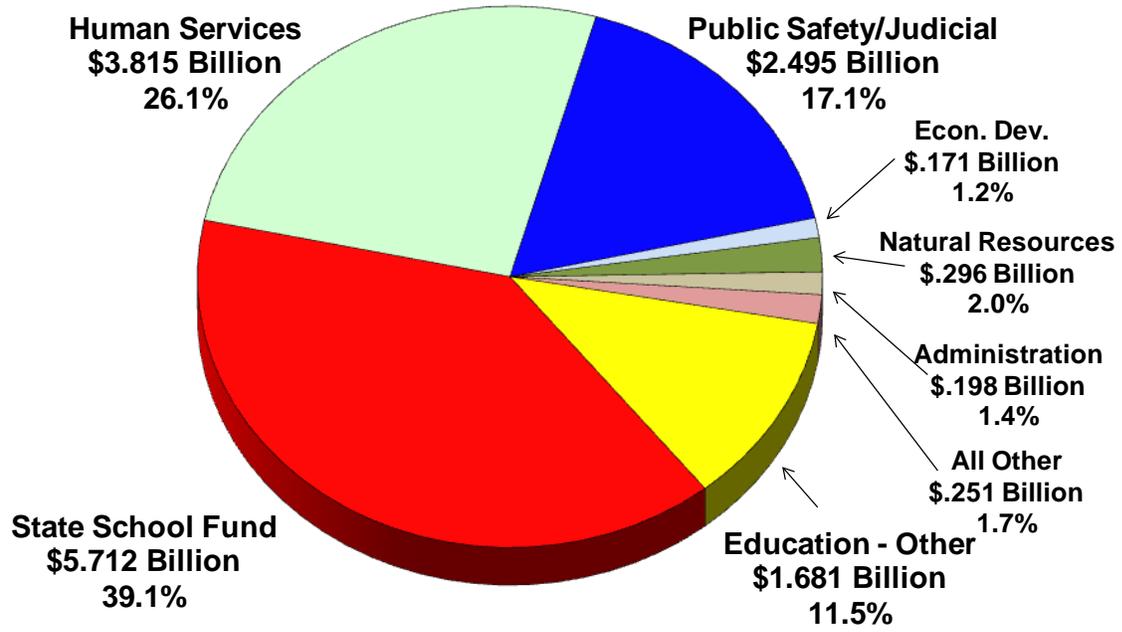
**Expenditures** are identified as approved in all budget actions taken by the Legislature during the 2011 regular session for the 2011-13 biennium.

## Ending Balances

- Regular ending balances include \$147 million General Fund and \$15 million Lottery Funds.
- The supplemental ending balance created due to uncertainty regarding the state's overall economic situation totals \$299.3 million General Fund and \$12.5 million Lottery Funds, for a total of \$311.8 million. An additional \$6.1 million supplemental ending balance is established for Measure 76 Lottery Funds, but this amount is dedicated to Parks and Natural Resources.
- Other Lottery Funds ending balances exist for the Parks and Recreation Department for cash flow and debt service requirements (\$12.7 million M76) and for specific agency needs (\$2.6 million).



**2011-13 Legislatively Adopted Budget - General Fund/Lottery Funds  
Total Expenditures \$14.619 Billion**



## Lottery Resources and Expenditures

### Lottery Resources

Lottery resources are forecast to total \$1.131 billion in the 2011-13 biennium, a \$42.4 million (or 3.9%) increase over the 2009-11 biennium level. This will be the first increase in lottery resources since the 2007-09 biennium. Following a period of rapid growth earlier in the decade, lottery resources declined by 22.3% during the 2009-11 biennium. As a result of that large decline, lottery resources for the 2011-13 biennium will still be 19.3% below the 2007-09 biennium level. The Office of Economic Analysis is not forecasting a return to the rapid growth rates that occurred early last decade when video lottery games were expanded. Indeed, total biennial lottery resources are forecast to remain below the 2007-09 level from now through the 2015-17 biennium.

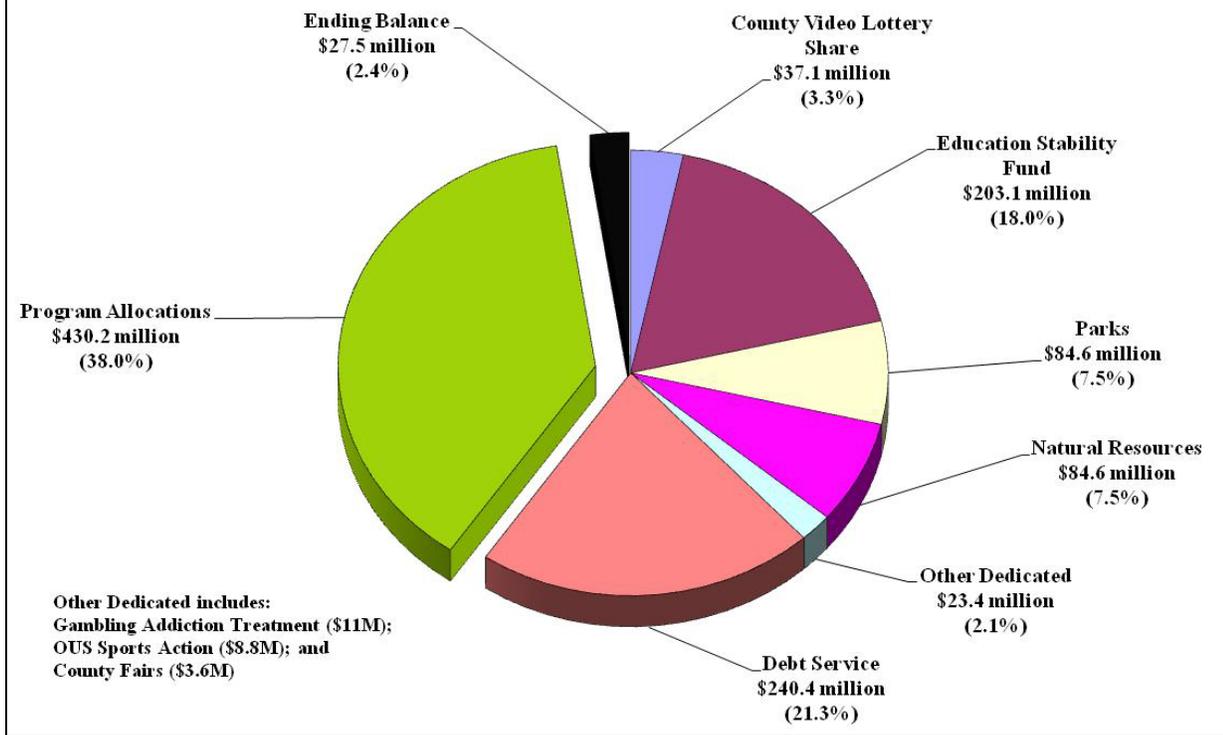
<b>Difference between 2009-11 and 2011-13 Lottery Resources</b>				
<b>(\$ in millions)</b>				
	<b>2007-09</b>	<b>2009-11</b>	<b>2011-13</b>	<b>Difference</b>
	<b>Actuals</b>	<b>Legislatively Approved</b>	<b>Legislatively Adopted</b>	<b>2009-11 to 2011-13</b>
Total Earnings	\$1,223.4	\$1,056.8	\$1,120.3	\$63.5
Beginning Balance	64.1	1.4	0.2	(1.1)
Admin Savings and Contingency Transfers	103.5	29.3	8.0	(21.3)
Reversions	3.2	0.0	1.4	1.4
Interest Earnings	7.1	1.1	1.1	(0.0)
<b>Total Lottery Resources</b>	<b>\$1,401.2</b>	<b>\$1,088.6</b>	<b>\$1,131.0</b>	<b>\$42.4</b>

During the 2009 session, the Legislature anticipated \$1.14 billion of total lottery resources, and adopted a budget that authorized \$1.13 billion of these resources for transfer and allocation, retaining a \$10 million ending balance in the Administrative Services Economic Development Fund (EDF). Actual 2009-11 biennium lottery resources came in approximately \$54.4 million below the level projected in the 2009 session. The Legislature rebalanced the Lottery Funds budget twice to address this revenue shortfall, first during the 2010 special session, and a second time during the 2011 session. After these adjustments, transfers and allocations were reduced to total \$1.09 billion, leaving a 2009-11 biennium EDF ending balance of approximately \$245,000.

### Lottery Expenditures

Total lottery resources are used for four general purposes in the budget: Dedicated Transfers, Debt Service payments, Program Allocations, and the Ending Balance. Under HB 2012 passed in the 2009 session and subsequent legislation, any ending balance in the EDF is transferred to the School Capital Matching Fund to match designated school district capital expenditures. The Legislature, however, suspended ending balance transfers for the 2009-11 and 2011-13 biennia, meaning that any ending balances (including the \$245,000 ending balance for 2009-11) are carried forward and become a resource for the next biennium's budget. The chart on the following page illustrates the allocation of lottery resources to dedicated transfers, debt service, program allocations, and the ending balance in the 2011-13 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 either the state Constitution or by statute. The Legislature, therefore, cannot use these funds for other purposes within the regular budget process. The statutory dedications, however, can be modified by legislation.

There are two constitutional dedicated transfers and four statutory dedicated transfers. These dedicated transfers are projected to total \$432.9 million (or 38.3% of total lottery resources) during the 2011-13 biennium, a 5.8% increase 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 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 School Capital Matching 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 \$203.1 million in the 2011-13 biennium (up 3.9% from the \$195.5 million transferred in 2009-11).

Generally, 10% of the amount deposited in the Education Stability Fund is deposited into the Oregon Growth Account within the ESF. These deposits, which are allocated into illiquid investments, become unavailable for other budget purposes until earnings are declared on the invested funds. For the 2009-11 and 2011-13 biennia, the portion of ESF transfers deposited into

the Oregon Growth Account was temporarily reduced to 5% (instead of 10%). Because of this percentage reduction, approximately \$10.2 million will be deposited into the regular Education Stability Fund account, instead of into the Oregon Growth Account, during the 2011-13 biennium, and will thus become available to address 2011-13 biennium budget needs.

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, 2010 and 2011 legislative sessions. During these three sessions, the Legislature approved transferring most of the ESF fund balance to the State School Fund. During the 2009 session, the Legislature transferred the 2007-09 biennium ESF ending balance of \$393.8 million to the State School Fund to rebalance the 2007-09 biennium budget. During the 2010 and 2011 sessions, a total of \$180.7 million was transferred from the ESF to the State School Fund to rebalance the 2009-11 biennium budget, and a total of \$182.3 million was approved for transfer to the State School Fund in 2011-13. After these transfers, the ESF is projected to have a \$15.7 million balance at the end of the 2011-13 biennium.

The Legislature, therefore, effectively used most of the 18% of lottery resources dedicated to the Education Stability Fund to fund K-12 education in both the 2009-11 and 2011-13 biennia. The conditions that allowed these funds to be so spent without the Governor declaring an emergency are not forecast to continue into the 2011-13 biennium (i.e., the Legislature will not have authority to withdraw additional monies out of the ESF).

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. Funds available for these distributions have declined as ESF moneys have been transferred to the State School Fund and as interest rates have fallen. During the 2011-13 biennium, the distributions to these two programs are forecast to total only \$1.2 million, and \$0.4 million, respectively. These distributions are in addition to, and are not included in, the total lottery resources figures noted above.

- *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, and extended and modified with the approval of Ballot Measure 76 in 2010. A total of \$169.2 million is forecast for parks and natural resources in the 2011-13 biennium from this dedicated transfer. The 2011-13 legislatively adopted budget includes expenditures of \$168.5 million of Measure 76 lottery funds.

The 2011 Legislature approved temporary, one-biennium changes to all four of the statutory dedicated transfers in the 2011-13 biennium budget. The statutory transfer amounts, and their modifications for the 2011-13 biennium, are:

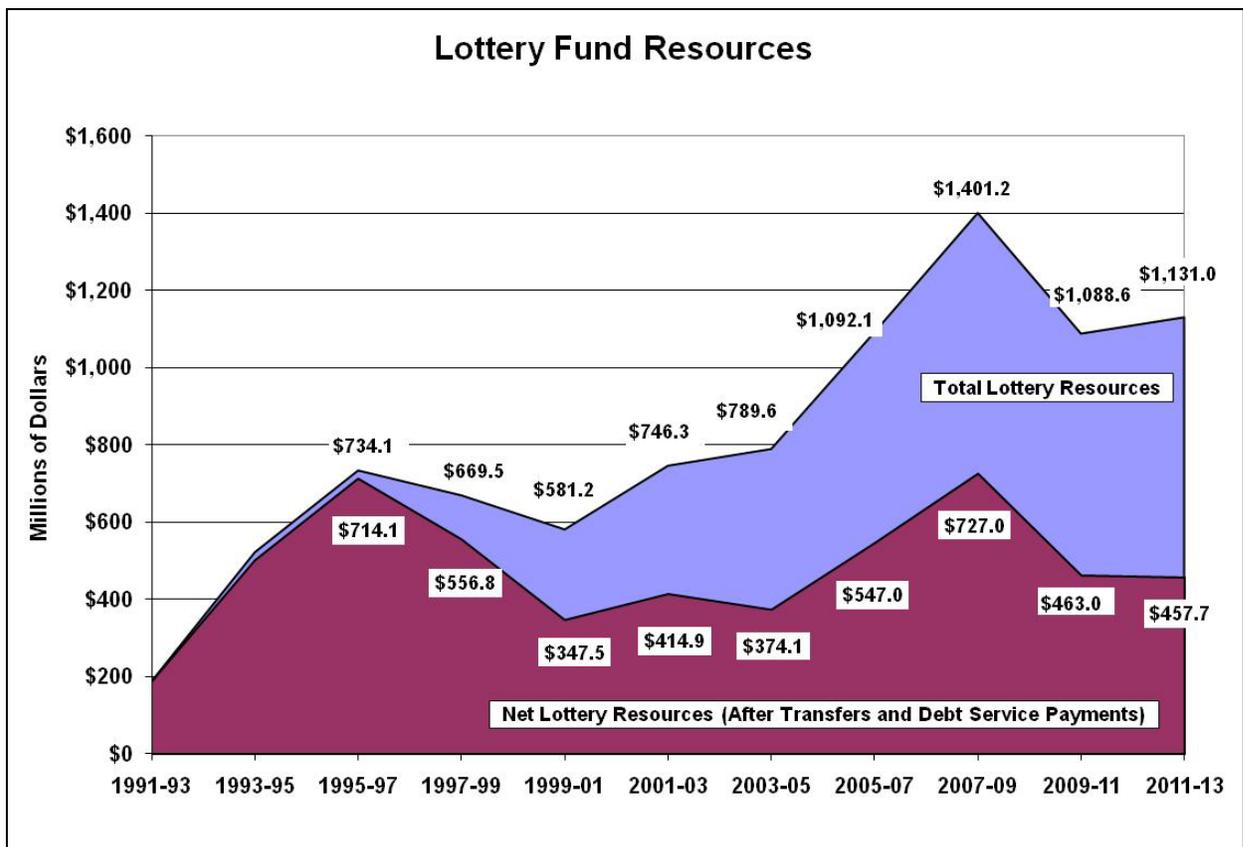
- 1% of total lottery resources are dedicated for gambling addiction treatment programs operated by the Oregon Health Authority. The Legislature reduced the 2011-13 biennium dedication by 3.5% and approved an allocation of \$10,972,521.
- 1% of total lottery resources are dedicated to the Oregon University System for athletic programs and graduate student scholarships. The Legislature reduced the 2011-13 biennium dedication for these purposes to \$8,825,680.
- 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. In lieu of this transfer, the Legislature established a fixed allocation amount of \$37,118,584 for the 2011-13 biennium. This amount represents the forecasted level of the transfer at the full 2.5% rate, with a subtraction to finance one-half of the allocation made to the Governor's Office for the Economic Revitalization Team.
- 1% of total lottery resources, not to exceed \$1.53 million annually, are dedicated to the County Fair Account for distribution to counties. The maximum amount is adjusted each biennium pursuant to changes in the Consumer Price Index. The Legislature, however, established an allocation of \$3,576,453 for the 2011-13 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 \$240.4 million for debt service costs on outstanding and proposed lottery revenue bonds. This amount is equal to 21.3% of total lottery resources, and is an 11.1% 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 (\$69.5 million), the Oregon Business Development Department (\$79.2 million), the Department of Education (\$47.8 million), the Oregon University System (\$13.4 million), the Department of Community Colleges and Workforce Development (\$6.8 million), the Housing and Community Services Department (\$10.4 million), the Department of Administrative Services (\$8.1 million), the State Forestry Department (\$2.5 million), the State Department of Energy (\$2.1 million) and the Water Resources Department (\$0.7 million).

Total Lottery Funds debt service expenditures in the budget were reduced by 3.5% as part of the across-the-board reductions in Lottery Funds expenditures. The full amount of this reduction, which totals \$9.6 million, will need to be restored in the 2012 session to finance projected debt service costs. With this \$9.6 million added back, 2011-13 biennium debt service expenditures will total \$250 million, a 15.5% increase over the prior biennium level, and will represent 22.3% of total lottery resources. In the 2007-09 biennium, debt service payments were equivalent to 11.5% of total lottery resources. 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

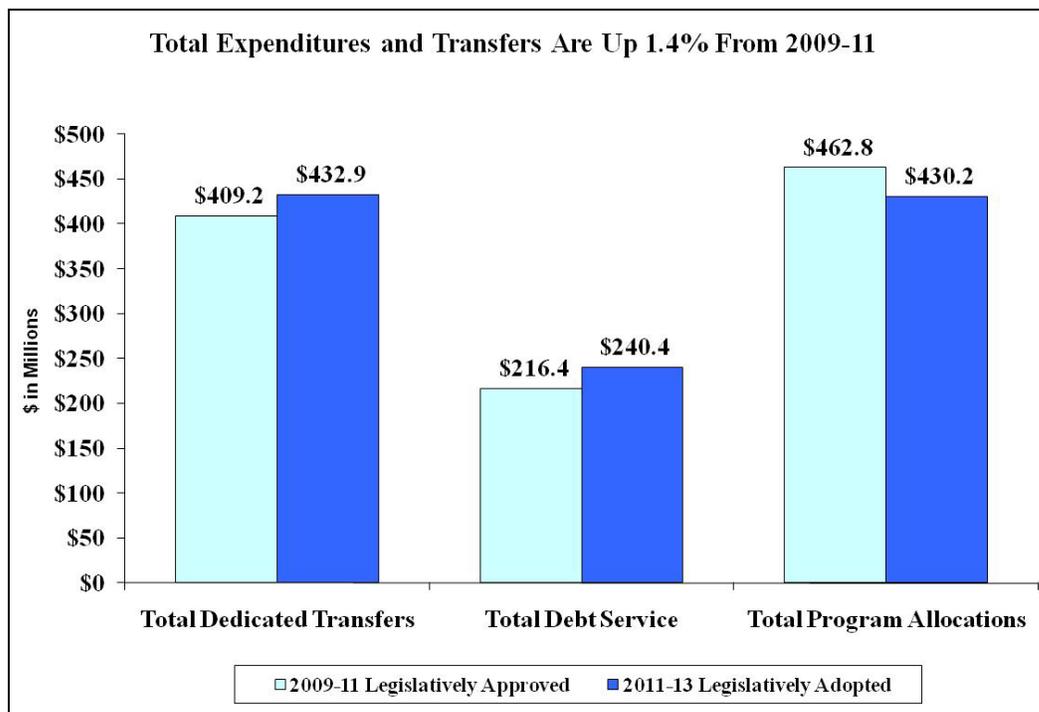
Dedicated transfers and debt service payments have priority claims to lottery resources in law and in the state Constitution. The resources remaining net of these purposes represent the funds available for two other uses: to be either spent as program allocations to support education or economic development programs *in lieu* of General Fund, or to be saved in an ending balance. The amount of net resources available for these purposes is projected to total \$457.7 million in the 2011-13 biennium. This is equal to a \$5.3 million (or 1.1%) decline from the prior biennium level, and reflects a more stable budget environment than the 36.3% decline that occurred in the prior biennium. The situation is also in sharp contrast, however, to the 46.2% growth in these resources during the 2005-07 biennium and the 34.2% growth that followed in the 2007-09 biennium. The legislatively adopted budget allocates \$430.2 million of these net lottery resources to various programs, retaining \$27.5 million (or 2.4%) in the EDF ending balance. Under legislation passed in 2009 and 2011, any EDF ending balance is transferred to the School Capital Matching Fund to be used to match designated school district capital expenditures. The Legislature, however, suspended the transfers of the 2009-11 and 2011-13 biennium ending balances. The first EDF ending balance transfer is now scheduled for the 2013-15 biennium ending balance.

The \$430.2 million in program allocations is a 7% reduction from the prior biennium level. The allocations are as follows:

- \$374.7 million to the State School Fund
- \$53.6 million to the Oregon Business Development Department
- \$1.9 million to the Governor's Office for the Economic Revitalization Team
- \$18,354 to the Department of Agriculture for County Fair Administration

The \$27.5 million budgeted for the EDF ending balance is composed of two components. First, the budget establishes a base ending balance of \$15 million as a cushion against potential revenue shortfalls. Then, a further \$12.5 million was added to the \$15 million base as a direct result of the 3.5% across-the-board Lottery Funds expenditure reductions included in the legislatively adopted budget. The budget includes 3.5% reductions for all Lottery Funds expenditures, with the exception of the two constitutional dedicated transfers (to the Education Stability Fund and the Parks and Natural Resources Fund), the dedicated transfer to counties for economic development purposes, and the allocation to the State School Fund.

The chart below compares Dedicated Transfers, Debt Service payments, and Program Allocations 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 when video lottery revenues were expanding.

The Legislature reduced the regular statutory distribution by \$2 million in the 2007-09 biennium, and by \$5 million in the 2009-11 biennium. There is no comparable reduction in the 2011-13 biennium. The \$37.1 million in the budget for distribution to counties represents a 25.7% increase over the prior biennium level.

Lottery Resources and Expenditures Summary Table

The table below compares 2009-11 biennium and 2011-13 biennium Lottery Funds resources and allocations:

<b>LOTTERY FUNDS CASH FLOW SUMMARY</b>			
	<b>2009-11 Legislatively Approved Budget</b>	<b>2011-13 Legislatively Adopted Budget</b>	<b>Percent Change</b>
<b>ECONOMIC DEVELOPMENT FUND</b>			
RESOURCES			
Beginning Balance	\$1,352,767	\$244,821	-81.9%
REVENUES			
Transfers from Lottery			
Net Proceeds	1,056,788,127	1,120,295,553	6.0%
Administrative Savings	29,304,809	8,000,000	-72.7%
Other Revenues			
Interest Earnings	1,112,572	1,100,000	-1.1%
Reversions		1,361,248	
Total Revenue	1,087,205,508	1,130,756,801	4.0%
TOTAL RESOURCES	1,088,558,275	1,131,001,622	3.9%
DISTRIBUTIONS / ALLOCATIONS			
Distribution of Video Revenues to Counties	29,533,651	37,118,584	25.7%
Distribution to OUS Sports Lottery Account	9,665,082	8,825,680	-8.7%
Distribution to Education Stability Fund	195,496,728	203,093,200	3.9%
Distribution to Parks and Natural Resources Fund	162,913,940	169,244,333	3.9%
Distribution to Gambling Addiction Treatment Programs	8,739,929	10,972,521	25.5%
Allocation to State School Fund	428,422,165	374,741,287	-12.5%
Debt Service Allocations	216,404,804	240,443,627	11.1%
Other Agency Allocations	37,137,155	59,040,014	59.0%
TOTAL DISTRIBUTIONS / ALLOCATIONS	1,088,313,454	1,103,479,246	1.4%
ENDING BALANCE	\$244,821	\$27,522,376	11141.8%
<b>EDUCATION STABILITY FUND</b> (not including OGA or ORTDF)			
RESOURCES			
Beginning Balance	0	5,022,586	
Revenues			
Transfer from the Economic Development Fund	185,721,892	192,938,540	3.9%
Interest Earnings	1,466,342	1,606,173	9.5%
Total Revenue	187,188,233	194,544,713	3.9%
TOTAL RESOURCES	187,188,233	199,567,299	6.6%
DISTRIBUTIONS			
Interest Distributions	(1,466,463)	(1,606,173)	9.5%
Transfers to the State School Fund	(180,699,184)	(182,239,000)	0.9%
TOTAL DISTRIBUTIONS	(182,165,647)	(183,845,173)	0.9%
ENDING BALANCE	\$5,022,586	\$15,722,126	213.0%

## **Other Funds Expenditures**

The 2011-13 legislatively adopted budget provides for the expenditure of \$28.8 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 are restricted by law to defined purposes. Examples include revenue from licenses and fees; charges for service; 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 2011-13 legislatively adopted Other Funds budget represents a decrease of \$2.1 billion, or 6.8%, over the 2009-11 legislatively approved budget. Other Funds comprise three categories of expenditures: Limited, Nonlimited, and Non-Adds. Nonlimited Other Funds expenditures are generally difficult to precisely estimate and must be paid by law; examples include trust fund payments such as unemployment insurance benefit payments, the level of which are dependent on external factors such as state and national economic conditions. 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., assessment 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 2009-11 budget adopted at the close of the 2009 session, for example, included \$27.7 billion Other Funds expenditures.

Administrative actions that occurred after the close of session through Emergency Board actions and approved increases to Nonlimited expenditures increased the 2009-11 approved Other Funds budget to \$30.9 billion, an increase of \$3.2 billion Other Funds, of which \$2.8 billion was Other Funds Nonlimited.

Significant changes in Other Funds expenditure limitations in the 2011-13 legislatively adopted budget include the following:

### **Education**

- The Oregon University System (OUS) budget included an additional \$90 million in Other Funds expenditure limitation for tuition revenues from higher enrollment. The budget also included an additional \$200 million Other Funds to accommodate planned tuition increases. Due to passage of SB 242, which changed the status of OUS from a state agency to a non-agency public system, OUS will not be subject to Other Funds expenditure limitation oversight in future biennia.
- The Department of Community Colleges and Workforce Development budget was reduced by \$128.6 million Other Funds expenditures for community college capital construction and deferred maintenance projects. These expenditures were funded from Article XI-G bond and lottery revenue bond proceeds during the 2009-11 biennium.
- The Other Funds Nonlimited budget for the Oregon Health and Science University was reduced by \$66.5 million authorized for one-time debt refinancing expenditures.

### **Human Services**

- Up to \$460 million Other Funds are generated from an enhancement to the Medicaid hospital provider tax rate. This negotiated increase provides about \$260 million in additional revenues to bring the average provider rate reimbursement reduction down to about 11.2%, from a proposed reduction of 19% in the Governor's budget. Up to an additional \$200 million in resources will be available to the hospitals to bring their rate reduction down even further. These funds are matched

with \$757 million of federal Medicaid funds. In addition to mitigating the provider rate reimbursement reduction in the Oregon Health Authority (OHA) budget, the funds will be used to increase the intergovernmental transfer to Oregon Health and Science University by \$12 million, and to fund an enhanced hospital benefit package for the Oregon Health Plan Standard program beginning January 1, 2012 (\$13.9 million).

- The OHA budget includes \$41.3 million Other Funds and \$41.3 million Federal Funds for the new Federal Medical Insurance Pool (FMIP). The Other Funds are comprised of premiums collected from insured individuals.
- \$3.25 billion Other Funds Nonlimited is included in the 2011-13 OHA budget for the Public Employees Benefit Board (PEBB), the Oregon Educators Benefit Board (OEBB), and the Oregon Medical Insurance Pool (OMIP). During the 2009-11 biennium the two benefit boards were included in the Department of Administrative Services budget, and OMIP was included in the Department of Consumer and Business Services. The Nonlimited revenue expected in these three programs increased \$392 million from 2009-11 to 2011-13.

### **Public Safety**

- The Judicial Department's \$28.2 Collection and Revenue Management program was moved from Other Funds back to a General Fund program.
- The Judicial Department's (\$22 million) and the Public Defense Services Commission's (\$12.4 million) Other Fund budgets were reduced due to the sunset of temporary court fee and surcharge revenue generated by HB 2287 (2009). The two agencies received additional General Fund in the 2011-13 budget to compensate for the reduction in Other Funds.

### **Economic Development**

- Other Funds Nonlimited expenditures in the Employment Department are related to unemployment insurance compensation payments to qualified individuals. The 2011-13 legislatively adopted budget represents a \$1 billion, or 32.7%, decrease from the 2009-11 legislatively approved budget due to a decrease in the number of unemployment insurance compensation claims.
- The 2011-13 legislatively adopted Other Funds expenditures for the Housing and Community Services Department represent a \$1.8 million decrease from the 2009-11 legislatively approved budget. The reductions in expenditures are related to the Homeownership and Affordable Rental Housing Development program, which is financed primarily through bond proceeds. Other Funds Nonlimited expenditures for the Housing and Community Services Department decreased by \$958.4 million, or 62.2% compared to the 2009-11 legislatively approved budget, due to curtailment of the agency's single family loan program (funded through mortgage revenue bonds), and decreased demand for conduit bonds for multi-family housing financing.
- The 2011-13 legislatively adopted Other Funds expenditures for the Oregon Department of Veterans' Affairs (ODVA) are 45.2 million, a \$2.7 million decrease from the 2009-11 legislatively approved budget, primarily due to phase-out of capital improvements at the Oregon Veterans' Home in The Dalles, and reduced loan activity. Other Funds Nonlimited expenditures for ODVA decreased by \$183.6 million, or 29%, from the 2009-11 legislatively approved budget, again, because of reduced loan activity and an associated reduction in expenditures related to bond issuance.

### **Transportation**

- The 2011-13 legislatively adopted budget for the Oregon Department of Transportation (ODOT) reflects an overall decrease in Other Funds expenditure limitation by \$413.2 million, or 10%, from the 2009-11 legislatively approved budget level and \$196 million, or 5%, from the 2011-13 Governor's recommended budget level. This reduction in Other Funds correlates to reductions in

the distribution of federal resources; payment of lottery bond proceeds for the Milwaukie Light Rail extension project and Portland Street Car program; and completion of the Oregon Transportation Investment Act (OTIA) projects authorized in earlier biennia.

- The 2011-13 legislatively adopted budget for ODOT provides an additional \$327,710 in revenue from a temporary fee increase for outdoor advertising signs, and \$57,855 in revenue from a nonprofit registration plate surcharge fee and the fallen public safety officer license plate. The outdoor advertising sign fees were established to implement 2009 legislation restructuring the outdoor advertising sign statute. The nonprofit registration plate surcharge was established at the minimum level to conform to changes by the 2009 Legislature in the enabling legislation. The fees associated with the outdoor advertising sign permits sunset June 30, 2013. The fallen public safety officer license plate fee was established at the rate requested by the public safety group supporting the new specialty plate also established by the 2009 Legislature. This fee is ongoing.

### **Natural Resources**

Other Funds decreased by \$102.6 million from 2009-11 legislatively approved budget due in large part to removal of 2009-11 one-time increases. Major changes include:

- Elimination of \$65 million in one-time 2009-11 American Recovery and Reinvestment Act (ARRA) funding including in the Department of Environmental Quality for Clean Water State Revolving Loan Fund.
- Elimination of \$56 million in the Department of Forestry due to removal of one-time funding for land purchases in the Gilchrist Forest of Klamath County (\$15 million), one-time debt issuance costs related to debt refinancing (\$7 million), removal of \$12 million Nonlimited Other Funds expenditure limitation no longer utilized by the agency, and \$22 million of one-time funding for emergency fire suppression resources.
- A \$47.8 million reduction in the Department of Energy due primarily to the phase out of the Business Energy Tax Credit program and the Residential Energy Tax Credit program. Legislation was approved that significantly changed incentives offered to businesses and residential energy users. The appropriate amount of additional expenditure limitation for these programs, which are set to begin in 2012, will be evaluated once the Department of Energy does a more comprehensive analysis of program demand and the resources required to meet that demand.
- Other Funds revenues for the Department of Fish and Wildlife are increased by \$44.5 million from increases in contracted work and inclusion of \$17 million in capital construction expenditure limitation for a new Headquarters building in Salem.
- Other Fund revenues are increased by \$15.4 million for the Water Resource Department due to approval of general obligation bonds to make loan funds available for water development projects in the Columbia River Basin. The bonds will be repaid by loan repayments made by the borrowers.

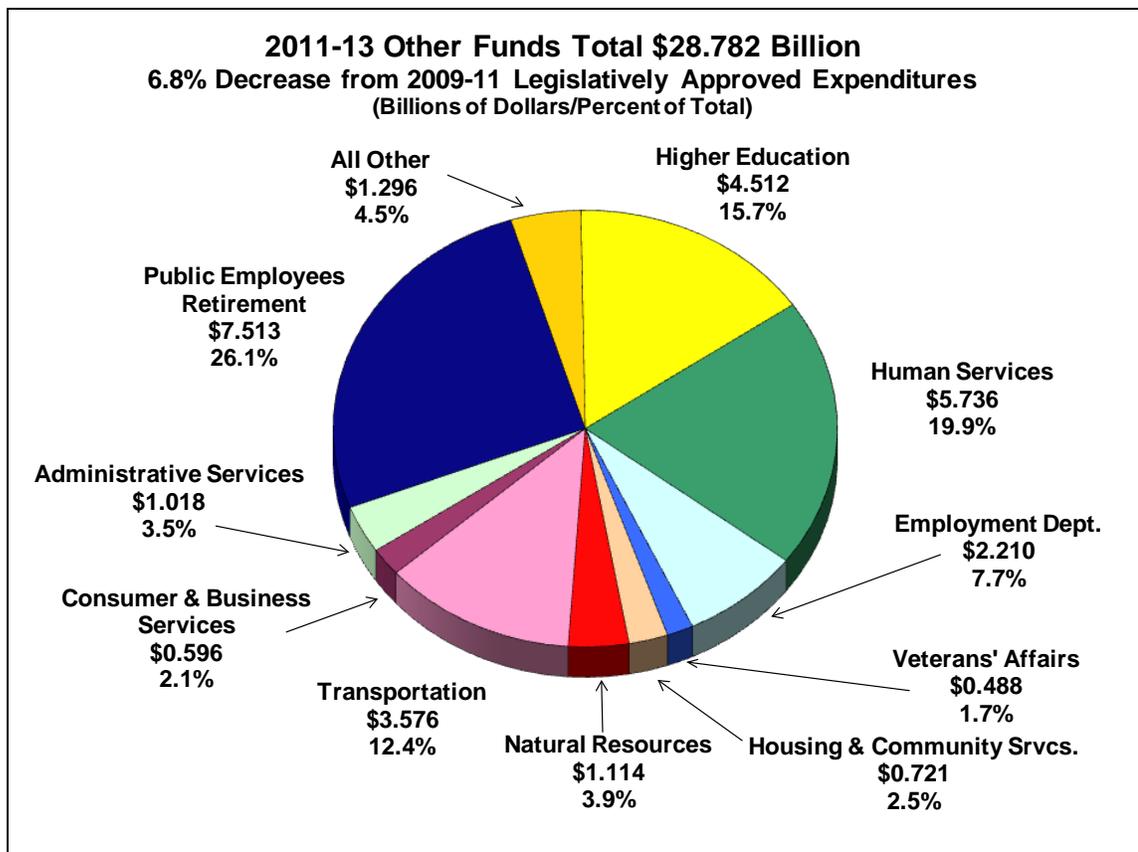
### **Consumer and Business Services**

- The 2011-13 legislatively adopted budget for the Department of Consumer and Business Services is \$420.2 million, or 51.3%, below the 2009-11 legislatively approved budget level. Most of this reduction – \$413.7 million - is the result of the transfer of the Oregon Medical Insurance Pool program out of the Department to the Oregon Health Authority. The rest of the reduction, however, is reflective of declines in the agency's fee revenues.
- Within the Public Utility Commission, the Oregon Universal Service Fund subsidizes the rates charged by any eligible carrier providing basic telephone service in high cost areas. Payments to providers are reflected as Nonlimited Other Funds. Because of continued customer defection from land lines to wireless services, the Public Utility Commission's budget for Nonlimited Other Funds

went from \$94.8 million in the 2009-11 legislatively approved budget to \$75.1 million in the 2011-13 legislatively adopted budget, a 20.7% decrease.

**Administration**

- Other Funds for the Administration program area decreased by increased by \$1.9 billion or 17.8% from the 2009-11 legislatively approved budget level. While Other Funds reductions and other adjustments were made in the program area, the decrease is mostly due to the transfer of the benefit boards and their collective budget of \$2.9 billion Other Funds from the Department of Administrative Services to the Oregon Health Authority.
- The Oregon Liquor Control Commission is anticipated to generate \$891.4 million in gross sales, plus an additional \$29 million from continuation of a \$0.50 per bottle surcharge for the 2011-13 biennium. This is \$52.9 million, or 6.1%, more than 2009-11 revenue, and equates to statutory distributions as follows: \$218.8 million in distribution to the state General Fund; \$67.8 million to cities; \$47.4 million for city revenue sharing; and \$33.9 million for counties.



## **Federal Funds Expenditures**

The 2011-13 legislatively adopted budget authorizes expenditure of \$14.4 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 2011-13 budget (as well as a portion of the 2009-11 budget), Federal Funds also include expenditure limitation to complete projects funded through economic stimulus payments provided by the federal government for the American Recovery and Reinvestment Act of 2009. The 2011-13 legislatively adopted Federal Funds budget represents a decrease of \$3.3 billion, or 18.6%, from the 2009-11 legislatively approved budget.

Significant changes in Federal Funds expenditure limitation include the following:

### **Education**

- Total Federal Funds in the Oregon University System budget went down significantly due to the ending of \$67 million in federal support for higher education programs authorized in the American Reinvestment and Recovery Act. OUS has only \$4.9 million Federal Funds expenditure limitation in 2011-13 for repayment of Buy America Bonds. Due to passage of SB 242, which changed the status of OUS from a state agency to a non-agency public system, OUS will not be subject to Federal Funds expenditure limitation oversight in future biennia.
- The State School Fund phases out the use one-time funding of \$226.5 million Federal Funds from the State Fiscal Stabilization Fund (ARRA) and \$117.9 million from the Education Jobs Fund Program.
- The Department of Education's budget phases out the use of a one-time funding of \$237.1 million for the federal Individuals with Disabilities Education Act (IDEA) and Title 1A of the Elementary and Secondary Education Act from the federal American Recovery and Reinvestment Act allocated in the 2009-11 biennium.
- Federal Funds in the Department of Community Colleges and Workforce Development budget were reduced by \$46.6 million to reflect the elimination of one-time ARRA revenues, a Disability Program Navigators grant, and a Labor Market Information Improvement grant.

### **Human Services**

- The federal American Recovery and Reinvestment Act of 2009 provided a temporary increase in the Federal Medical Assistance Percentage (i.e., the Medicaid match rate) that temporarily increased the federal share of Medicaid program costs in the 2009-11 biennium to 70%. This resulted in nearly \$900 million of one-time revenue for the Oregon Health Authority and the Department of Human Services during the 2009-11 biennium that is not available in 2011-13. The enhanced rate ended June 30, 2011, and the federal match rate for 2011-13 is expected to be about 63%.
- The Department of Human Services' budget also reflects a shift to General Fund to replace \$85 million of federal Temporary Assistance to Needy Families (TANF) funding available through ARRA for the 2009-11 biennium, but not continued for the 2011-13 budget. Separate TANF contingency funds, which supplement the capped TANF block grant, are expected to increase from \$8.3 million budgeted in the 2009-11 biennium to \$20 million for 2011-13.
- Nonlimited Federal Funds in the Department of Human Services increased from \$2.193 billion in 2009-11 to \$2.384 billion in 2011-13, reflecting a \$191 million, or 8.7%, increase in Supplemental Nutrition Assistance Program (food stamps) benefit payments.
- See the Other Funds description on page 18 for additional Federal Funds included in the budget as match for Other Funds increases.

## **Public Safety**

- Three public safety agencies required General Fund resources in the 2011-13 legislatively adopted budget to backfill for the use of one-time federal stimulus funding during 2009-11. The Department of Corrections used \$103.8 million of this one-time funding in 2009-11 for their Operations Division which provides the security and operations funding for their 14 correctional facilities, while the Department of Justice used just under \$4 million in the Child Support program in 2009-11. The Oregon Youth Authority received resources to backfill \$2.7 million in enhanced Medicaid matching funds used 2009-11.

## **Economic Development**

- Federal Funds expenditure limitation for the Employment Department's 2011-13 legislatively adopted budget dropped by \$49.7 million, or 15.4%, from the 2009-11 legislatively approved budget level. This was due to projected changes in administrative reimbursements based on a decrease in the number of unemployment insurance claims, compared with the previous biennia. Federal Funds Nonlimited for the Department is associated with Unemployment Insurance claim payments for federal employees and federally funded emergency unemployment compensation extensions; the 2011-13 legislatively adopted budget for Federal Funds Nonlimited decreased by \$2.2 billion, or 68.7%, compared with the 2009-11 legislatively approved budget.
- Oregon Business Development Department's Federal Funds expenditure limitation was increased by \$17.4 million, or 28%, from the 2009-11 legislatively approved budget primarily due to three Federal grants: the State Small Business Credit Initiative (SSBCI) grant, the State Trade and Export (STEP) grant, and the Clean Cities grant. The SSBCI grant, if awarded, will provide up to \$16.5 million Federal Funds that the Department would use to enhance the Credit Enhancement Fund, Capital Access Program, and Oregon Business Development Fund programs. The STEP grant includes \$375,000 of Federal Funds to expand the Oregon Trade Promotion Program, and the Clean Cities grant provides up to \$500,000 to support infrastructure development for electric vehicles.
- Housing and Community Services Department – A 28.4% decrease in Federal Funds expenditures compared to the 2009-11 legislatively approved budget is due to a reduction in federal grant awards and completion of projects and activities funded by the American Recovery and Reinvestment Act, and the Housing and Economic Recovery Act.

## **Natural Resources**

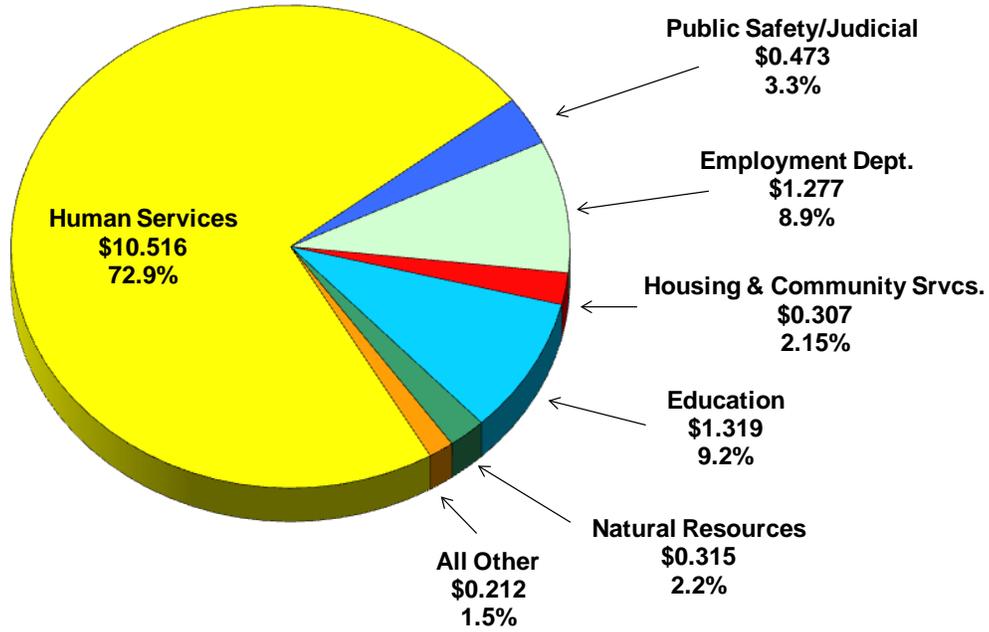
Federal Funds decreased by 1% with reductions due to the ending of federal funding available to states through the America Recovery and Reinvestment Act being offset by increases for base programs funded with Federal Funds received from federal agencies. Significant adjustments include:

- A \$21 million decrease to the state Department of Energy, primarily attributable to completion of projects under the American Recovery and Reinvestment Act.
- A \$15 million increase federal funding to the Oregon Watershed Enhancement Board for the Pacific Coastal Salem Recovery Fund for salmon recovery activities.
- A \$5 million decrease in the Department of Environmental Quality Land Quality program due to ending of funding to remediate leaking underground storage tanks and for Superfund cleanups.

## **Administration**

- Federal Funds for the Administration program grew by \$0.9 million or 7.1% from the 2009-11 legislatively approved budget level. Additional federal resources are built into the budget for the Office of the Governor to implement SB 909, which creates the Oregon Education Investment Board and the Early Learning Council.

**2011-13 Federal Funds Total \$14.419 Billion**  
**18.6% Decrease from 2009-11 Legislatively Approved Expenditures**  
(Billions of Dollars/Percent of Total)



## Summary of Legislative Actions Affecting the Budget

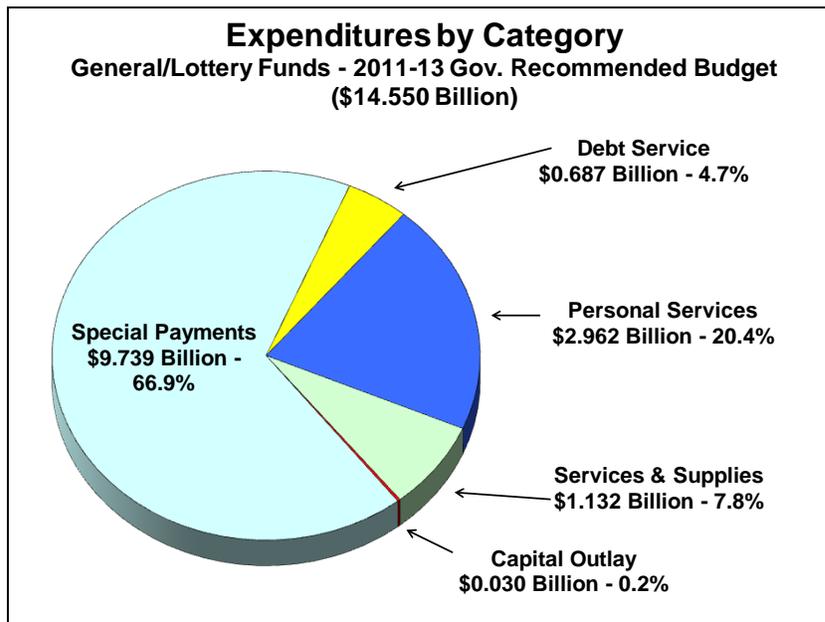
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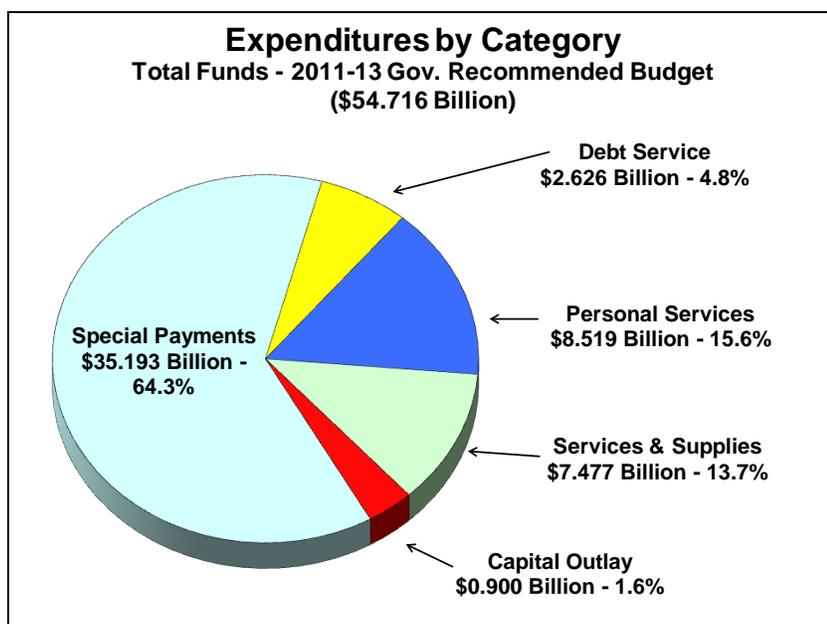
### Budget Expenditures by Category

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. Nearly 67% 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 \$5.712 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 two “Expenditures by Category” graphs reflect the Governor’s recommended budget since not all agency legislatively adopted budgets had passed audit by the time of publication.)

In terms of percentage growth, the fastest growing segment of the General Fund/Lottery Funds budget tends to be the debt service component. Actual debt service in the 2007-09 budget was \$397.2 million (General Fund/Lottery Funds). This increased to \$552.1 million in the 2009-11 approved budget, and was projected to grow again to \$687.1 million in the Governor’s recommended budget.

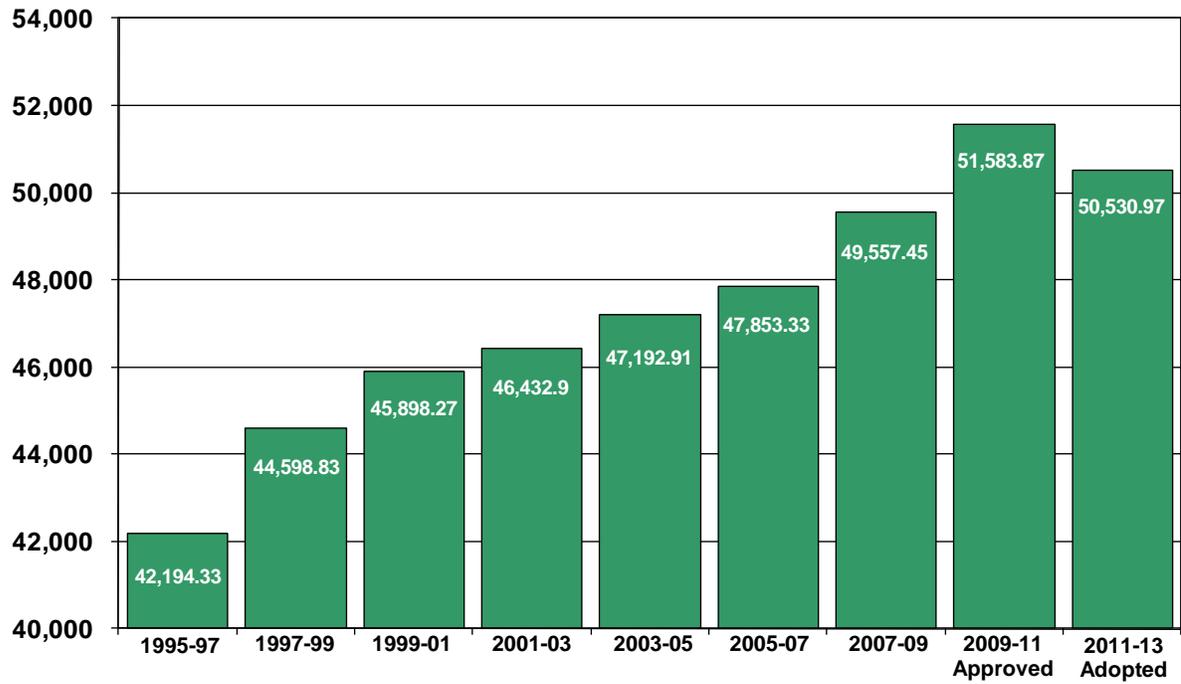
## State Employees

The legislatively adopted total funds budget supports 50,530.97 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, 2010, the state’s population was estimated at 3,836,100. The FTE limit at the beginning of the biennium is therefore 57,541.50, substantially higher than the number included in the 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 2011-13 legislatively adopted budget, 33,289.26, or nearly 66% of the approved FTE, are in five state agencies (the Oregon University System, the Oregon Health Authority, and the Departments of Human Services, Corrections, and Transportation).

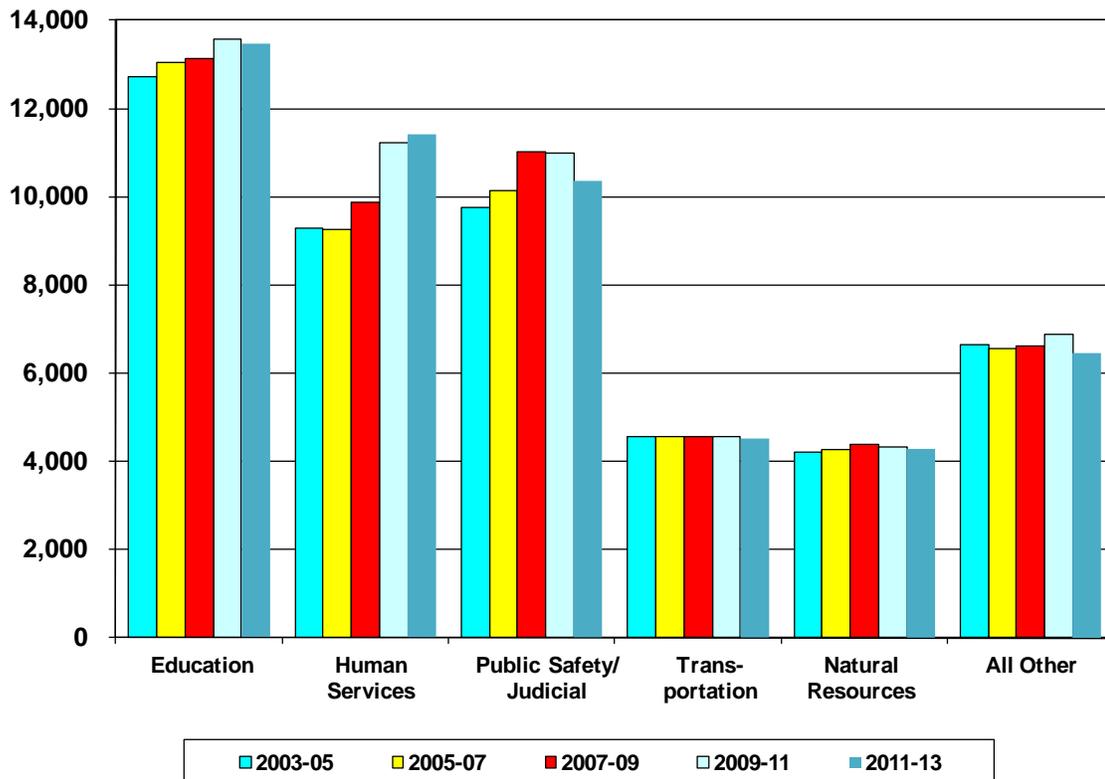
The number of state positions and FTE decreased in the 2011-13 adopted budget for the first time since at least the mid-1990s. The total number of state employee positions was reduced by 1,271 in the 2011-13 adopted budget when compared to the 2009-11 legislatively approved budget, a decrease of 2.1%. The total full-time equivalent of this position decrease was a decline of 1,052.90 FTE, or a drop of 2%. A significant portion of the decrease in overall state positions was the result of the Legislature’s continuation of 2009-11 allotment reductions (reduction of 469 positions and 438.09 FTE) and the elimination of vacant positions (reduction of 534 positions and 428.09 FTE).

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

### Number of State Agency Full-Time Equivalent (FTE) Positions



### FTE Change by Program Area



## **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 specific funding for state employee cost-of-living adjustments. In addition, the adopted budget assumed a 5.5% across-the-board reduction in total personal services from the current service level budget. Collective bargaining agreements achieved with the two major state employee unions shortly after the 2011 legislative session concluded provided for the continuation of the 6% PERS pickup, an increase in the PERS employer rate of about 4%, two cost-of-living adjustments (1.5% effective December 1, 2011 and 1.45% effective December 1, 2012), one phased-in step increase beginning in July 2012 on employees' salary eligibility dates, between 10 and 14 furlough days based on pay level, and employee contribution of 5% of health and benefit premium costs, with a subsidy for lower income state workers to offset a portion of the 5% contribution. Current estimates indicate that the negotiated salary and benefit packages are approximately \$50 to \$60 million General Fund/Lottery Funds more than provided for in agency budgets (\$120 to \$130 million total funds). Since the agreements are not yet ratified, a number of bargaining units have not completed negotiations, and the slight variations between the agreements, the total final cost is not yet able to be calculated.

## **2011-13 Agency or Organizational Changes**

The most significant change made to the organizational structure of state government for the 2011-13 budget was the establishment of the Oregon Health Authority, the Oregon Health Policy Board (OHPB), the Health Care Workforce Strategic Fund, and the Oregon Health Authority Fund (HB 2009 from 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 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 abolished the Oregon Health Policy Commission. While these changes were passed by the Legislature during the 2009 session, the 2011-13 biennium is the first budget cycle where the new agency structure is officially in place.

The 2011 Legislative Assembly established a new state agency, the Citizens' Initiative Review Commission, in HB 2634. This Commission is to summarize findings and write recommendations for inclusion in the state voters' pamphlet on selected initiative measures.

Other actions by the 2011 Legislative Assembly included providing semi-independent status to the Oregon University System in SB 242, moving the Board of Licensed Dietitians from being a separate state agency to a program within the Oregon Health Licensing Agency, and renaming the Oregon Student Assistance Commission (OSAC) as the Oregon Student Access Commission (effective January 1, 2012). SB 242 (2011) also transfers the Office of Degree Authorization from OSAC to the newly created Higher Education Coordinating Council (HECC) effective July 1, 2012.

## **Prioritization Process for Agency Programs**

Balancing the state budget necessitates resource allocation decisions concerning public services and programs. To facilitate the process, the Executive Branch adopted the Joint Committee on Ways and Means practice of the past three legislative sessions by institutionalizing a program prioritization

process in agency budget development. A “Prioritized List” worksheet, previously developed by the Legislative Fiscal Office to help agencies provide data in a consistent format, was required to be included in agency budget documentation. 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.

For the 2011-13 budget process, the Legislature again reviewed and approved agency KPMs and targets. The final decisions are reported along with each agency’s budget bill budget report.

## **Oregon Reserve Funds – Education Stability Fund and Oregon Rainy Day Fund**

### Education Stability Fund (ESF)

The ESF was established in September 2002 when voters amended the state’s constitution to reformulate an existing education endowment fund into a reserve fund. The ESF is funded with 18% of the net proceeds from the state’s lottery and is capped at 5% of the amount accrued in General Fund revenues during the prior biennium; once the cap is reached, 15% of the net lottery proceeds are deposited into the ESF’s school capital matching subaccount. The Legislature is allowed to spend the principal of the fund for public education if there is an economic downturn and the expenditure is approved by three-fifths of the members in each chamber of the Legislature.

In order to access the ESF principal, the Legislature must make a finding that either:

1. the last quarterly economic and revenue forecast for a biennium indicates that moneys available to the state’s General Fund for the next biennium will be at least 3% less than appropriations from the state’s General Fund for the current biennium;
2. there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
3. a quarterly economic and revenue forecast projects that revenues in the state’s General Fund in the current biennium will be at least 2% below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

If none of these conditions are able to be met, the ESF can also be used by the Legislature for public education if the Governor declares an emergency and the expenditure is approved by a three-fifths majority of each chamber.

The ESF has been used several times to balance or rebalance a biennial budget. Although the ESF must be used for expenditures on public education, since education comprises a significant portion of the state's budget (K-12 through higher education), expenditure of ESF resources for public education allows the General Fund dollars designated for education to be redirected to other sectors of the budget:

- The constitutional amendment renaming the endowment fund as the Education Stability Fund (HJR 80) authorized a transfer of \$150 million from the ESF to the State School Fund (SSF) on May 1, 2003; this occurred during the third special session of 2002 and offset an equivalent General Fund disappropriation to the SSF as part of the 2001-03 budget rebalance plan.
- During the 2003 session, the Legislature transferred an additional \$112 million from the ESF to the SSF in May 2003 as part of the final rebalance for the 2001-03 biennium.
- Also during the 2003 session, the Legislature prospectively transferred 90% of the lottery deposits to be made to the ESF between July 2003 and May 2005 to the SSF on May 1, 2005 as part of the balanced budget plan for the 2003-05 biennium.
- During the 2009 session, the Legislature transferred the balance of the ESF to the SSF, projected at \$394 million, as part of the rebalance of the 2007-09 budget.
- To guarantee a commitment made to provide a \$6 billion State School Fund for the 2009-11 biennium, the Legislative Assembly made a prospective transfer during the February 2010 special session from the ESF to the SSF to occur in May 2011; the amount transferred was \$84.274 million.<sup>1</sup>
- In order to balance the 2009-11 biennium budget and to address federal post-secondary education maintenance of effort requirements, HB 5055 was passed during the 2011 session; \$96.425 million was transferred from the ESF to the State School Fund.
- As part of the 2011-13 biennium budget, \$100 million was transferred from the ESF to the SSF in SB 5553 during the 2011 session; the timing of this transfer was subsequently changed from October 2011 to June 2012 in HB 5055.
- During the 2011 session, the Legislature also provided for a transfer of \$82.239 million from the ESF to the SSF to occur in May 2013 to be used for several education related programs in the 2011-13 legislatively adopted budget, including an enhancement to the SSF initial funding level.

After actions by the Legislature during the 2011 session, the projected balance in the ESF at the end of the 2011-13 biennium is currently estimated at \$15.7 million.

### Oregon Rainy Day Fund (ORDF)<sup>2</sup>

The ORDF was established by the 2007 Legislative Assembly in HB 2707 as a general purpose reserve fund. The ORDF was originally capitalized with a deposit of approximately \$319 million from the retention of the majority of the corporate income tax "kicker" that was due to be restored to corporate taxpayers in the fall of 2007. Future deposits into the ORDF are to be from the state's General Fund ending balance in an amount of up to 1% of the General Fund appropriations for the biennium. If the biennium's ending balance is greater than 1% of the General Fund appropriations for that biennium, then an amount equal to 1% is transferred to the ORDF and the remaining amounts are retained by the General Fund. If the biennium's ending balance is less than 1% of the General Fund appropriations for that biennium, then the full amount of the ending balance is to be transferred to the ORDF. Due to the amount of time necessary to make final determinations on biennial expenditures, this transfer from the ending balance would normally occur at the time of the March economic and revenue forecast in the year following the conclusion of the biennial budget period.

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<sup>1</sup> The amount of the transfer was determined by the June 2010 economic and revenue forecast and was equal to the difference between \$200 million and the combination of the balance in the Rainy Day Fund plus the projected General Fund ending balance for the 2009-11 biennium.

<sup>2</sup> See ORS 293.144 - 293.148.

In addition to the ending balance transfer, HB 2073 passed by the Legislature during the 2009 session provided for the deposit of all revenue collected from corporate income and excise taxes above the 6.6% tax rate into the ORDF. These deposits will begin with the 2013 corporate tax year with revenues collected during the 2013-15 biennium. When HB 2073 was passed in 2009, the Legislative Revenue Office's initial estimate was that \$69 million would be collected under the law for deposit in 2013-15. These transfers are to occur on or before June 30<sup>th</sup> of each odd-numbered year.

If the balance in the ORDF at the time of the ending balance transfer is greater than 7.5% of the General Fund revenues collected during the prior biennium, then the ending balance transfer is made to the General Fund instead of the ORDF. The full amount of the transfer is made to the ORDF if the fund balance does not equal at least 7.5% of the General Fund revenues collected during the prior biennium even if the transfer increases the amount in the ORDF over the cap.

Like the Education Stability Fund, the ORDF also requires a three-fifths majority of both chambers of the Legislature to authorize an expenditure of funds from the reserve fund. The ORDF uses the same trigger mechanisms that are used for the ESF, with two exceptions. First, there is no allowance for a declaration of an emergency by the Governor. Second, unlike the ESF, the ORDF is a statutory, not constitutional, creation so the Legislature can change the existing triggers by passing a new law.

The Legislative Assembly is also limited to appropriating for any one biennium only up to two-thirds of the amount in the ORDF at the beginning of that biennium; if the appropriation is for a biennium that has not yet started, the Legislative Assembly can use the most recent official projection of the beginning balance of the ORDF for the biennium for which the appropriation is to be made. The ORDF retains all interest, which is calculated and transferred to the ORDF once a month by the Department of Administrative Services.

The ORDF has been used three times to balance or rebalance a biennial budget:

- During the 2009 session, the Legislative Assembly transferred two-thirds of the balance of the ORDF on July 1, 2009, estimated at \$225 million, to the General Fund for general governmental purposes as part of the final 2009-11 biennial balanced budget plan.
- In order to provide a \$6 billion State School Fund for the 2009-11 biennium, the Legislative Assembly provided a \$200 million trigger in the budget bill for the SSF during the 2009 session; the trigger amount was to come from a combination of the state's projected General Fund ending balance and the ORDF with amounts to be determined at the time of the June 2010 economic and revenue forecast; the amount eventually transferred was \$115.726 million.<sup>3</sup>
- As part of the 2009-11 budget rebalance plan crafted during the February 2010 special session, the Legislative Assembly transferred \$10 million from the ORDF to the General Fund for general governmental purposes.

After actions by the Legislature during the 2011 session, the projected balance in the ORDF at the end of the 2011-13 biennium is currently estimated at \$10.7 million, plus whatever amount remains from approximately \$18 million that was set aside as a 2009-11 reserve for the final forecasts that will determine the actual ending balance for the 2009-11 biennium.

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<sup>3</sup> The language creating the transfer mechanism was included in SB 5520 (2009) and then subsequently modified during the February 2010 special session in SB 5565.

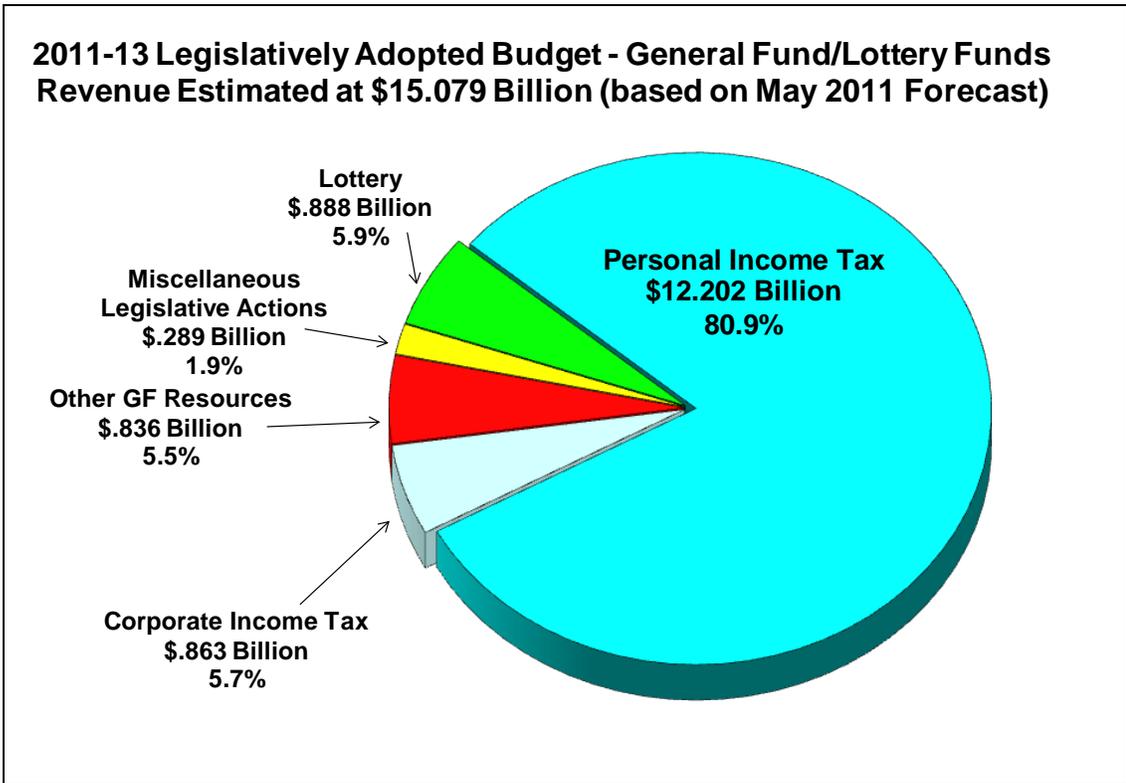
## **Major 2011-13 Tax and Other Resources in the Legislatively Adopted Budget**

### Tax Legislation

Of the major tax related bills approved by the 2011 Legislature, three have broad implications for the overall state tax system, while three other measures have more narrow, but still significant implications. HB 3672 is the product of the first phase of the Legislature's tax credit review process that was established in 2009 (HB 2067). The process was managed by the Joint Committee on Tax Credits. The Committee reviewed twenty income tax credits scheduled for sunset in 2012, allowing nine to sunset, accelerating the sunset date of one (HB 3170), while extending nine credits, some after modification. In addition, the Joint Committee broke apart the business energy tax credit (the state's largest credit) into three scaled down new credits for conservation, renewable energy generation and alternative transportation. The net revenue impact of HB 3672 is estimated at -\$10 million for the 2011-13 biennium and -\$52.3 million for the 2013-15 biennium. However, these estimates are made in comparison with current law which assumes all tax credit sunsets take place on the date specified in law. Another way to view the revenue impact of HB 3672 is to compare the revenue impact of the credits as modified in the bill with the cost of continuing them in their existing form. Under this comparison, the revenue impact of HB 3672 is +\$30.7 million in 2011-13 and +\$117.1 million in 2013-15.

Two other measures with broad tax policy implications are SB 301 and HB 2541. SB 301 reconnects Oregon's tax code with federal depreciation and capital expensing provisions for the 2011 and 2012 tax years and changes for the 2010 tax year not picked up in previous legislation. Because the federal depreciation schedule accelerates business deductions, the revenue impact of SB 301 is negative in the 2011-13 biennium (-\$94.7 million) and positive in the 2013-15 biennium (+\$43.7 million). HB 2541 was specifically constructed to be revenue neutral but it represents a near complete rewrite of Oregon's estate tax laws to bring them up to date with federal definitions, clarify some elements of the natural resource credit and to smooth an anomaly in the tax rate schedule. HB 3058, HB 3543 and SB 817 fall under the heading of more narrow but still significant tax policy changes. HB 3058 removes the sales of members of agricultural co-ops to the co-op from the tax base for purposes of calculating the corporate income tax and the corporate minimum tax. It is expected to reduce General Fund revenue by \$1.4 million in the 2011-13 biennium. HB 3543 changes the method of returning the 2% surplus kicker for personal income taxpayers from a refund to a credit on tax returns. While the measure has no revenue impact it is expected to reduce administrative costs and interest costs associated with the state's cash flow management in those years when a personal kicker is triggered. SB 817 establishes a new tax credit linked to the federal new market tax credit designed to encourage investment in low income communities. The measure has no revenue impact for the 2011-13 biennium and an estimated impact of -\$5.3 million in the 2013-15 biennium.

(Note: For a detailed summary of revenue actions see "Revenue Measures Passed" – Research Report #2-11 published by the Legislative Revenue Office.)



**Other Revenue Sources**

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 \$144.7 million, and \$31.6 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 2011-13 legislatively adopted budget, the Department of Administrative Services will transfer funds to the Oregon Department of Justice (approximately \$1.2 million) for tobacco enforcement and to the Oregon Health Authority (\$30 million) for the Oregon Health Plan.

Criminal Fines Account (CFA)

The 2011 Legislature approved major changes to the statutory revenue and distribution structure of criminal fines, assessments, and other financial penalties imposed on conviction for felonies, misdemeanors, and violations other than parking infractions (see HB 2712).

Beginning on January 1<sup>st</sup>, 2012, revenue generated by criminal fines and assessments will be deposited into the Criminal Fine Account (CFA), which was formerly entitled the Criminal Fine and Assessment Account (CFAA).

Total available revenue assumed in the 2011-13 legislatively adopted budget for the CFA is \$130.2 million. The revenue is received from circuit, justice, county, and municipal courts. The Joint

Committee on State Court Revenue Structure is charged with reviewing the implementation of HB 2712 and monitoring the actual revenue generated by the measure. In future biennia, criminal revenue is expected to decline as the extension of criminal surcharges sunset, violation amounts are reduced, and judicial discretion on violations is exercised.

Legislative allocations from the CFA total \$59 million and include both those entities that have historically received allocations from the CFAA and new eligible entities. As with the CFAA, the unallocated CFA balance is deposited into the General Fund. This is estimated to be \$71.3 million. Depositing the unallocated balance into the General Fund eliminates almost all distinction between CFA and General Fund dollars.

The existing entity allocations total \$40.8 million and include: Department of Public Safety Standards and Training for the training of public safety personnel and other programs; Department of Human Services for the Domestic Violence Fund and Sexual Assault Victims Fund; Oregon Health Authority for Emergency Medical Services and Trauma Systems; and the Department of Justice for Criminal Injuries Compensation Account; child abuse medical assessments, Child Abuse Multidisciplinary Intervention Account; and the statewide system of regional assessment centers.

Although eligible to receive an allocation from the CFA, forensics, medical examiner, and the Law Enforcement Data System (LEDS) programs in the Department of State Police was instead funded with General Fund.

New entities received allocations totaling \$18.2 million. These include: Judicial Department's State Court Facilities and Security Account; local court security program; Department of Corrections' Community Corrections; Oregon Health Authority alcohol and drug abuse prevention and intoxicated driver program; Department of Human Services' Law Enforcement Medical Liability Account; Department of State Police's driving under the influence enforcement; and the Governor's Office arrest and return for extradition program.

### Fees

There were several hundred individual fee changes included in the 2011-13 legislatively adopted budget. These changes were adopted as individually enumerated, as fee schedules, or as defined revenue targets that were to be achieved through agency-formulated fee adjustments.

The 2011 Legislature approved significant changes to the State's civil and criminal fee, fines, and assessments. HB 2710 updated and simplified the current statutory revenue and distribution structure related to civil filing fees and assessments. HB 2712 updated and simplified the current statutory revenue and distribution structure related to criminal fines, assessments, and other financial penalties imposed on conviction for felonies, misdemeanors, and violations other than parking infractions.

All the civil and criminal fees and fines are permanent and established in statute. Fees and fines are also uniform across the state. Civil revenues, with the exception of Legal Aid Services, are deposited into the General Fund. Criminal fines and assessments are deposited into the Criminal Fines Account (formerly called the Criminal Fines and Assessment Account) with any unallocated balance deposited into the General Fund. The revenues generated by the two measures are used to partially support the state's public safety system, including investments in local court facilities.

The two measures were originally the product of the 2009-11 interim Joint Committee on State Justice System Revenues ([www.leg.state.or.us/comm/lfo/justicerevenues.htm](http://www.leg.state.or.us/comm/lfo/justicerevenues.htm)).

Fee changes contemplated by the 2011 Legislature included the ratification of fees changed by administrative rule during the interim, fee changes anticipated in the 2011-2013 biennium that were included in a given agency's budget, and fee changes that are to be implemented in the 2011-13 biennium that require or were due to legislation other than an agency's budget bill. The following table illustrates the legislative action related to each fee change separated in to each of these categories along with the total net impact to revenue anticipated by the fee changes in the 2011-13 biennium. The number of fee changes may not accurately reflect the number of individual fees that were changed since some of the fee changes were changes to fee schedules that contain multiple individual fees. The fee changes resultant from HB 2710 and HB 2712 are not included in the table or the following discussion.

	Ratification of Fees Changed by Administrative Rule During Interim	Fees Changes anticipated in 2011-2013 biennium included in the legislatively adopted budget for the agency	Fees Changes to be implemented in 2011-2013 biennium requiring or due to legislation	Total
Number of Agencies with Fee Changes	14	9	10	26
Total Number of Fee Changes	180	83	65	331
Adopted	151	35	36	222
Denied	18	12	27	57
Modified	10	39	2	51
Withdrawn	1			1
Estimated Net Impact of Fee Changes	\$2,087,496	\$12,502,203	\$3,264,298	\$17,853,997

The six largest fee changes account for \$12,181,062 or 68.2% of the net anticipated impact on fee revenues included in the legislatively adopted budget; \$11,206,062 of this amount is from fees administered by the Oregon Health Authority related to the regulation of medical marijuana; \$2,475,000 is from a newly established non-refundable license application fee administered by the Oregon Liquor Control Commission for applicants of specific new liquor licenses; and \$1.5 million reduction in fees is anticipated from a temporary \$2.00 reduction in vehicle inspection fees in the Portland metro area by the Department of Environmental Quality (DEQ).

A fee increase request from DEQ that was included in the Governor's recommended budget to fund a process improvement study related to 401 certification for dredge and/or fill operations was withdrawn by the agency during the legislative session pending further discussions and potential agreements with stakeholders.

The following table details the fee change request types by individual agencies. Where the 2011-2013 anticipated revenue impact is zero, the legislative action taken regarding the fee change request has resulted in no net change to the anticipated revenue, but is included in the table to show the number of proposed changes.

Agency Name	Establish		Increase		Decrease		Eliminate		Total	
	Number	2011-2013 Anticipated Revenue	Number	2011-2013 Anticipated Revenue Impact	Number	2011-2013 Anticipated Revenue Impact	Number	2011-2013 Anticipated Revenue Impact	Number	2011-2013 Anticipated Revenue Impact
Board of Dentistry			4	\$262,500					4	\$262,500
Board of Licensed Social Workers	6	\$102,500	1	\$3,360					7	\$105,860
Board of Pharmacy	10	\$82,180	17	\$1,348,350					27	\$1,430,530
Construction Contractors Board	1	\$1,000,000							1	\$1,000,000
Counselors and Therapists			2	\$37,800					2	\$37,800
Consumer and Business Services			10	\$940,138					10	\$940,138
Department of Revenue			1	\$0					1	\$0
Dept of Agriculture	6	\$13,780	33	\$370,494	1	\$0			40	\$384,274
Department of Environmental Quality	10	\$157,500	2	\$216,913	2	-\$1,500,000			14	-\$1,125,587
Employment Relations Board			1	\$10,500					1	\$10,500
Department of Energy	4	\$126,000							4	\$126,000
Health Licensing Agency	9	\$17,440	11	\$450,224	11	-\$649,322	3	-\$8,700	34	-\$190,358
Long Term Care Ombudsman	1	\$0							1	\$0
Medical Board			33	\$226,853					33	\$226,853
Naturopaths			9	\$51,675					9	\$51,675
Oregon Business Development Division	2	\$459,500							2	\$459,500
Occupational Therapy					2	-\$39,100			2	-\$39,100
Oregon Department of Fish and Wildlife	3	\$100,000			10	-\$383,605			13	-\$283,605
Oregon Department of Transportation	6	\$97,155	15	\$288,410			2	-\$66,950	23	\$318,615
Oregon Health Authority	22	\$3,673,680	49	\$7,482,382	1	\$0			72	\$11,156,062
Oregon Liquor Control Commission	2	\$2,475,000							2	\$2,475,000
Oregon Parks and Recreation Department			1	\$0					1	\$0
Oregon Racing Commission			1	\$50,000					1	\$50,000
Oregon State Police			8	\$0	2	\$0			10	\$0
Public Safety Standards and Training			3	\$457,340						\$457,340
Speech-Language Pathologists/Audiologists			13	\$0			1	\$0	14	\$0
Grand Total	82	\$8,304,735	214	\$12,196,939	29	-\$2,572,027	6	-\$75,650	328	\$17,853,997

### Lottery Revenue and Lottery Bonds

See “Lottery Resources and Expenditures” (page 11) and “Capital Construction and State Bonding Debt” (page 70).

## Assumptions in the Development of the Budget

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In a typical biennium, various assumptions regarding rates and assessments are made while building the budget. An agency's budget is built by taking the previous biennium budget and adding in these new rates, assessment changes, inflation, and personal services cost increases. Given the inability to continue funding all ongoing programs due to a lack of resources, there were a number of statewide adjustments that were made to agency budgets to reduce these costs and therefore statewide expenditures.

The following statewide packages are found in some or all agency budgets:

**Package 085 – Allotment Reduction Roll-ups:** During the 2009-11 biennium, the Governor issued executive orders that reduced allotments when there was a General Fund shortfall. Many of the allotment reductions that were taken during that biennium could be continued through the 2011-13 biennium. This package captures the rolled-up savings of any reductions that were continued.

**Package 086 – Eliminate Inflation:** This package eliminates standard inflation from essential packages in the budget. This reduction applied to any account that received inflation. Accounts that did not receive standard inflation were considered in other packages.

**Package 087 – Personal Services Adjustments:** This package reflects a 5.5% across-the-board reduction in total personal services from the Current Service Level budget. The recommended reduction is not specific to an account or reduction strategy. Final personal services decisions were determined by policy decisions and future labor negotiations.

**Package 801 – Targeted Statewide Adjustments:** This package takes a 6.5% reduction to services and supplies from General Fund and Lottery Funds accounts only. This was in addition to the reductions that were taken in Package 086, which eliminated most inflation.

**Package 802 – Vacant Position Savings:** This package captured savings from eliminating long-term vacant positions from agencies. If positions had been vacant and the positions were not eliminated in other packages, then the savings were taken and the positions were eliminated.

**Package 805 – Budget Reconciliation Adjustments (SB 5508):** This package contains all of the adjustments that were made in SB 5508 (2011). Within that bill were a number of statewide adjustments including assessments and charges for services in the Department of Administrative Services, Secretary of State audit assessments; and Office of Administrative Hearings charges. Also included were adjustments for debt service costs.

**Package 819 – Supplemental Statewide Ending Balance:** The co-chairs of the Joint Committee on Ways and Means instituted a 3.5% across-the-board reduction each agency's biennial General Fund and Lottery Funds budget. This created a supplemental ending balance that may be used during the February 2012 session depending how actual revenues compare to the forecast. This package captures those savings.

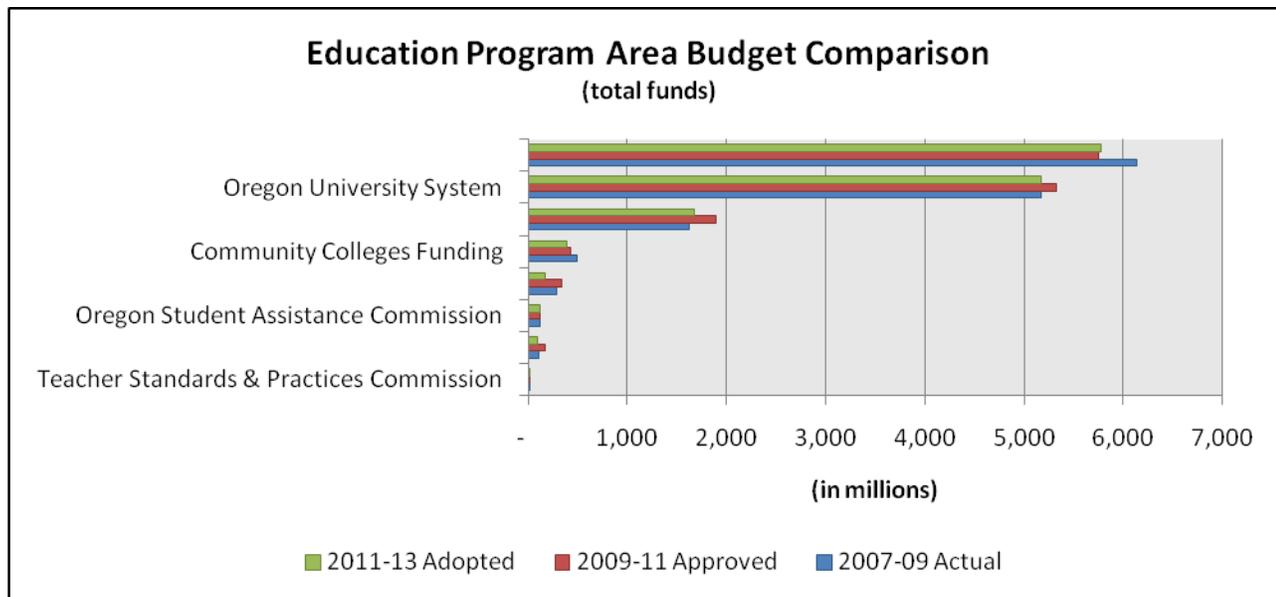
## Program Area Summaries

### Education Program Area

The Education program area includes early education, Kindergarten through 12<sup>th</sup> grade, post-secondary education, licensing, and financial aid. The budget includes not only the state's support, including General Fund, Lottery Fund, and bonding, but a significant portion of the federal level resources as well (e.g., funding from the Elementary and Secondary Education Act or nutrition programs). However, property taxes that support schools, education service districts, and community colleges, as well as the tuition and service charges that support community colleges and Oregon Health and Science University, are not part of the state budget. The exception is the Oregon University System in which all funds are included in the state budget. Although budgeting for the Oregon University System will change with the implementation of SB 242 (2011) which will be more thoroughly described later in this section.

The General Fund and Lottery Funds support for the Education program area in the 2011-13 legislatively adopted budget is \$7.39 billion. This is an increase of \$233.6 million, or 3.3%, from the 2009-11 legislatively approved budget. The total funds budget of \$13.42 billion reflects a 4.5% decrease over the prior biennium which is largely attributable to one-time funding received under the federal American Recovery and Reinvestment Act of 2009.

The following table compares education programs' 2011-13 legislatively adopted budget, the 2009-11 legislatively approved budget, and the 2007-09 actual expenditures.



### K-12 School Funding

The 2011-13 legislatively adopted budget includes \$5.77 billion total funds for school funding. Of that amount, \$61 million Federal Funds is related to the American Recovery and Reinvestment Act. No new funding is available for the 2011-13 biennium from ARRA; this budget adjustment was included as a contingency if school and education service districts did not fully draw these resources prior to the close of the 2009-11 biennium. Excluding the \$61 million Federal Funds adjustment, the 2011-13 legislatively adopted budget is less than 1% lower than the 2009-11 legislatively approved budget.

For the 2011-12 school year, \$125 million (\$25 million General Fund and \$100 million transferred from the Education Stability Fund) will be deposited into a newly created State School Fund subaccount for the purposes of distribution to school districts and programs, excluding education service districts, which agree to utilize these resources for smaller class sizes or to enhance learning opportunities. A school district or program must provide a written plan and proof of compliance to the Legislature by January 15, 2012.

With the passage of SB 250 (2011), certain school districts are able to withdraw from ESDs and the distribution of the State School Fund changed. The ESD allocation decreased from 4.75% to 4.5% and the school district distribution increased from 95.25% to 95.5%. Further, the measure created the Office of Regional Educational Services (ORES) to establish best practice policies, benchmarks, provide training and support to ESD superintendents, and make recommendations. ORES may expend up to \$0.5 million per biennium. School districts are expected to receive an additional \$22.6 million and ESDs will receive \$23.1 million less with the implementation of this measure.

Allocations for the School Improvement Fund and for District Best Business Practices Audits were suspended for the 2009-11 biennium and again in the 2011-13 biennium. However, the Department of Education may spend up to \$1.6 million from the State School Fund for the purposes of the Oregon Virtual School District Fund. In addition, \$1.9 million General Fund was approved for Local Option Equalization Grants. This amount is expected to cover all of the grants for the biennium.

<b>School Funding – excluding \$61M Federal Fund relating to ARRA (\$ in millions)</b>						
	<b>2009-10</b>	<b>2010-11</b>	<b>Total</b>	<b>2011-12</b>	<b>2012-13</b>	<b>Total</b>
State School Fund	\$2,940.1	\$2,797.7	\$5,737.8	\$2,867.8	\$2,842.8	\$5,710.7
Common School Fund (1% distribution increase)	9.7	9.4	19.1	10.9	12.1	23.0
Local Option Equalization	1.4	0.7	2.1	1.0	0.9	1.9
Special Education Fund	-	13.8	13.8	-	-	-
Subtotal:	<b>2,951.2</b>	<b>2,821.6</b>	<b>5,772.8</b>	<b>2,879.7</b>	<b>2,855.9</b>	<b>5,735.6</b>
Local Revenue*	1,505.2	1,513.8	3,019.0	1,545.7	1,585.9	3,131.7
Total:	<b>\$4,456.4</b>	<b>\$4,334.6</b>	<b>\$8,791.8</b>	<b>\$4,425.4</b>	<b>\$4,441.8</b>	<b>\$8,867.3</b>

\*Local Revenue is part of the equalization formula but not included in the State’s budget; line-item adjusted for the 1% Common School Fund distribution increase.

**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 2011-13 legislatively adopted budget for General Fund and Lottery Funds of \$395.3 million is \$22.5 million, or 6%, higher than the 2009-11 legislatively approved budget. However, the total funds budget of \$1.68 billion decreased by 11.4% reflecting the elimination of one-time increase in federal funding of \$237.1 million for Individuals with Disabilities Education Act (IDEA) and Title 1A of the Elementary and Secondary Education Act.

As part of the statewide budget plan, a \$310 million supplemental ending balance was established by reducing most General and Lottery Funds budgets by 3.5%. The supplemental ending balance may be allocated to agencies during the February 2012 legislative session if financial conditions warrant that action. For ODE, a total of \$13.3 million was reduced from the 2011-13 legislatively adopted budget, including \$1.9 million in debt service which must be restored to avoid default. Nearly 82% of the total funds budget supports Grant-in-Aid to local programs.

<b>Grant-In-Aid Program (\$ in millions)</b>						
<b>Program</b>	<b>2009-11 LAB</b>		<b>2011-13 LAB</b>		<b>% Change</b>	
	<b>GF</b>	<b>All Funds</b>	<b>GF</b>	<b>All Funds</b>	<b>GF</b>	<b>All Funds</b>
EI/ECSE	\$106.17	\$135.57	\$115.26	\$144.67	8.6	6.7
Oregon Prekindergarten	104.99	104.99	122.25	122.25	16.4	16.4
Early Head Start	0.95	0.95	0.92	0.92	-3.9	-3.9
IDEA/All Other Federal	-	401.24	-	271.33	n/a	-32.4
Regional Programs	29.43	59.34	25.83	55.74	-12.2	-6.1
Long-term Care & Treatment	16.82	36.03	14.76	31.05	-12.2	-13.8
Hospital Services	1.45	4.29	1.28	4.81	-12.2	12.0
Title I Low-Income/Migrant Education	-	405.38	-	357.45	n/a	-11.8
Nutrition	2.32	330.01	2.28	287.66	-1.7	-12.8
Title II Teacher Quality	-	55.89	-	55.40	n/a	-0.9
Teacher/Admin Quality (Mentoring)	4.68	4.68	4.52	4.52	-3.5	-3.5
District Collaboration/Student Achievement	-	-	4.75	4.75	n/a	n/a
Vocational Education	-	29.56	-	24.77	n/a	-16.2
Career & Technical Education	-	-	1.90	1.90	n/a	n/a
Accelerated College Credit	-	-	0.25	0.25	n/a	n/a
For Inspiration & Recognition of Science & Technology (FIRST)	-	-	0.15	0.15	n/a	n/a
Student Leadership	0.46	0.46	0.24	0.24	-47.7	-47.7
Physical Education	0.46	0.46	0.37	0.37	-19.7	-19.7
Connectivity	0.59	0.59	0.47	0.47	-19.7	-19.7
<b>Total (may not tie due to rounding):</b>	<b>\$268.33</b>	<b>\$1,569.45</b>	<b>\$295.23</b>	<b>\$1,368.7</b>	<b>10.0</b>	<b>-12.8</b>

Despite the decline in total funds, the legislatively adopted budget does include several program enhancements. Oregon Prekindergarten funding was increased by \$16.5 million General Fund and is expected to cover approximately 7,300 slots bring the percentage of eligible children served to 71%. Funding for Early Head Start, which was implemented mid-biennium in 2009-11, was continued in the adopted budget and four new programs were established: a) career and technical education (HB 3362), b) accelerated college credit (SB 254), c) afterschool meal and snack program (SB 480), and d) For Inspiration and Recognition of Science and Technology (FIRST). Further, the Department of Education received eight new positions primarily to support internal auditing and school based nutrition programs, \$5 million General Fund to cover a breach of contract court judgment and \$250,000 General Fund for administration of the School District Collaboration Grant Program (SB 252).

### **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 2011-13 legislatively adopted budget includes \$1.29 billion of General Fund and Lottery Funds to support post-secondary education. This is a decrease of \$93.8 million, or 6.8%, from the 2009-11 legislatively approved budget.

### **Oregon University System**

State support for the Oregon University System (OUS) in the 2011-13 legislatively adopted budget totals \$669.2 million. This is a decrease of \$60.6 million, or 8.3%, from the final 2009-11 approved

biennium level. The Department budget also includes \$4.48 billion Other Funds and \$4.9 million Federal Funds for repayment of Buy America Bonds, for a total of \$5.18 billion from all fund sources.

General Fund 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 \$487 million, which is \$120 million, or 19.8%, below the 2009-11 legislatively approved level, which includes an additional \$30 million in General Fund appropriated at the end of the 2009-11 biennium to meet federal spending requirements related to the state's receipt of temporary federal support provided through the America Reinvestment and Recovery Act. General Fund appropriated for debt service payments increased from \$68.7 million in 2009-11 to \$87.7 million for 2011-13, an increase of 28% due to the high level of borrowing for OUS capital projects approved during the 2009 session. In contrast, very few General Fund supported capital construction projects were approved by the Legislature for 2011-13.

The 2011-13 legislatively adopted budget all funds budget for Education and General Services program expenditures is \$3.11 billion, which is virtually unchanged from the \$3.18 billion level approved by the Legislature for the prior biennium.

Notable changes to General Fund support levels in the adopted budget include:

- \$100 million in General Fund reductions to reflect the full biennial savings from allotment reductions taken to rebalance the 2009-11 biennium.
- \$84 million in Other Funds increase to backfill most of the General Fund reductions due to roll-up of allotment reductions taken during 2009-11.
- \$156 million all funds reduction to reflect an assumption that personal services costs would be reduced by 5.5%.
- \$12 million General Fund was added to the Governor's Recommended funding levels for the three Statewide Public Services programs at Oregon State University, Agricultural Experiment Station, Extension Service, and the Forest Research Laboratory.
- \$9.4 million General Fund decrease and \$1.8 million Other Funds increase due to passage of SB 242, which removed OUS from state agency status and created a public non-state agency university system. Under this bill OUS will not be subject to Other Funds or Federal Funds expenditure limitation in the future, which will allow the university system unfettered ability to spend revenues as soon as they are received without waiting for legislative authorization

To accommodate continued large enrollment growth rates, the budget added \$90 million in Other Funds expenditure limitation for additional tuition revenues from higher enrollment. The budget also included an additional \$200 million Other Funds to accommodate planned tuition increases. As with past practices, the budget included a budget note limiting rates of tuition increases for resident undergraduates only at the system's individual institutions. The two year average increases in resident undergraduate rates were capped at 8% for University of Oregon, Oregon State University, Portland State University, and Oregon Institute of Technology. While the resident undergraduate rates at Eastern Oregon University, Southern Oregon University, and Western Oregon University, were capped at an average of no more than 6.5% for the 2011-12 and the 2012-13 academic years.

### **Community Colleges and Workforce Development Department**

The 2011-13 legislatively adopted budget of \$568.4 million total funds is 26.6% lower than the 2009-11 legislatively approved budget. The decrease is attributable to a reduction of \$46.6 million in Federal Funds expenditure limitation to reflect the elimination of one-time ARRA revenues, a Disability Program Navigators grant, and a Labor Market Information Improvement grant; and no new

capital construction projects being authorized. The 2011-13 legislatively adopted budget does include General Fund enhancements including \$3.4 million for the Governor's Getting Oregon Back to Work initiative, which is expected to generate 662 jobs in the first year; and \$500,000 for the Oregon Trucking Solutions Consortium for administration and establishing a non-state loan program for students participating in commercial driver license training.

State support for community colleges is the largest portion of this department's budget. The legislatively adopted budget of \$396.3 million total funds is 8.4% lower than the 2009-11 legislatively approved budget. Funding for the Portland Community College and Sabin-Schellenberg Skills Centers was maintained at \$550,000 General Fund. The balance of the adopted budget is for the Community College Support Fund. At this level of funding, some program eliminations/reductions are expected at community colleges, but tuition rate increases averaging approximately \$7 per credit hour (approximately \$315 per year for a full-time student) are expected to keep these reductions relatively small. If the statewide supplemental ending balance reduction is restored in February 2012, the CCSF could receive an additional \$14.2 million General Fund.

### **OHSU Public Corporation**

The 2011-13 legislatively adopted budget of \$97.7 million total funds is 44.3% lower than the 2009-11 legislatively approved budget which included \$66.5 million in one-time expenditures for debt refinancing. Excluding the debt refinancing, the percentage change is a decrease of 10.4%. With the restoration of \$3.5 million for child development and rehabilitation centers, \$0.9 million for the School of Nursing, and \$0.1 million for rural health services from the Governor's recommended level, OHSU was directed to preserve many of the services in child development and rehabilitation centers and minimize service impacts to rural health when possible. The 2011-13 legislatively adopted budget also includes the 3.5% across-the-board reduction, or \$1.8 million, to provide a supplemental statewide ending balance. Tuition increases are expected to be within the range of 6-10% per year.

### **Oregon Student Assistance Commission**

The 2011-13 legislatively adopted budget of \$124 million total funds is an increase of 5.3% over the 2009-11 legislatively approved budget. The adopted budget includes a 6.5% services and supplies reduction and the supplemental statewide ending balance hold back adjustment of 3.5 on General Fund and Lottery Funds expenditures.

Total funds support for the Oregon Opportunity Grant is \$99.5 million or 4.8% above the 2009-11 legislatively approved budget. For the 2011-12 school year, OSAC announced awards in March 2011 which are estimated to pay \$46 million. If the supplemental statewide ending balance hold back of \$3.6 million is restored in February 2012, \$57 million would be available for second year awards. At these levels, OSAC would serve approximately 52,000 grant recipients in the 2011-13 biennium versus approximately 56,000 in the 2009-11 biennium with the average distribution per recipient increasing by 4.8%.

With the passage of SB 242 (2011), on July 1, 2012, the Office of Degree Authorization will transfer to the newly created Higher Education Coordinating Council (HECC). The transfer of ODA would include two full-time positions and the balance of the 2011-13 budget on the measure's operative date. Also, effective January 1, 2012, the agency's name will change to the Oregon Student Access Commission.

## 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, nutrition assistance, 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 and services for children and families; supervise placements for those with mental illness who have been found guilty of committing a crime; and advocate for residents of long-term care facilities.

The 2011-13 legislatively adopted budget for the human services agencies totals \$3.815 billion combined General Fund and Lottery Funds, and \$20.067 billion total funds. Not included in this total is \$18.7 million General Fund in three Emergency Board special purpose appropriations for human services issues: \$8 million for Oregon Health Authority and Department of Human Services caseloads and costs; \$5.7 million for Employment Related Day Care and other services and supports to children and families; and \$5 million for child welfare differential response services. The Human Services program area represents 28% of Oregon's combined General Fund and Lottery Funds expenditures, and 34.7% of its total funds expenditures.

The 2011-13 legislatively adopted budget is 15.7% more than the 2009-11 legislatively approved budget in General Fund and Lottery Funds resources, and a 24.8% increase in total funds.

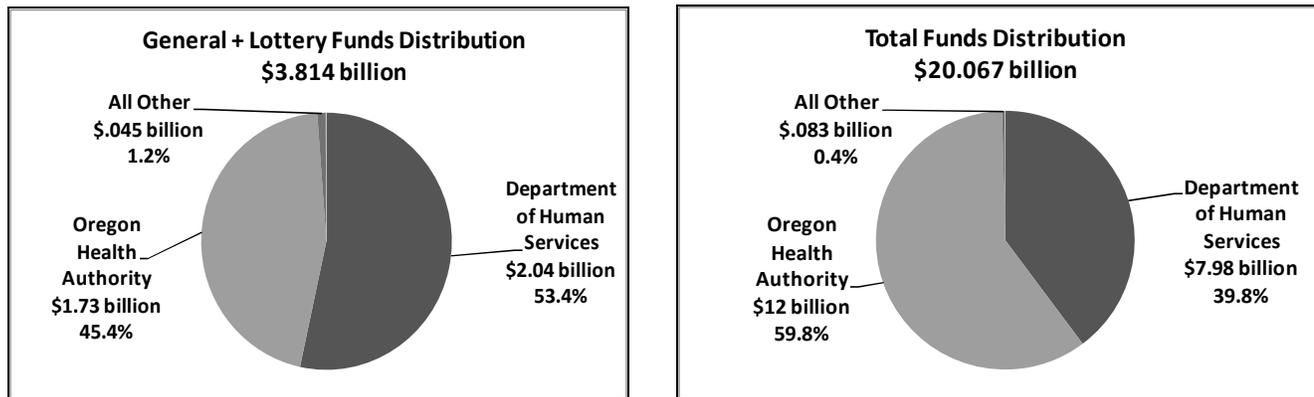
The combined General Fund and Lottery Funds budget is \$519 million more than in the 2009-11 biennium. The net increase reflects about \$1 billion in fund shifts to backfill federal American Recovery and Reinvestment Act funds and other one-time funds that were used in the 2009-11 budget but not available for the 2011-13 biennium, offset in part with selected program and administrative reductions throughout the program area. The total funds budget for the program area is a net \$3.994 billion increase from the 2009-11 biennium. This is largely due to nearly \$3 billion in Other Funds expenditures for the Public Employees Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB), which were previously part of the Department of Administrative Services budget, moving to the Oregon Health Authority budget.

The Human Services program area budget includes \$5.7 billion Other Funds. The PEBB/OEBB resources make up over half of this total. Other significant 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 \$10.5 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 Supplemental Nutrition Assistance Program (SNAP/food stamps) benefits. Due to the reduction in one-time federal funds used in the 2009-11 budget, and the impact of General Fund budget reductions on federal matching funds, the total Federal Funds budget for 2011-13 is actually lower than in the 2009-11 biennium.

The charts on the following page show the distribution of the combined 2011-13 General Fund and Lottery Funds budget, and the total funds budget, for the agencies in this program area. With the creation of the Oregon Health Authority as a separate entity, the shift of other health program expenditures to the OHA budget, and the reorganization of the Oregon Health Authority and

Department of Human Services budget structures, a visual comparison of the 2011-13 legislatively adopted budget for the program area agencies to earlier budget periods is not very meaningful.



More detail on the budget highlights for the Oregon Health Authority, the Department of Human Services, the State Commission on Children and Families, and the other Human Services program area agencies is provided below.

**Oregon Health Authority (OHA)**

The Oregon Health Authority is a new agency. It was created by the 2009 Legislature (HB 2009) to bring most health-related programs into a single agency to maximize its purchasing power and to contain rising health care costs statewide. The 2011-13 legislatively adopted budget for OHA is \$1.722 billion General Fund and \$12.001 billion total funds.

As in other agencies, OHA’s 2011-13 legislatively adopted budget reflects several statewide budget adjustments. The budget includes the Governor’s proposed 5.5% reduction to projected personal services costs, assuming savings from final employee compensation decisions. It also includes standard reductions to continue allotment reduction savings from the 2009-11 biennium, as well as the elimination of inflation. OHA’s reduction for the statewide supplemental ending balance totals \$62.4 million General Fund and \$0.4 million Lottery Funds. All or part of this amount may be added back later in the biennium depending on economic conditions. Also, all General Fund services and supplies expenditures were reduced by 6.5% from the Governor’s proposed budget level, a \$6.7 million General Fund reduction across OHA.

While large, this budget does not begin to cover the backfill of the nearly \$700 million in one-time revenues that were used in the 2009-11 biennium – mostly from the federal ARRA stimulus package and provider tax ending balances. In order to avoid the large program cuts in the Medical Assistance Programs that would have resulted from this level of General Fund reduction, significantly higher hospital provider taxes were negotiated during the legislative session. Even with these additional resources, reimbursement rates to providers will be less than in the 2009-11 biennium. The adopted budget also assumes additional cost savings of \$239 million in the second year of the biennium as a result of health care transformation (HB 3650).

With the exception of the Medical Assistance Programs, most programs in the agency are funded at their 2009-11 levels. More detail follows on each of OHA’s five major program areas: Health Programs; Addictions and Mental Health; Public Health; Direct Charges and Services; and Central and Shared Services.

## **OHA Health Programs**

The Health Programs budget contains funding for the Oregon Health Plan (OHP), non-OHP expenditures, the Children's Health Insurance Program (CHIP), the Public Employee Benefit Board (PEBB), Oregon Educators Benefit Board (OEBB), and Private Health Partnerships, as well as program support and central administrative costs. The OHP provides medical care, including physician, hospital, pharmaceutical, vision, and dental services, to about 600,000 low income Oregonians. It is funded with a combination of state funds and federal matching Medicaid funds. PEBB contracts for and administers medical and dental insurance programs for state employees and their dependents, representing about 128,000 Oregonians, while OEBB contracts for insurance for various school, education service, and community college districts throughout the state. The Private Health Partnerships includes the Family Health Insurance Assistance program (FHIAP) which provides health insurance premium subsidies to previously uninsured, low-income families and individuals. It also includes Healthy KidsConnect which is the private market insurance component of the state's Healthy Kids programs.

The 2011-13 legislatively adopted budget is \$914.5 million General Fund and \$10.1 billion total funds. Although the General Fund increases nearly \$200 million over the 2009-11 biennium, that does not begin to cover the back-fill of more than \$600 million in one-time revenues that were used in the 2009-11 budget – mostly the enhanced federal Medicaid match rate that was provided to states as part of the ARRA stimulus package. In addition, the forecasted caseload for the Oregon Health Plan during 2011-13 is about 600,000, an increase of 14% over 2009-11.

The Governor's budget proposed reductions to provider reimbursement rates of 19% from the 2009-11 level. The adopted budget mitigates that reduction, primarily through an increase in hospital provider tax. This negotiated hospital tax increase provides about \$260 million in additional revenues to bring the average provider rate reimbursement reduction down to 11.2%. Up to an additional \$200 million in resources will be available to the hospitals. When the federal matching funds are included, this represents a total funds increase of almost \$1.2 billion.

As in the Governor's budget, the adopted budget assumes that cost savings of \$239 million in the second year of the biennium will result from health care transformation, including changes implemented in HB 3650, passed in the 2011 legislative session.

## **OHA Addictions and Mental Health**

The Addictions and Mental Health (AMH) 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 2011-13 legislatively adopted budget is \$645.2 million General Fund and \$959.4 million total funds. This total funds budget is 5.3% higher than the 2009-11 legislatively approved budget, while General Fund is 10.8% higher than the 2009-11 budget.

The significant budgetary increase from the 2009-11 to the 2011-13 biennium is primarily the result of caseload increases, the backfill of one-time federal revenue, and the phase-in of hospital staff added in 2009-11 to full biennial costs.

The community mental health system is funded at approximately 2009-11 funding levels plus caseload increases. Addiction services are also funded at 2009-11 spending levels. The Oregon State Hospital

funding includes the cost of phasing in the new positions added in 2009-11 to their full biennial cost. The Governor's budget included a \$36 million General Fund reduction to the hospital budget, or about a 10% reduction. The legislatively adopted budget restores \$11.9 million of that reduction in order to prevent ward closures in the newly constructed Salem campus. The new system for electronic medical records and hospital management, known as the Behavioral Health Integration Project, is also funded in this budget.

### **OHA Public Health**

Public Health 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 staff.

The 2011-13 legislatively adopted budget is \$492 million total funds (\$32.6 million General Fund). The total funds budget is 6.2% less than the 2009-11 legislatively approved budget level. The adopted General Fund budget of \$32.6 million is about 29% below the legislatively approved level of \$46 million.

Most programs are maintained at their 2009-11 spending levels. One notable exception is the Drinking Water program. As in the Governor's budget, all remaining General Fund (\$5.7 million) is eliminated from the Drinking Water program and the Emergency Management and Trauma System. The General Fund is partially replaced with increased medical marijuana fee revenue. The General Fund reduction in the 2011-13 adopted budget also reflects the transfer of the Care Assist Prescription Drug program to Health Services.

The Governor's budget proposed a transfer of the Babies First program, the Maternal and Child Health grant program, and the Women, Infants, and Children (WIC) program to a new entity called the Early Learning Council. This transfer would have reduced the Public Health budget by \$194.5 million total funds. For the time being those programs remain within this budget. The Early Learning Council is expected to be revisited in the February 2012 legislative session.

### **OHA Direct Charges and Services**

The Direct Charges and Services section contains the budget to pay for central government assessments and usage charges. Included are the state government service charges, risk assessments, State Data Center usage charges, facility charges, and information technology direct charges. In addition, the funding to pay for shared services received from both OHA and DHS is included in this budget.

The 2011-13 legislatively adopted budget of \$138.3 million total funds (\$59.6 million General Fund) is \$28.5 million, or 17%, less than the 2009-11 legislatively approved total funds budget. General Fund is \$4 million, or 6%, less than the 2009-11 budget level. This budget was cut significantly in the Governor's budget, and further reduced in the legislatively adopted budget.

### **OHA Central and Shared Services**

As part of the transition to create the new Oregon Health Authority, a new model was developed for providing administrative functions to OHA and DHS. A number of functions such as information technology, financial services, budget, human resources, facilities, and procurement will be provided as shared services. While some of the functions will be housed in OHA and some in DHS, all functions will provide services to both agencies.

Other functions, such as leadership, communications, and portions of budget and human resources, are directly related to policy and program, and will be housed separately in each agency. These are the central services in each agency. Debt service is also included here.

The 2011-13 legislatively adopted budget is \$279.7 million total funds, which now includes the Other Funds expenditures that will support the OHA Shared Services staffing. This is a change from the past. General Fund of \$69.2 million to support the 2011-13 adopted budget is \$26 million (or 60%) higher than the 2009-11 spending level. This increase is a result of higher General Fund debt service for the Oregon State Hospital replacement project, which increased by \$38 million. The budget did incur significant General Fund reductions outside of the debt service.

### **Department of Human Services (DHS)**

The 2011-13 legislatively adopted budget for the Department of Human Services is \$2.037 billion General Fund and \$7.983 billion total funds. This is significantly lower than the agency's 2009-11 legislatively approved budget of \$3.215 billion General Fund and \$15.84 billion total funds, because the 2009-11 budget included expenditures for the Oregon Health Authority which are budgeted separately for the 2011-13 biennium.

As in other agencies, DHS' 2011-13 legislatively adopted budget reflects several statewide budget adjustments. The budget includes the Governor's proposed 5.5% reduction to projected personal services costs, assuming savings from final employee compensation decisions. If final negotiated decisions on employee compensation do not yield the assumed 5.5% savings, DHS will need to identify additional budget savings or reductions. The standard inflation cost-of-living adjustment (COLA) is not funded for program providers or agency operations. All General Fund services and supplies expenditures are reduced by 6.5% from the Governor's proposed budget level, for a \$9.3 million General Fund reduction across DHS. The 3.5% General Fund reduction taken in all agencies for the statewide supplemental ending balance totaled \$73.7 million General Fund for DHS. At this time, no program or administrative budget impacts are specifically tied to this action; the funding may be restored in the February 2012 session for the second year of the budget, depending on economic conditions.

### **DHS Children, Adults and Families**

The Children, Adults and Families (CAF) programs are responsible for promoting independence for families and adults, providing child welfare and adoption services, and administering vocational rehabilitation services. CAF's legislatively adopted budget level is \$792 million General Fund and \$4.305 billion total funds, which is 17.8% and 9.6% higher, respectively, than the \$672.5 million General Fund and \$3.927 billion in the 2009-11 legislatively approved total funds budget. The General Fund increase reflects continuing high levels for Temporary Assistance for Needy Families (TANF) cash assistance, as well as General Fund backfill for \$85 million in one-time TANF funds available through the federal American Recovery and Reinvestment Act of 2009.

Nonlimited Federal Funds for the Supplemental Nutrition Assistance Program (SNAP/food stamps) make up 55% of CAF's total budget. At \$2.384 billion, SNAP benefit payments for the 2011-13 biennium are expected to be 8.7% higher than in 2009-11.

The legislatively adopted budget maintains the TANF Basic and Unemployed Two-Parent programs, and most other related services. However, continuing high caseloads and capped federal funding again drives a number of changes in TANF services. Most notably, the JOBS employment and training

program will be restructured with more limited services and a focus on the most job-ready families; JOBS funding overall is cut by almost half from the 2009-11 level.

The Governor's budget proposed moving the Employment Related Day Care (ERDC) program to a new Early Learning Council. For now, however, the program remains within DHS. At this time, ERDC is anticipated to support an average of 9,500 families during the biennium, growing from 9,000 at July 2011 to 10,000 families in June 2013. This program level is contingent on allocation of a \$5.7 million General Fund special purpose appropriation to the Emergency Board, to supplement DHS' legislatively adopted budget. Without the allocation, the program would be capped at 9,000 cases after March 2012. The program's funding level and potential relocation to the Early Learning Council will be reviewed in the February 2012 legislative session.

The legislatively adopted budget makes several investments to improve child welfare services:

- Expands access to domestic violence services in CAF program offices.
- Funds Strengthening, Preserving and Reunifying Families programs (SB 964).
- Anticipates allocation of a \$5 million General Fund special purpose appropriation to the Emergency Board for community-based "differential response" for child welfare services. Specific proposals for the funds will be reviewed during the 2012 legislative session.
- Adds family navigators to help families of color who are involved in the system.

The basic foster care reimbursement rate is reduced by 10% from the 2009-11 level. Funding for specialized behavioral rehabilitation services (BRS) is also reduced 10%, to the savings to be achieved through improved management of BRS beds and system expenditures.

The Legislature, instead of adding new field staff positions, directed DHS to fill vacant positions which were held open during the 2009-11 biennium for budget savings. Both Self Sufficiency and child welfare staffing levels are expected to be at about 67-68% of CAF's workload model when those vacancies are filled. The agency will continue its Self Sufficiency Modernization project to improve work flow and customer service for eligibility determination and other tasks.

Vocational Rehabilitation Services are continued with a 10% reduction in client services funding. The program expects to serve about 13,600 consumers during the biennium.

### **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 2011-13 legislatively adopted budget is \$1.219 billion General Fund and \$3.544 billion total funds. This is 26.3% General Fund more, but 1.8% total funds less, than the 2009-11 legislatively approved budget of \$965.5 million General Fund and \$3.609 billion total funds. The General Fund growth is driven by the backfill of \$271 million in one-time federal Medicaid ARRA funds used in the 2009-11 budget, and higher program caseloads.

Overall, long-term care caseloads for seniors and people with disabilities, and caseloads for individuals with developmental disabilities, are forecast to continue to grow during the 2011-13 biennium. To help control costs, the legislatively adopted budget makes a number of program and cost adjustments in both the long-term care and developmental disabilities program budgets.

The long-term care budget reflects a reduction of \$51.5 million General Fund, \$147.6 million total funds in provider costs, to take effect in the second year of the biennium. The amount is equivalent to a 19% rate reduction from the 2009-11 level for nursing facilities; a 16% rate reduction from the 2009-

11 level for community-based care facilities; and a 14% rate reduction in home care worker costs. The issue is to be revisited during the 2012 legislative session when the results of discussions with the federal Centers for Medicare and Medicaid Services, negotiations with program providers, and any alternative cost savings or additional resources will be better known. The legislative intent is to minimize the rate reductions in the second year of the biennium to the extent possible. In other areas of the long-term care budget, in-home service hours will be reduced about 5% overall effective January 1, 2012. The budget also takes a risk in assuming savings based on a re-projection of costs using more recent actual long-term care caseloads, instead of the agency's official Spring 2011 forecast level. Oregon Project Independence is continued at \$9.5 million General Fund for the biennium.

As in the Governor's budget proposal, the legislatively adopted budget anticipates using, in the second year of the biennium, \$6.97 million in Other Funds from the Developmental Disability (Fairview) Community Housing Trust Fund to support services for persons with developmental disabilities. The Other Funds will be matched where possible with federal Medicaid matching funds to continue program services for individuals with developmental disabilities and their families. Other budget adjustments limit support services for adults with developmental disabilities to only Medicaid-eligible individuals; fund Alternatives to Employment (ATE) program and related transportation services for persons with developmental disabilities at about 90% of the 2009-11 level; and fund Family Support Program services at slightly more than half of previous funding, to prioritize families who are at risk for crisis, respite care, behavior support plans and adaptive equipment. DHS will also create a Family to Family network to help support families of children with developmental disabilities. The budget also sets a 7% budget efficiency target, with the corresponding funding reduction, for the State Operated Group Homes.

The legislatively adopted budget does not add new staff for client eligibility and Adult Protective Services (APS) work. The intent is that DHS fill position vacancies held open during the 2009-11 biennium for budget savings. Eligibility staffing levels are expected to be at about 71% of the workload model, and APS staffing at about 62% of the workload model, for the biennium. Reimbursement for Area Agencies on Aging (AAAs) and developmental disabilities program providers will be reduced overall during the biennium, although funding levels for certain AAAs and some developmental disability comprehensive services providers is expected to be reviewed during the 2012 session.

### **DHS Central and Shared Services**

The DHS Central and Shared Services budget structure is new for the 2011-13 biennium as a result of the creation of the Oregon Health Authority and related reorganization of the DHS Administrative Services Division. Central services include the DHS director's office, communications, some budget and human resources staff, and the Governor's Advocacy Office. Debt service for OR-KIDS and Self Sufficiency Modernization (SSM) information technology projects is also paid as part of central services. Shared services provide administrative functions supporting both agencies, such as financial services, budget, forecasting, human resource, facilities management, contracts and procurement, and document management.

The central services budget for 2011-13, excluding debt service, is \$8 million General Fund and \$17.8 million total funds. Debt service is \$17.8 million General Fund, up from the 2009-11 biennium due to on-going work on the SSM project. The 2011-13 legislatively adopted budget for shared services is \$97.5 million Other Funds. This Other Funds amount is a budget double-count (known as "non-add" expenditures) because the costs are paid by the program areas in DHS and OHA as General Fund, Other Funds and Federal Funds that are part of those budgets.

### **State Commission on Children and Families**

The State Commission on Children and Families facilitates and supports 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 2011-13 legislatively adopted budget of \$40.3 million General Fund and \$62.8 million total funds is 12.7% General Fund and 10% total funds below its 2009-11 legislatively approved budget. The budget continues program funding reductions begun in the 2009-11 biennium, except for relief nurseries, and reduces the state commission policy and support staff by half. Funding for homeless and runaway youth programs was moved to the Department of Human Services. Although the Legislature approved a stand-alone budget for the Commission, the programs and agency structure will be revisited during the 2012 legislative session as part of a broader proposal around the Early Learning Council and the Oregon Education Investment Board established in SB 909, and the Court Appointed Special Advocate Task Force created in HB 3102.

### **Other Human Services Agencies**

The legislatively adopted budget for the **Commission for the Blind** is \$15.6 million total funds (48 positions/ 44.60 FTE). This is \$107,806 lower (or 0.7%) than the Governor's recommended budget and is \$35,694 lower (or 0.2%) than the 2009-11 legislatively approved budget. The budget continues all existing operations and meets federal matching funds and maintenance of effort requirements, which is in part accomplished through the one-time use of donation account funds. The budget provides sufficient resources and staff for the Commission to serve all eligible clients in the vocational rehabilitation program and remain outside the federal Order of Selection.

The **Long Term Care Ombudsman's** 2011-13 legislatively adopted budget of \$1.8 million General Fund is 62% more than the 2009-11 budget of \$1.1 million General Fund, due to the use of General Fund to replace Medicaid funds no longer available. The Legislature rejected the Governor's proposal to increase long term care facility licensing fees as a new funding source for the agency. The \$2.3 million total funds budget is 22% less than the \$3 million total funds budget in 2009-11; however, if adjusted for the Other Funds double-count caused by the transfer of funds for federal match, it is effectively about 8% more than in 2009-11. The budget continues all existing operations, with funding redirected internally to add 0.25 FTE to help handle increasing numbers of both volunteers and complaints.

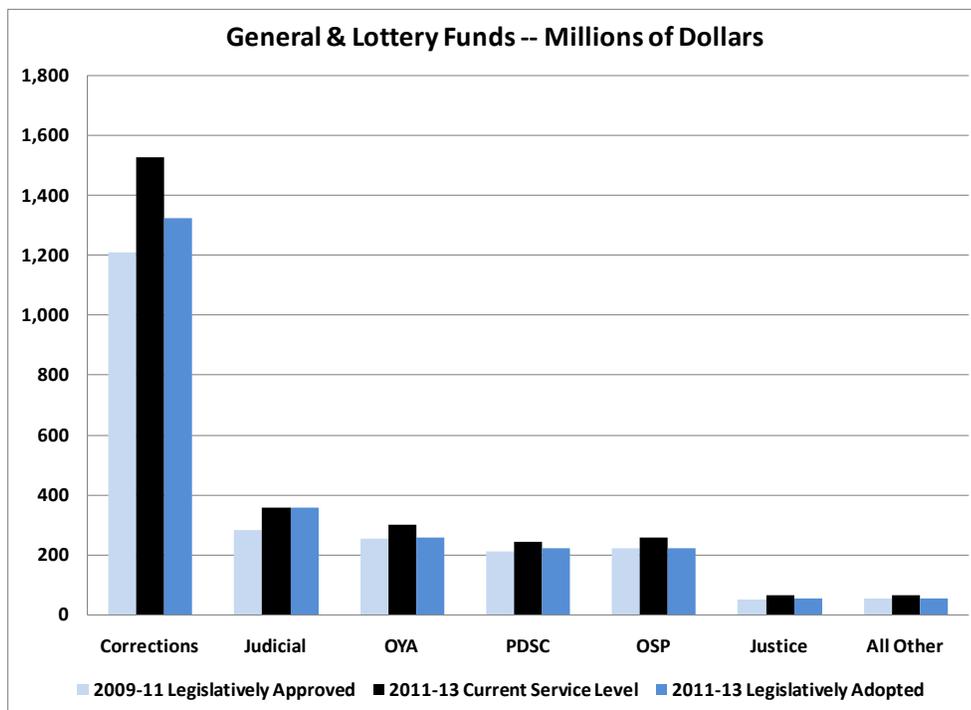
The legislatively adopted budget for the **Psychiatric Security Review Board**, at \$2.1 million General Fund and \$176,056 Other Funds, is 62% more than the 2009-11 legislatively approved budget and 34% above the Governor's budget level. The adopted budget includes the addition of two staff to address general agency workload demand, as well as two staff to implement SB 420. Other Funds limitation was increased to recognize the federal grant revenues the agency expects to receive through the Department of State Police for the Gun Relief Program.

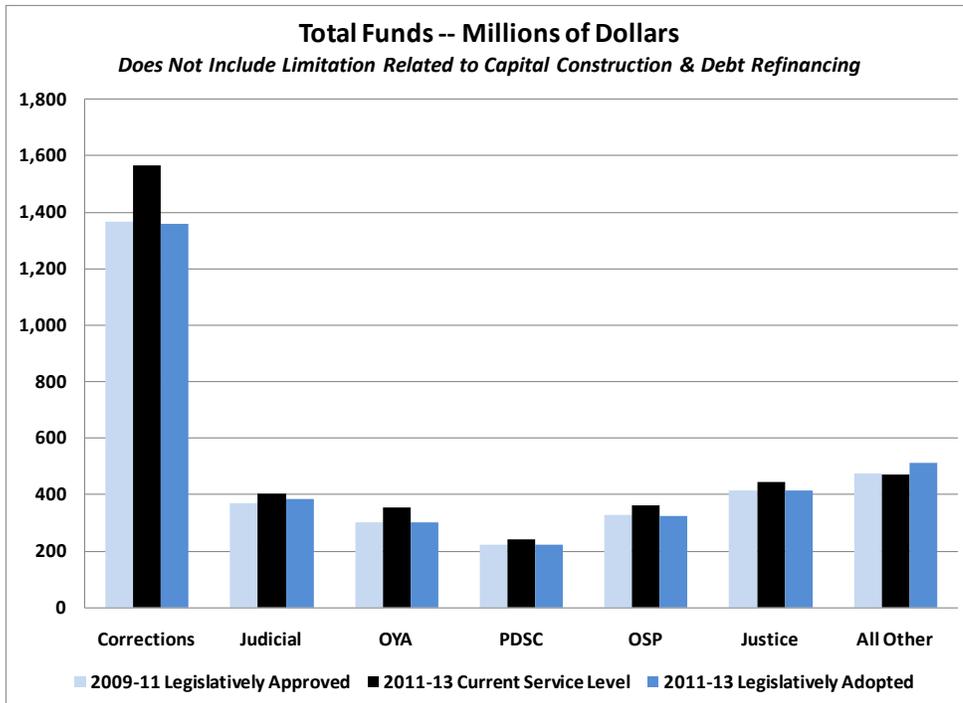
### **Public Safety/Judicial Program Area**

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. Public safety activities 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. By a significant margin, incarceration and supervision costs represent the largest share of state spending for public safety and judicial related activities.

The 2011-13 legislatively adopted budget for the agencies in this program area total \$2.494.7 billion combined General Fund and Lottery Funds (State Police is the only agency in the program area which receive Lottery Funds); and \$3.524.4 billion total funds, a 9.1% increase from the 2009-11 legislatively approved budget in General Fund and Lottery Funds resources, but a 6.4% decrease in total funds. One major factor in the increase in General Fund over the period is the need to backfill over \$110 million in one-time federal stimulus funding used in 2009-11 while the total funds decrease is in part due to more capital construction and debt refinancing expenditures included in the 2009-11 figures. Factoring out these items, the General Fund increase would have been 4.0% and there would have been a total funds increase of 1.3%.

Included in the 2011-13 legislative adopted budget were common reductions taken across almost all agencies. For this program area these “standard” reductions totaled over \$238 million General Fund and over \$267 million total funds. Almost \$90 million of this represents the amount reduced for the supplemental ending balance. All or part of this amount may be added back later in the biennium depending on economic conditions. During the development of the Governor’s budget and later accepted by the Legislature in the final 2011-13 budget were reductions of \$85.6 million General Fund (\$109.7 million total funds) accounting for a 5.5% reduction to personal services assuming changes for employee compensation. If final negotiated decisions on employee compensation do not yield the 5.5% assumed savings, the agencies will need to identify additional savings.





### **Department of Corrections**

The 2011-13 legislatively adopted budget for the Department of Corrections (DOC) of \$1.360.5 billion total funds and \$1.324.8 billion General Fund. After factoring out one-time debt refinancing spending and capital construction, the agency’s total funds budget is \$6.4 million or less than one half of 1% than the 2009-11 legislatively approved budget. The General Fund budget grows by \$116.5 million or 9.6% from the 2009-11 legislatively approved budget driven by the need to backfill over \$100 million in one-time federal funds in 2009-11. After factoring out this impact, the General Fund change would have been minimal for the period. Major changes for the 2011-13 DOC budget include:

- Many of the 2009-11 allotment reductions are continued including the closure of a 176 bed minimum security facility in Salem, elimination of General Fund work crews, reduced staff training resources, and central office staff eliminations.
- Over 220 positions are eliminated based on review of vacant positions, identification of efficiencies, and program reductions.
- The Governor’s budget proposed approximately \$16 million in reductions for non-mandatory alcohol and drug treatment, work based education and cognitive programs, but the Legislature decided to restore \$12 million of these reductions.
- The budget for Community Corrections is almost \$21 million less than the amount in the 2009-11 legislatively approved budget but it is primarily driven by a \$35 million change in the forecast reflecting a smaller estimated population and a change in the mix of the offender population. The Legislature did continue two sentencing changes from 2009-11 biennium which provided savings of almost \$11 million including a 60 day limit on the time offenders sentenced to felony probation may be sanctioned.
- The 2011-13 DOC budget assumes the “re-start” of the increased sentences under Measure 57 effective January 1, 2012 which adds approximately \$2.5 million to the budget. Measure 73 penalties were altered by the Legislature so that the presumed sentence is served in a local jail instead of prison. The net savings of this action is roughly \$4 million with savings in prison operations offset by a \$12.6 million General Fund addition to the Community Corrections budget for the reimbursement of county jail costs.

- There remains a \$28 million General Fund undesignated reduction that the agency will have to incorporate in their spending plans. This is in addition to the over \$46 million reduced in the DOC budget for the supplemental ending balance.

### **Judicial Department**

The 2011-13 legislatively adopted budget is \$385.1 million total funds and \$359.2 million General Fund. The total funds budget is \$14.9 million, or 4%, more than the 2009-11 legislatively approved budget while the General Fund budget is \$74.8 million or over 26% greater for the same period. Key elements of the agency's budget include:

- Other Funded temporary court fee revenues generated by HB 2287 (2009) were replaced with General Fund (\$24.2 million).
- The Electronic Court Program (eCourt) is continued based on an agreement between the Co-Chairs of Ways and Means and the Chief Justice of the Oregon Supreme Court. This agreement addresses legislative concerns about the implementation of the Oregon eCourt Program. The program received \$10.5 million Other Funds for development costs financed with bond proceeds and repaid with General Fund Debt Service, and \$2 million of General Fund for program operations and maintenance. The program's budget includes thirty-five positions for eCourt.
- The Collection and Revenue Management program was transferred from an Other Funds program back to a General Fund program. This resulted in a \$28.2 million Other Funds expenditure limitation reduction, with a corresponding increase in General Fund.
- Eighty-nine vacant positions were eliminated for a total savings of \$11.5 million.

### **Oregon Youth Authority**

The 2011-13 legislatively adopted budget for the Oregon Youth Authority (OYA) is \$257.5 million General Fund and \$301.8 million total funds. The total funds budget is about 1% below the agency's 2009-11 legislatively approved budget and includes a General Fund increase of 1.3%. This essentially flat level of funding results in program reductions and does not support projected growth in caseload. While close custody beds are eliminated, the budget does include additional community treatment beds to help manage those reductions and minimize negative impacts on public safety. Major elements of agency program capacity and budget include:

- Funding for 750 close custody beds, which is a decrease from the 900 beds approved in 2009-11. The April 2011 demand forecast projects an overall need for about 954 close custody beds during the 2011-13 biennium; 750 beds should meet demand for more serious youth offenders but will limit beds available to counties for lower-level offenders.
- Facility closures were avoided, but some units will be shuttered at Willamette Valley facilities. These changes will drive youth relocations and staff layoffs.
- Community beds were increased by 103, for a total of 658 budgeted in 2011-13. This number matches the demand forecast for community placements, however, that forecast does not account for increased pressure on these beds resulting from the decrease in close custody bed capacity.
- State support for gang prevention, intervention, and enforcement activities in Multnomah County is budgeted at just under \$5 million General Fund, which is a 12.2% increase from 2009-11 service levels. The amount includes \$1.1 million General Fund specifically designated for the East Metro Gang Enforcement Team.

### **Public Defense Services Commission**

The 2011-13 legislatively adopted budget is \$223.7 million total funds and \$222.5 million General Fund budget. The total funds budget is \$536,226, or 0.2%, less than the 2009-11 legislatively approved

budget while the General Fund budget grows by \$11.1 million or 5.3% for the same period. Key elements of the agency's budget include:

- Other Funded temporary court fee revenues generated by HB 2287 (2009) were replaced with General Fund (\$12.4 million).
- Trial-level public defense is partially supported with \$750,000 of Other Funds from Application Contribution Program revenue that is in excess of reserve requirements for the program.
- Seven new attorneys and support staff (6.40 FTE) were added to account for increased caseload at the appellate-level.

### **Department of State Police**

The Department of State Police's 2011-13 legislatively adopted budget of \$325.7 million total funds represents a \$2.9 million decrease from the. The General Fund budget of \$216.5 million is just \$200,000 less than the 2009-07 legislatively approved budget. The budget continues many of the 2009-11 allotment reductions including the decision not to fill the 49 new trooper positions that were never filled. Other major features of this budget include:

- The legislatively adopted budget reversed the proposal by the Governor to fund the Patrol Division with resources from the Highway Fund. This proposal would have required a voter approved change to the Constitution, and the Legislature added back \$85 million General Fund to fund all of the Patrol Division other than the 49 eliminated trooper positions.
- Another funding proposal made by the Governor was rejected by the Legislature which would have substantially increased the fees for background checks, firearms checks and other information requests made of the Identification Services unit. Instead the Legislature added \$3 million General Fund to this unit's budget instead of raising fees.
- The Criminal Division is reduced by four sworn trooper positions – one in the drug enforcement area and three assigned to the counter-terrorism unit.
- The legislatively adopted budget assumes the closure of the Forensics lab in Ontario which still leaves five labs including Pendleton and Bend.
- Revenue shortfalls led to the loss of 15 trooper positions in the Patrol Division assigned to truck safety and four positions in the Fire Marshal's "Community Right to Know" program.

### **Department of Justice**

The 2011-13 legislatively adopted budget for the Department of Justice (DOJ) of \$54 million General Fund and \$413.8 million total funds represents increases from the 2009-11 legislatively approved budget of 4.2% and 0.02%, respectively. The increase in General Fund is largely due to the need to backfill almost \$4 million of one-time federal stimulus funding used in 2009-11. Major changes for the 2011-13 budget include:

- There is limited funding in the legislatively adopted budget (\$965,000 General Fund) to continue the defense of the state's position in legal actions challenging the Master Settlement Agreement (MSA) with tobacco companies. There is also a \$2 million General Fund special purpose appropriation (SPA) made to the Emergency Board to be used for this defense or for the Defense of Criminal convictions program. The Governor had not included any resources for this purpose in his proposed budget.
- The \$17.4 million General Fund in resources for the Defense of Criminal Convictions (DCC) is \$2.2 million less than the amount spent in 2009-11, with \$600,000 of this reduction representing the amount reduced for the supplemental ending balance.
- Crime Victims' programs funded through the Criminal Fines and Assessment (CFAA) revenue stream and General Fund resources are reduced by almost \$3 million total funds or just over 12% from the 2011-13 Current Service Level. Compared to 2009-11 spending these resources are down by 9.7%. The Governor had proposed reductions of over 25% from CSL.

- A number of other programs also face reductions including central administration which lost ten positions; various Criminal Justice Division programs which lost a total of 12 positions affecting financial fraud, organized crime prosecutions, and criminal intelligence functions; General Counsel Division which lost nine positions given assumptions for more effective use of attorney services by all state agencies; and 20 vacant positions were eliminated (most in the Support Enforcement Division).

### **Military Department**

The 2011-13 legislatively adopted budget for the Military Department is \$437.9 million total funds, \$24.1 million General Fund and 288.4 million Federal Funds. The total funds budget is \$12.8 million, or 3%, more than the 2009-11 legislatively approved budget. The General Fund budget is \$1.2 million, or 5.2% more for the same period. Key elements of the budget include:

- The budget restored funding for 26 of 45 positions that were eliminated as part of the Governor's 2009-11 allotment reductions. The positions are primarily facility maintenance personnel, but also include some administrative staff.
- The Department received an additional \$7.5 million in Other Funds expenditure limitation for the issuance of Article XI-M seismic rehabilitation bonds (education). The budget also includes \$20.5 million in Other Funds for seismic rehabilitation bond proceeds that were issued, but not expended in the prior biennium.
- Capital Construction expenditure limitation was approved for The Dalles Readiness Center, which will be financed with \$4 million in state bond proceeds, repaid with General Fund Debt Service, and \$13 million in Federal Funds.
- Forty vacant positions were eliminated for a total of \$4.6 million Federal Funds.

### **Other Public Safety and Judicial Branch Agencies**

The 2011-13 legislatively adopted budget for the **Department of Public Safety Standards and Training** (DPSST) of \$44.9 million total funds represents a 4.3% decrease from the 2009-11 legislatively approved budget. The resources in this budget should be sufficient to provide the same number of Basic Police, Corrections, and Parole and Probation classes provided in 2009-11. The Legislature did not eliminate the DPSST staff responsible for auditing the Department of Corrections (DOC) basic training program as proposed by the Governor since it would have jeopardized the state certification of DOC correctional officers.

The \$10 million 2011-13 General Fund legislatively adopted budget for **District Attorneys and Their Deputies** is a 4.2% decrease from the 2009-11 legislatively approved budget. The major factors in this decrease are the reductions for the supplemental ending balance and a \$545,658 reduction in the charge for liability coverage through the Risk Management Division of the Department of Administrative Services. The 5.5% decrease in employee compensation assumed in almost all agency budgets is not included in this budget.

The **Criminal Justice Commission's** 2011-13 budget of \$17.6 million total funds is a small decrease (0.5%) from the amount for 2009-11. General Fund resources are decreased by 3.9%, to \$4.8 million. The General Fund amount for drug court grants is just above the amount available in 2009-11.

The 2011-13 legislatively adopted budget for the **Board of Parole and Post-Prison Supervision** of \$3.7 million total funds represents a 3.0% reduction from 2009-11 legislatively approved level. The adopted budget abolishes a position that assists with researching and preparing administrative review responses. The budget does not provide adequate resources to help the Board catch up on its backlog of administrative reviews.

## **Economic Development Program Area**

### **Oregon Business Development Department**

The legislatively adopted budget for the agency totals \$453.5 million, and includes \$140.2 million of state support (Lottery Funds and General Fund). The state support total is \$20 million (or 16.7%) above the prior biennium level. Most of the state support, a total of \$136.3 million, is financed from Lottery Funds. Total Lottery Funds expenditures are increased 22.6% over the prior biennium. Debt service expenditures on lottery revenue bonds, however, comprise \$79.3 million (or 58%) of the agency's Lottery Funds expenditures. The debt service total is a 12% increase over the prior biennium.

Lottery Funds expenditures for the agency's other operating and program costs, excluding debt service, are increased by \$16.6 million (or 41.1%) over the prior biennium level. Because the 2009-11 biennium budget utilized one-time monies from the agency's Lottery Funds beginning balance to reduce the need for allocations from the Economic Development Fund, and because the beginning balance in 2011-13 was not as large as in 2009-11, allocations of Lottery Funds for the agency's other operating and program costs, excluding debt service, were increased by 72.9% over the prior biennium level to finance the agency's approved expenditures.

The budget for the agency includes the following highlights:

- A net \$25.2 million Lottery Funds was added, above the current service level, for special payments in the agency's business development programs. This amount is equal to a 188% increase over the current service level for this portion of the agency budget.
- Lottery Funds were increased by \$10 million, to restore funding that had been reduced on a one-time basis in the 2009-11 biennium. In the 2009-11 biennium budget, \$10 million of Lottery Funds expenditures were shifted to 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, but \$10 million of fund balances were used *in lieu* of Lottery Funds last biennium. The legislatively adopted budget restored the Lottery Funds, and discontinued the use of infrastructure fund moneys for business development programs.
- \$9 million Lottery Funds were added for the Strategic Reserve Fund, bring total funding to \$15 million (prior to the across-the-board 3.5% holdback), a 138% increase over the prior biennium support level. The Department may allocate up to \$4 million of this amount to the newly-created Business Retention and Expansion Program.
- \$15.4 million Lottery Funds was authorized for Oregon Innovation Council (Oregon InC) initiatives. This funding level is 3.5% below the prior biennium level. Base funding was approved at the prior biennium level and was then, as with most Lottery Funds expenditure limitations in the budget, reduced by 3.5% for purposes of generating a supplemental statewide ending balance. Funding for the Community Seafood Initiative within Oregon InC was discontinued, and a new initiative, Drive Oregon, was funded at \$1.2 million. Funding for the Built Environment and Sustainable Technology Center (BEST) was increased 33.3% over the prior biennium level, and funding for the Oregon Translational Research and Drug Development Institute (OTRADI) was increased 7.6%. Funding for the remaining ongoing initiatives was reduced from the prior biennium: funding for the Oregon Nanoscience and Microtechnologies Institute (ONAMI) was reduced 11.3%; funding for the Oregon Wave Energy Trust (OWET) was reduced 20%; and funding for the Northwest Food Processors initiative was reduced by 70%, with the understanding that no additional funds would be provided for that initiative in future biennia.
- Lottery Fund support for Small Business Development Centers was increased by approximately 50% over the prior biennium level.
- \$1 million Lottery Funds was provided for identifying regional governance solutions to improve economic development opportunities and for developing a West Coast strategy to create jobs while

reducing carbon emissions and the costs of doing business by retrofitting and redesigning the built environment.

- \$300,000 Lottery Funds was provided for a pilot project providing economic gardening services.
- The agency's Federal Funds expenditure limitation was increased by \$17.4 million for three Federal grants: the State Small Business Credit Initiative (SSBCI) grant, the State Trade and Export (STEP) grant, and the Clean Cities grant. The SSBCI grant, if awarded, will provide up to \$16.5 million Federal Funds that the Department would use to enhance the Credit Enhancement Fund, Capital Access Program, and Oregon Business Development Fund programs. The STEP grant includes \$375,000 of Federal Funds to expand the Oregon Trade Promotion Program, and the Clean Cities grant provides up to \$500,000 to support infrastructure development for electric vehicles.

The budget also includes \$10 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. The funding level represents a 33% increase over the net \$7.5 million of lottery bond proceeds added to the corpus of these Funds in the prior biennium.

The legislatively adopted budget also restored the allocation of lottery revenues to counties for economic development programs to the full amount reflecting the statutory distribution of 2.5% of video lottery revenue proceeds. In the prior biennium, the county allocation was reduced by \$5 million. With this restoration of full funding and with the forecasted growth of video lottery proceeds, counties will receive \$37.1 million in the 2011-13 biennium, a 25.7% increase over the prior biennium level.

### **Housing and Community Services Department**

The 2011-13 legislatively adopted budget is a 49.8% decrease from the 2009-11 legislatively approved budget, primarily due to a marked decrease in the Nonlimited Other Funds single family loan program. The Department has sharply curtailed this loan program, which is funded through mortgage revenue bonds. With higher issuance costs and insufficient revenue to capitalize the required loan reserves, the program is unable to cost-effectively provide the number of competitive loans that it did prior to 2009. The budget reduces the loan program by 62% from the prior biennium level. The agency's Federal Funds expenditures are also reduced, declining 27% from the prior biennium level. The reduction primarily reflects the winding down of Federal stimulus funding that the Department received last biennium under the Housing and Economic Recovery Act and the American Recovery and Reinvestment Act.

State support (General Fund and Lottery Funds) in the budget totals \$20.4 million, a 12.2% increase over the prior biennium level. The Lottery Funds portion of this, which is used exclusively to pay debt service on lottery revenue bonds issued in support of Department programs, is increased by approximately 20% from the prior biennium level to cover debt service cost increases. General Fund support, on the other hand, was reduced 2.8%. General Fund in the agency budget supports the General Fund Food Program, the Statewide Homeless Assistance Program, the Emergency Housing Assistance Program, and the low-income rental assistance program.

The legislatively adopted budget for the Housing and Community Services Department also includes \$5 million of new lottery bond proceeds to support preservation of affordable housing that might

otherwise be converted to market rate housing. This is a 74% reduction from the \$19.4 million of lottery bond proceeds provided for this purpose last session.

### **Employment Department**

The legislatively adopted budget for the Employment Department totals \$3.49 billion, a \$3.26 billion (or 48.3%) reduction from the prior biennium level. Most expenditures in the Employment Department budget consist of unemployment benefits paid to qualified applicants, and are categorized as either Nonlimited Other Funds or Nonlimited Federal Funds. The decline in the Department's budget largely reflects a forecast decline in unemployment benefit payments. Benefit payments are projected to total approximately \$3.1 billion in the 2011-13 biennium. This is well below the \$6.3 billion paid in the 2009-11 biennium, but still above the \$2.4 billion paid in 2007-09.

Excluding unemployment benefit payments to individuals, the budget totals \$385.3 million, a decline of \$46.5 million (or 10.8%) from the prior biennium. The agency's employment count is also reduced by 10.7% on a full-time equivalent basis. The agency budget includes \$3.7 million General Fund, which is appropriated to the Child Care Division. This General Fund support is a 33% increase over the prior biennium level.

### **Department of Veterans' Affairs**

The legislatively adopted budget includes \$6.5 million General Fund, approximately 9.7% more than the prior biennium level. Although the budget included General Fund reductions that were applied on a standard basis across the budget, the Legislature funded a number of program enhancements. These include: \$100,000 in one-time assistance to wheelchair bound veterans needing medical transportation; \$350,000 for interim operation, until federal funding is secured for the service by the Oregon Military Department, of the Military HelpLine suicide prevention hotline operated by the Oregon Partnership; and \$350,000 to augment payments to County Veterans' Service Officers. The budget also includes \$10.5 million of lottery bond proceeds for construction of a third Veterans' Home, to be sited in Roseburg.

### **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 2011-13 legislatively adopted budget for the Consumer and Business Services program area totals \$614.6 million, of which \$11.3 million is General Fund, \$321.6 million is Other Funds, and \$6.9 million is Federal Funds. The budget also includes \$197.4 million in Nonlimited Other Funds for Workers' Compensation programs in the Department of Consumer and Business Services Department, and \$75.1 million Nonlimited Other Funds in the Public Utility Commission's budget for the Oregon Universal Service Fund, which subsidizes the rates charged by any eligible carrier providing basic telephone service in high cost areas. Including the Nonlimited Other Funds, the total program area budget for 2011-13 is approximately \$437.4 million (or 41.6%) below the prior biennium. This reduction is primarily due to the transfer of the Oregon Medical Insurance Pool program from the

Department of Consumer and Business Services to the Oregon Health Authority. This transfer reduced the program area budget by \$413.7 million Other Funds (primarily Nonlimited Other Funds).

The Bureau of Labor and Industries is the only agency in the Consumer and Business Services program area that receives General Fund. General Fund to BOLI was reduced by 5.4% from the prior biennium level. Four positions were eliminated at BOLI as a consequence of the General Fund reduction. The General Fund budget reduces support for administration, for wage and hour compliance, and for civil rights compliance programs. Support for apprentice and training programs was not reduced.

The 2011-13 biennium Department of Consumer and Business Services legislatively adopted budget is \$420.2 million (or 51.3%) below the prior biennium level. Most of this reduction – \$413.7 million – is the result of the transfer of the Oregon Medical Insurance Pool program out of the Department to the Oregon Health Authority. The rest of the reduction, however, is reflective of declines in the agency's fee revenues. The budget eliminated 126 positions (128.50 FTE) and \$20.2 million of Other Funds expenditures as a result of shortfalls in agency revenues. Agency revenues have been adversely affected by the recession. Positions were eliminated in most of the agency's program areas. The budget, however, retained forty-six vacant positions that are either currently under recruitment or retained to support management actions to address potential work load increases as the economy recovers. It is understood that the agency will not fill these positions if sufficient revenue is unavailable.

The Public Utility Commission's legislatively adopted budget is \$119.5 million total funds, including \$75.1 million of Nonlimited Other Funds payments to carriers under the Oregon Universal Service Fund program. Nonlimited Other Funds expenditures are down 21% from the prior biennium level, due to revenue declines. Limited Other Funds expenditures, which are more representative of agency operational activities, total \$39.6 million. This represents a 0.6% decline from the prior biennium level.

### **Natural Resources Program Area**

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 resistance to fee increases to generate additional Other Funds revenue as fee payers face financial difficulties due to the economy. Slow economic growth has also severely limited access to General Fund monies. While Lottery Funds have historically increased over time they have plateaued in the last few years at a time when Lottery dollars play an increasingly important funding role for several natural resource agencies. This legislative session there was widespread reluctance to support fee increases to generate additional Other Funds revenues to offset reductions in state General Fund resources available on a statewide basis.

The 2011-13 legislatively adopted budget for the Natural Resources program area totals \$1.73 billion, including \$129 million General Fund, \$167 million Lottery Funds, \$807 million Limited Other Funds, and \$315 million Federal Funds. The budget also includes \$308 million in Nonlimited Other Funds, mainly for loan program activities at the Department of Environmental Quality and the Department of Energy.

Including Nonlimited Other Funds, the total program area budget for 2011-13 is approximately \$134.3 million less than the 2009-11 approved budget after all rebalance actions, due primarily to loss of revenue to Other Funds Nonlimited programs from decreases in Federal monies for low cost loan programs due to the ending of federal stimulus spending. The combined Limited budget for the natural resource agencies, which is more representative of agency operational activities, is about \$22.1 million, or 1.5%, below the previous biennium.

The 2011-13 legislatively adopted General Fund resources for natural resource agencies decreased by \$13.4 million, or 9.4%, below 2009-11 approved levels. Notable changes include:

- \$5.7 million General Fund was reduced from the Department of Environmental Quality affecting all the Department's programs, but especially focused in the Air and Water Quality programs, where the majority of General Fund support of the agency is expended. These reductions will reduce compliance inspections, enforcement, technical assistance, and monitoring activities.
- \$6.2 million General Fund reduction for the Department of Fish and Wildlife where a number of programs that had been supported by the General Fund were either moved onto Other Funds from hunting and fishing license revenue, or on to one-time federal funding received through OWEB for salmon recovery activities.
- \$4.6 million General Fund reduction from 2009-11 in the Department of Land Conservation and Development primarily due to phase-out of funding needed to resolve Ballot Measure 49 claims.
- Removal of \$2.4 million General Fund support added to the Department of State Lands used in 2009-11 to help the state defend its position in the Portland Harbor Superfund Cleanup cost allocation process.
- \$4.7 million General Fund increase compared to the 2011-11 budget level for the Department of Forestry, due to restoring funding cut in 2009-11 to support stewardship forester positions, increased state support for forest health, monitoring resources for riparian and wildlife resource protection on private forestlands, and harvesting best practices.
- \$4.8 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 nearly \$15 million, or 8%, due to continued lower lottery revenues expected for the 2011-13 biennium. The budget also implements Ballot Measure 76, passed by the voters in November 2010, which changed the nature of the constitutional dedication of 7.5% of all lottery revenues for wildlife and habitat protection, restoration. The reauthorization changed the way the dedicated Lottery Funds could be spent. Under the old dedication, the dedicated Lottery revenues were divided into two parts, 65% for capital expenditures and 35% for operations expenditures. Under the reauthorization of this dedication, 65% is now restricted to grants for non-state agencies. Only the other 35% can be used to support state agency programs. Previously, state agency programs could be funded under either the capital or operations funding split as long as it was the right kind of expenditure. Now state agencies will be prohibited from directly receiving any of the 65% dedicated to grants. In the 2009-11 approved budget more than 45% of the dedicated Lottery Funds went directly to state agencies. This could not continue under Ballot Measure 76. This shortfall was met by using federal funds from the Pacific Coastal Salmon Recovery Fund, provided in Federal Fiscal Year 2010 and saved by OWEB, on a one-time basis, to backfill required Lottery fund decreases to state agencies so that the state would be in compliance with Ballot Measure 76.

Limited Other Funds decreased by \$28.7 million from the 2009-11 legislatively approved budget level. Revenue shortfalls caused some of the overall reduction in limited Other Funds. Large limited Other Funds reductions include \$56 million in the Department of Forestry due to lower revenues from state

forest timber sales. Some of these decreases were offset by Other Funds growth, such as increased Other Funds revenues for the Department of Fish and Wildlife by \$44.5 million due to increases in contracted work and inclusion of \$17 million in capital construction expenditure limitation for a new Headquarters building in Salem. While some fee increase requests were approved, many other requests to increase fees were denied, and the Department of Environmental Quality even lowered its Vehicle Inspection Program fees by \$1.5 million for 2011-13.

Nonlimited Other Funds decreased by \$131.2 million, or 30%. This decrease is largely due to the ending of increases in the number of loans the Departments of Environmental Quality and Energy anticipates making due to the ending of increased federal funding for these programs included in the American Recovery and Reinvestment Act.

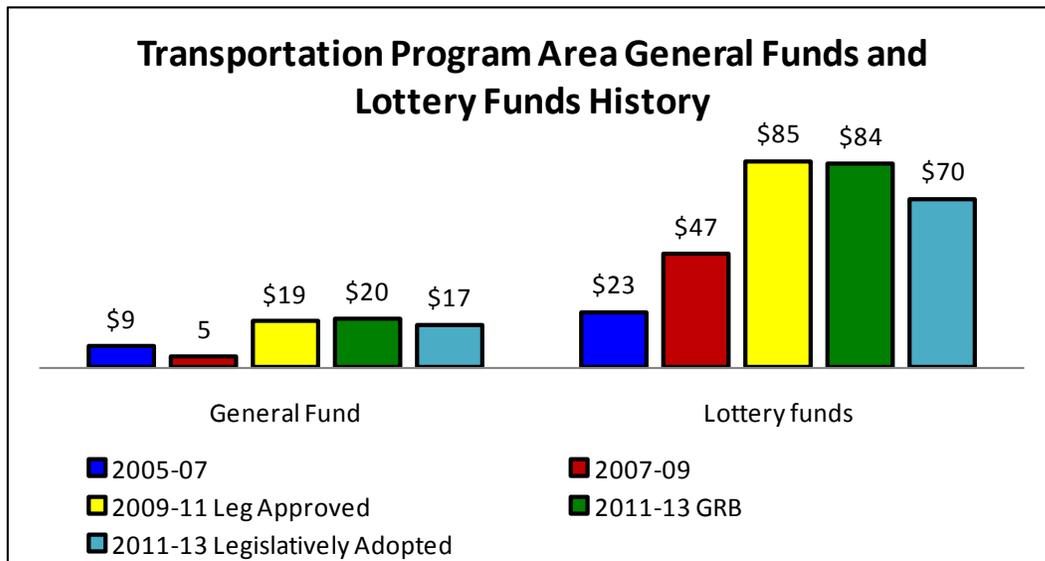
Expenditure limitation for Federal Funds decreased slightly due to the ending of federal funding to states through the America Recovery and Reinvestment Act. These decreases were offset somewhat by some agencies carrying forward money they received in 2009-11, but saved to help mitigate budget reductions in 2011-13, such as \$15 million the Oregon Watershed Enhancement Board received from the federal Pacific Coastal Salmon Recovery Fund they were not allowed to spending on 2009-11 even though it was received then. These monies were instead used to replace significant General Fund and Lottery Funds reductions in agencies operating salmon and watershed recovery and protections programs.

### **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.

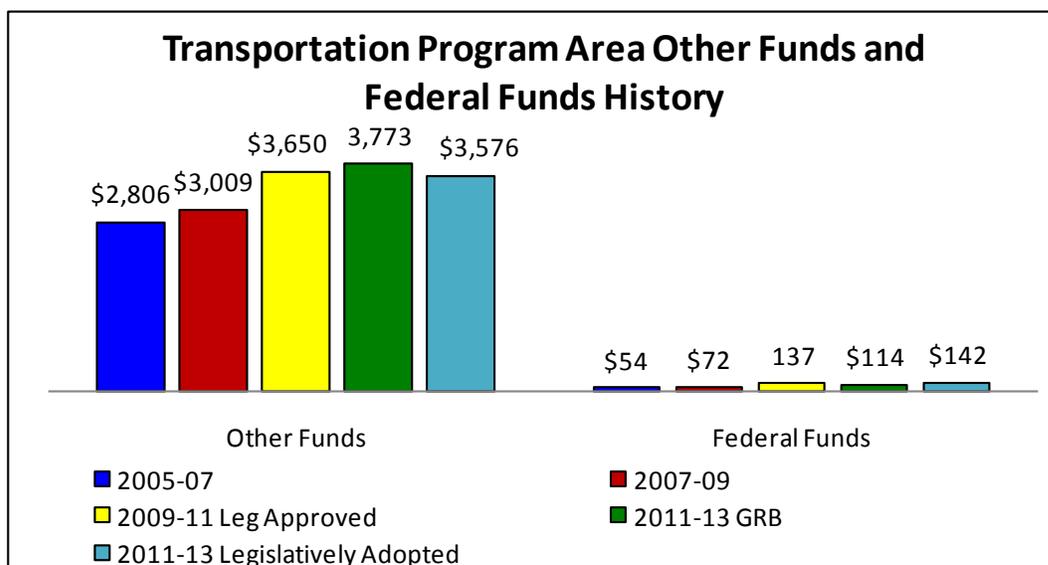
The 2011-13 legislatively adopted budget for the Transportation program area totals \$3.8 billion, of which \$17.4 million is General Fund, \$69.7 million Lottery Funds, \$3.58 billion Other Funds, and \$141 million Federal Funds. Of the \$17.4 million General Fund, \$15.4 million is dedicated to the repayment of bonds for the Oregon Wireless and Interoperability Project (OWIN). The budget also includes \$18.1 million in Nonlimited Other Funds for the Infrastructure Bank Loan program activity and \$21.6 million in Nonlimited Federal Funds for debt service supported by Federal Funds.

Including Nonlimited Funds, the total program area budget for 2011-13 is approximately \$613.4 million or 16% below the 2009-11 approved budget and \$95.7 million, or 3%, below the 2011-13 current service level. The decrease in total funds is primarily due to completion of highway construction and rail projects financed with bond proceeds and due to debt restructuring lowering the amount of debt service payments. Due to the significant decline in Aviation Department fuel tax revenues, operating programs within the Aviation Department were reduced by \$3.9 million or 68% from the 2009-11 approved budget and \$1.5 million or 26% from the 2011-13 current service level.



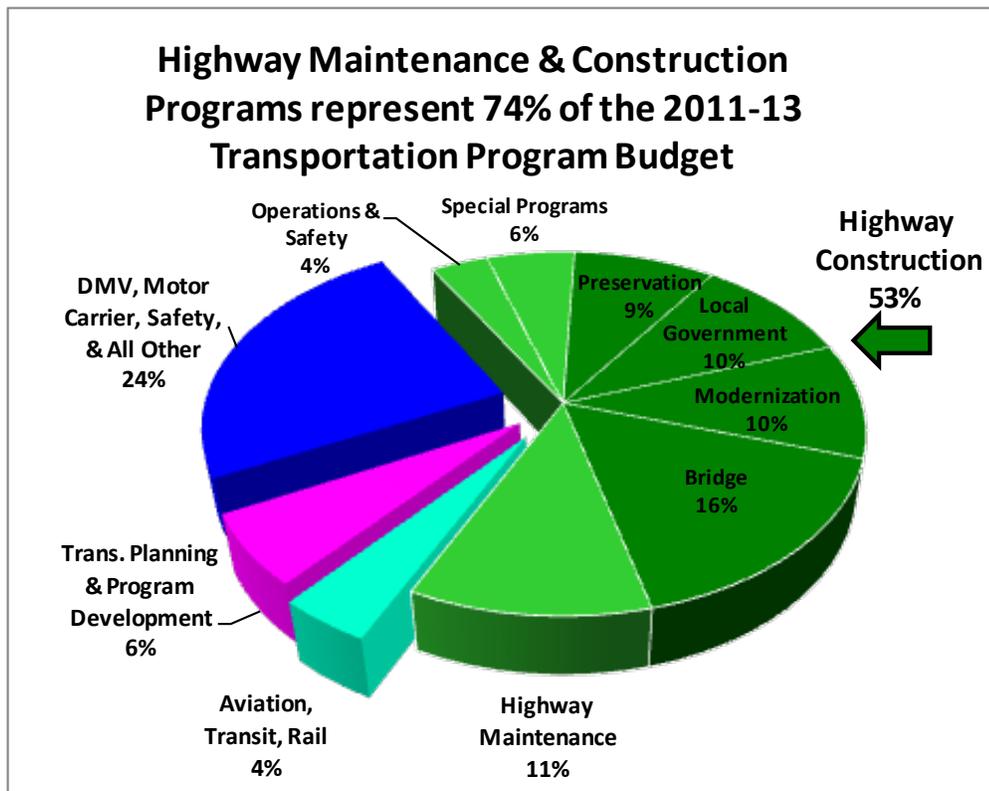
General Fund resources for transportation agencies decreased by \$1.4 million, or 8%, from the 2009-11 approved levels, primarily due to the refinancing of existing bond debt. The Legislature included \$2 million General Fund for Senior and Disabled Transportation operating grants.

Lottery Funds limitation decreased by a net \$15.7 million, or 23%, as a result of refinancing current debt service in the spring of the 2009-11 biennium. The Legislature also approved the use of lottery-backed bonds for \$40 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 2011-13 biennium is estimated to be \$0.5 million for debt issuance costs for the multi-modal program due to a planned sale of bonds in the spring of 2013. Debt Service for the 2013-15 biennium is estimated to be an additional \$6.6 Million Lottery Funds.



The Other Funds limitation decreased by \$73.5 million, or 2%, from the 2009-11 legislatively approved budget level and \$196 million, or 5%, from the 2011-13 Governor’s recommended budget level. The total Other Funds limitation includes \$874.2 million Federal Funds recorded as Other Funds, a decrease of \$54 million from the 2009-11 legislatively approved level. The remaining

reduction in Other Funds correlates to reductions in one-time payments of lottery bond proceeds for the Milwaukie Light Rail extension project and Portland Street Car program; and completion of the Oregon Transportation Investment Act (OTIA) projects authorized in earlier biennia. The 2011-13 legislatively adopted budget reflects decreases in highway construction programs and in Aviation Department programs including a reduction of 36 positions (29.17 FTE). The budget includes \$600 million in highway revenue bond proceeds for bridge construction (\$114.7 million) authorized under the Oregon Transportation Investment Act enacted by the 2003 Legislature, \$75 million in bond proceeds to provide for the State Radio Replacement Project formerly known as the OWIN project, and \$478.5 million for highway projects identified in the Legislature’s enactment of the Jobs and Transportation Act of 2009. As shown in the chart below, highway maintenance and construction programs represent 74% of the total Transportation Program budget. Of that 74%, 53% is dedicated to modernization, preservation, local government, and bridge improvements.



Federal Funds limitation is increased \$4.3 million, or 3%, from the 2009-11 legislatively approved budget, but increased \$27.2 million, or 19%, from the Governor’s recommended budget level. The increase in Federal Funds from the 2009-11 legislatively approved budget level reflects anticipated increases in federal revenues for public transit programs and debt service for Build America Bonds, authorized by the federal American Recovery and Reinvestment Act of 2009. The increase in Federal Funds from the Governor’s recommend budget reflects carrying forward resources from the 2009-11 biennium that were not expended and are now expected to be expended in the 2011-13 biennium and shifting resources from Other Funds to Federal Funds where there is an anticipated increase in availability of federal funds for programs. The budget carries forward \$18.3 million for the purchase of a new train set for passenger rail service between Eugene, \$1.2 million for a Federal Emergency Management Administration grant, and shifts \$7.5 million from Other Funds to Federal Fund in Public Transit programs.

## **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 2011-13 legislatively adopted budget for the program area is \$9 billion total funds, which is a decrease of 17.4% from the 2009-11 legislatively approved budget. The net decrease is mostly due to the transfer of the benefit boards and their collective budget of \$2.9 billion Other Funds from the Department of Administrative Services (Administration Program Area) to the Oregon Health Authority (Human Services Program Area).

About 2.2% or \$197.7 million of the budget for this program area is supported by General Fund and Lottery Funds. This amount is an increase of \$0.6 million, or 0.3%, from the 2009-11 legislatively approved budget. The adopted budget includes reductions for most agencies consistent with statewide actions, but also makes additional reductions and strategic investments in certain programs. General Fund and Lottery Funds budgets were reduced by 3.5% to create a statewide supplemental ending balance. Some or all of those reductions may be restored during the February 2012 legislative session.

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

### **Department of Administrative Services**

The Department of Administrative Services total funds budget is \$1 billion total funds, or 71.0% below the 2009-11 legislatively approved budget. A substantial portion of this decrease is due to the transfer of the Public Employees' Benefit Board and Oregon Educators Benefit Board to the Oregon Health Authority. Setting this adjustment aside, the decrease for the overall budget is 7.5%.

The budget includes about \$20 million Other Funds and 27 permanent positions in program reductions, which is equivalent to about 12% of the agency's operating budget. Expenditures for associated assessments and rates in other state agency budgets were reduced to reflect the lower budget level.

Positions and/or funding that support online statewide learning services, mandatory federal withholding requirements, procurement systems, business model changes, and capital projects were approved. A budget note targeted at reducing administrative functions across state government and reducing the number of underutilized motor pool vehicles was adopted.

The budget contains \$1.3 million General Fund for organizations and programs focused on the arts, medical services, healthy communities, education, and marine research. Also included is \$19.54 million Other Funds supported by revenues from lottery-backed bonds for several projects around the state along with \$0.9 million Lottery Funds to cover debt service on those projects.

### **Citizen's Initiative Review Commission**

The Citizens' Initiative Review Commission was established by the Legislature in HB 2634 (2011) to convene citizen panels to review initiative measures in a fair and impartial manner. The Commission, initially having seven members, is authorized to appoint an executive director and to enter into contracts to hire staff. Costs for the Commission are estimated to be approximately \$622,500 Other Funds for the 2011-13 biennium; revenues are expected to come from collections and donations. Since

those moneys are not yet in hand, the 2011-13 legislatively adopted budget was set at \$1 Other Funds; that amount is expected to be adjusted sometime during the biennium.

### **County Fairs**

Under ORS 565.447, County Fairs are provided state support (as a pass-through from the Department of Administrative Services) for financial assistance related to county fair activities. For 2011-13, County Fairs are provided \$3.7 million Lottery Funds.

### **Oregon Historical Society**

The Oregon Historical Society is provided \$2.5 million Other Funds supported by lottery bond proceeds for payment of mortgage costs associated with the society's storage facility in Gresham. The budget also includes \$0.2 million Lottery Funds to cover the bond debt service.

### **Oregon Public Broadcasting**

Oregon Public Broadcasting is allocated \$1.8 million Lottery Funds for debt service on bonds previously issued for OPB infrastructure improvements.

### **Oregon Advocacy Commissions Office**

The legislatively adopted budget for Oregon Advocacy Commissions Office of \$0.4 million total funds includes a 4.9% decrease in General Fund from the 2009-11 legislatively approved budget. Along with standard statewide reductions, the adopted budget also reduced Other Funds revenues and expenditures from \$75,000 to \$40,000 to more closely reflect actual experience.

### **Employment Relations Board**

The legislatively adopted budget for the Employment Relations Board of \$2.8 million total funds is a 17.3% decrease from the 2009-11 legislatively approved budget. The decrease is mostly attributable to the removal of funding for local government services in the second half of the biennium. The budget includes enough General Fund to allow the agency to provide services to local governments in the first year, with second year funding dependent on adoption of an assessment methodology to be developed by a workgroup of employers and employee representatives.

### **Government Ethics Commission**

The legislatively adopted budget for Government Ethics Commission of \$1.6 million total funds is a 4.6% increase over the 2009-11 legislatively approved budget. General Fund is no longer supports the budget, as the agency has fully transitioned to an assessment-based funding model. The budget includes the continuation of two positions providing administrative and training support services. A budget note was adopted directing the Commission to report in February 2012 on progress in streamlining its training program using technology.

### **Office of the Governor**

The adopted budget for the Office of the Governor is \$18.8 million total funds, which is 10.9% higher than the 2009-11 legislatively approved budget. Growth in General Fund and the addition of Federal Funds is primarily due to establishment of the Early Learning Council and the Oregon Education Investment Board. Along with these new programs, the adopted budget reflects a revised organizational structure designed to meet the needs of the new Governor (elected in November 2010) and to recognize the scarcity of General Fund resources. The budget has 14 fewer positions than in the prior biennium, due to the reorganization and to the transfer of the Economic Recovery Executive Team from the Governor's Office to the Department of Administrative Services.

### **Oregon Liquor Control Commission**

The 2011-13 legislatively adopted budget for the Oregon Liquor Control Commission is \$133.7 million Other Funds, which is a 0.5% decrease from the 2009-11 legislatively approved budget. The budget is expected to generate gross “regular” liquor sales of \$891.4 million and produce \$29 million in revenue from the continuation of a \$0.50 per bottle surcharge first imposed in 2009. After liquor purchases, dispenser discounts, agency expenses, and agent compensation, the total amount of revenue estimated to be available to the General Fund is \$218.8 million for the 2011-13 biennium. Other revenue distributions are projected as follows: \$654,000 to the Oregon Wine Board; \$19 million to Mental Health, Alcoholism and Drug Services; \$115 million to cities; and \$33.9 million to counties.

The budget maintains public safety and administrative staffing and services. Also included in the budget are resources to improve licensing infrastructure, investigations, and enforcement data systems. The budget assumes \$81.7 million in compensation for liquor agents, based on an average of 8.88% of assumed sales. A budget note directs the agency to report to the Legislature on a quarterly basis regarding sales, expenditures, payments to agents, and bank card fee expenditures.

### **Public Employees Retirement System**

The adopted budget for the Public Employees Retirement System of \$7.5 billion Other Funds is a 9.4% increase from the 2009-11 legislatively approved level. Over \$7.4 billion of the total is for benefit payments to retirees; these payments are driving the net budget increase. The operational portion of the budget is 6.3% decrease from the 2009-11 legislatively approved budget. The budget supports payments of all benefits, refunds, and health insurance premiums. It also includes resources to handle ongoing workload, improve system disaster recovery, and implement legislation.

### **Oregon Racing Commission**

The legislatively adopted budget for the Oregon Racing Commission of \$5.2 million Other Funds is a 12.6% decrease from the 2009-11 legislatively approved budget. Along with standard statewide adjustments, the budget reflects measures taken to reconcile expenditures with declining revenues from pari-mutuel tax from multi-jurisdictional hubs. These include eliminating one position, reducing veterinary services, and decreasing distributions to county racing programs.

### **Department of Revenue**

The Department of Revenue was provided a total budget of \$182.5 million: \$146.4 million General Fund and \$36.2 million Other Funds. The total funds budget is 0.8% above the 2009-11 legislatively approved budget. While some positions were eliminated, the budget retains positions associated with revenue production and provides for the reprioritization of audit revenues. These actions are expected to bring in an additional \$32.7 million General Fund over the 2011-13 biennium.

The budget includes \$3 million General Fund to maintain programs assisting elderly renters through the first year of the biennium. Another \$2.9 million General Fund for the programs was set aside in a special purpose appropriation. A report from a workgroup is due during the February 2012 legislative session and is expected to inform decision makers on how best to plan for the future of these programs and eventually allocate funding from the special purpose appropriation.

Budget notes regarding the agency’s system replacement project, leadership strategies, and enforcement revenue forecasting were also adopted as part of the budget.

### **Secretary of State**

The Secretary of State's total funds budget is a 5.4% increase from the 2009-11 legislatively approved budget. The General Fund portion of the budget is 10.1% below the 2009-11 budget. The budget supports continued improvements to the Central Business Registry and provides General Fund to finance a portion of the costs of maintaining the Oregon Centralized Voter Registration System.

The adopted budget also approves the transfer of \$5.2 million of the agency's Other Funds to the General Fund, to help address the state's 2011-13 biennium budget shortfall. These funds consist of moneys from business registration fees that exceed the cost of operating the agency's business registration program.

### **State Library**

The legislatively adopted budget for the State Library of \$14 million total funds is a 7.0% decrease from the 2009-11 legislatively approved budget. Along with standard statewide adjustments, the budget reflects the elimination of a vacant position. A budget note directs a workgroup to develop options and make recommendations on the consolidation and improvement of library and archives services.

### **Treasurer of State**

The Treasurer's budget is \$38.5 million Other Funds, which is a 6.1% increase over the 2009-11 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 purchase certain services to help protect investments and investors, maintain the debt tracking system, and protect public funds in credit unions.

While the budget includes the statewide standard 5.5% reduction to personal services, it also authorizes compensation for the agency's investment officers. A portion of that compensation is dependent upon investment performance and will only be awarded based on performance outcomes.

### **Legislative Branch**

The 2011 Legislature adopted a budget of \$80.2 million General Fund and \$87.4 million total funds for the six legislative branch agencies. The General Fund budget is a 10.1% reduction from the 2009-11 legislatively approved budget and a 6.7% increase from the 2011-13 Governor's budget.

Branch-wide budget reductions include the continuation of a salary freeze that began in February 2009 and is expected to continue through the entire 2011-13 biennium. An additional \$1.5 million of personal services savings is expected to be generated during the biennium by actions that are at the discretion of legislative leadership. Reductions also include the elimination of all inflation on services and supplies, as well as an overall 6.5% reduction to all services and supplies, a reduction of flexible benefits for positions that are less than 12 months, and the elimination of rent charges for the offices within the Branch.

The Legislative Assembly budget includes branch-wide the budget adjustments as well as the following:

- Established a New Member Transition Account that will provide funds for staff, basic supplies, and training for new members prior to the start of the odd-year session. The appropriation amount for each new member will be set jointly by legislative leadership after the election.
- Consolidated the budget for Attorney General charges with the new member account. The Attorney General budget will be expended at the discretion of the presiding officers.

- Provided funding for six sets of legislative days during the 2011-13 interim, with three days in each set.
- Funded member per-diem and mileage costs associated with the 2012 legislative session.
- Restored the member interim staff allowance to the 2009-11 rate of \$3,454; the allowance had been reduced to \$3,327.
- Funded the return to an 18 month interim. Interim length was increased to 19 months for the 2009-11 biennium when January 2009 was considered an interim month instead of a session month.
- Made an FTE adjustment for all members' interim staff to better reflect the number of months that are actually worked.
- Increased Legislative Assistant session salary from \$2,882 to \$3,454, for consistency with the interim rate. All interim staff will continue to receive full flexible benefits through the session. Positions are transferred back to six month session positions.
- Reduced legislative session-only staff salaries from \$2,516 to \$2,200 and continued session-only health benefits. The positions were transferred back to six month session positions.
- Increased services and supplies budgets for members during the odd-year session from \$15.50/day to \$18.00/day to offset increased member costs for printers, paper, and other items associated with print-on-demand and paperless systems.
- Made adjustments to the Secretary of the Senate and Chief Clerk's offices to reflect annual session staffing needs and reduced their printing budgets to reflect increased paperless processes.

The Legislative Administration Committee budget includes the branch-wide budget adjustments as well as the following:

- Funding for the Electronic Bill Documentation System.
- Funding for the purchase of one laptop computer, one desk top computer, and one printer for all legislative members.
- The increase of three Committee Administrator positions to 24 months to provide more consistent and professional staffing for committees and begin a transition to a permanent professional office of policy and research.
- The increase of four Committee Assistant positions by 1.5 months to accommodate the new even-year session.
- Restoration of all session committee staff to six months.
- Elimination of two long-term vacant positions and reduced funding for temporary appointments.
- Funding for mainframe support of the bill drafting system.

The Legislative Counsel Committee, Legislative Fiscal Office, Legislative Revenue Office, and Commission on Indian Affairs only had the branch-wide adjustments included in their adopted budgets.

The General Fund budgets of all Legislative Branch agencies were reduced by 3.5% to create a statewide supplemental ending balance. Some or all of those reductions may be restored during the February 2012 legislative session.

## **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 Emergency Fund

consists of monies appropriated to the Emergency Board for general purposes and special purpose appropriations made to the Emergency Board for specified uses in specified agencies.

The 2011-13 legislatively adopted budget for the Emergency Board includes a \$25 million General Purpose appropriation, plus special purpose appropriations totaling \$47.7 million as follows:

- \$17.6 million for various state agencies for early learning programs and services.
- \$8 million for the Department of Human Services and the Oregon Health Authority for caseload and costs for programs and services.
- \$5.7 million for various state agencies for employment related day care or other services for children and families.
- \$5 million for the Department of Human Services for child welfare differential response services.
- \$4.8 million for the Department of Forestry for forest fire protection expenses.
- \$2.9 million for the Department of Revenue for making payments authorized for the elderly rental assistance program.
- \$2 million for the Department of Justice for Tobacco Master Settlement Agreement litigation and Defense of Criminal Convictions program costs.
- \$1.7 million for the Oregon Youth Authority for education related expenses.

If the amounts in these special purpose appropriations are not allocated by the Emergency Board by December 1, 2012, the remaining amounts become available to the Board for any use.

## Capital Construction and State Bonding Debt

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### State Bonding and Capital Construction in the Legislatively Adopted Budget

In February 2011, the State Debt Policy Advisory Commission updated their recommended capacity limits for General Fund and Lottery Funds debt based upon the updated revenue forecast. The Commission recommended that the Legislature and Governor refrain from using General Fund-supported debt for the 2011-13 biennium because the State is already above its target of 5% of revenues being used for debt service. The Commission did recognize that there were some projects that had begun in previous biennia and some debt would need to be issued to continue those projects. The Legislature took action early in the 2011 session to remove the bonding authorization for approximately \$200 million in projects that had been approved for the 2009-11 biennium, allowing for some room under that recommended capacity for 2011-13. There was another \$52 million that was authorized for 2009-11 but was not issued.

The recommended Lottery capacity was increased to \$282 million when the State Treasury's Debt Management Division restructured a portion of existing Lottery-backed debt.

The Legislature approved \$140.6 million in General Fund debt. The amount includes \$42.1 of Article XI-G bonds for post-secondary education and \$90.8 million in Article XI-Q bonds which replaced the need for certificates of participation. There was also approval of \$7.6 million in Article XI-M seismic bonds that has been approved, but not issued during the 2011-13 biennium.

The Legislature approved \$222.7 million of Lottery Funds debt which includes cost of issuance and reserves. The total approved is \$59.3 million below the recommended capacity for the biennium.

Direct revenue bonds total \$1,329.1.8 million and include \$681.4 million for Highway User Tax and Infrastructure Fund, \$300 million for housing bonds, and \$100 million for economic and community development. The Legislature reduced these amounts from past biennia with the understanding that they may be increased during the 2012 legislative session.

Pass-through revenue bonds total \$800 million and include \$125 million in Industrial Development bonds, \$550 million for the Oregon Facilities Authority and \$125 million for housing projects. The Legislature also reduced these amounts from past biennia with the understanding that they may be increased during the 2012 legislative session.

The largest General Fund projects include \$62.7 million for the new State Hospital, \$6.1 million for the eCourt project, and nearly 9 million for the Self Sufficiency Modernization project. General Fund debt service is estimated to increase from \$11.8 million in 2011-13 to \$30 million in 2013-15.

### Capital Construction

The legislatively adopted capital construction projects total \$1,306.3 million. Approved projects total \$379.2 million, including \$264.6 million for higher education facilities, improvements, and deferred maintenance, \$59.9 million for the new state hospital facility, \$17.7 million for Oregon Military Department projects, \$13.2 million for building projects at the Department of Administrative Services, and \$23.2 million for projects at the Department of Fish and Wildlife.

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

## Oregon University System

The legislatively adopted budget includes \$264.6 million for Oregon University System (OUS) capital construction and capital repair projects. The projects will be funded from a variety of sources, including various categories of bonds, gifts, grants, donations, and other cash balances. All of the \$264.6 million of expenditures are supported by Other Funds. Unlike biennia in the past, no General Fund is appropriated to support OUS capital construction or deferred maintenance expenditures.

The financing approved for OUS 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. As discussed earlier, due to the State Debt Policy Advisory Commission recommended capacity limits for General Fund and Lottery Funds, considerably less state-supported debt was authorized for the Oregon University System than in previous biennia. The budget authorizes a total of \$112.5 million of state-supported debt for the OUS, all supported with Lottery Bonds. This represents over a 50% decrease over the \$260.2 million of state-supported debt approved for post-secondary education for the 2009-11 biennium.

Authorized self-supported debt for OUS 2011-13 capital construction projects, which are financed through Article XI-F(1) bonds, totaled only \$8 million dollars. This was a significant decrease from the total of \$268 million Article XI-F(1) bond supported projects approved by the 2009 Legislature. A number of new OUS self-supported debt projects requested for approval by the 2011 Legislature, as well as requests to reauthorize bond sales for some projects approved by the 2009 Assembly but not sold during the 2009-11 biennium, were deferred for further consideration during the February 2012 legislative session. The remaining \$144 million in approved capital construction projects are supported with cash balances from auxiliary programs such as housing operations, gifts, donations, and federal grants.

## **Lottery Revenue Bonds**

Not including the cost of issuance and reserves, a total of \$200.4 million is authorized, for the 2011-13 biennium, for projects financed with Lottery revenue bonds. This represents a 17.6% reduction from the amount authorized in the prior biennium. To finance these projects, the budget allows \$222.7 million of Lottery revenue bonds to be issued. The additional \$22.3 million over project cost will finance required Lottery bond reserves and pay associated bond-related costs. Most of these bonds (approximately 85% by value) will not be issued until the spring of 2013. Debt service costs on the authorized bonds are projected to total \$2.2 million in the 2011-13 biennium, and \$38.9 million per biennium when they fully phase in beginning in 2013-15.

The 2011 Legislature authorized \$200.4 million of bond proceeds for the following projects:

- \$112.5 million for capital construction and deferred maintenance projects in the Oregon University System (a five-fold increase over the \$22.4 million approved in the prior biennium).
- \$40 million for Department of Transportation Connect Oregon IV multimodal transportation projects (a 60% reduction from the prior biennium). The 2011-13 biennium proceeds are in addition to the \$100 million Connect Oregon bond sale authorized in the 2005-07 biennium, the \$100 million Connect Oregon II bond sale authorized in 2007-09, and the \$100 million Connect Oregon III bond sale authorized in 2009-11.
- \$10.5 million to the Department of Veterans' Affairs for the construction of a Veterans' Home facility in Roseburg.
- \$10 million for new capital for the Oregon Business Development Department's Infrastructure Loan funds.

- \$5 million to support preservation of affordable housing that might otherwise be converted to market rate housing.
- \$2 million for purchasing forestland parcels in the Gilchrist area of Klamath County.
- \$1.2 million for the Water Resources Department for development of an integrated water resources strategy.
- \$19.2 million for pass-through payments supporting various projects at the local level.

## Information Technology

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Information technology (IT) is a critical component in the State of Oregon's ability to provide services to the taxpayers of the state. 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. One of the key initial Legislative Fiscal Office (LFO) findings in reviewing the state's legislative and budgeting process as it relates to information technology, is the great difficulty in tracking 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 branch of government and agency has considerable leeway in the planning, development, review, approval, and tracking of its IT budget, resources, expenditures, and projects.

LFO has done its best to collect all key high-level IT-related information at the branch, agency, and project levels related to IT budgets approved during the 2011 legislative session. However, due to timing issues related to when each branch collects summary information, some information was not available from all three branches at the time this report was developed. In particular, overall statewide IT costs by branch and agency, including number of positions, were not available from DAS at the time this report was developed. In addition, IT project costs for the 2011-2013 biennium were also not available from DAS. Both sets of data should be available by the 2012 legislative session.

### Focus

During the 2011 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 2011 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 IT-related opportunities
- Review and oversight of major new, and ongoing, IT initiatives
- Identifying projects requiring "budget note" directives
- Assuring committee review of major IT issues
- Assuring committee review of Secretary of State audit findings

A summary of the major highlights in these areas during the 2011 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 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 justification and ongoing DAS oversight. For approved new agency IT projects which have estimated one-time costs over \$1,000,000, Policy Option Packages and associated business cases must be developed and submitted to DAS/EISPD for review, approval, and possible inclusion in the Governor’s Recommended Budget. Packages 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 the Legislative Fiscal Office, prior to the agency presenting their overall agency budget requests (including IT) to the Oregon State Legislature.

### **Budget Notes and Reports**

Of the major projects and related efforts included in the 2011-2013 LAB, several were of particular interest to the Legislature 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) Oregon Judicial Department’s (OJD) eCourt Program (\$12.5 million in 2011-2013 – includes \$2 million in general funds); 2) Oregon Department of Transportation’s Oregon Wireless Interoperability Network Project (OWIN) – recently renamed the “State Radio Project” (\$121.4 million in 2011-2013); 3) Department of Revenue’s (DOR) Core System Replacement Project (proposed \$90+ million in 2011-2013); and 4) Oregon Health Authority’s Health Insurance Exchange (HIX) Project (\$48 million in federal grants and \$7+ million for internal related projects in 2011-2013). Budget notes and/or reporting language was developed by LFO for each of these projects and initiatives as follows:

- OJD’s eCourt Program – The budget note for SB 5516 included the requirement for OJD’s eCourt Program leadership to sign an “agreement” with legislative leadership requiring OJD to remediate 37 key program deficiency areas as part of its 2011-2013 eCourt Program budgetary process. These 37 deficiencies included shortfalls in program/project management and the need for addressing more than 200 findings and recommendations identified by OJD’s quality assurance vendor, InfoSentry. The purpose of the eCourt Program agreement between the Chief Justice and legislative leadership was to correct existing eCourt Program deficiencies and to provide clear guidance on how the eCourt Program is to be managed, controlled, funded, and overseen during the 2011-2013 biennium. The focus of this direction was to make sure that eCourt Program leadership follows best practices in the management and execution of this highly complex and expensive

project, and to help guide legislative decisions on any future funding decisions related to the eCourt Program.

In addition to the 37 agreement remediation items, two legislators were also to be identified to provide independent legislative oversight for the eCourt Program. OJD was also directed to report program progress and status during the 2011 interim to the Joint Committee on Legislative Audits and Information Management and Technology. OJD's readiness to proceed with the eCourt Program will be re-evaluated during the 2012 legislative session. Any future funding will also be re-evaluated at that time.

*Specifically, "The Co Chairs of Ways and Means request that the Judicial Department (OJD), the Legislature, and LFO complete the following deliverables by the dates specified, as a condition of the issuance of additional bond funding in the February 2012 regular legislative session. The progress on these deliverables will be reported to a legislative committee as determined by legislative leadership, or the Emergency Board, and final documentation will also be provided to these Committees as requested by the Legislature."*

*"The Co Chairs of Ways and Means and the Chief Justice of the Oregon Supreme Court have entered into an agreement on June 16, 2011 regarding the actions that their respective staffs will take to address legislative concerns about the implementation of the Oregon eCourt Program and to form a basis for consideration for future funding for the Program in the 2012 legislative session. This agreement and the detail of the Oregon eCourt Program deliverables are attached as an addendum to this budget report."*

- ODOT's OWIN Project (recently renamed the State Radio Project) – The budget note for HB 5046 provided OWIN Project leadership with direction on scaling back the OWIN Project to the first goal of the original HB 2101 (2005) which required the OWIN Project team to simply upgrade all existing state radios and infrastructure to assure the continued proper operation of an "integrated statewide radio network." The scaled back project is estimated to cost a total of \$209 million, of which \$121.4 million will be expended in the 2011-2013 biennium and \$43 million in the 2013-2015 biennium.

*Specifically, "The approved budget incorporates the Oregon Department of Transportation's "go-forward" strategy for scaling back the OWIN project to instead focus on the necessary components of the project to create an integrated statewide radio network. The 2011-13 biennial budget of \$121.4 million utilizes previously authorized expenditure authority from the six-year capital construction project approved in 2009 by the Legislature. Resources to implement this plan may be unscheduled. The Department is expected to work closely with the legislative workgroup, interim Joint Committee on Ways and Means, the Emergency Board, and Legislative Fiscal Office to assure that the project occurs consistent with the approved "go-forward" strategy defined in its May 6, 2011 business plan.*

*The Department is directed to report by no later than December 1, 2011 to the Interim Joint Committee on Ways and Means and/or Emergency Board on the progress, accomplishments, resources, and risks or issues. The report should include documentation on the efforts made to incorporate existing systems (such as the Frontier Telenet/Day Wireless communications sites) and rationale for decisions that would not utilize these systems. The Department is further directed to report to the Joint Committee on Ways and Means during the 2012 legislative session on the status of partnership agreements, changes in technology, progress on the revised project and to deliver a*

*complete strategy to achieve interoperability across the state incorporating other state and local agencies that may now or in the future subscribe to the expanded system.”*

- DOR’s Core System Replacement Project – The budget note for HB 5040 required the Department of Revenue to complete key foundational business and project planning work prior to coming to the 2012 legislative session with a request for funding DOR’s Core System Replacement Project. This foundational work included the development of a business case/options analysis, defining the high-level requirements for the proposed project, clearly defining the scope of the proposed project, developing architectural and business models, reviewing available commercial-off-the-shelf (COTS) software packages, reviewing industry “best practices” related to replacing “core revenue systems”, analyzing key project strategies and risks, developing and processing an RFP for the requested products and services, and developing a high-level plan, schedule, and budget for the proposed replacement option. These materials are to be provided to LFO. DOR’s findings and budget request for replacing its core information technology systems will be presented to the 2012 Legislature.

*Specifically, “The Department of Revenue is directed to further develop its foundational project planning for the Core Systems Replacement Project. While a significant amount of work has already gone into the initial business case, DOR needs to complete additional foundational work to ensure project readiness prior to seeking final legislative project and funding approval. By January 1, 2012, the Department shall submit a report on the updated foundational project planning documentation, business case, and funding plan to the Legislative Fiscal Office (LFO) for review and approval. In addition, prior to seeking funding approval, the Department will submit a report on the project to the Joint Legislative Audits and Information Management and Technology Committee for its review and approval.”*

- OHA/DHS HIX Project – the budget note for HB 5053 provide OHA/DHS with legislative direction on how it is to proceed with the expenditure of both federal grant and Oregon resources (approximately \$55 million) between now and the 2012 session. Due to the complexity of this project and the short federal timeframes for completing the work required by a \$48 million federal grant, the Legislature required the HIX Project team to develop a detailed plan for proceeding in a manner that will assure the success of the project. A key component of this planning was the requirement to develop an “oversight plan” for the project that would provide the Legislature with a clear picture of the planned versus actual progress of OHA/DHS efforts. OHA/DHS was also directed to immediately hire a quality assurance (QA) vendor and to regularly report project status and progress to the Legislature and appropriate committees.

*Specifically, “The agency is directed to work closely with the Legislative Fiscal Office as the agency implements the Health Insurance Exchange IT Project (HIX). By July 1, 2011, the agency is directed to acquire appropriate external independent quality assurance (QA) support and additional independent internal performance focused quality assurance support. In addition the agency must provide LFO with the essential foundational project definition, oversight, and execution documents identified in the HIX Project Legislative Oversight Plan described below.*

*The agency is directed to work with LFO to develop an HIX Project Legislative Oversight Plan that provides clear direction to both the agency and the Legislature on how the HIX Project implementation will be conducted, overseen, and status reported to agency management and to the Legislature. This HIX Project Legislative Oversight Plan should be completed no later than June 1, 2011 and will identify all key activities, milestones, measures, and products necessary to assure*

*that the HIX Project proceeds according to schedule and budget. It will include key activities and deliverables related to: (a) project definition and planning; (b) project management; (c) project governance, oversight, and control; (d) stewardship and accountability; (e) performance and success management; (f) risk management; (g) organizational change and business process re-engineering management; and (h) quality management. A key component of this oversight plan will be the development of appropriate HIX Project off-ramps (and associated trigger events) should the HIX Project deviate significantly from Project goals, schedule, progress expectations, milestone dates, scope, and cost.*

*The agency will consult with LFO and obtain LFO's approval before hiring the independent external Quality Assurance (QA) contractor, and provide monthly regular project status reports, independent QA oversight reports, and independent project performance QA reports as they are developed. The agency will provide regular performance reviews of program/project progress and avail itself of clearly defined project "off-ramps" should major changes in project scope, estimates, costs, schedule, resource needs, risks, or progress occur. LFO will be immediately notified should the need to take a project "off-ramp" be identified. In addition, the agency is expected to report on implementation progress to the appropriate interim committee (as determined by LFO) by October 2011, and again during the February 2012 session."*

- Department of Administrative Services Cost Savings – The budget note for SB 5502 required DAS to develop a plan for reducing 2013-2015 costs by 10% for key administrative services (including information technology).

*Specifically, "The Department of Administrative Services (DAS) shall develop a plan for reducing 2013-15 administrative functions (information technology, human resources, budgeting, accounting, etc.) across the Executive Branch of state government by 10%. The plan could include centralization of functions, efficiencies in processes, increasing risk tolerance or any other elements considered appropriate. The plan shall be developed with the participation of other state agencies and subject matter experts. The Department will present a progress report to the Joint Committee on Ways and Means during the 2012 legislative session. Agency budget requests for 2013-15 shall incorporate the recommendations of this plan."*

### **Committee Oversight Activities**

During the 2011 legislative session, LFO worked with agency staff, individual legislators, the General Government Committee, the Information Technology Workgroup on Project Management, the Joint Committee on Legislative Audits and Information Management and Technology (JCLAIMT), and the Rules Committee on a wide-range of key IT-related initiatives. A brief summary of each key activity follows:

- Agency budgets with IT expenditures were reviewed and approved for all agencies.
- Agency packages and associated business cases were reviewed by LFO prior to legislative action.
- DAS's Enterprise Information Strategies and Policies Department's process for providing IT investment oversight and value through its stewarding of the state's IT project portfolio was reviewed by JCLAIMT and the Information Technology Work Group.
- OJD's eCourt Program funding request, status, and progress on its remediation efforts were reviewed.
- The OSP/ODOT OWIN project funding request, status, and progress on its remediation efforts were reviewed.
- LFO was directed to work with the Legislature to establish an Information Technology Work Group to review the state's current IT project management environment and to recommend

changes and improvements. This workgroup met during the fall and winter of 2010 and developed a clear definition of Oregon's current IT project environment, including challenges and possible solutions. A findings and recommendations report was developed to provide additional guidance to JCLAIMT on IT project oversight related matters.

- JCLAIMT reviewed the OWIN Project's status and efforts to take advantage of cost-saving best practices from other state wireless projects.
- JCLAIMT reviewed OJD's eCourt Program status, accountability for expenditures to date, and its efforts to address both legislative and quality assurance identified deficiencies.
- JCLAIMT reviewed the state's current IT environment.
- JCLAIMT reviewed the state's IT Project and investment oversight process.
- JCLAIMT reviewed the state's current email system environment.
- JCLAIMT reviewed the state's desktop productivity environment.
- JCLAIMT reviewed the state's E-Portal environment.
- JCLAIMT reviewed the State Data Center's service delivery model, costs and services, return on investment, disaster recovery and security, and long-range plans.
- JCLAIMT reviewed an overview of state IT governance models.
- JCLAIMT reviewed an overview of how to apply IT governance to critical state IT challenges.
- JCLAIMT reviewed a project slate of upcoming major IT projects.

## Budget Notes

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A budget note is a non-binding directive to a state agency on the legislative intent of a particular budget measure, directing administrative and managerial actions relating to the agency's execution of its biennial budget.<sup>4</sup> A budget note originates from one legislative committee, the Joint Committee on Ways and Means, and is found exclusively in a budget report, which is the measure summary that accompanies most measures passed by Ways and Means. The only exception is in the case when separate Senate and House budget committees are appointed.

### **Volume of Budget Notes (2011 Session)**

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67	Total number of budget notes
66	Total number of unique budget notes
1	Total number of duplicate budget notes
14	Total number of joint budget notes or those detailing more than one agency
35	Number of budget reports with a budget note (out of 109 budget reports)
40	Number of agencies with at least one budget note (out of approximately 100)
19	Number of agencies with more than one budget note
5	Greatest number of budget notes for one agency

### **General Purpose of Budget Notes (2011 Session)**

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49	Number of budget notes dealing with submission of a report
1	Number of budget notes dealing with performance measures
15	Number of budget notes providing instruction on budget execution
4	Number of budget notes dealing with expenditure limitation or scheduling
10	Number of budget notes establishing work groups
2	Number of budget notes dealing with a special purpose appropriation
0	Number of possible general purpose appropriations

The following budget notes are sorted by program area, agency, measure number, and Oregon Chapter law reference.<sup>5</sup> Please note that a budget note affecting more than one agency may only be listed once under the primary agency. Also note that a measure's budget report may include additional language beyond the note itself that establishes context or provides additional information on a specific note.

### **Education Program Area**

#### **Oregon University System**

##### **HB 5005 – Chapter 614, Oregon Laws 2011**

Project sponsors of the Oregon Sustainability Center (OSC) have presented a concept for a new sustainable building and research center that could serve as a world-class leader in advanced building construction and use. To make the OSC a reality requires substantial financial backing from the citizens of Oregon and should be subject to significant review of documentation that would be prudent for consideration by investors investing their own resources. Support for the requested bonding for the Oregon Sustainability Center will be considered by the Legislature in February 2012, and is contingent upon the analysis, positive evaluation, and approval of the Legislative Assembly. OUS [Oregon

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<sup>4</sup> For a more complete discussion of what a budget note is – origin, legal standing, and use – please refer to *Budget Information Brief #2007-3, Budget Note* available via the "Publications" link at [www.leg.state.or.us/comm/lfo/home.htm](http://www.leg.state.or.us/comm/lfo/home.htm)

<sup>5</sup> The Oregon Chapter Law is the legal citation for an enrolled measure and does not serve as a reference for a budget report or budget note.

University System] is directed to provide the following material to the Legislature for further review prior to the February 2012 session:

1. Definition of the purpose and goals of the project, including any business, education and research opportunities that are to be addressed; and the project success measure and criteria that will be utilized to verify that the OSC has been successfully developed and produced the projected return on investment.
2. A comprehensive business model and plan for the OSC that includes:
  - a. Project charter, work plan, schedule, financial plan, resource plan, milestones, funding release plan, and governance plan, and alternative options including consequences of no action.
  - b. A detailed set of project diagrams that includes a comprehensive list of cost and resource estimates and the unique building materials to be used to achieve certification as a Living Building under the Living Building Challenge.
  - c. A quality management plan that clearly shows how quality assurance and quality controls are going to be provided.
  - d. A detailed risk analysis showing all major financial, technological, business, environmental, stakeholder, and legal risks that must be mitigated to assure project success.
  - e. An investment leverage plan that shows how financial investments will be managed, tracked, and monitored to assure taxpayers receive the promised return on investment.
  - f. A comprehensive business case and options analysis. This should define the problems to be solved and business, educational, research, and economic development opportunities to be addressed.
  - g. An analysis demonstrating both the technical and economical sustainability throughout the life of the project including the definition and measurements of sustainability.
3. A comprehensive financial analysis that includes:
  - a. A contrast of each option considered for the project including the total cost of ownership, return on investment, funding options, and financial risks to project sponsors, stakeholders, the State of Oregon, and taxpayers.
  - b. The plan for ensuring that at least 2/3 of rental revenues will be generated by non-State of Oregon or OUS sources.
  - c. Rental rate analysis and comparison with other class A office space in Portland.
  - d. A case for why funding by the State of Oregon or OUS is necessary as opposed to other potential sources.

## **Oregon University System**

### **SB 5532 – Chapter 583, Oregon Laws 2011**

In adopting the budget for the Oregon University System, the Legislature intends that increases in the rates for tuition paid by resident undergraduate students at Oregon Institute of Technology, Oregon State University, Portland State University and the University of Oregon may not exceed an average of 8% for the two years of the biennium and may not exceed 9% in any given year. Increases in the rates for tuition paid by resident undergraduate students at Eastern Oregon University, Southern Oregon University and Western Oregon University may not exceed an average of 6.5% for the two years of the biennium, and 7.5% in any given year. The Chancellor shall report to the Legislature by March 1, 2012 regarding increases in the rates for tuition paid by resident undergraduate students for the 2011-12 academic year. If the State Board of Higher Education proposes to increase rates in excess of the legislatively intended rates stated above, the Chancellor shall report to the Joint Committee on Ways and Means or the Emergency Board prior to the Board approving any such increases.

## **Oregon University System**

### **SB 5532 – Chapter 583, Oregon Laws 2011**

If there are reductions to the total compensation for staff and/or faculty due to budget cuts, management and administrators should be subject to similar reductions to ensure equity between administrators and front line staff.

## **Department of Community Colleges and Workforce Development**

### **HB 5011 – Chapter 616, Oregon Laws 2011**

The State Board of Education shall report to the 2012 Legislative Assembly on its effort to recruit and retain an internal auditor, and to complete annual risk assessments for the Department of Education and the Department of Community Colleges and Workforce Development.

## **Department of Community Colleges and Workforce Development**

### **HB 5011 – Chapter 616, Oregon Laws 2011**

The Department of Community Colleges and Workforce Development will coordinate with the Department of Corrections to assure that persons released from prison are included as a target population for On-the-Job Training funds for the purpose of expanding job opportunities for this population. Also, the Department of Corrections will encourage county community corrections programs to conduct outreach efforts in recruiting local employers to participate in On-the-Job Training programs that benefit the reentry population.

## **Department of Education**

### **HB 5020 – Chapter 619, Oregon Laws 2011**

The State Board of Education shall report to the 2012 Legislative Assembly on its efforts to recruit and retain an internal auditor, and to complete annual risk assessments for the Departments of Education and Community Colleges and Workforce Development.

## **Department of Education**

### **HB 5020 – Chapter 619, Oregon Laws 2011**

The Legislature acknowledges that the approved reductions in General Fund support will necessitate reorganization and alignment of work across ODE [Department of Education]. The Department shall focus its efforts and expenditures to provide services to children, school districts, education service districts, and to meet minimum federal requirements. When implementing the 2011-13 legislatively adopted budget, ODE shall not: a) reduce Spanish reading and social studies assessments, b) charge districts for assessment services, c) further reduce regional data warehouse services, nor d) suspend training or help desk services. The State Board of Education and the Department shall report by no later than January 6, 2012, on their strategic plan to implement this budget. In addition to the strategic plan, the report shall include detail on the use of professional service contracts, limited duration positions, double-filled positions, temporaries, and the potential to achieve efficiencies in writing assessments.

## **Department of Education**

### **HB 5020 – Chapter 619, Oregon Laws 2011**

The ODE [Department of Education] shall develop a staffing model for the OSD [Oregon School for the Deaf] to demonstrate an appropriate, not necessarily optimal, and comprehensive level of staff coverage to ensure student safety. The Department shall report to the 2012 Legislative Assembly on its findings and final staffing model.

## **Department of Education**

### **HB 5020 – Chapter 619, Oregon Laws 2011**

The ODE [Department of Education] shall convene a stakeholder work group to address the findings and concerns outlined in the 2008 American Institutes for Research report, “Funding Recommendations for Oregon’s Long Term Care and Treatment Education Program.” The work group shall develop recommendations to address equity in funding and appropriate educational levels in residential and day treatment programs prior to the convening of the 2012 legislative session.

## **Department of Education**

### **SB 5552 – Chapter 20, Oregon Laws 2011**

For the 2011-12 school year, additional resources from the Education Stability Fund have been approved for the sole purpose of supporting smaller class sizes or the enhancement of learning opportunities, as compared to the 2010-11 school year, while allowing school districts, the Youth Corrections Education Program (YCEP), and the Juvenile Detention Education Program (JDEP) the flexibility to determine the specific activities to support these efforts. However, funding should focus on services to students in the classroom rather than on teacher mentoring, retention or professional development. Acceptable activities would include, but are not limited to, class size reduction, increased instruction time, remediation, and vocational education. If a district or program is only able to maintain smaller class sizes or enhancements in some schools or classrooms rather than district-wide, the plan should identify why this was a priority. At a minimum, a school district’s or program’s written proposal shall include a description of the enhancements and activities along with the funding for each with comparable data for the 2010-11 school year, any measurable outcomes, and how the school district or program determined its priorities for expenditures. Proof of compliance shall consist of a signature by the School District Superintendent certifying compliance along with proof of the School Board’s review and adoption of the written proposal (e.g., Board minutes, resolution, or signatures). For YCEP and JDEP, proof of compliance shall consist of the signature by the Superintendent of Public Instruction certifying compliance along with proof of the State Board of Education’s review and adoption of the written proposal.

## **Teacher Standards and Practices Commission**

### **SB 5545 – Chapter 138, Oregon Laws 2011**

The Teacher Standards and Practices Commission shall take steps necessary to support the legislative goals promoting Chinese language study, as outlined within Senate Joint Resolution 50 (2010), by removing licensing barriers, when legally allowable, to foreign teachers in Oregon whose residency status is subject to a temporary, non-immigrant visa.

## **Human Services Program Area**

## **Department of Human Services**

### **HB 5030 – Chapter 621, Oregon Laws 2011**

The Department of Human Services is directed to report to the 2012 Legislature on the impact of the restructured Temporary Assistance for Needy Families (TANF) program and JOBS employment and training services on program clients and program outcomes. The Department is to work with the Employment Department, the Department of Community Colleges and Workforce Development, WorkSource Oregon, the Family Services Review Commission and other stakeholders to review the program changes and develop any recommendations for potential program improvements.

## **Department of Human Services**

### **HB 5030 – Chapter 621, Oregon Laws 2011**

Oregon has a duty to enhance and preserve a long-term care system prepared to address the needs of low-income seniors and people with physical disabilities, provide maximum service delivery, and make the best use of public funds as Oregon's population ages. The Governor shall convene key stakeholders, including representatives from the Department of Human Services, to study and recommend:

- The best mix of services and supports, including supports to caregivers, to be available in every Oregon community that will keep seniors and people with disabilities as independent as possible, healthy and safe.
- Specific plans and recommended steps to best blend state and federal resources with private pay to assure access to high quality care and supports for individuals, families and caregivers.
- Plans and recommended steps to better align state and local administrative structures, identify cost efficiencies and create incentives to assure consistent, efficient and effective service delivery and high quality service outcomes.
- The work group shall seek broad input from all stakeholder groups before submitting recommendations to the appropriate legislative committee by January 2012.

## **Department of Human Services**

### **HB 5030 – Chapter 621, Oregon Laws 2011**

Funding is continued at reduced levels during the 2011-13 biennium for the Alternatives to Employment (ATE) programs and related transportation services. The Department [of Human Services] is directed to review and report to the 2012 Legislature on utilization, cost and outcome data for services received by adults in ATE programs, including services for adults not engaged in employment activities. By July 1, 2012, the Department of Human Services is to restructure its contracts with program providers to assure the quality of client services, clarify objectives of non-employment day programs, measure and report client outcomes, and minimize administrative costs within available funding.

## **Department of Human Services**

### **HB 5053 – Chapter 255, Oregon Laws 2011**

The [Department of Human Services] is directed to work closely with the Legislative Fiscal Office (LFO) as the agency implements the Health Insurance Exchange IT Project (HIX). By July 1, 2011, the agency is directed to acquire appropriate external independent quality assurance (QA) support and additional independent internal performance focused quality assurance support. In addition the agency must provide LFO with the essential foundational project definition, oversight, and execution documents identified in the HIX Project Legislative Oversight Plan described below.

- The agency is directed to work with LFO to develop an HIX Project Legislative Oversight Plan that provides clear direction to both the agency and the Legislature on how the HIX Project implementation will be conducted, overseen, and status reported to agency management and to the Legislature. This HIX Project Legislative Oversight Plan should be completed no later than June 1, 2011 and will identify all key activities, milestones, measures, and products necessary to assure that the HIX Project proceeds according to schedule and budget. It will include key activities and deliverables related to: (a) project definition and planning; (b) project management; (c) project governance, oversight, and control; (d) stewardship and accountability; (e) performance and success management; (f) risk management; (g) organizational change and business process re-engineering management; and (h) quality management. A key component of this oversight plan will be the development of appropriate HIX Project off-ramps (and associated trigger events)

should the HIX Project deviate significantly from Project goals, schedule, progress expectations, milestone dates, scope, and cost.

- The agency will consult with LFO and obtain LFO's approval before hiring the independent external Quality Assurance (QA) contractor, and provide monthly regular project status reports, independent QA oversight reports, and independent project performance QA reports as they are developed. The agency will provide regular performance reviews of program/project progress and avail itself of clearly defined project "off-ramps" should major changes in project scope, estimates, costs, schedule, resource needs, risks, or progress occur. LFO will be immediately notified should the need to take a project "off-ramp" be identified. In addition, the agency is expected to report on implementation progress to the appropriate interim committee (as determined by LFO) by October 2011, and again during the February 2012 session.

### **Oregon Health Authority**

#### **SB 5508 – Chapter 600, Oregon Laws 2011**

The Oregon Health Authority priority shall be to renew contracts of prepaid managed care plans under contract January 1, 2011 within budgetary constraints. OHA shall not use a competitive bid process or similar process in the renewal of the contracts for prepaid managed care organizations. OHA will work cooperatively with plans to develop capitation rates using realistic pricing structures which are actuarially sound and which address the fiscal viability of the plans given the budget reductions. This structure should reflect the legislatively approved budget and its reductions as well as the need for federal approval in the most expeditious and fiscally prudent manner.

### **Oregon Health Authority**

#### **SB 5529 – Chapter 580, Oregon Laws 2011**

The Oregon Health Authority is directed to convene a statewide workgroup to identify the needs of people who are involved in the criminal justice system for minor violations, who have mental illness and could be placed more appropriately in settings where they could receive mental health treatment. The group is expected to develop recommendations for methods to divert this group for appropriate and effective mental health care in the community. This report should be prepared for consideration in the 2013 legislative session.

### **Oregon Health Authority**

#### **SB 5529 – Chapter 580, Oregon Laws 2011**

The Oregon Health Authority is directed to work with the Psychiatric Security Review Board (PSRB) to determine the need for community placements for PSRB patients at the Oregon State Hospital for whom a hospital level of care is not necessary on an on-going basis, and recommendations for meeting this need. The recommendations should address the potential need for additional 16-bed residential treatment facilities as well as other types of facilities. This report should be prepared for consideration in the February 2012 legislative session.

### **Psychiatric Security Review Board**

#### **SB 5539 – Chapter 585, Oregon Laws 2011**

The Oregon Health Authority is directed to work with the Psychiatric Security Review Board (PSRB) to determine the need for community placements for PSRB patients at the Oregon State Hospital for whom a hospital level of care is not necessary on an on-going basis, and recommendations for meeting this need. The recommendations should address the potential need for additional 16-bed residential treatment facilities as well as other types of facilities. This report should be prepared for consideration in the February 2012 legislative session.

## **Public Safety Program Area**

### **Military Department**

#### **HB 5037 – Chapter 623, Oregon Laws 2011**

The [Military] Department shall report to the appropriate House and Senate policy committees and the Joint Committee on Ways and Means during the 2012 legislative session with a detailed report on all programs, plans, activities, audits, and audit findings which are funded apart from the Department's state legislatively approved budget. The report is to include, but is not limited to, the State Operating Budget, State Annual Funding Program, and all cooperative agreements and amendments submitted to the National Guard Bureau for the past three federal fiscal years as well as the proposed plan(s) for the following federal fiscal year(s).

### **Military Department**

#### **HB 5037 – Chapter 623, Oregon Laws 2011**

The Military Department shall report to the appropriate House and Senate policy committees and the Joint Committee on Ways and Means during the 2012 legislative session with a long-range strategic plan that includes both state and federally budgeted resources.

### **Military Department**

#### **HB 5037 – Chapter 623, Oregon Laws 2011**

The Military Department shall report to the appropriate House and Senate policy committees and the Joint Committee on Ways and Means during the 2012 legislative session on its Christmas Valley Project and the progress of that project as measured against the Department's original business case and financial management plan. The Department of Administrative Services is directed to unschedule \$42,911 for the Christmas Valley Project until the submission by the Department of the report requested by the Emergency Board.

### **Military Department**

#### **HB 5037 – Chapter 623, Oregon Laws 2011**

The Military Department is directed to fulfill the direction previously given to the agency by the 2009 Legislature, [at] the 2010 special session, and then [by] the Emergency Board to report on the relative merits of Public Safety Answering Point (PSAP) consolidation throughout the state with the intent of reducing redundancy and creating a more cost-efficient delivery system. If a satisfactory study is not submitted to the 2012 Legislature by the Military Department, the Legislative Fiscal Office is directed to contract with a firm to conduct an independent analysis of consolidating the State's PSAPs. The contract, if necessary, will be paid for by the Military Department using 9-1-1 revenues.

### **Military Department**

#### **HB 5037 – Chapter 623, Oregon Laws 2011**

The Military Department, Office of Emergency Management should consider granting Columbia County additional flexibility in placement of a new Emergency Operations Center (EOC). This additional flexibility should include that any/all ambiguous language in federal funding associated with the Columbia County EOC project will be interpreted to favor site adjustment. Original site-specific circumstances have changed and potential project efficiencies warrant shared construction and development of a new multipurpose facility at the Portland Community College facility in Scappoose, Oregon.

**Department of Corrections****SB 5505 – Chapter 631, Oregon Laws 2011**

The Department of Corrections shall explore the design and implementation of a re-entry services pilot project. Working under existing statutory authority, the Department is encouraged to develop and enter into an agreement with a county or counties to provide evidence-based treatment, employment preparation including work release and transitional planning for inmates who are scheduled to release within 90 to 180 days of the projected release date. The elements of the pilot project are to be equal to or better than the current transition opportunities available at the Department. The Department, in consultation with the pilot county or counties, shall set a rate of reimbursement for the program. The Department will assess the pilot to determine whether or not the county or counties programs meet the established standards and to the extent possible, whether the results of the pilot program are cost-effective. The Department shall report its findings to the Emergency Board or appropriate legislative committee prior to January 2013.

**Department of Corrections****SB 5505 – Chapter 631, Oregon Laws 2011**

The Department of Corrections will encourage county community corrections programs to conduct outreach efforts in recruiting local employers to participate in On-the-Job training programs that benefit the reentry population.

**Department of Corrections****SB 5505 – Chapter 631, Oregon Laws 2011**

By November 1, 2011, the Department [of Corrections] shall provide to the Oregon Prescription Drug Program (OPDP) an electronic record of all pharmaceutical purchases for the 2011 fiscal year for the purpose of comparing the cost of such purchases against the cost as might have been incurred by purchasing through OPDP for fiscal year 2011. By December 1, 2011, the Department and OPDP shall jointly report to the Legislature the results of this comparison of costs and recommendations for the most cost effective purchasing of pharmaceutical supplies.

**Department of State Police****SB 5537 – Chapter 635, Oregon Laws 2011**

The Department of State Police [OSP] is instructed to prepare and submit a report which compares and contrasts the productivity, cost and workload of Oregon's Office of the State Medical Examiner and its staff with similar operations and duties performed in the states contiguous with Oregon. OSP shall report on their findings, including any recommendations for change, to the Legislative Fiscal Office prior to February 1, 2012.

**Department of State Police****SB 5537 – Chapter 635, Oregon Laws 2011**

For the 20011-13 budget, the [Department of State Police is] instructed to recover the cost of the Department of Administrative Services (DAS) risk management assessments for the Tribal Gaming Section attributable to the personnel actions described above in the following manner: Half from charges assessed to Tribal Gaming organizations under the compacts; and half from other agency revenue sources. The remaining portion of the DAS risk management assessment unrelated to the personnel actions described above is to be fully recovered from charges assessed under the gaming compacts.

## **Economic and Community Development Program Area**

### **Oregon Business Development Department SB 5528 – Chapter 579, Oregon Laws 2011**

The approved budget includes \$16 million of Lottery Funds to support six initiatives approved by the Oregon Innovation Council. The [Joint] Committee [on Ways and Means] understands that the [Oregon Business Development] Department will work with the Oregon Innovation Council to develop plans and timelines for these initiatives to achieve operational sustainability with decreased dependence on state funding. Ultimately, each initiative should mature to gain independence from state support. The Department shall report on these plans and timelines to the Joint Committee on Ways and Means during the 2012 session of the Legislative Assembly. Further, it should be understood that initiatives that fail to show progress toward making Oregon industries more competitive and sustainable are not guaranteed funding in future biennia. The Committee supports the efforts of the Oregon Innovation Council to develop new initiatives for innovation-based economic development.

### **Oregon Business Development Department SB 5528 – Chapter 579, Oregon Laws 2011**

The [Oregon Business Development] Department shall distribute the funds available in this budget to the Strategic Reserve Fund for the purposes of creating and retaining jobs in this state.

## **Natural Resources Program Area**

### **Department of Forestry HB 5023 – Chapter 537, Oregon Laws 2011**

The Department of Forestry shall report to the Joint Committee on Ways and Means at the next regular session of the Legislature (January 2013) on the process and results of contracting compliance monitoring.

### **Department of Forestry HB 5023 – Chapter 537, Oregon Laws 2011**

The Department of Forestry will contract with an independent third-party to assess and make recommendations on cost savings, efficiencies, and cost avoidance strategies that could prove effective for the administration of the Forest Practices Act. The Department is to work with representatives from other state agencies and private and public forest land owners, to develop a recommendation on the potential budgetary, programmatic, and service delivery alternatives. The report and recommendations are to be completed and submitted to the interim Joint Committee on Ways and Means or Emergency Board no later than July 1, 2012.

### **Department of Energy SB 5508 – Chapter 600, Oregon Laws 2011**

The Department of Energy will establish a work group to develop policy recommendations to be provided to the Legislature during the February 2012 session relating to large single load customers that result in small utilities being re-designated as large utilities under the renewable portfolio standard. Members of the workgroup shall consist of nine members, appointed as follows: The Department of Energy shall appoint two representatives of the Umatilla Electric Cooperative; one representative of the environmental community; one representative of the natural resource community; and one representative of consumer owned utilities. The Co-Speakers of the House of Representatives shall appoint two members, one from each caucus, who shall serve as ex-officio members. The Senate President shall appoint two members, one from each caucus, who shall serve as ex-officio members. A

representative of the Governor's office, designated by the Governor, is also invited to participate. The work group shall:

- Examine issues and develop policy recommendations relating to small utilities that have large single load customers, which result in the utilities being reclassified as large utilities under the renewable portfolio standard.
- Examine complications resulting from contract requirements between the Bonneville Power Administration and preferred energy customers for Tier II energy contracts, and make recommendations for potential rule or policy changes.
- Submit a report, including findings and recommendations, to the Department of Energy and the interim legislative committees relating to energy and consumer protection no later than February 1, 2012.

**Department of Environmental Quality**  
**SB 5508 – Chapter 600, Oregon Laws 2011**

By February 15, 2013, DEQ [Department of Environmental Quality] shall report to the Seventy-seventh Legislative Assembly on the status of the water quality standards rules proposed for adoption in June 2011, including whether the rules were adopted by the Environmental Quality Commission (EQC) and approved by the Environmental Protection Agency (EPA). If the standards are adopted and approved, the report shall also include, but need not be limited to: the number and types of variances granted; a summary of the conditions contained in the variances; for each variance application received by DEQ, the cost incurred by a permittee to prepare the variance application as made available by the applicant; and, information provided by permittees who applied for a variance on the estimated costs associated with implementing the pollution prevention plan required by the variance and other related fiscal impacts. By February 15, 2015, DEQ shall report to the Seventy-eighth Legislative Assembly on the status and implementation of the human health toxics standards and any related standards adopted by the EQC and approved by EPA after June 2011. The report shall also include but not be limited to the information listed above.

**Department of Geology and Mineral Industries**  
**SB 5514 – Chapter 186, Oregon Laws 2011**

The Department of Geology and Mineral Industries shall coordinate with the Department of Agriculture, utilizing existing information gathered by each agency, to evaluate the impact on high value farm land by aggregate mines sited in the exclusive farm use zones.

**Marine Board**  
**SB 5525 – Chapter 187, Oregon Laws 2011**

The Marine Board shall report to the Senate and House natural resources committees during the 2012 legislative session on actions taken to comply with the newly designated Willamette River Holgate Channel No-Wake Zone. In particular, the Marine Board will report on the measures taken to enforce the new designation and monitoring results from compliance with the no-wake zone designation during the 2011 summer season.

**Marine Board**  
**SB 5525 – Chapter 187, Oregon Laws 2011**

The Marine Board shall report to the House and Senate natural resources committees and the Joint Committee on Ways and Means during the 2013 legislative session on actions that the Board and the agency have taken to address the findings in the 2010 Secretary of State audit report.

## **Parks and Recreation Department**

### **SB 5534 – Chapter 584, Oregon Laws 2011**

The [Parks and Recreation Department] approved budget provides resources for the management, operation, and maintenance of state park lands and facilities. It is the Legislature's expectation that any actions taken by the Oregon Parks Commission regarding land management, including providing access by easement, will take into consideration community issues and concerns, protection of the natural resource, and public values.

## **Oregon Watershed Enhancement Board**

### **SB 5547 – Chapter 588, Oregon Laws 2011**

The [C]ommittee directs OWEB [Oregon Watershed Enhancement Board] to examine new operational guidelines for Oregon's Independent Multidisciplinary Science Team (IMST) in order to improve its operations and usefulness to OWEB and other state agencies. As part of its review, OWEB is directed to propose any necessary changes including a new structure for Team membership and new operations guidelines, if necessary, that would allow the IMST to more efficiently and effectively meet its scientific role regarding the Oregon Plan for Salmon and Watersheds. In carrying out this review, OWEB is expected to work with the Governor's Office and consult with appropriate state natural resources agencies and other interested stakeholders. OWEB will report its recommendations to the Legislature prior to January 1, 2013.

## **Oregon Watershed Enhancement Board**

### **SB 5547 – Chapter 588, Oregon Laws 2011**

The [C]ommittee recognizes that watershed councils are essential partners in accomplishing projects to protect, enhance and restore native fish and wildlife habitat and water quality and quantity. The [C]ommittee thinks that after over a decade of millions of dollars in state investments in watershed council support grants, it is appropriate to review council's activities and oversight. The [C]ommittee directs OWEB [Oregon Watershed Enhancement Board] to:

1. Work with appropriate local government entities to review the process for establishing and overseeing watershed councils, and identify whether any statutory or rule changes are needed.
2. Enhance watershed council reporting to OWEB for accountability and tracking of accomplishments.
3. Review criteria used to determine council eligibility for council support grants, to better ensure that investments go to groups that reflect the interests of the watershed and have proven successful in accomplishing their work plans in the past.
4. Report to the Seventy-sixth Legislative Assembly regarding progress and recommendations.

## **Transportation Program Area**

### **Department of Aviation**

#### **HB 5004 – Chapter 490, Oregon Laws 2011**

The [Department of Aviation] approved budget attempts to provide the level of stability needed to sustain the Department without merging the agency into the Department of Transportation. Instead, the Department of Transportation will be directed through separate legislation to provide the business operating services and contract management support for the Department of Aviation that will insure a level of institutional knowledge, mature administrative processes and systems to enable the Department to carry out its mission more effectively. The Department is instructed to report quarterly to the Interim Joint Committee on Ways and Means and/or Emergency Board on its progress in implementing appropriate measures to improve the agency's business practices. In its report, the Department must outline what specific measures have been taken to address the following: (1) how

the organization will achieve its mission within a smaller organization; (2) how the organization will resolve issues raised in the audit reports; (3) how the organization will address the issue of registering pilots and aircraft; (4) what other actions will the organization take to improve leadership and the consistent application of policies and practices; and (5) what the financial condition is of each of the major programs of the organization.

### **Department of Transportation**

#### **HB 5046 – Chapter 542, Oregon Laws 2011**

The Department of Transportation's request to ratify fees established by administrative rule during the 2009-11 biennium for Sno-Park permits requires additional legislative review. The Department is directed to convene a workgroup of proprietors of at least five major winter recreation destinations to develop a long-term strategy for funding snow removal and maintenance of parking areas. The strategy shall address alternatives that do not require the continuing escalation of Sno-Park Permit fees for average citizens. The Department shall provide a strategic plan to the Joint Committee on Ways and Means during its February 2012 legislative session.

### **Department of Transportation**

#### **HB 5046 – Chapter 542, Oregon Laws 2011**

The approved budget incorporates the Department of Transportation's "go-forward" strategy for scaling back the OWIN project to instead focus on the necessary components of the project to create an integrated statewide radio network. The 2011-13 biennial budget of \$121.4 million utilizes previously authorized expenditure authority from the six-year capital construction project approved in 2009 by the Legislature. Resources to implement this plan may be uncheduled. The Department is expected to work closely with the legislative workgroup, interim Joint Committee on Ways and Means, the Emergency Board, and Legislative Fiscal Office to assure that the project occurs consistent with the approved "go-forward" strategy defined in its May 6, 2011 business plan. The Department is directed to report by no later than December 1, 2011 to the Interim Joint Committee on Ways and Means and/or Emergency Board on the progress, accomplishments, resources, and risks or issues. The report should include documentation on the efforts made to incorporate existing systems (such as the Frontier Telenet/Day Wireless communications sites) and rationale for decisions that would not utilize these systems. The Department is further directed to report to the Joint Committee on Ways and Means during the 2012 legislative session on the status of partnership agreements, changes in technology, progress on the revised project and to deliver a complete strategy to achieve interoperability across the state incorporating other state and local agencies that may now or in the future subscribe to the expanded system.

### **Department of Transportation**

#### **HB 5046 – Chapter 542, Oregon Laws 2011**

The Columbia River Crossing (CRC) bridge project is a major initiative to address congestion problems on I-5 between Portland, Oregon and Vancouver, Washington that requires support by not only the Governors of both states but the Legislatures as well. The Department of Transportation budget includes resources to continue work on solutions that advance the CRC to completion of the required Environmental Impact Statement. ODOT is directed to provide reports to the Senate and House transportation committees on the progress made on the CRC project whenever these committees or their interim equivalents meet. Such ODOT reports shall include updated information on cost estimates, proposed alternatives, right-of-way procurement schedule, financing plans for the CRC project including initial and updated information regarding projected traffic volumes, fuel/gas rate assumptions, toll rates, cost of toll collections, as well as potential impacts on other Oregon transportation funding. ODOT is directed to secure and provide an independent grade analysis of the

project with oversight of the consultant provided by the State Treasurer. Finally, ODOT shall provide a clear and concise feasibility study, and develop a phased master plan for the CRC that allows for legislative oversight and approval at key decision points and report to the Legislature by February 2012, with the first iteration of CRC reports.

### **Consumer and Business Services Program Area**

#### **Department of Consumer and Business Services**

##### **HB 5013 – Chapter 617, Oregon Laws 2011**

Recognizing the need at this time for effective mortgage lending regulation, the impact that fee increases can have on the industry, and the reality that lending practices from the mid-2000s often blended mortgage lending and securitization and bundling of mortgages into mortgage-based securities, the distinction between mortgage lending and securities has become blurred. The Department [of Consumer and Business Services] is directed to maximize its flexibility by utilizing securities resources in the regulation and enforcement of mortgage lending practices to the extent it maintains the current level of services to the mortgage lending industry. The Department is directed to report in February 2013 to the Joint Committee on Ways and Means on the status of the mortgage lending industry and the fee structure supporting the regulation of the industry.

#### **Department of Consumer and Business Services**

##### **HB 5013 – Chapter 617, Oregon Laws 2011**

The Department of Consumer and Business Services is directed to report to the next meeting [of a] revenue committee or to the Emergency Board, whichever convenes first, if the Department joins or intends to join an interstate compact, or enters into or intends to enter into any other agreement to satisfy the requirements of Section 521(4) of the Dodd-Frank Wall Street Reform and Consumer Protection Act that address the surplus lines market (the Nonadmitted and Reinsurance Reform Act of 2010 (P.L. 111-203, Title V, Subtitle B)). Section 521(4) states that Congress intends that each state adopt nationwide uniform requirements, forms, and procedures, such as an interstate compact, that provide for the reporting, payment, collection, and allocation of premium taxes for nonadmitted insurance. If the Department joins an interstate compact or enters into an agreement on behalf of the State of Oregon, the Department shall provide a copy of the compact or agreement with this report.

#### **Board of Licensed Professional Counselors and Therapists**

##### **HB 5015 – Chapter 492, Oregon Laws 2011**

The Board [of Licensed Professional Counselors and Therapists] may maintain a record of its monthly workload, including efforts to improve efficiency and its use of temporary office support. If the Board determines that a 0.50 FTE Office Specialist position is required to meet its workload, the Board may request the position from the Legislature at its regular session in February 2012. The Board may provide its workload documentation in support of any permanent position request.

#### **Health Licensing Agency**

##### **HB 5026 – Chapter 539, Oregon Laws 2011**

The [Committee] expressed its concern about the number of fee changes in the agency fee bill, and the distribution of costs and revenue among the programs within the agency. The [Health Licensing Agency] is directed to report to the Emergency Board at the meeting closest to June 2012 on the status of the fee changes and the cost distributions by program. The report should include the status of revenues, by program, generated from the fee changes, and the anticipated ending balances by program, and any proposals to adjust the fees based on the findings, or otherwise.

## **Board of Examiners of Speech-Language Pathology and Audiology**

### **HB 5028 – Chapter 620, Oregon Laws 2011**

The [Committee] determined that the ratification of the fee increases requested by the [Board of Examiners of Speech-Language Pathology and Audiology] should not be approved. The agency is directed to report to the Emergency Board before the 2013 regular session on its current ending balance forecast and any new proposed fee changes. The report should include proposals for fee increases that will sustain the existing budgeted resources and maintain an appropriate ending balance.

## **Board of Examiners of Speech-Language Pathology and Audiology**

### **HB 5028 – Chapter 620, Oregon Laws 2011**

The [Committee] expressed its concerns with the potential duplication of background checks on licensees working in schools that have already been subject to a background check for employment. The Board [of Examiners of Speech-Language Pathology and Audiology] is directed to work with the Teacher Standards and Practices Commission to avoid duplication of background checks on licensees.

## **Board of Pharmacy**

### **SB 5536 – Chapter 215, Oregon Laws 2011**

The [C]ommittee expressed concern about the overall operational management of the Board of Pharmacy. The Board was directed to work with the Department of Administrative Services to contract for a review of its operations including, but not limited to, the delegation of duties by position, the processes by which the Board conducts its administrative functions, how the revenues derived relate to the costs of doing business, management principles and policies, and efficient use of resources. The review should include specific findings on the gaps in operational policies, procedures and directives, allocation of resources, and cost allocation by license type and recommendations on how to address these gaps. The Board is directed to report on the operational review to the Joint [Committee on] Ways and Means during the February 2012 legislative session on the findings and the Board's plans on implementing the specific recommendations.

## **Administration Program Area**

### **Oregon Government Ethics Commission**

#### **HB 5024 – Chapter 494, Oregon Laws 2011**

The Oregon Government Ethics Commission shall report to the Joint Committee on Ways and Means during the February 2012 legislative session on progress being made in streamlining its training program utilizing the Internet, webinars, virtual learning, and other technology.

### **Department of Revenue**

#### **HB 5040 – Chapter 625, Oregon Laws 2011**

The Department of Revenue (DOR) is directed to further develop its foundational project planning for the Core Systems Replacement Project. While a significant amount of work has already gone into the initial business case, DOR needs to complete additional foundational work to ensure project readiness prior to seeking final legislative project and funding approval. By January 1, 2012, the Department shall submit a report on the updated foundational project planning documentation, business case, and funding plan to the Legislative Fiscal Office for review and approval. In addition, prior to seeking funding approval, the Department will submit a report on the project to the Joint Legislative Audits and Information Management and Technology Committee for its review and approval. The foundational planning documents and business case updates should include the following:

**Foundational Requirements****Products**

1. Requirements Analysis	A detailed requirements document (i.e. functional, non-functional, operational, security, data, legal, design, performance, etc.) based upon quality use cases, needs to be developed to clearly define the scope and needs related to replacing DOR's current core application systems and related databases. This document will be a key component of DOR's RFP process.
2. Key Strategies and Assumptions Document	A document describing the key project strategies, assumptions, and mitigation strategies (i.e. customization strategy, etc.) needs to be developed to help mitigate major risks related to the Core System Replacement Project.
3. Architectural Models	A set of high-level conceptual "as-is" and "to-be" architectural (i.e. business, data, information, applications, and security domains) models needs to be developed to help guide Commercial-Off-The-Shelf (COTS) product selection. A set of architectural principles needs to be established for each architectural domain.
4. Business Models	A robust "as-is" business model for the major business functions, business rules, application, data, security, interfaces, and infrastructure of DOR's current environment that are going to be replaced by the solution selected for the Core System Replacement Project.
5. Best Practices	A more detailed analysis of "IT best practices" and associated "lessons learned" from similar projects in other states needs to be conducted.
6. Legal Analysis	A legal analysis of key legal questions/issues that may result from a major reengineering of DOR's core business, application, and data environment.
7. RFP Development, Execution, and Evaluation	A detailed RFP based upon a quality set of requirements (#1 above) needs to be developed. Vendor proposals need to be evaluated via a well-defined selection methodology and criteria. Key risks associated with each vendor proposal need to be identified and included in the selection methodology
8. COTS Package Review	A review of the results of the RFP to evaluate the most promising candidates among COTS products needs to be conducted.
9. Conduct Site Visits	Formal visits of the higher-ranking COTS package vendors need to be conducted to review results, best practices, implementation approaches, and data conversion strategies.
10. Business Case Update	The actual Core Systems Replacement Project Business Case documentation needs to be updated with the findings from items #1-#9 above.
11. High-Level Risk Analysis and Mitigation Plan	As part of the update of the Business Case, a detailed risk analysis, plus an associated risk mitigation plan needs to be developed to focus on all major risks that have been identified for the project.
12. Revised High-Level Work Plan and Budget	A work plan and budget for the proposed solution (covering development, maintenance, implementation, and operational elements) including a work breakdown structure (WBS), schedule, estimates, resource/staffing plan, and financial plan needs to be developed.

## **Department of Revenue**

### **HB 5040 - Chapter 625, Oregon Laws 2011**

The [C]ommittee expects the Agency Management Team and Strategic Planning Division (SPD) at the Department of Revenue to demonstrate its leadership and effectiveness across all aspects of the Department of Revenue's programs; not only those supporting the core systems replacement project. Accordingly, the Department is directed to report their progress to the Joint Committee on Ways and Means during the 2012 legislative session on the following:

1. Results from actions led by SPD to improve the agency's business practices and processes. What activities or steps have been taken to make the agency more effective and efficient? What process improvement activities have you accomplished? What training and tools have been implemented to continually improve the organization? What metrics have informed operational decisions to improve efficiency and effectiveness of the major programs?
2. Enhancing and improving voluntary compliance which includes strategies to address tax gap. How is SPD guiding the agency to develop strategic plans, tools, and measures to identify the tax gap? What is SPD doing to identify reasons for noncompliance and taxpayer trends? What measures are in place to measure the gap and how agency activities influence it? What are the next steps for SPD in this area? How is SPD implementing the lessons learned in the agency?
3. Efforts to ensure that frontline staff are being listened to and are engaging in the agency's strategic plan. What deliverables from frontline staff and managers are implemented on time and within budget? What are employee survey results telling agency management? What training has SPD and HR given managers to improve employee engagement? Is it reflected in the performance management system?

## **Department of Revenue**

### **HB 5040 – Chapter 625, Oregon Laws 2011**

The Department of Revenue is directed to work with the Office of Economic Analysis and the Legislative Revenue Office to develop a methodology to determine what portions of the state's personal and corporate income tax receipts are attributable to the enforcement work (audit and collection efforts) performed at the Department of Revenue. The intent is to quantify the return on investments made in the agency's enforcement resources and to use that information to help inform decisions about potential future investments. In addition, a baseline calculation for enforcement efforts can be used to delineate between enforcement revenues and revenues from voluntary collections within the context of the quarterly revenue forecast. Prior to formally adopting a methodology, the Department will report on its proposed methodology to the House and Senate revenue committees (either interim or session). In addition, the Department will report to the Joint Committee on Ways and Means during the 2012 legislative session on the methodology and a plan for integrating it into budget development for the 2013-15 biennium.

## **Department of Revenue**

### **HB 5040 – Chapter 625, Oregon Laws 2011**

The Department of Revenue, together with the Housing and Community Services Department and the Department of Human Services, shall convene a workgroup to review and report on the Elderly Rental Assistance and the Non-profit Homes for the Elderly programs. The overall charge of the workgroup is to provide the Legislature enough information to determine whether or how the programs should be continued beyond the 2011-13 biennium. The review and report should include an analysis of each program's purpose and performance outcomes, along with current and future funding requirements. The work group should also identify to what extent other state or federal services to the elderly overlap or duplicate these two programs. The work group shall develop a range of service delivery and funding

options for the programs. These should include, but are not limited to, complete program elimination, consolidation with other existing programs, or maintenance of the current structure.

### **Department of Administrative Services**

#### **SB 5502 – Chapter 571, Oregon Laws 2011**

The Department of Administrative Services (DAS) shall develop a plan for reducing 2013-15 administrative functions (information technology, human resources, budgeting, accounting, etc.) across the Executive Branch of state government by 10%. The plan could include centralization of functions, efficiencies in processes, increasing risk tolerance or any other elements considered appropriate. The plan shall be developed with the participation of other state agencies and subject matter experts. The Department will present a progress report to the Joint Committee on Ways and Means during the 2012 legislative session. Agency budget requests for 2013-15 shall incorporate the recommendations of this plan. The Department shall also examine the usage of permanently assigned vehicles owned by the DAS Motor Pool and work with agencies to reduce the number of underutilized vehicles. The Department will set minimum monthly mileage standards for permanently assigned vehicles including exemption criteria to account for low usage vehicles that are required for valid agency business needs. DAS Fleet will reallocate and/or work with agencies to return to the motor pool any cars not meeting those mileage standards. The Department will present the results of the above actions and future plans for controlling underutilized vehicles to the Joint Committee on Ways and Means during the 2012 legislative session. The Department will also review the replacement lifecycle for vehicle purchases, as well as the standards for determining which cars to purchase and the equipment packages included in those purchases. Finally, DAS will include data on which agencies each have their own authority for purchasing vehicles and the rationale behind that authority.

### **Employment Relations Board**

#### **SB 5510 – Chapter 572, Oregon Laws 2011**

The Governor's Office is requested to convene a workgroup on the Employment Relations Board to develop options and make recommendations to the Joint Committee on Way and Means and the appropriate policy committee at the beginning of the February 2012 legislative session on the following: a) agency wide process improvements; b) improved timely disposition of cases; c) limiting the filing of frivolous actions; d) management input into nominations to the Employment Relations Board; and e) an assessment-based model to fund services provided to local governmental entities and its employees. The workgroup shall be equally represented by management and labor and include a representative from each of the following entities: League of Oregon Cities; Oregon Education Association; Association of Oregon Counties; American Federation of State, County, and Municipal Employees; Special districts; Oregon State Firefighter Council; Oregon School Boards Association; American Federation of Teachers; Portland Public Schools; Confederation of Oregon School Administrators, and the Oregon School Employees Association.

### **Employment Relations Board**

#### **SB 5510 – Chapter 572, Oregon Laws 2011**

As a contingency, the Employment Relations Board is to develop a budget plan for the second fiscal year of the biennium that is based exclusively on providing services to those entities that provide funding to the Board. The budget plan is to be submitted to the 2012 legislative session.

### **State Library**

#### **SB 5521 – Chapter 341, Oregon Laws 2011**

The Governor's Office, Secretary of State, and the Chief Justice are requested to convene a workgroup to develop options and make recommendations on the consolidation and improvement of library and

archives services to the Joint Committee on Ways and Means and the appropriate policy committee at the beginning of the February 2012 legislative session. The workgroup shall make specific recommendations on the following: a) consolidation of state archives services; b) increased utilization of digital resources; c) elimination of the duplicative state subscriptions and subscription services across state agencies; d) reduction of library facility costs; e) consolidation of services of the State Library, Higher Education libraries, and the State Law Library; f) development of public/private partnerships for library, law library, and archives services; g) development of a more cost-effective delivery of the Talking Books and Braille Services; and h) leveraging additional federal grant funding for libraries and library services. The State Library, Department of Administrative Services, the Oregon University System, Oregon Commission for the Blind and the Department of Education are instructed to be participating members in the workgroup. The Oregon State Bar Association should also be requested to participate in the workgroup.

### **State Library**

#### **SB 5521 – Chapter 341, Oregon Laws 2011**

The Department of Administrative Services is instructed to unschedule \$1,445,024 of General Fund, \$3,164,156 of Other Funds, and \$2,374,736 of Federal Funds expenditure limitation [for the Oregon State Library] until the completion of the workgroup report.

### **Oregon Liquor Control Commission**

#### **SB 5522 – Chapter 578, Oregon Laws 2011**

The Oregon Liquor Control Commission is directed to utilize available expenditure limitation in a way which maximizes revenue generation without unduly jeopardizing public safety. Reductions in expenditure limitation attributable to amounts resulting from the reduction to services and supplies, and the supplemental ending balance hold back (in policy option packages 801 and 819) are not to be applied to bank card fees, wholesale services, store operating expenses, or enforcement and compliance services. Further, the Oregon Liquor Control Commission is directed to report on a quarterly basis to the Legislative Fiscal Office and the interim Joint Committee on Ways and Means or the Emergency Board regarding revenue and expenditures compared to projections of gross sales, quarterly allotment allocations, and expenditure limitation by program; whether additional expenditure limitation for agents' compensation is anticipated to be required to maintain an average compensation rate of 8.88% of sales on a consistent quarterly basis; and whether additional expenditure limitation is anticipated to be required to enable the continued utilization of bank cards in liquor stores.

### **Legislative Branch**

#### **Legislative Assembly**

#### **HB 2712 – Chapter 597, Oregon Laws 2011**

Legislative leadership will appoint an advisory committee on State Court Facilities. The Advisory Committee will recommend the priorities for the expenditure of funds from the State Court Facility and Security Account for capital improvements to county courthouses. The Advisory Committee on Court Facilities will consist of two members appointed by the Senate President and two members appointed by the Speaker of the House, two ex-officio members appointed by the Chief Justice of the Oregon Supreme Court and one ex-officio member appointed by the Association of Oregon Counties. In developing its priorities, the Advisory Committee will consider the recommendations in the "State of Oregon, Oregon Court Facilities Assessment" report issued in September 2008, and other facilities issues reported by the Association of Oregon Counties and the Oregon Judicial Department. The Advisory Committee also will develop a report that includes a recommendation regarding the funding of 2011-13 biennium State Court facility projects and any matching funds provided by local

government. The Committee will submit its recommendations to the Chief Justice and to the 2012 Legislature.

## **Judicial Branch**

### **Judicial Department**

#### **SB 5516 – Chapter 634, Oregon Laws 2011**

The Co-Chairs of [the Joint Committee on] Ways and Means and the Chief Justice of the Oregon Supreme Court have entered into an agreement on June 16, 2011 regarding the action that their respective staffs will take to address legislative concerns about the implementation of the Oregon eCourt Program and to form a basis for consideration for future funding for the Program in the 2012 legislative session. This agreement and the detail of the Oregon eCourt Program deliverables are attached as an addendum to this budget report.

### **Judicial Department**

#### **SB 5516 – Chapter 634, Oregon Laws 2011**

The Judicial Department has been provided \$3 million of Other Funds expenditure limitation related to a bond sale in the fall of 2011. The Legislature does not authorize the Department to expend these funds until the Chief Justice and Co-Chairs' agreement on a remediation plan has been completed and submitted to the 2012 Legislature.

### **Judicial Department**

#### **SB 5516 – Chapter 634, Oregon Laws 2011**

The Judicial Department is to report to the 2012 Legislature on the expenditure of all General Fund dollars budgeted and/or expended on the Oregon eCourt Program, including the additional \$2 million General Fund appropriation for operations and maintenance.

## Fiscal Impact Statements

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The following is a brief summary of fiscal impact statements, process, and statistics for the 2011 legislative session. This 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 four general types of fiscal impact statements<sup>6</sup>:

- **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.
- **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.

### 2011 Process

Oregon Revised Statute Chapter 173 states that fiscal impact statements are required on measures that are reported out of committee. During the 2011 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 the Joint Committee on Ways and Means.<sup>7</sup> The purpose of the rules was to inform substantive committee decision-making on the fiscal implications of a particular measure. This rule change continues to result in the issuance of a significantly larger number of fiscal impact statements, particularly on amendments.

### 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 complexity of the measure and/or amendment, the duration of the session, and Legislative Fiscal

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<sup>6</sup> 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.

<sup>7</sup> 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. In 2011, "Hall Passes" were not issued and instead a "Fiscal Lite" was issued outlining the potential fiscal impact of the measure as it was sent from substantive committee to substantive committee or from substantive committee to Revenue or Ways and Means. There were 181 "Fiscal Lites" issued during the 2011 session.

Office (LFO) and state and local government staffing and their experience with the legislative and fiscal impact processes.

There were 3,020 measures introduced during the session, which is 238 more than the 2009 session and 81 fewer than the average of the last seven biennia. The number of amendments drafted, which was approximately 3,636, decreased from the 2009 session by 771 amendments.

While not every measure introduced or amendment drafted advanced legislatively and a fiscal impact prepared, LFO produced 2,743 fiscal impacts during the 2011 session, which is 482, or 15%, less than the 2009 session and 79 more than the average for the last seven biennia.

Of the 2,743 fiscal impacts issued 1,123 (41%) were written Fiscal Impact statements, 880 (32%) were Minimal Fiscals, and 740 (27%) No Fiscals were issued. The number of written Fiscal Impacts is a 6% increase over the 2009 session. The number of fiscal impacts issued is a reflection of committee rules and substantive committee's sensitivity to the state's revenue deficit.

It should be noted that although the 2011 session fiscal impact statistics are relatively consistent with the 2009 session, LFO operated with one fewer FTE and 21 fewer days in the session. During the 2009 interim, LFO, the Legislative Revenue Office, and Legislative Administration's Information Services and Committee Services offices developed an electronic system that automated, to some extent, the previous paper-based system. This change allowed for automated requests and transmission of fiscal impact statements and committee requests.

LFO fiscal impact staff comprised five positions (4.50 FTE) dedicated to the preparation of fiscal impacts. On average, each fiscal analyst, on average, produced 548 fiscal impacts, which equates to the preparation of 27 impacts per week. The actual number of fiscals issued by each fiscal analyst varied substantially from 337 to 657. Each fiscal analyst is assigned a policy area and this variation is an indication of the level of activity within these policy areas and may change from one session to the next depending upon the priorities of the Legislature. 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.

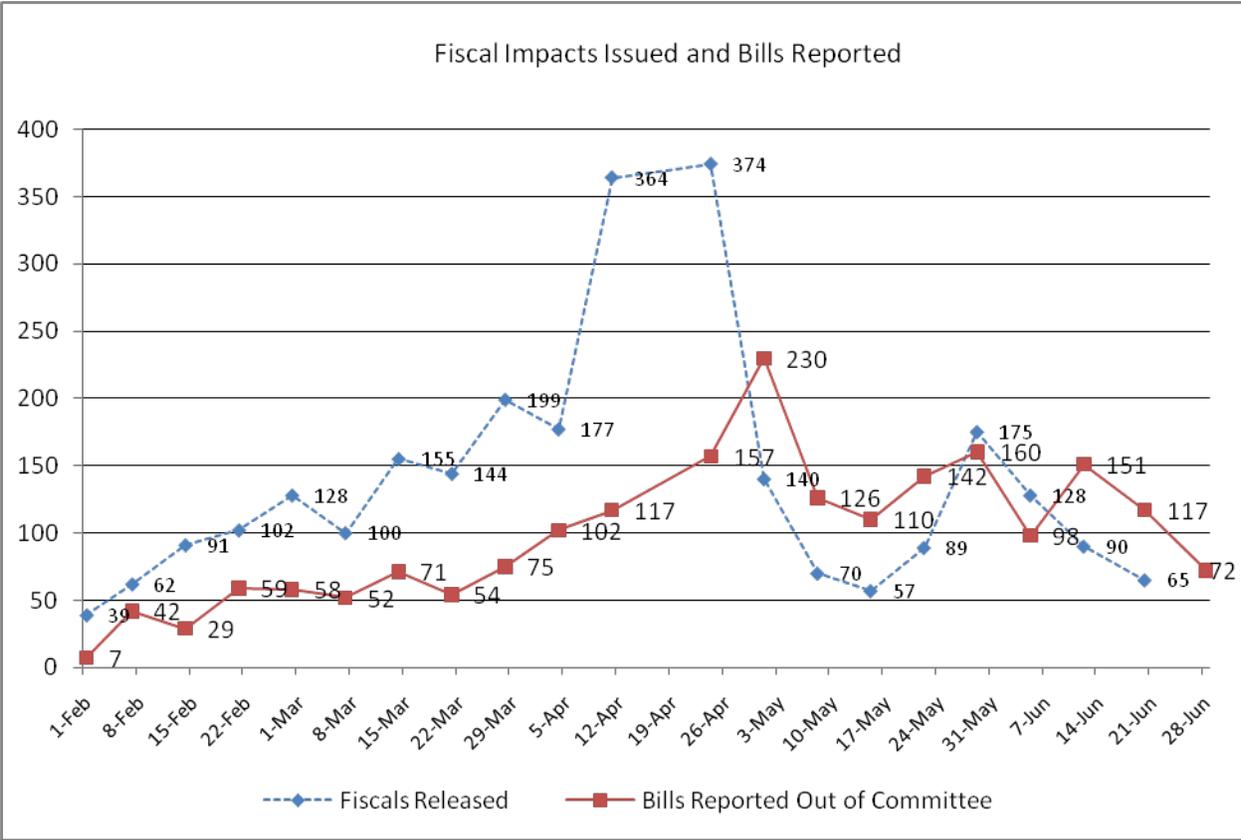
The table on the following page provides a comparison of fiscal impact-related information as well as an average for the last seven regular legislative sessions.

<b>Regular Legislative Session</b>	<b>1999</b>	<b>2001</b>	<b>2003</b>	<b>2005</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>	<b>Seven biennia Average</b>
<b>Biennium/Statistic</b>								
<b>Length of Regular Session</b>	<b>195</b>	<b>181</b>	<b>227</b>	<b>208</b>	<b>171</b>	<b>170</b>	<b>149</b>	<b>189</b>
<b>Number of Measures and Amendments</b>								
Measures introduced	3,308	3,297	2,922	3,141	2,920	2,782	3,020	3101
Amendments drafted	5,894	5,133	4,569	4,202	4,365	4,407	3,636	4633
Total	9,202	8,430	7,491	7,343	7,285	7,189	6,656	7735
<b>Measures Enrolled</b>	<b>1,252</b>	<b>1,075</b>	<b>869</b>	<b>914</b>	<b>982</b>	<b>980</b>	<b>793</b>	<b>982</b>
% of measures introduced enrolled	37.9%	32.6%	29.7%	29.1%	33.6%	35.23%	26.3%	31.7%
<b>Fiscal Impact Statements (FIS)</b>								
Written Fiscal Analysis	1,503	1,233	716	524	658	1,133	1,123	960
Minimal Fiscal	344	400	387	478	380	1,095	880	478
No Fiscal	1,446	1,431	1,003	1,252	923	997	740	1113
Total	3,293	3,064	2,106	2,254	1,961	3,225	2,743	2664
% Written Analysis	45.7%	40.2%	34.0%	23.3%	33.6%	35.1%	40.9%	35.3%
% Minimal Fiscal	10.5%	13.1%	18.4%	21.2%	19.4%	34.0%	32.1%	19.4%
% No Fiscal Impacts	43.9%	46.7%	47.6%	55.6%	47.1%	30.9%	27.0%	45.6%

Notes:

- 1) 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.
- 2) The number of No Fiscal Impacts for the 1999 session is an estimate. Some percentages may not foot.
- 3) Budget report statistics are excluded from this analysis.

Following is a chart outlining the number of fiscal impacts issued each week and the number of bills reported out of committee during the same week. The volume of fiscals issued peaked during the weeks of April 11 and April 24. This corresponds to the deadline for committees to report out bills from the committee of origin. This not only resulted in a substantially increased workload, nearly triple the average workload, but also an increase in bills subsequently referred to the Rules Committees or Ways and Means Committee. During this two week period, there were 738 fiscal impacts issued and 274 bills reported out of committee. There is some lag in the process, so that a bill may be reported out of committee on a Thursday or Friday, but may not be reflected in the Committee Services system as reported out until the following week.



## Substantive Bills Enacted into Law with a Budget Effect

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### 2011 Substantive Bills Enacted into Law with a Budget Effect

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 64 most noteworthy substantive bills reported out of the Joint Committee on Ways and Means and which became law or were referred to voters.<sup>8</sup> Also discussed is the number of bills referred to Ways and Means.

### Referrals to the Joint Committee on Ways and Means

Of the 2,805 measures introduced during the 2011 session, 385 (13.73%) were referred to Ways and Means. Of the referred bills, 118 (30.65%) were budget bills referred directly to Ways and Means. The remaining 267 (69.35%) of bills were substantive or non-budget bills. Of the substantive bills in Ways and Means, 164 (61.42%) received a public hearing. Ways and Means reported out 109 (40.82%) of the substantive measures that it was referred.<sup>9</sup>

### Education Program Area

**HB 2221 (Chapter 358, 2011 Oregon Laws)** establishes a scholarship program within the Oregon Student Assistance Commission to award up to \$2,000 in a year for qualified students to the extent funds are available. The source and amount of funds to be awarded are not identified in the measure. The Commission will utilize existing staff to establish rules for the scholarship program and wait until a source and amount of funds are determined before implementing the program.

**HB 2280 (Chapter 647, 2011 Oregon Laws)** authorizes the Department of Education to initiate a financial audit or performance audit of a school district or education service district (ESD) based on factors identified by the Department by rule. The measure allows the Department to contract with the Secretary of State or a private entity to conduct the audit if the Secretary of State is unable or unwilling. The measure allows the Secretary of State or the Department of Education to charge school districts or ESD's for a portion of the costs incurred for the audit.

**HB 2397 (Chapter 651, 2011 Oregon Laws)** creates the Primary Health Care Loan Forgiveness Program in the Office of Rural Health at the Oregon Health Sciences University (OHSU) for eligible primary care practitioners who commit to practicing in rural areas of the state. The measure appropriates \$525,000 of General Fund for the 2011-2013 biennium. OHSU anticipates approximately 13 loans to be distributed in 2011-13.

**HB 2800 (Chapter 663, 2011 Oregon Laws)** allows school districts to apply for a grant from the Oregon Department of Education (ODE) for reimbursement of costs incurred to purchase Oregon food products and to fund food-based, agriculture-based and garden-based educational activities. The measure appropriates \$200,000 General Fund and requires that 87.5% of grant moneys be used for reimbursements, 12.5% of grant moneys for educational activities, and no more than 2% of moneys that are received for the program may be used for administration.

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<sup>8</sup> Additional information can be found in a measure's budget report, an agency budget report, the budget reconciliation (i.e., SB 5508) budget report, or a fiscal impact statement. This information is available on the Legislature's website at: [www.leg.state.or.us/comm/sms/SMS11Frameset.html](http://www.leg.state.or.us/comm/sms/SMS11Frameset.html) Other information posted to the Legislature's website includes summaries of major legislation produced by the Legislative Revenue Office and Legislative Committee Services.

<sup>9</sup> The average number of measures referred to Ways and Means since the 2003 biennium is 13% of introduced measures.

**HB 3362 (Chapter 682, 2011 Oregon Laws)** establishes the Career and Technical Education Revitalization Grant Program within the Oregon Department of Education (ODE) to award grants subject to the availability of funds. The measure appropriates \$2 million General Fund to the Department of Education for the purposes of awarding the grants stipulated by the measure, and provides that the Department may expend no more than 5% of the monies on administrative costs.

**HB 3471 (Chapter 642, 2011 Oregon Laws)** requires that state institutions of higher education, community colleges, or Oregon Health and Science University waive tuition and fees for current or former foster children under 25 years of age. The measure first applies to the 2012-13 academic year. The number of foster children that may choose to attend post-secondary education and where they choose to attend is unknown.

**SB 170 (Chapter 701, 2011 Oregon Laws)** requires the Oregon Department of Education (ODE) pay for the costs of education for all students that are placed in an eligible treatment program, including those placed by public or private entities or by the student's parents. The education for these students is funded by State School Fund monies calculated on the statewide average Net Operating Expenditures for the Long Term Care and Treatment contractors. Depending on the number of children that are placed in a treatment facility by entities other than the Oregon Youth Authority or the Oregon Health Authority, and in the event of the licensed capacity of facilities increasing or decreasing, the amount of State School fund or General Fund monies will need to be adjusted accordingly.

**SB 175 (Chapter 702, 2011 Oregon Laws)** creates the Oregon Employer Workforce Training Program and Oregon Youth Employment Program within the Department of Community Colleges and Workforce Development (CCWD). CCWD is directed to create and operate the program that will be managed by local workforce investment boards. The programs are subject to the availability of funding. The availability and amount of funds for the two programs are unknown. Administration of the program will vary depending on the level of funds available and the demand for the programs.

**SB 242 (Chapter 637, 2011 Oregon Laws)** establishes the Higher Education Coordinating Commission (HECC), abolishes the Office of Degree Authorization (ODA) within the Oregon Student Assistance Commission (OSAC) and transfers the duties, functions, and powers of ODA into the HECC. The fiscal impact relating to the HECC is indeterminate. The type and the number of the positions required to fulfill the duties of the HECC are unknown and the measure does not address the source of funding for the HECC. The measure also redefines the Oregon University System (OUS) outside of consideration as a state agency for purposes of state statutes and constitutional provisions. This change exempts OUS from certain laws that govern state agency operations and is intended to provide operational flexibility and efficiencies. Among the changes included in the measure are: establishing a process for the Board of Higher Education to set enrollment fees, eliminate the requirement of OUS to request expenditure limitation for enrollment fees, crediting all interest earned—including General Fund appropriations – to OUS, exempting OUS from participating in the state's risk management and insurance programs, allowing OUS to evaluate options for group health benefit plans and optional retirement plans, purchase property and construct facilities without seeking legislative approval if completed without General Fund, removes OUS from being represented by the Department of Justice, and exempts OUS from paying certain state assessment charges. The loss of interest revenue to the General Fund is estimated to be \$7.4 million in 2011-13 and \$22 million in 2013-15.

**SB 248 (Chapter 704, 2011 Oregon Laws)** extends the applicability of law requiring school districts to offer half-day kindergarten and allows school districts and public charter schools to offer full-day

kindergarten. The Department of Education is required to adopt standards for half-day and full-day kindergarten and the minimum number of instructional hours required for half and full-day kindergarten. Beginning in 2015-2016 the measure requires that aggregate day's membership of kindergarteners be calculated on the basis of if it is a half-day or full-day program. Currently all kindergarten students are given a 0.5 weight calculation in the State School Fund distribution formula. The change in calculation would give kindergarten students in a full-day program a full 1.0 weight distribution in the State School Fund distribution.

**SB 250 (Chapter 705, 2011 Oregon Laws)** allows certain school districts to withdraw from an education service districts (ESD) to be affirmed by two-thirds vote of the school board. The measure reduces the amount of distribution to ESDs in 2011-2012 and again in 2012-2013 which will increase the amount that is distributed to school districts. The measure also creates the Office of Regional Educational Services (ORES). The measure establishes the Regional Educational Services Account and establishes a formula for an amount to be transferred from the State School Fund to the Regional Education Services Account each fiscal year beginning in 2011-12. The measure provides that the ORES may expend no more than \$500,000 per biennium from the account and that excess monies in the account must be transferred back to the State School Fund on June 30 of each odd-numbered year for distribution to school districts.

**SB 252 (Chapter 706, 2011 Oregon Laws)** establishes the School District Collaboration Grant Program, administered by the Department of Education (ODE), to provide funding for school districts to improve student achievement. The measure provides that ODE may expend no more than 5% of the amount appropriated for the grant program to pay for administrative costs. HB 5055 (2011) provided \$5 million General Fund to the Department for the purposes of the grant program.

**SB 254 (Chapter 639, 2011 Oregon Laws)** directs the Department of Education to administer a grant program to provide grants related to accelerated college credit programs, and resolves statutory conflicts with HB 3106 which required school districts to give priority for participation in the Expanded Options Program to at-risk students if the school district has met the credit hour cap. The measure appropriates \$250,000 General Fund for grant awards.

**SB 290 (Chapter 729, 2011 Oregon Laws)** requires the Department of Education, through consultation with the Teacher Standards and Practices Commission (TSPC), to adopt core teaching standards for teachers and administrators no later than January 1, 2012. The measure requires school districts to adopt the core standards for evaluations of teachers and administrators and allows that the standards be customized between school districts and the exclusive bargaining representative of the employees. The Oregon Department of Education (ODE) anticipates the need for 0.25 FTE of a Principle Executive Manager E at an estimated cost of \$53,655 General Fund for 2011-13.

**SB 480 (Chapter 711, 2011 Oregon Laws)** appropriates \$180,000 General Fund to the Department of Education for administration and grants to school districts, government agencies and community groups to enable participation in the U.S. Department of Agriculture's Afterschool Meal and Snack Program. The Afterschool Meal and Snack Program provides reimbursement to qualifying afterschool enrichment programs that serve free meals or snacks to children. Grants may not exceed \$10,000 each and are limited to \$150,000 while administration is limited to \$30,000.

**SB 552 (Chapter 731, 2011 Oregon Laws)** designates the Governor as the Superintendent of Public Instruction at the expiration of the current term of the Superintendent or if there is a vacancy for any cause. The Governor shall appoint a Deputy Superintendent of Public Instruction that is required to

have five years of experience in the administration of an elementary or secondary school; and shall set the salary of the deputy.

**SB 909 (Chapter 519, 2011 Oregon Laws)** establishes the Oregon Education Investment Board (OEIB) to oversee a unified public education system from early childhood services to post-secondary education. The measure establishes the Early Learning Council under the direction and control of the OEIB and stipulates the membership of the council. The OEIB is directed to report to the interim legislative committees on education on or before December 15, 2011 describing proposals for legislative measures. The OEIB is repealed on March 15, 2016 and any unexpended balances in the Oregon Education Investment Fund are transferred to the General Fund. HB 5508 (2011) provided \$3 million General Fund to the Governor's Office to finance the costs of the OEIB.

### **Health Care and Human Services Program Area**

**HB 2049 (Chapter 604, 2011 Oregon Laws)**, for the 2011-13 biennium, modifies the Temporary Assistance for Needy Families (TANF) program up-front eligibility process; limits Jobs Opportunity and Basic Skills (JOBS) employment and training services; eliminates enhanced payments for TANF clients who are applying for federal Supplemental Security Income and Social Security disability benefits (Pre-SSI/SDI); suspends post-TANF payments; and allows the Department of Human Services (DHS) to continue program restrictions for the 2011-13 biennium that were in place for the 2009-11 biennium but which would otherwise expire June 30, 2011. In addition, the bill strengthens the JOBS re-engagement and disqualification process, and modifies assignment of child support rights. The measure allowed DHS to realize a net \$10.6 million General Fund savings for the 2011-13 biennium. The savings are anticipated in the HB 5030 (2011) appropriations for the DHS Children, Adults and Families budget. Note: SB 939 (2011) and SB 5508 (2011) modified HB 2049 to continue post-TANF payments for the 2011-12 fiscal year.

**HB 2104 (Chapter 719, 2011 Oregon Laws)** increases fees paid by persons convicted of driving while under the influence of intoxicants, and raises the portion the Oregon Health Authority collects from this fee. This bill is anticipated to generate an additional \$2,679,200 in revenue for the 2011-13 biennium and \$3,782,400 for the 2013-15 biennium. This revenue will be dedicated to the Intoxicated Driver Program Fund (IDPF). Under current statutes, moneys in the IDPF may be used to pay for treatment and services for indigent individuals who enter diversion agreements including interpreter services and the ignition interlock program. OHA has sufficient expenditure limitation within SB 5529, the budget appropriation bill for the agency, to expend these revenue allocations.

**HB 3075 (Chapter 671, 2011 Oregon Laws)** extends the requirement for an ignition interlock device (IID) to those who accept a diversion agreement for driving under the influence of intoxicants. In addition, the bill raises the fee payable to the Oregon Health Authority. The fee increase would raise revenue from roughly \$945,000 to \$1.9 million Other Funds per biennium. Of this amount, \$276,000 would go towards support of IID's and the balance \$669,000 would be available for treatment and other related services. OHA has sufficient expenditure limitation within SB 5529, the budget appropriation bill for the agency, to expend these revenue allocations.

**HB 3100 (Chapter 724, 2011 Oregon Laws)** states an individual may not introduce evidence on the issue of insanity unless the defendant files with the court a report of psychiatric or psychological evaluation conducted by a certified evaluator. The measure requires Oregon Health Authority to develop and implement a certification process for providers to ensure that certified providers have an understanding of Oregon's mental health system, knowledge of the difference between chemical

dependency and mental illness, and knowledge of the criteria of the guilty except for insanity statute. The fiscal impact of developing and implementing the certification program is estimated at \$290,694 total funds (\$281,319 General Fund, \$9,375 Other Funds and 0.75 FTE) for the 2011-13 biennium.

**HB 3110 (Chapter 673, 2011 Oregon Laws)** removes the sunset on the Alcohol and Drug Policy Commission established by HB 3353 (2009). The Commission is charged with planning, evaluating and coordinating policies for the funding and effective delivery of alcohol and drug prevention and treatment services. The fiscal impact of continuing the Alcohol and Drug Policy Commission is estimated at \$550,000 (\$338,407 personal services; \$211,593 services and supplies; and 2.00 FTE) for the 2011-13 biennium. The expenditure limitation and position authority are included in SB 5529, the budget bill for the Oregon Health Authority.

**HB 3260 (Chapter 678, 2011 Oregon Laws)** transfers from the State Commission on Children and Families (Commission) to DHS all of the duties, functions and powers for coordinating the statewide planning for delivery of services to runaway and homeless youth and their families. To effect the transfer of the program from the Commission to DHS, the Joint Committee on Ways and Means reduced the Commission's General Fund appropriation in the Commission's budget bill, SB 5550 (2011), by \$159,913 and reduced Other Funds expenditure limitation by \$600,000. To implement the program within DHS Children, Adults, and Families, the Committee added \$986,574 total funds (\$159,913 General Fund, \$25,000 Other Funds and \$801,661 Federal Funds) to the DHS budget contained in HB 5030 (2011). DHS will establish one full-time position to do the policy work added in the bill and to oversee the program.

**HB 3650 (Chapter 602, 2011 Oregon Laws)** establishes the Oregon Integrated and Coordinated Health Care Delivery System to replace prepaid managed care systems for recipients of medical assistance, including those who are dually eligible for medical assistance and Medicare. The bill directs the Oregon Health Authority to conduct a study and develop recommendations for legislative and administrative remedies that will contain health care costs by reducing costs attributed to defensive medicine and the overutilization of health services and procedures, while protecting access to health care services for those in need and protecting their access to seek redress through the judicial system for harms caused by medical malpractice. The Legislature approved \$147,500 General Fund and \$147,500 federal funds to OHA for costs to contract with health care consultants to collect and analyze data regarding the cost of defensive medicine and over utilization within the Oregon health care system, as well as legal consultants to assist in the development of policy.

The bill requires the Home Care Commission within the Department of Human Services (DHS) to work with culturally diverse, community-based organizations to train and certify community health workers and personal health navigators to work as part of a multidisciplinary team under the direction of a licensed or certified health care professional. To comply with this provision, DHS anticipates developing and launching a Community Health Worker/Personal Health Navigator Training and Certification Program. The Legislature approved \$960,103 General Fund and two positions (1.34 FTE) for DHS program development and operating costs.

The OHA legislatively adopted budget assumes savings in Medical Assistance Programs of \$239 million General Fund in the second year of the 2011-13 biennium as a result of transformation of the health care system. The potential cost savings generated by the policy changes in this bill are expected to constitute a portion of those anticipated budget savings.

**SB 99 (Chapter 415, 2011 Oregon Laws)** establishes the Oregon Health Insurance Exchange Corporation (Exchange) as a public corporation. The bill outlines the duties, powers, functions and governance of the Exchange. This bill will align state statutes with federal requirements. The Patient Protection and Affordable Care Act of 2010 requires the establishment of state health insurance exchanges. Operational budget related to the establishment of the Exchange is currently within the OHA budget. From September 1, 2010 through December 31, 2013, planning, implementation and administration costs (including the cost for an information technology infrastructure to administer the Exchange) are expected to be provided by federal grants. Thereafter, federal law requires the Exchange to be self-sustaining. The bill permits the Health Insurance Exchange to impose and collect assessments on insurance carriers that offer health benefit plans through the Exchange, in order to support the operations of the Exchange. Until the Exchange is operational, federal grants will be applied for and received by the Oregon Health Authority. Once the Exchange is established, federal grants and fee revenues will be deposited into the newly established Oregon Health Insurance Exchange Fund to support ongoing operations.

**SB 101 (Chapter 700, 2011 Oregon Laws)** directs the Oregon Health Authority to proceed with obtaining the appropriate authorization to implement, on September 1, 2011, a new Medicaid fee schedule that is based upon the legislatively approved budget. Hospitals and fully capitated health plans (FCHPs) are required to maintain their existing contracts for inpatient/outpatient hospital services before September 1, 2011, unless there is a mutually agreed upon change to the contract. The bill directs hospitals and FCHPs to work in good faith to negotiate a new contract in anticipation of the new Medicaid fee schedule on September 1, 2011. On or after September 1, 2011, binding arbitration may be used, if both parties agree, when a FCHP does not have a contract with a hospital that provides 10% or more of hospital admissions and outpatient hospital services to plan enrollees.

The bill also aligns Oregon statutes with federal requirements by authorizing OHA to provide dental wraparound or dental premium coverage to underinsured or uninsured children enrolled in the Family Health Insurance Assistance Program (FHIAP) and the Healthy Kids Employer Sponsored Insurance (HK ESI) option of the Health Care for All Oregon Children program. The fiscal impact is estimated to be \$799,476 total funds for the 2011-13 biennium (\$249,975 Other Funds Provider Tax and \$549,501 Federal Funds), and \$1,065,968 total funds for the 2013-15 biennium (\$333,300 Other Funds Provider Tax and \$732,668 Federal Funds). The funding for this bill is within SB 5529, the budget bill for the Oregon Health Authority.

**SB 420 (Chapter 708, 2011 Oregon Laws)** modifies the court's dispositional authority when a person is found guilty except for insanity (GEI) of a crime. The bill defines Tier 1 and Tier 2 offenses for a person found GEI. Tier 1 offenses involve Measure 11 violent crimes. Tier 2 offenses are defined as offenses that are not Tier 1 offenses. The Oregon Health Authority is mandated to exercise jurisdiction over Tier 2 offenders. The Psychiatric Security Review Board (PSRB) is mandated to exercise jurisdiction over Tier 1 offenders. However, when PSRB orders a Tier 2 offender to a state hospital or secure intensive community inpatient facility, jurisdiction is transferred to the Oregon Health Authority. When conditionally released, jurisdiction is transferred back to PSRB. The agency having jurisdiction over the person will hold hearings to determine conditional release or discharge of a person in a state hospital or secure intensive community inpatient facility. The Legislature approved the addition of:

1. Department of Justice: \$800,800 General Fund and \$771,501 Other Funds expenditure limitation for the establishment of five positions (3.50 FTE) for the to handle the increase in release hearings, statutorily required review hearings, post-conviction relief (PCR) cases and appellate cases resulting from the implementation of this bill.

2. OHA: \$595,041 General Fund for hearing expenses, attorney general fees, and personal services costs for two new paralegal positions (1.76 FTE) to prepare and coordinate hearings.
3. PSRB: \$382,222 General Fund for an increase in attorney general and other associated hearing costs, programming costs to modify the Board's database, and personal services costs for two new positions (1.76 FTE), one Paralegal and one Administrative Assistant, to manage the increase in caseload and workload associated with an increase in hearings and monitoring individuals on conditional release.

**SB 433 (Chapter 555, 2011 Oregon Laws)** expands entry into the Oregon Breast and Cervical Cancer Program (BCCP). The Medical Assistance Program estimates the program expenditures increase to be \$3.7 million total funds for 2011-13 and \$13.9 million for the 2013-15 biennium. This funding included in SB 5529, the budget bill for the Oregon Health Authority.

**SB 608 (Chapter 560, 2011 Oregon Laws)** directs the Oregon Health Authority to establish a program to provide medical liability insurance premium subsidies to physicians and nurse practitioners in underserved rural communities. The fiscal impact of administering this program is estimated to be \$6,104,175 General Fund and 0.75 FTE for 18 months of the 2011-13 biennium and \$8,113,763 General Fund and 1.00 FTE for the full 24 months of the 2013-15 biennium. This funding included in SB 5529, the budget bill for OHA.

**SB 738 (Chapter 716, 2011 Oregon Laws)** permits the Oregon Health Authority to approve pilot projects to encourage the development of innovative practices in oral health care delivery systems with a focus on providing care to populations that evidence-based studies have shown have the highest disease rates and the least access to dental care. The bill requires the Oregon Board of Dentistry (OBD) to issue expanded practice permits in place of limited access permits. The board is directed to [1] compile data on expanded practice dental hygienists; and [2] report to an interim legislative committee on the reimbursement of services provided by expanded practice dental hygienists by October 1st of each even numbered year. The bill requires insurance policies covering dental health that provide coverage for services performed by dentists to cover services when performed by expanded practice dental hygienists under certain circumstances. The Department of Consumer and Business Services (DCBS) is required to adopt rules requiring health insurers to report on the reimbursement services provided by expanded practice dental hygienists. DCBS is required to provide the information collected to OBD. The Oregon Health Authority estimates the administrative cost for this pilot program to be approximately \$288,453 Other Funds and 1.50 FTE per biennium.

**SB 964 (Chapter 568, 2011 Oregon Laws)** directs the Department of Human Services and county partners to implement Strengthening, Preserving and Reunifying Families programs to provide services that allow children who are at risk of placement in foster care to remain with their families and in their homes when appropriate and safe. The bill requires DHS to form collaborations and/or enter into contracts with the Oregon Health Authority, the Housing and Community Services Department (OHCS), county and community entities to design, oversee and provide culturally competent, evidence-informed services. The Legislature approved \$1,603,617 General Fund, \$6,577,568 Federal Funds, and 6 positions (6.00 FTE) to carry out the provisions of this bill. The costs for services are partially offset by expected foster care savings once the programs are in place. The funding is included in the HB 5030 appropriations for the DHS Children, Adults and Families budget.

## **Public Safety Program Area**

**HB 3066 (Chapter 670, 2011 Oregon Laws)** allows the Department of Justice (DOJ) to establish restitution collection pilot programs and provide grants to counties for the purpose of funding the pilot programs. The pilot programs will be funded with \$1.8 million Other Funds from the Criminal Injuries Compensation Account (CICA). The bill also requires DOJ to maintain records related to the amounts of monetary obligations imposed on and collected from offenders in the areas affected by the pilot projects. In addition, DOJ and the Judicial Department will provide reports to the Legislative Assembly on the results of the pilot project. The bill also provides that DOJ may seek reimbursement from the Legislative Assembly for funds expended from CICA.

**SB 730 (Chapter 596, 2011 Oregon Laws)** HB 3508 (2009) limited the length of time of incarceration to 60 days that a court could impose when certain probationary sentences were revoke. HB 3508 (2009) had a sunset date of July 1, 2011. SB 730 extends the sunset date of HB 3508 (2009) for an additional two years to June 30, 2013. It is estimated that this bill will result in a reduction of \$9.8 million General Fund to the Community Corrections grant program.

## **Economic and Community Development Program Area**

**HB 2152 (Chapter 605, 2011 Oregon Laws)** eliminates the current 5% cap on funds from the Oregon Housing Fund that can be used for administrative purposes. Because of the current 5% cap on administrative expenses, the Housing and Community Services Department subsidizes the costs of administering programs with Housing Finance Fund bond indentures. HB 2152 will enable the Department to pay for program expenses with program dollars. Revenues from this account may be used for administrative costs as provided by the legislatively approved budget. Programs potentially impacted by this change include the Emergency Housing program, Homeownership Assistance Program, Farm worker Housing Development program, and the Housing Development and Guarantee program. The bill will reduce Other Fund expenditure limitation by \$162,807, authorized by HB 5155, Section 2, subsection 1. The reduction is to be made to Special payments within the Homeownership/Rental Housing Program.

**SB 56 (Chapter 155, 2011 Oregon Laws)** authorizes the Oregon Business Development Department (OBDD) to charge fees and administrative costs to provide program services, and make grants and loans. OBDD will establish a \$500 intake fee and a \$1,000 certification fee to be assessed at the time of site certification. OBDD would also recover some of its costs related to certification. The amount would vary depending on the complexity of the certification process. OBDD is unable to estimate at this time the amount of revenue that this bill would generate or the amount of its costs that would be recovered. The revenue generated from this bill would be used to offset Lottery Funds expenditures for economic development services. Within SB 5528, the budget bill for OBDD, is \$199,350 Other Funds for the revenues and expenditures associated with this bill.

**SB 219 (Chapter 549, 2011 Oregon Laws)** establishes the Oregon Business Retention and Expansion Program in the Oregon Business Development Department (OBDD). The bill authorizes OBDD to certify eligible employers for participation in the program, to offer eligible employers loans based on the expected payroll of their new hires, and to forgive loans made under the program when performance criteria are met. Eligibility is restricted to firms with 150 or more employees who require the loan to hire at least 50 new full-time employees whose compensation will average at least 150% of the state or local average. The bill allows the OBDD Director to transfer up to \$4 million of moneys available to the Strategic Reserve Fund to the new program during the 2011-13 biennium.

**SB 637 (Chapter 10, 2011 Oregon Laws)** revises the formula for determining when extended unemployment benefits would be provided. These changes will keep Oregon in an extended benefit period through 2011. The bill will create a temporary workload increase for approximately 12 months. The Employment Department (OED) will use 27 limited duration employees (3.40 FTE) for this workload in the 2009-11 biennium. These 27 positions (10.10 FTE) will continue into the 2011-13 biennium. The total cost of the bill is estimated at \$62 million for 2009-11, \$58.4 million of which is attributable to benefit payments, and \$165 million in 2011-13, \$155 million of which is attributable to estimated benefit payments. OED will receive Federal Funds for the benefit claims and reimbursement for administrative costs. The limitation for this bill is within SB 5509, the budget bill for OED.

**SB 638 (Chapter 11, 2011 Oregon Laws)** provides for the payment of Oregon emergency benefits to qualifying individuals during the emergency benefit period of April 15, 2011 to July 2, 2011. The emergency benefits provided by the Employment Department (OED) may not exceed \$30 million. The Unemployment Insurance Trust Fund earns interest on its fund balances. OED estimates that the increased expenditures from the Fund from this bill will result in a loss of \$1,982,105 Nonlimited Other Funds in interest earnings in the 2011-13 biennium and 1,044,456 Nonlimited Other Funds in the 2013-15 biennium. The bill created a temporary workload increase for approximately 2.5 months that the Department was able to absorb because of a slight improvement in the unemployment insurance claims forecast. The Department used temporary help and overtime for this workload increase at a cost of \$210,029, which was reimbursed from Federal Funds for administrative costs. There was no anticipated expenditure impact for the 2011-13 biennium associated with this bill.

**SB 766 (Chapter 564, 2011 Oregon Laws)** defines industrial development projects of state significance, and establishes the Economic Recovery Review Council. The bill provides that the Council may expedite the permitting of up to 10 industrial development projects of state significance per biennium through an expedited review process. The bill establishes the process for identifying state and regionally significant industrial areas and establishes the expedited review process. Workload includes support for the Council, application review, site review, permitting, local government consultation, and transportation planning. The bill includes an increase of \$444,728 Other Funds and two limited duration positions (0.75 full-time equivalent), to the Oregon Business Development Department to provide the department with the resources to staff the council and reimburse the Department of Land Conservation and Development (\$94,418 Other Funds), the Department of State Lands (\$28,797 Other Funds), and the Department of Environmental Quality (\$175,646 Other Funds) with their costs associated with the Council. The bill also includes an increase of \$94,418 Other Funds to the Department of Land Conservation and Development, to be transferred from the Oregon Business Development Department, to provide the department with the resources to handle expedited reviews for industrial lands through the Economic Recovery Council.

### **Consumer and Business Services Program Area**

**HB 2380 (Chapter 650, 2011 Oregon Laws)** provides for the confidentiality of information disclosed during a peer review of a direct entry midwife and establishes protections for physicians and hospitals treating patients of direct entry midwives. It eliminates a certified nurse midwife member from the State Board of Direct Entry Midwifery. The measure also transfers direct entry midwife data collection responsibilities from the Oregon Health Licensing Agency to the Center for Health Statistics (CHS) within the Oregon Health Authority, requiring CHS to collect and report data on birth and fetal deaths that require additional programming for the electronic birth certificate and fetal death reporting systems used by CHS. The bill provides a \$30,000 Other Funds limitation increase to OHA for this purpose.

**HB 3247 (Chapter 677, 2011 Oregon Laws)** requires the Secretary of State (SOS) to establish an internet portal that provides information, services and resources for a number of business filing, tax, business assistance, promotion and regulatory programs. To accomplish the provisions of the measure the SOS would use a contracted vendor to develop, implement and test the portal. The SOS would also utilize a 12-month limited duration position to manage and coordinate efforts to identify and gather the information of state agencies and local governments with business programs covered by the project's scope. Section 34(2) of HB 5508 (2011) provides a \$380,312 Other Fund expenditure limitation increase to the Secretary of State for the cost of implementing the required business information and services internet portal.

**SB 144 (Chapter 264, 2011 Oregon Laws)** revises current law to expand eligibility for the Telecommunication Devices Access Program (TDAP) to a broader segment of the hard of hearing and speech impaired population, and expands the statutory list of professionals who can certify an individual as being eligible for the program. The program is supported by the Residential Service Protection Fund, which receives a \$0.12 surcharge assessed against each paying retail subscriber, with exceptions, who has telephone or cellular service. The bill provides a \$178,187 Other Funds limitation increase to the Public Utilities Commission to fund the anticipated in individuals being eligible and applying for services during the 2011-13 biennium.

**SB 723 (Chapter 715, 2011 Oregon Laws)** expands the Respiratory Therapist Licensing Board at the Oregon Health Licensing Agency (OHLA) to incorporate the practice of Polysomnographic Technologists, creating a new licensee group. OHLA would be responsible for the licensing and regulatory oversight, requiring the creation of rules, investigation of complaints, and the addition of two new board members. Section 11 of SB 5508 (2011) provides a \$46,356 Other Funds expenditure limitation increase to the Oregon Health Licensing Authority for this purpose.

### **Natural Resources Program Area**

**HB 2125 (Chapter 521, 2011 Oregon Laws)** allows the State Fish and Wildlife Commission to impose a surcharge not to exceed \$25 for the renewal of a hunting license on persons who fail to comply with certain mandatory reporting requirements. The Department of Fish and Wildlife has not determined the exact surcharge that will be assessed but assumes that compliance will increase as communication and awareness grows.

**HB 2126 (Chapter 523, 2011 Oregon Laws)** allows the State Fish and Wildlife Commission by rule to authorize the issuance of free tags to hunt antelope, deer and elk to provide incentive to increase compliance with certain mandatory reporting requirements. HB 2126 is often referred to as the "carrot" to incentivize persons to comply with reporting requirements versus the "stick" of HB 2125.

**HB 2523 (Chapter 474, 2011 Oregon Laws)** transfers administration of income tax credit allowed for renewable energy resource equipment manufacturing facilities from the State Department of Energy (DOE) to Oregon Business Development Department (OBDD). DOE notes that no dedicated staff is assigned to the manufacturing facilities tax credit processing and assumes no staff would be included in the transfer. DOE estimates an unexpended balance of approximately \$100,000 Other Funds to transfer to OBDD. OBDD assumes that no additional staff will be required to handle administrative duties of the program and will utilize existing data systems that monitor and track the manufacturing Business Energy Tax Credits applications.

**HB 2960 (Chapter 467, 2011 Oregon Laws)** directs the State Department of Energy (DOE) to establish a Clean Energy Deployment Program to provide grants and loans to support energy efficiency or clean energy projects, including project to weatherize, upgrade or retrofit public schools. The bill identifies several possible sources, however the actual funds available to operate the Clean Energy Deployment Program Pilot is unknown. The demand for individual grants and loans is indeterminate and without specified funds, the level of administration required for the Clean Energy Deployment Program is unknown. Additionally the measure changes the administration of annual public purpose charge revenues from a contract between DOE and six education service districts to approximately 110 school districts in service territories covered by PGE and PacifiCorp. Currently DOE has two existing positions that work with the six education service districts to provide funding of approximately \$800,000 biennially. The number of individual school districts that choose to contract with DOE is unknown and depending on the number of school districts that contract with DOE, additional staffing may be required.

**HB 3255 (Chapter 486, 2011 Oregon Laws)** requires the State Department of Fish and Wildlife to increase hazing of pinnipeds at Willamette Falls from five days per week to seven days per week between February 1 and April 30 of both 2012 and 2013. The Legislature approved one-time Other Funds expenditure limitation of \$112,932 for payment of expenses for the Department's required additional pinniped hazing efforts and provided that the Department may not spend more than one-half of this amount in each of the two years. The funding will be used to establish three limited duration positions (0.67 FTE).

**HB 3358 (Chapter 392, 2011 Oregon Laws)** requires the State Department of Agriculture to establish a program for issuing grants to counties for noxious weed control. The measure establishes the grant qualifications and allows the Department to establish rules including prioritization of grant moneys and reporting requirements and to deduct administrative costs; however the measure does not provide a source of funds.

**HB 3399 (Chapter 683, 2011 Oregon Laws)** authorizes the State Department of Fish and Wildlife (ODFW), State Marine Board (OSMB) and State Department of Agriculture (DOA) to require a person to stop and submit recreational or commercial watercraft to inspection for aquatic invasive species. The measure requires all persons to stop at the check stations for watercraft inspection and allows safe harbor for any persons found to be carrying an invasive species. Failure to stop and submit to an inspection commits a Class D violation. ODFW estimates that mandatory inspection of all watercraft will result in approximately 1,500 additional inspections at each inspection station. The measure does not provide any additional funding or positions to operate the check stations.

**HB 3560 (Chapter 690, 2011 Oregon Laws)** requires the State Department of Agriculture to establish and implement a wolf depredation compensation and financial assistance grant program to provide grants to assist counties in implementing county programs to prevent wolf depredation and compensate ranchers when wolf depredation occurs. The grant program will use moneys in the Wolf Management Compensation and Proactive Trust Fund established by the bill. The bill establishes criteria under which counties become eligible for funding under the grant program and requires counties to contribute at least 10% of the cost of their wolf depredation prevention and compensation programs. The Legislature approved a one-time appropriation of \$100,000 General Fund to the Department for the 2011-13 biennium to implement the grant program.

**HB 3657 (Chapter 690, 2011 Oregon Laws)** reduces nonresident fees related to commercial fishing to an amount equal to \$50 above resident fee amount for the same license. The measure applies to

licenses issued for calendar year 2012 and beyond. Currently the nonresident fees are significantly higher than resident fees and may be a violation of the equal protection clause under Federal law. Assuming nonresident licensing permit sales equivalent to 2010 totals, the Department of Fish and Wildlife estimates a total annual loss of revenue of \$383,605 Other Funds.

**HB 3657 (Chapter 730, 2011 Oregon Laws)** extends and modifies several existing tax credits, including the biomass credit, fire insurance credit, E-commerce zone credit, long-term rural enterprise zone credit, research and development credit, film and video contributions credit, and fish screening credit. The measure extends and modifies the residential energy tax credit and replaces the existing business energy tax credit with a conservation credit, renewable energy credit, and transportation credit and sets biennial credit caps. The fiscal impact to the Department of Energy (DOE) is indeterminate. The number of applications received and the business process for the new energy tax credits is unknown at this time, as several of the new tax credit programs differ substantially from current practice. The measure provides the department with the authority to establish fees to recover the cost of administering the tax credit programs; however the amount of the fees will be determined in part by the staffing required for the programs, based on volume of applications, and the expertise required to evaluate and – where applicable – rank applications. Currently the business credit and residential credit programs sunset in 2012 and the corresponding positions within the department are phased out at that time. The revised energy credits will require modifications to DOE's budget limitation and position authority, including potentially reinstating phased-out positions and increasing expenditure limitation, which will need to be reviewed by the 2012 Legislature or the Emergency Board.

**SB 58 (Chapter 319, 2011 Oregon Laws)** moves the Natural Heritage Advisory Council program from the Department of State Lands (DSL) to the Oregon Parks and Recreation Department (OPRD), effective January 1, 2012. The transfer is accomplished by abolishing the Natural Heritage Advisory Council and transferring its duties to OPRD. The bill reduces DSL Other Funds expenditure limitation by \$20,827 and Federal Funds expenditure limitation by \$130,133. It increases OPRD expenditure limitations by \$21,000 Other Funds and \$113,000 Federal Funds. Because the bill is effective January 1, 2012, DSL will retain six months of expenditure limitation and OPRD will add 18 months of expenditure limitation.

**SB 81 (Chapter 321, 2011 Oregon Laws)** directs the Department of Environmental Quality (DEQ) to collect a fee of \$70 for each trip to vessels regulated under ballast water statutes. DEQ estimates approximately 1,500 vessels arrive in a typical year and would partner with a shipping industry support organization that currently collects other fees to collect the fees included in the measure. DEQ would generate approximately \$157,500 in revenue for 2011-13 and \$210,000 in 2013-15. The additional revenue will be used to fund a permanent half-time Natural Resource Specialist 2 position that will allow for an increase in the Department's ballast water program activity like inspections, screening, and monitoring. The Department plans to shift additional ballast water program costs currently funded by General Fund onto the Other Funds revenue from this measure.

**SB 119 (Chapter 323, 2011 Oregon Laws)** allows the Department of Agriculture to establish annual fees for commercial growing, producing, harvesting or distribution of shellfish, and the cultivation fee per acre paid to the Department, by administrative rule and increases the maximum amount of the annual fees. The measure eliminates the statutory limit on the amount of total fees paid for a combination of certificates. The changes to the fee structure apply to fees assessed for annual periods that begin on or after July 1, 2011. Under the maximum allowable fee amount, the Department assumes the fee increases would generate approximately \$68,000 in revenue in 2011-13 and \$136,000 in revenue in 2013-15.

**SB 120 (Chapter 325, 2011 Oregon Laws)** establishes small, medium, and large categories for confined animal feeding operations (CAFO) and establishes annual permit fee amounts for each category to be issued by the Department of Agriculture. The Department would generate approximately \$181,300 in revenue for 2011-13 and the same in 2013-15.

**SB 805 (Chapter 436, 2011 Oregon Laws)** prohibits commercial farm owner or operator from confining egg-laying hen in enclosure that fails to comply with rules adopted by State Department of Agriculture. The Legislature approved \$65,470 General Fund in 2011-13 for one-time startup costs for the program including rule-making, consultation fees for expertise, and public outreach. The anticipated workload will be accomplished by existing staff through reprioritizing duties and responsibilities.

### **Administration Program Area**

**HB 2257 (Chapter 646, 2011 Oregon Laws)** Allows for or requires the electronic filing of certain documents with the Secretary of State for inclusion in voters' pamphlets and requires the Secretary of State to adopt an electronic filing system to allow these documents to be filed electronically via the Internet. Section 34(1) of HB 5508 (2011) appropriates \$80,000 General Fund to the Secretary of State for the cost of implementing the required electronic filing system.

**HB 2113 (Chapter 722, 2011 Oregon Laws)** Modifies statute relating to the Public Employees Retirement System (PERS) to make corrections to technical issues in existing statute, modify retirement plan options of persons elected or appointed as members of Legislative Assembly, provide that inactive members of pension program of Oregon Public Service Retirement Plan who withdrew amounts in individual account program become members of individual account program immediately upon reemployment in qualifying position, and to allow members of individual account program to be fully vested if they become active on or after the normal retirement age. The measure provides a \$475,600 Other Fund expenditure limitation increase for the one-time cost of information system modifications required to support the changes in the bill.

**HB 2456 (Chapter 653, 2011 Oregon Laws)** prohibits the Public Employees Retirement Board (PERB) and any public employer from paying an increased benefit related to the tax remedy provisions provided by Oregon Laws 1995, chapter 569, to a person who is a non-resident of Oregon and not subject to Oregon personal income tax. The measure applies to those persons who retire or withdraw after January 1, 2012. While this change should reduce some future benefit payments, that reduction is indeterminate and directly tied to member retirement behavior. To implement the requirements of the bill PERS requires information technology system modifications and a manual work-around until the automated system can be completed. The measure provides a \$570,412 Other Funds limitation increase and one part-time, limited duration Retirement Counselor position (0.75 FTE) to make required system modifications and implement a manual work-around until such modifications are completed.

### **Judicial Branch Program Area**

**HB 2710 (Chapter 595, 2011 Oregon Laws)** updates and simplifies the current statutory civil fee filing structure. The major provisions of the measure include: (1) Extends the temporary fees and assessments under HB 2287 (2009) for three months; (2) Deposits all revenue into the General Fund with the exception of Legal Aid Services, which is established as a statutory account with quarterly distributions totaling \$11.9 million; (3) Increases filing fees for small claims actions in Justice Courts; (4) Maintains the priority for funding programs that have historically received court revenues; (5)

Maintains current county authority over the use of law library funds; (6) Creates a new court facilities and security account funded with \$3 on civil and criminal filings; (7) Shifts the Collection and Revenue Management Program in the Judicial Department back to the General Fund; (9) Simplifies the Judicial Department's accounting structure by eliminating the complex receipting, accounting, and revenue distribution processes under the current system; (10) Shifts the Collection and Revenue Management Program in the Judicial Department back to the General Fund; (11) Increases the filing fees for small claims actions in Justice Courts, to equalize these fees among the courts in Oregon.

The measure is estimated to total generate \$85.4 million of court fee revenue during the 2011-13 biennium. The expenditure impact of the measure is indeterminate. The Judicial Department will likely have long-term administrative savings due to the elimination of multiple add-on fees, variable fees, and other fees that require separate fee calculations from receipting staff. The Judicial Department will have routine one-time costs associated with updating its information technology infrastructure to reflect the statutory changes in the measure.

An advisory committee, including legislators and a county representative, was established in HB 5056 (2011) to assist the Chief Justice to establish expenditure plans for the court facilities revenue generated by HB 2710, HB 2712, and HB 3525.

The measure establishes a Joint Committee on State Court Revenue Structure that is to be staffed by Legislative Administration's Committee Services, the Legislative Fiscal Office, and the Legislative Revenue Office, which are not expected to have a fiscal impact. The Joint Committee will repeal upon the convening of the 2013 Legislature.

**HB 2712 (Chapter 597, 2011 Oregon Laws)** updates and simplifies the current statutory revenue and distribution structure related to criminal fines, assessments, and other financial penalties imposed on conviction for felonies, misdemeanors, and violations other than parking infractions. The major provisions of the measure are: (1) establishes a presumptive fine thereby eliminating the need for calculation of a foundation amount, base fine amount, and the minimum fine amount; (2) establishes the presumptive fine by statute, applies this fine statewide, and eliminates variability in fine amounts based on the court into which a person is cited; (3) eliminates the unitary assessment and the county assessment by consolidating them into the presumptive fine; (4) provides for judicial discretion to reduce the presumptive fine by up to 50%; (5) increases the judicial discretion in school, construction, and safety corridor zones fine to 75% of the presumptive fine; (6) adds \$3 to the uniform presumptive fine amounts for state court facilities and security; and (7) allocates additional revenue to the intoxicated driver program fund.<sup>10</sup>

The revenue generated by all criminal fines and assessments is to be deposited into the Criminal Fines Account, which was formerly entitled the Criminal Fine and Assessment Account. The bill does not affect the distribution of fine revenue, which remains the same as current law. The bill is anticipated to result in a gross revenue increase of \$22.2 million for the 2011-13 biennium, and \$20.71 million for the 2013-15 biennium. Except for the Department of Corrections, the affected agencies (Department of Public Safety Standards and Training, Department of Human Services, Oregon Health Authority, Department of Justice) have sufficient expenditure limitation in their primary budget appropriation bills to expend these revenue allocations. The Department of Corrections will need to return to the Legislature for \$3,223,179 Other Funds limitation.

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<sup>10</sup> See HB 2104 and HB 3075 under the Health Care and Human Services Program Area (page 105)

**HB 3525 (Chapter 689, 2011 Oregon Laws)** creates the Courthouse Capital Improvement Trust Fund and funds it with a share of punitive damages awards. Currently, punitive damage awards are split with 40% going to the prevailing party and 60% dedicated to the Criminal Injuries Compensation Account administrated by the Department of Justice. This bill reduces the punitive damages award that is currently payable to the prevailing party from the current 40% to 30%. The bill then dedicates 10% of the punitive damages award payable to the Attorney General for deposit into the State Court Facilities and Security Account to be used for paying the costs of capital improvements to county courthouses.

## Appendix A

### 2011-13 Capital Construction Projects

#### Oregon Health Authority

State Hospital Replacement Project: \$59,900,000 Other Funds (Article XI-Q) is approved for continuation of the project to provide new mental health facilities to replace the State Hospital constructed in 1883. The 620-bed Salem campus is expected to be completed by the end of calendar year 2011. Project funding includes development and implementation of the Behavioral Health Integration Project (BHIP). The Joint Committee on Ways and Means recommendation is to provide \$5 million for further planning and infrastructure development of both mental health and correction uses at the Junction City site. Debt service will be paid with General Fund.

#### Department of Administrative Services

HVAC Improvement Projects, phase 1: \$1,535,603 Other Funds (Capital Projects Fund) is approved to provide HVAC system upgrades on several state-owned buildings. Planned improvements include cooling tower refurbishments at the Public Service Building and Portland State Office Building, boiler work at the Agriculture Building, improvements to the digital control systems at the Human Services Building and various other projects.

Roof Replacements: \$1,479,759 Other Funds (Capital Projects Fund) is approved to provide roof replacements or repairs on several state buildings. Planned work includes roof replacement at the Employment Building and Public Services Building, roof seam repairs at the Portland State Office Building and various other projects.

Fire Panel Upgrades: \$2,791,212 Other Funds (Capital Projects Fund) is approved to upgrade the fire panels and alarm systems in a number of state facilities. Planned installations include upgrades at the Archives Building, Print Plant, Human Services Building, the capitol mall parking structure and various other projects.

Building Exterior Weatherization: \$1,552,033 Other Funds (Capital Projects Fund) is approved for the cleaning, sealing and weatherization of several state buildings. Planned action includes weatherization of the General Services Building, Agriculture Building, Portland State Office Building, Salem Motor Pool, and various other projects.

Parking Projects: \$2,268,881 Other Funds (parking facilities income) is approved to fund resurfacing, structure recoating, deck resealing, and landscape improvements for several state-owned parking structures. Work is planned to resurface the Yellow Lot, reseal the street deck at the Capitol Mall Parking Structure, re-coat the lot at the Ferry Street Parking Structure and various other projects.

Salem Motor Pool Improvements: \$1,366,366 Other Funds (Capital Projects Fund) is approved to replace major portions of the paved surface and install a new re-designed drainage system. Maintenance work will be performed on paved areas not replaced. The work is necessary due to the age of the surface and failures of the existing drainage system resulting in safety hazards and accelerated depreciation.

Facilities Integrated Software System, phase 2: \$1,000,000 Other Funds (Capital Projects Fund) is approved for the second phase of a system to assist with management of state facilities using best practices regarding planning and scheduling maintenance, monitoring effective use of utilities, and other important cost-management components.

Planning: \$250,000 Other Funds (Capital Projects Fund) is approved to contract with various architects, engineers and other specialists. Developing feasibility analyses and reliable cost information; preparing preliminary design for small to medium-sized projects; and evaluating options to solve maintenance problems are ongoing parts of the department's responsibilities.

Department of Revenue Building HVAC System Chiller Replacement: \$1,000,000 Other Funds (Capital Projects Fund) is approved to replace the HVAC system chiller at the Department of Revenue Building. The current chiller is near the end of its useful life and requires a type of coolant that is no longer allowed by code. In addition the space has experienced significant reconfiguration so that refurbishing the existing system will not be efficient long term.

The Joint Committee on Ways and Means also approved the extension of the project expiration date and expenditure limitation for the Revenue Building Reseal project.

### **Department of Veterans' Affairs**

Lebanon Veterans' Home: \$300,000 Other Funds (Linn County) is approved for design work on the second state veterans home. Funds for the design will be provided by Linn County. The county will provide the required 35 percent match to qualify for federal funds that will be used to complete construction

Roseburg Veterans Home: \$1 Other Funds (Lottery Bonds) limitation is approved to construct a third veterans home in Roseburg. Initial planning is for construction to begin in 2013 on a 150-bed facility with a cost of approximately \$30 million. Debt service will be paid with Lottery Funds.

### **Department of Transportation**

DMV Portland Drive Center: \$1 Other Funds (fee revenue) is approved for a project to remodel and make facility improvements at the Portland Drive Test Center. The building was constructed over 20 years ago and is in need of upgrades to accommodate the increase in customer usage. The parking lot design is unsafe for vehicle flow, pedestrians, commercial driver and motorcycle testing. Additionally, the asphalt is cracking and deteriorating. The Department plans to fund this package with proceeds from the sale of the property that formerly served as a DMV office in Beaverton. At this time, the office has not been sold. The one dollar of limitation is a placeholder so that limitation for the project may be reconsidered in the 2012 Session or a subsequent meeting of the Emergency Board after the sale of the Beaverton field office.

Baker City Maintenance Station: \$500,000 Other Funds (Highway Fund) was added to the \$6,100,000 project previously approved by the 2007 Legislative Assembly. This increase is necessary to provide final project expenditures related to construction of a needed maintenance facility, comprised of buildings and support infrastructure in Baker City. This increase in expenditure limitation will expire June 30, 2013.

## **Department of Aviation**

Chiloquin State Airport Runway/Apron Rehabilitation: \$10,526 Other Funds (pilot registration fees) and \$200,000 Federal Funds (Federal Aviation Administration) is approved for a project to ultimately reconstruct the runway and rehabilitate the apron at Chiloquin State Airport. The most recent Pavement Condition Index survey indicated conditions do not meet manageable maintenance standards. The department will use authorized funding to conduct design engineering necessary to ascertain the full scope and cost of the project. Other Funds represent the required 5 percent match for this phase of the project.

## **Department of Fish and Wildlife**

Ruby Pipeline Mitigation: \$2,000,000 Other Funds (mitigation settlement) is approved to acquire real property for wildlife habitat. As part of the Ruby Pipeline Mitigation agreement, Department of Fish and Wildlife (ODFW) was provided \$2,000,000 to acquire real property for wildlife habitat. Acquisition of real property that provides wildlife habitat and public access to fish and wildlife in southeast Oregon is a part of the contract with Ruby Pipeline LLC to partially mitigate impacts to fish and wildlife habitat due to construction of their pipeline. ODFW has received these funds from Ruby Pipeline LLC. The funding is expected to be adequate to acquire up to 1,070 acres of upland and riparian habitat in southeast Oregon.

Sandy Hatchery Fish Passage: \$3,700,000 Other Funds (City of Portland) is approved to provide fish passage around the Sandy Hatchery dam to ensure compliance with state and federal laws. The passage will restore anadromous fish to their historical range. Funding is from the City of Portland. The City sought and received a fish passage waiver from ODFW for their water diversion facilities on the Bull Run River. This waiver required the City to fund fish passage improvements to the Sandy River Hatchery.

Rock Creek Hatchery Fish Passage: \$1,500,000 Other Funds (fishing license revenue) is approved to improve fish passage to Rock Creek, a major tributary of the North Umpqua River. In 1949, a diversion dam and intake facility was constructed at the Rock Creek Fish Hatchery to supply water for the hatchery. A fish ladder constructed at the dam is a partial barrier to salmon, steelhead and trout habitat at certain flows and needs to be improved. Due to design changes and time constraints, the project has been forced into a second in-water work period, resulting in the cost of the project increasing.

Headquarters Building: \$16,000,000 Other Funds (Article XI-Q bonds) is approved to purchase and renovate property for its Salem headquarters building. In 2002, ODFW moved its headquarters from Portland to a leased building in Salem pursuant to Senate Bill 50 (Oregon Laws 2001, Chapter 989). The lease of the ODFW headquarters building ends on August 31, 2013. Purchasing a building to serve as Headquarters will save ODFW money in the long term. Lease payments will increase over time, while owning and renovating their own facility at the approved spending level provides a fixed cost for the term of the financing plus 100 percent equity in the building at the end of the bond period. Proceeds from the sale of Article XI-Q bonds will provide initial funding. Debt service will be paid with Other Fund revenues including hunting and fishing license and tag fees.

## **Department of Forestry**

Gilchrist Forest Land Acquisition: \$1,983,256 Other Funds (Lottery Bonds) is approved to purchase a 5,816-acre tract to expand the Gilchrist State Forest. Expenditure limitation for this purchase was added to the existing expenditure limitation for a similar project approved by the 2009 Legislative Assembly. This increase in expenditure limitation will expire June 30, 2015. Debt service will be paid with Lottery Funds.

## **Military Department**

The Dalles Readiness Center: \$4,011,273 Other Funds (Article XI-Q Bonds) and \$12,980,000 Federal Funds (National Guard Bureau) is approved for the continuing design and construction of a new readiness center. The facility is being planned to allow partnership opportunities with Columbia Gorge Community College.

Christmas Valley site acquisition: \$680,000 Other Funds (Developer Fees) is approved to acquire 2,296 acres as a training area for the development of a utility-scale solar project and a training site.

## **Oregon University System**

### ***System-wide Projects***

Capital renewal, code compliance, and safety: \$25,000,000 Other Funds (Lottery Bonds) and \$10,000,000 Other Funds (Other Revenues) to maintain facilities throughout the Oregon University System and keep the deferred maintenance backlog from growing. These projects do not involve acquisition of buildings, structures, or land. Debt service will be paid with Lottery Funds. Sources of Other Revenues include gifts, grants, and other sources.

Miscellaneous Student Building Fee projects: \$20,000,000 Other Funds (Other Revenues) for small planning, code compliance, acquisition, additions, remodels, and other projects. Student building fees constitute the source for the Other Revenues.

### ***Eastern Oregon University***

Quinn Coliseum: \$13,179,000 Other Funds (Lottery Bonds) for deferred maintenance and seismic upgrades. Debt service will be paid with Lottery Funds

### ***Oregon Institute of Technology***

Portland Campus Consolidation: \$20,000,000 Other Funds (Lottery bonds) and \$10,000,000 Other Funds (Other Revenues) to purchase and renovate the former InFocus building in Wilsonville. Debt service will be paid with Lottery Funds. Other Revenues will consist of gifts and proceeds from the sale of OIT's interest in a building co-owned with Clackamas Community College.

Geothermal demonstration project: \$3,500,000 Other Funds (Other Revenues) to increase funding for a \$6.6 million project approved in the 2009 legislative session. The additional funding will allow OIT to increase power production from its geothermal wells by 23 percent, generating approximately 74 percent of electrical power needs for the Klamath Falls campus. Other Revenues for the expanded project scope will be from Business Energy Tax Credits and an Oregon Energy Trust incentive payment.

### ***Oregon State University***

New Business Education Building: \$24,100,000 Other Funds (Lottery Bonds) and \$31,900,000 Other Funds (Other Revenues) for construction of a new academic building for the College of Education. Debt service will be paid with Lottery Funds. The source of Other Revenues is gift funds.

Cascades Campus Graduate Studies Facility: \$2,000,000 Other Funds (Lottery Bonds) and \$3,000,000 Other Funds (Other Revenues) to purchase a 28,059 square foot office building in Bend that will be converted into academic space. Debt service will be paid with Lottery Funds. The source of the other funds is a donation and institutional resources.

Strand Hall Deferred Maintenance: \$4,847,000 Other Funds (Article XI-Q bonds) for deferred maintenance and seismic upgrades. This project was authorized in the 2009-11 biennium with Certificates of Participation (COP) funding. Since the project did not proceed in 2009-11, the project is being reauthorized with Article XI-Q bonds. The COP expenditure limitation was eliminated. Debt service on the bonds will be paid with General Fund.

Bookstore Relocation: \$12,000,000 Other Funds (Other Revenues) to relocate the OSU Bookstore to a new location as a consequence of the Memorial Union Renovation. The project will be funded with donated funds.

University Housing and Dining Upgrades: \$8,000,000 Other Funds (Other Revenues) to upgrade dining facilities in Poling Hall, Cauthorn Hall, and Cooperative House. The project will be funded with housing and dining revenues.

Animal Sciences Teaching Pavilion Telecommunications Equipment: \$2,000,000 Other Funds (Other Revenues) to add space for west campus telecommunications switchgear. The project will be funded with grants and donations.

Cross Country Track Expansion: \$1,000,000 Other Funds (Article XI-F (1) bonds) and \$3,000,000 Other Funds (Other Revenues) to add a grandstand and space for field events to the Cross Country Track project approved in 2007. The project will be funded with grants and donations. Debt service and Other Revenues are paid with athletics revenues, gifts, and donations.

Education Hall Deferred Maintenance: \$6,000,000 Other Funds (Other Revenues) to include renovation of interior space to a deferred maintenance project originally approved in 2005. The project will be funded with donations.

### ***Portland State University***

Blumel Residence Hall Domestic Water Line Replacement: \$7,000,000 Other Funds (Article XI-F (1) bonds) to replace a failing water line and associated systems. Debt service will be paid with housing and dining revenues.

City Tower building purchase: \$1 Other Funds (Article XI-F (1) bonds) for purchase of a seven story building from the City of Portland that will be leased back to the city and/or used for university purposes. The bond bill includes \$25 million in Article XI-F (1) bond debt capacity for this project. To proceed, the university will need to obtain approval from the Legislative Assembly or the Emergency Board of an increase in expenditure limitation. Debt service would be paid with rental receipts, tuition and fee revenues, and indirect cost recovery from research grants. This project was authorized in the 2009-11 biennium with Certificates of Participation funding, due to restrictions in

Article XI-F (1) of the Oregon Constitution on purchasing buildings. Since the project did not proceed in 2009-11 and since Ballot Measure 69 (2010) eliminated the constitutional limitation on building purchases, the project is being reauthorized with Article XI-F (1) bonds.

### ***Southern Oregon University***

Science Building Deferred Maintenance: \$21,000,000 Other Funds (Lottery Bonds) for deferred maintenance and seismic upgrades. Debt service will be paid with Lottery Funds.

### ***University of Oregon***

Steam Service Replacement: \$2,500,000 Other Funds (Other Revenues) to provide replacement steam service to Barnhart and Riley residence hall following termination of service from the Eugene Water and Electric Board. The project will be funded with housing revenues.

Earl Residence Hall Fire System Improvements: \$750,000 Other Funds (Other Revenues) to install a fire sprinkler system and upgrade fire related systems. The project will be funded with housing revenues.

Bean Residence Hall Exterior Preservation: \$1,500,000 Other Funds (Other Revenues) to replace the roof and flashing system and seal exterior brick surfaces. The project will be funded with housing revenues.

Barnhart Residence Hall Envelope Restoration: \$1,700,000 Other Funds (Other Revenues) to replace windows and upgrade the building exterior. The project will be funded with housing revenues.

Allen Hall Expansion and Remodel Project: \$5,300,000 Other Funds (Other Revenues) to increase the scope of a \$15 million remodel project approved in the 2009 legislative session. Additional scope includes a three-story atrium, department offices, meeting spaces, and classrooms. University fund balances will be used to pay for the expanded scope.

Integrated Science Building/Lewis Integrative Science Building Project: \$10,000,000 Other Funds (Other Revenues) to increase the scope of a \$65 million project approved in the 2007 legislative session. The additional scope will increase space for the Huestis Zebrafish Facility. A grant from the National Science Foundation and donations will fund the expanded scope.

### ***Western Oregon University***

Natural Sciences Laboratory Annex: \$7,200,000 Other Funds (Lottery Bonds) and \$2,500,000 Other Funds (Other Revenues) to construct a new natural science teaching laboratory. Gift funds will provide the Other Revenues.

Todd Hall Seismic and Safety Upgrades: \$1,200,000 Other Funds (Other Revenues) for upgrades to an existing building. A seismic grant from the Office of Emergency Management will provide the Other Revenues.

### ***Project Reserves***

The Oregon University System may use project reserves to expend an Other Funds expenditure limitation in excess of a non-system-wide project's specific limitation authority. This additional expenditure authority for each project is limited by the size of the project. The Committee adjusted the project reserves expenditure limitation to reflect change in individual projects and the addition of new projects. Total project reserves of \$4,449,800 Other Funds (Other Revenues) were approved.

## Appendix B

### 2011-13 Article XI-Q Bonds

<u>Oregon Health Authority</u>			
State Hospital Replacement	\$	62,670,000	
Health Insurance Exchange System (HIX IT)		<u>520,000</u>	
Subtotal	\$	<u>63,190,000</u>	
<u>Department of Human Services</u>			
Self-Sufficiency Modernization System	\$	<u>8,930,000</u>	
<u>Department of Fish and Wildlife</u>			
Headquarters Building	\$	<u>17,000,000</u>	
<u>Department of Transportation</u>			
Statewide Radio System (appr. In 2009-11)	\$	<u>76,800,000</u>	
<u>Oregon University System</u>			
OSU - Strand Hall	\$	4,945,000	
Technology Projects (appr. In 2009-11)		<u>2,040,000</u>	
Subtotal	\$	<u>6,985,000</u>	
<u>Military Department</u>			
The Dalles Readiness Center (appr. 2009-11)	\$	1,460,000	
The Dalles Readiness Center		2,430,000	
Milton-Freewater Armory (appr. 2009-11)		1,425,000	
Polk County Readiness Center (appr. 2009-11)		<u>2,365,000</u>	
Subtotal	\$	7,680,000	
<u>Judicial Department</u>			
e-Court System	\$	<u>6,100,000</u>	
TOTAL	\$	<u><u>186,685,000</u></u>	



## Appendix C

### Number of Full-Time Equivalent Positions by Program Area and Agency

	2009-11	2009-11	2011-13	2011-13
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: EDUCATION</b>				
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT	61	60.06	62	61.45
EDUCATION, DEPT OF	393	375.22	377	358.79
OREGON UNIVERSITY SYSTEM	18,541	13,077.56	18,650	13,015.02
STUDENT ASSISTANCE COMMISSION	30	26.66	28	26.33
TEACHER STANDARDS & PRACTICES COMMISSION	25	25.00	24	24.00
<b>EDUCATION TOTAL</b>	<b>19,050</b>	<b>13,564.50</b>	<b>19,141</b>	<b>13,485.59</b>
<b>PROGRAM AREA: HUMAN SERVICES</b>				
BLIND, COMMISSION FOR THE	51	47.60	48	44.60
CHILDREN & FAMILIES, COMMISSION ON	28	25.67	16	13.75
HUMAN SERVICES, DEPT OF	7,719	7,544.27	7,392	7,298.44
LONG TERM CARE OMBUDSMAN	11	10.50	11	10.75
OREGON HEALTH AUTHORITY	4,030	3,638.62	4,089	4,033.27
PRIVATE HEALTH PARTNERSHIPS, OFFICE OF	82	75.58	0	0.00
PSYCHIATRIC SECURITY REVIEW BOARD	8	6.89	12	11.76
<b>HUMAN SERVICES TOTAL</b>	<b>11,929</b>	<b>11,349.13</b>	<b>11,568</b>	<b>11,412.57</b>
<b>PROGRAM AREA: PUBLIC SAFETY</b>				
CORRECTIONS, DEPT OF	4,734	4,618.20	4,511	4,420.74
CRIMINAL JUSTICE COMMISSION	10	9.50	10	9.00
DISTRICT ATTORNEYS & THEIR DEPUTIES	36	36.00	36	36.00
JUSTICE, DEPT OF	1,348	1,328.28	1,290	1,270.80
MILITARY DEPARTMENT	540	487.60	493	448.30
PAROLE & POST PRISON SUPERVISION, BOARD OF	15	15.00	14	14.00
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF	146	143.87	137	135.79
STATE POLICE, DEPT OF	1,301	1,289.15	1,220	1,216.63
YOUTH AUTHORITY, OREGON	1,195	1,171.55	1,152	979.76
<b>PUBLIC SAFETY TOTAL</b>	<b>9,325</b>	<b>9,099.15</b>	<b>8,863</b>	<b>8,531.02</b>
<b>PROGRAM AREA: JUDICIAL BRANCH</b>				
JUDICIAL DEPARTMENT	1,891	1,833.14	1,878	1,739.20
JUDICIAL FITNESS AND DISABILITY, COMM. ON	1	0.50	1	0.50
PUBLIC DEFENSE SERVICES COMMISSION	69	69.00	76	75.40
<b>JUDICIAL BRANCH TOTAL</b>	<b>1,961</b>	<b>1,902.64</b>	<b>1,955</b>	<b>1,815.10</b>
<b>PROGRAM AREA: ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>				
BUSINESS DEVELOPMENT DEPARTMENT	129	127.26	131	129.37
EMPLOYMENT DEPARTMENT	1,660	1,609.15	1,500	1,436.90
HOUSING & COMMUNITY SERVICES DEPT.	193	162.42	190	168.37
VETERANS' AFFAIRS, DEPT OF	110	107.64	94	94.00
<b>ECONOMIC &amp; COMMUNITY DEVELOPMENT TOTAL</b>	<b>2,092</b>	<b>2,006.47</b>	<b>1,915</b>	<b>1,828.64</b>

	2009-11	2009-11	2011-13	2011-13
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: NATURAL RESOURCES</b>				
AGRICULTURE, DEPT OF	504	357.69	468	343.29
ENERGY, DEPT. OF	122	117.44	127	113.23
ENVIRONMENTAL QUALITY, DEPT OF	814	790.13	725	710.92
FISH & WILDLIFE, DEPT OF	1,379	1,162.20	1,469	1,227.99
FORESTRY DEPARTMENT	1,227	864.07	1,181	862.32
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	39	37.08	43	42.20
LAND CONSERVATION & DEVELOPMENT, DEPT OF	95	80.64	57	55.11
LAND USE BOARD OF APPEALS	6	6.00	5	5.00
LANDS, DEPT. OF STATE	111	108.46	108	106.42
MARINE BOARD	43	41.38	40	39.50
PARKS & RECREATION, DEPT OF	883	600.89	877	602.03
WATER RESOURCES DEPT	148	146.29	146	144.59
WATERSHED ENHANCEMENT BOARD	31	31.00	32	31.50
<b>NATURAL RESOURCES TOTAL</b>	<b>5,402</b>	<b>4,343.27</b>	<b>5,278</b>	<b>4,284.10</b>
<b>PROGRAM AREA: TRANSPORTATION</b>				
AVIATION, DEPT OF	17	16.38	12	11.50
TRANSPORTATION, DEPT OF	4,644	4,546.08	4,613	4,521.79
<b>TRANSPORTATION TOTAL</b>	<b>4,661</b>	<b>4,562.46</b>	<b>4,625</b>	<b>4,533.29</b>
<b>PROGRAM AREA: CONSUMER AND BUSINESS SERVICES</b>				
ACCOUNTANCY, BOARD OF	7	7.00	7	7.00
CHIROPRACTIC EXAMINERS, BOARD OF	5	4.50	5	4.50
CONSTRUCTION CONTRACTORS BOARD	80	76.50	76	76.00
CONSUMER & BUSINESS SERVICES, DEPT OF	1,078	1,065.95	930	919.68
COUNSELORS AND THERAPISTS, BOARD OF LICENSED	4	3.00	4	3.50
DENTISTRY, BOARD OF	7	7.00	7	7.00
HEALTH LICENSING AGENCY	33	33.00	33	33.00
<i>HEALTH RELATED LICENSING BOARDS</i>				
LICENSED DIETICIANS	1	0.30	0	0.00
MORTUARY & CEMETERY BOARD	6	6.00	6	5.71
NATUROPATHIC EXAMINERS	3	2.33	3	2.50
OCCUPATIONAL THERAPY LICENSING BOARD	1	1.25	1	1.25
MEDICAL IMAGING	3	3.00	4	3.25
SPEECH PATHOLOGY AND AUDIOLOGY	2	1.40	2	1.40
VETERINARY MEDICAL EXAMINERS BOARD	3	2.75	3	2.75
LABOR & INDUSTRIES, BUREAU OF	110	107.38	102	101.00
MEDICAL BOARD, OREGON	40	38.67	40	38.79
NURSING, BOARD OF	50	47.75	47	46.75
PHARMACY, BOARD OF	20	19.00	18	17.75
PSYCHOLOGIST EXAMINERS, BOARD OF	4	4.00	4	3.50
PUBLIC UTILITY COMMISSION	133	129.83	132	129.00
REAL ESTATE AGENCY	31	30.63	30	30.00
SOCIAL WORKERS, BOARD OF LICENSED	5	4.00	6	5.45
TAX PRACTITIONERS, STATE BOARD OF	4	4.00	4	4.00
<b>CONSUMER &amp; BUSINESS SERVICES TOTAL</b>	<b>1,630</b>	<b>1,599.24</b>	<b>1,464</b>	<b>1,443.78</b>

	2009-11	2009-11	2011-13	2011-13
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: ADMINISTRATION</b>				
ADMINISTRATIVE SERVICES, DEPT OF	866	852.24	774	770.67
ADVOCACY COMMISSIONS OFFICE	2	2.00	2	2.00
EMPLOYMENT RELATIONS BOARD	13	12.50	13	13.00
GOVERNMENT ETHICS COMMISSION	8	8.00	8	8.00
GOVERNOR, OFFICE OF	71	70.00	57	56.00
LIBRARY, STATE	44	42.26	43	41.26
LIQUOR CONTROL COMMISSION	238	230.72	239	231.72
PUBLIC EMPLOYEES RETIREMENT SYSTEM	368	363.18	364	364.08
RACING COMMISSION	16	14.52	15	13.27
REVENUE, DEPT OF	1,109	1,027.14	1,051	990.84
SECRETARY OF STATE	198	197.30	197	195.60
TREASURER OF STATE	84	83.10	85	83.48
<b>ADMINISTRATION TOTAL</b>	<b>3,017</b>	<b>2,902.96</b>	<b>2,848</b>	<b>2,769.92</b>
<b>PROGRAM AREA: LEGISLATIVE BRANCH</b>				
INDIAN SERVICES, COMM	2	2.00	2	2.00
LEGISLATIVE ADMINISTRATION	145	99.15	143	100.79
LEGISLATIVE ASSEMBLY	443	207.44	422	251.39
LEGISLATIVE COUNSEL	57	45.28	57	45.28
LEGISLATIVE FISCAL OFFICER	21	20.50	21	20.50
LEGISLATIVE REVENUE OFFICER	7	7.00	7	7.00
<b>LEGISLATIVE BRANCH TOTAL</b>	<b>675</b>	<b>381.37</b>	<b>652</b>	<b>426.96</b>
<b>STATE OF OREGON TOTAL POSITIONS/FTE</b>	<b>59,742</b>	<b>51,711.19</b>	<b>58,309</b>	<b>50,530.97</b>



## Appendix D

### Summary of Expenditures by Program Area and Fund Type

#### 2011-13 Legislatively Adopted Budget by Program Area and Fund Type

	General Fund	Lottery Funds	GF + LF Total	Other Funds	Federal Funds	Total All Funds
State School Fund	5,155,269,981	556,980,287	5,712,250,268	340,252	61,000,000	5,773,590,520
Other Education	1,596,613,227	84,783,581	1,681,396,808	4,709,911,371	1,257,935,267	7,649,243,446
Human Services	3,803,849,685	10,779,583	3,814,629,268	5,736,425,040	10,515,944,844	20,066,999,152
Public Safety	1,906,131,528	6,653,450	1,912,784,978	530,017,271	472,602,373	2,915,404,622
Judicial Branch	581,942,305	0	581,942,305	26,159,531	850,613	608,952,449
Economic Development	24,010,670	146,724,488	170,735,158	3,682,585,383	1,634,492,259	5,487,812,800
Natural Resources	129,005,540	167,081,932	296,087,472	1,114,358,851	314,662,954	1,725,109,277
Transportation	17,416,053	69,700,542	87,116,595	3,576,441,243	141,646,861	3,805,204,699
Consumer and Business Services	11,282,811	0	11,282,811	596,386,947	6,923,214	614,592,972
Administration	184,115,932	13,596,527	197,712,459	8,802,197,062	13,132,715	9,013,042,236
Legislative Branch	80,212,781	0	80,212,781	7,165,514	0	87,378,295
Emergency Fund	72,743,750	0	72,743,750	0	0	72,743,750
<b>Total</b>	<b>13,562,594,263</b>	<b>1,056,300,390</b>	<b>14,618,894,653</b>	<b>28,781,988,465</b>	<b>14,419,191,100</b>	<b>57,820,074,218</b>



## Appendix E

### 2011-13 General Fund and Lottery Funds Supplemental Ending Balance Hold Back by Program Area and Agency

	GENERAL FUND	LOTTERY FUNDS	TOTAL GF/LF	MEASURE 76 LOTTERY	ESF Earnings LOTTERY
<b>EDUCATION</b>					
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT	15,176,402	261,437	15,437,839	-	-
EDUCATION, DEPT OF	11,368,104	1,734,105	13,102,209	-	163,208
OREGON HEALTH AND SCIENCE UNIVERSITY	2,358,611	-	2,358,611	-	-
OREGON UNIVERSITY SYSTEM	24,494,176	921,197	25,415,373	-	-
STUDENT ASSISTANCE COMMISSION	3,719,626	-	3,719,626	-	-
<b>EDUCATION TOTAL</b>	<b>57,116,919</b>	<b>2,916,739</b>	<b>60,033,658</b>	<b>-</b>	<b>163,208</b>
<b>HUMAN SERVICES</b>					
BLIND, COMMISSION FOR THE	41,694	-	41,694	-	-
CHILDREN & FAMILIES, COMMISSION ON	1,469,443	-	1,469,443	-	-
HUMAN SERVICES, DEPT OF	73,741,292	-	73,741,292	-	-
LONG TERM CARE OMBUDSMAN	63,666	-	63,666	-	-
OREGON HEALTH AUTHORITY	62,377,751	390,969	62,768,720	-	-
PSYCHIATRIC SECURITY REVIEW BOARD	62,514	-	62,514	-	-
<b>HUMAN SERVICES TOTAL</b>	<b>137,756,360</b>	<b>390,969</b>	<b>138,147,329</b>	<b>-</b>	<b>-</b>
<b>PUBLIC SAFETY</b>					
CORRECTIONS, DEPT OF	48,185,571	-	48,185,571	-	-
CRIMINAL JUSTICE COMMISSION	177,370	-	177,370	-	-
DISTRICT ATTORNEYS & THEIR DEPUTIES	362,054	-	362,054	-	-
JUSTICE, DEPT OF	1,911,345	-	1,911,345	-	-
MILITARY DEPARTMENT	861,852	-	861,852	-	-
PAROLE & POST PRISON SUPERVISION, BOARD OF	135,718	-	135,718	-	-
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF	397,814	-	397,814	-	-
STATE POLICE, DEPT OF	7,843,237	-	7,843,237	241,486	-
YOUTH AUTHORITY, OREGON	9,338,851	-	9,338,851	-	-
<b>PUBLIC SAFETY TOTAL</b>	<b>69,213,812</b>	<b>-</b>	<b>69,213,812</b>	<b>241,486</b>	<b>-</b>
<b>JUDICIAL BRANCH</b>					
JUDICIAL DEPARTMENT	11,505,084	-	11,505,084	-	-
JUDICIAL FITNESS AND DISABILITY, COMM. ON	6,263	-	6,263	-	-
PUBLIC DEFENSE SERVICES COMMISSION	8,071,421	-	8,071,421	-	-
<b>JUDICIAL BRANCH TOTAL</b>	<b>19,582,768</b>	<b>-</b>	<b>19,582,768</b>	<b>-</b>	<b>-</b>
<b>ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>					
BUSINESS DEVELOPMENT DEPARTMENT	139,729	5,175,567	5,315,296	-	-
EMPLOYMENT DEPARTMENT	141,419	-	141,419	-	-
HOUSING & COMMUNITY SERVICES DEPT.	333,607	404,405	738,012	-	-
VETERANS' AFFAIRS, DEPT OF	205,656	-	205,656	-	-
<b>ECONOMIC &amp; COMMUNITY DEVELOPMENT TOTAL</b>	<b>820,411</b>	<b>5,579,972</b>	<b>6,400,383</b>	<b>-</b>	<b>-</b>

	GENERAL FUND	LOTTERY FUNDS	TOTAL GF/LF	MEASURE 76 LOTTERY	ESF Earnings LOTTERY
<b>NATURAL RESOURCES</b>					
AGRICULTURE, DEPT OF	462,007	763	462,770	232,887	-
COLUMBIA RIVER GORGE COMMISSION	29,329	-	29,329	-	-
ENERGY, DEPT. OF	-	75,746	75,746	-	-
ENVIRONMENTAL QUALITY, DEPT OF	892,920	-	892,920	164,552	-
FISH & WILDLIFE, DEPT OF	231,515	-	231,515	211,453	-
FORESTRY DEPARTMENT	1,601,580	88,367	1,689,947	-	-
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	89,855	-	89,855	-	-
LAND CONSERVATION & DEVELOPMENT, DEPT OF	397,439	-	397,439	-	-
LAND USE BOARD OF APPEALS	46,974	-	46,974	-	-
PARKS & RECREATION, DEPT OF	-	-	-	3,027,340	-
WATER RESOURCES DEPT	735,468	25,633	761,101	-	-
WATERSHED ENHANCEMENT BOARD	-	-	-	2,271,868	-
<b>NATURAL RESOURCES TOTAL</b>	<b>4,487,087</b>	<b>190,509</b>	<b>4,677,596</b>	<b>5,908,100</b>	<b>-</b>
<b>TRANSPORTATION</b>					
TRANSPORTATION, DEPT OF	554,828	2,914,388	3,469,216	-	-
<b>TRANSPORTATION TOTAL</b>	<b>554,828</b>	<b>2,914,388</b>	<b>3,469,216</b>	<b>-</b>	<b>-</b>
<b>CONSUMER AND BUSINESS SERVICES</b>					
LABOR & INDUSTRIES, BUREAU OF	409,607	-	409,607	-	-
<b>CONSUMER &amp; BUSINESS SERVICES TOTAL</b>	<b>409,607</b>	<b>-</b>	<b>409,607</b>	<b>-</b>	<b>-</b>
<b>ADMINISTRATION</b>					
ADMINISTRATIVE SERVICES, DEPT OF	252,642	267,013	519,655	-	-
DAS - COUNTY FAIRS	-	129,716	129,716	-	-
DAS - OREGON PUBLIC BROADCASTING	-	65,730	65,730	-	-
ADVOCACY COMMISSIONS OFFICE	13,389	-	13,389	-	-
EMPLOYMENT RELATIONS BOARD	-	-	-	-	-
GOVERNOR, OFFICE OF	375,334	67,340	442,674	-	-
LIBRARY, STATE	104,820	-	104,820	-	-
REVENUE, DEPT OF	5,296,545	-	5,296,545	-	-
SECRETARY OF STATE	434,055	-	434,055	-	-
<b>ADMINISTRATION TOTAL</b>	<b>6,476,785</b>	<b>529,799</b>	<b>7,006,584</b>	<b>-</b>	<b>-</b>
<b>LEGISLATIVE BRANCH</b>					
INDIAN SERVICES, COMM	14,343	-	14,343	-	-
LEGISLATIVE ADMINISTRATION	1,032,100	-	1,032,100	-	-
LEGISLATIVE ASSEMBLY	1,297,666	-	1,297,666	-	-
LEGISLATIVE COUNSEL	294,978	-	294,978	-	-
LEGISLATIVE FISCAL OFFICER	203,080	-	203,080	-	-
LEGISLATIVE REVENUE OFFICER	69,084	-	69,084	-	-
<b>LEGISLATIVE BRANCH TOTAL</b>	<b>2,911,251</b>	<b>-</b>	<b>2,911,251</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUPPLEMENTAL ENDING BALANCE</b>	<b>299,329,828</b>	<b>12,522,376</b>	<b>311,852,204</b>	<b>6,149,586</b>	<b>163,208</b>

## Appendix F

### Summary of Expenditures by Program Area, Agency, and Fund Type

#### Notes:

- Special purpose appropriations to the Emergency Board that were allocated to specific agencies are included within the agency General Fund budgets for the 2009-11 legislatively approved column. Special purpose appropriations for specific agencies are not included within the agency General Fund budgets for the 2011-13 legislatively adopted amounts, but are included in the legislatively adopted amount appropriated to the Emergency Board.
- The 2009-11 legislatively approved amounts represent expenditure authorizations through all 2009-11 Emergency Board actions and all 2009-11 budget adjustments addressed during the 2011 legislative session. The 2009-11 legislatively approved budget also includes certain administrative actions taken by the Department of Administrative Services approving increases to Nonlimited Other Funds and Federal Funds.

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended	2011-13 Legislatively Adopted \$
<b>EDUCATION</b>					
<b>Community Colleges and Workforce Development</b>					
General Fund	504,017,927	444,669,579	503,858,849	438,058,756	418,390,515
Lottery Funds	-	8,606,535	7,469,632	7,469,632	6,882,643
Other Funds	156,201,246	138,756,942	6,416,080	6,874,666	6,869,643
Federal Funds	125,656,053	182,558,637	135,686,735	135,754,274	136,278,415
Total Expenditures	785,875,226	774,591,693	653,431,296	588,157,328	568,421,216
<b>Early Learning Council</b>					
General Fund	-	-	-	361,581,626	-
Other Funds	-	-	-	74,231,904	-
Federal Funds	-	-	-	334,023,949	-
Total Expenditures	-	-	-	769,837,479	-
<b>Education, Dept of</b>					
General Fund	320,128,744	317,579,093	356,229,055	96,305,155	342,972,747
Lottery Funds	56,415,089	55,232,892	57,962,400	55,497,890	52,311,630
Other Funds	197,987,360	170,361,601	156,867,978	131,268,941	164,293,200
Federal Funds	1,045,793,190	1,348,808,259	1,070,385,864	1,007,605,882	1,116,734,777
Total Expenditures	1,620,324,383	1,891,981,845	1,641,445,297	1,290,677,868	1,676,312,354
<b>State School Fund &amp; Other K-12 Grants *</b>					
General Fund	4,952,161,767	4,798,323,989	6,298,192,164	5,185,364,432	5,155,269,981
Lottery Funds	1,061,258,188	609,121,349	416,255,878	371,918,440	556,980,287
Other Funds	3,247,438	3,605,348	340,252	340,252	340,252
Federal Funds	113,311,579	342,590,524	-	-	61,000,000
Total Expenditures	6,129,978,972	5,753,641,210	6,714,788,294	5,557,623,124	5,773,590,520
<b>Oregon University System</b>					
General Fund	791,522,349	729,654,860	916,726,839	714,708,529	669,169,003
Lottery Funds	23,289,731	23,104,431	28,597,635	28,515,644	22,959,136
Other Funds**	4,304,533,847	4,507,483,628	3,979,185,456	4,413,771,663	4,480,211,730
Federal Funds	55,636,352	70,823,655	4,922,076	4,922,075	4,922,075
Total Expenditures	5,174,982,279	5,331,066,574	4,929,432,006	5,161,917,911	5,177,261,944
<b>Oregon Health and Science University</b>					
General Fund	82,233,539	77,012,357	81,842,436	63,400,000	66,059,636
Other Funds	31,920,847	98,501,845	31,634,760	31,634,760	31,634,760
Total Expenditures	114,154,386	175,514,202	113,477,196	95,034,760	97,694,396
<b>Student Assistance Commission</b>					
General Fund	101,610,245	87,773,980	103,976,107	114,970,615	99,921,326
Lottery Funds	4,183,739	8,940,885	3,914,670	2,630,172	2,630,172
Other Funds	15,296,038	19,310,047	20,770,196	21,313,784	21,457,426
Federal Funds	1,783,654	1,791,006	770,228	727,244	-
Total Expenditures	122,873,676	117,815,918	129,431,201	139,641,815	124,008,924
<b>Teacher Standards &amp; Practices Comm</b>					
General Fund	-	-	-	-	100,000
Other Funds	5,008,724	5,324,071	5,400,061	5,739,017	5,444,612
Total Expenditures	5,008,724	5,324,071	5,400,061	5,739,017	5,544,612
<b>EDUCATION PROGRAM AREA TOTAL</b>					
General Fund	6,751,674,571	6,455,013,858	8,260,825,450	6,974,389,113	6,751,883,208
Lottery Funds	1,145,146,747	705,006,092	514,200,215	466,031,778	641,763,868
Other Funds	4,714,195,500	4,943,343,482	4,200,614,783	4,685,174,987	4,710,251,623
Federal Funds	1,342,180,828	1,946,572,081	1,211,764,903	1,483,033,424	1,318,935,267
Total	13,953,197,646	14,049,935,513	14,187,405,351	13,608,629,302	13,422,833,966

\* 2011-13 FF represents federal ARRA carry forward from 2009-11

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>HUMAN SERVICES</b>					
<b>Blind, Commission for the</b>					
General Fund	1,519,859	1,339,094	1,616,409	1,208,534	1,148,037
Other Funds	2,497,347	2,672,619	2,678,098	2,799,193	2,946,859
Federal Funds	11,358,009	11,651,863	12,221,553	11,727,961	11,532,986
Total Expenditures	15,375,215	15,663,576	16,516,060	15,735,688	15,627,882
<b>Children and Families, Commission on</b>					
General Fund	57,187,292	46,235,047	51,534,046	-	40,349,129
Other Funds	18,015,377	18,767,467	24,316,383	-	18,222,473
Federal Funds	3,551,117	4,836,294	4,447,748	-	4,273,051
Total Expenditures	78,753,786	69,838,808	80,298,177	-	62,844,653
<b>Health Authority, Oregon</b>					
General Fund	-	-	-	1,727,653,691	1,721,639,876
Lottery Funds	-	-	-	11,142,377	10,779,583
Other Funds	-	-	-	4,769,724,477	5,284,239,750
Federal Funds	-	-	-	3,852,813,942	4,984,678,280
Total Expenditures	-	-	-	10,361,334,487	12,001,337,489
<b>Human Services, Department of</b>					
General Fund	3,112,374,617	3,215,063,396	5,266,448,018	2,053,376,565	2,036,853,446
Lottery Funds	12,637,762	10,903,639	11,452,559	-	-
Other Funds	1,292,304,488	1,886,802,877	1,602,308,515	321,132,891	430,256,781
Federal Funds	7,319,191,987	10,727,326,677	11,375,452,788	5,414,636,962	5,515,460,527
Total Expenditures	11,736,508,854	15,840,096,589	18,255,661,880	7,789,146,418	7,982,570,754
<b>Long Term Care Ombudsman</b>					
General Fund	947,535	1,084,316	1,880,115	-	1,753,933
Other Funds	1,769,012	1,932,156	675,382	2,449,877	583,121
Total Expenditures	2,716,547	3,016,472	2,555,497	2,449,877	2,337,054
<b>Private Health Partnerships, Office of</b>					
General Fund	22,575,786	19,663,290	22,274,479	-	-
Other Funds	49,832,403	123,025,624	164,289,901	-	-
Total Expenditures	72,408,189	142,688,914	186,564,380	-	-
<b>Psychiatric Security Review Board</b>					
General Fund	1,045,916	1,263,622	1,801,106	1,705,611	2,105,264
Other Funds	-	146,818	2,105	2,056	176,056
Total Expenditures	1,045,916	1,410,440	1,803,211	1,707,667	2,281,320
<b>HUMAN SERVICES PROGRAM AREA</b>					
General Fund	3,195,651,005	3,284,648,765	5,345,554,173	3,783,944,401	3,803,849,685
Lottery Funds	12,637,762	10,903,639	11,452,559	11,142,377	10,779,583
Other Funds	1,364,418,627	2,033,347,561	1,794,270,384	5,096,108,494	5,736,425,040
Federal Funds	7,334,101,113	10,743,814,834	11,392,122,089	9,279,178,865	10,515,944,844
Total	11,906,808,507	16,072,714,799	18,543,399,205	18,170,374,137	20,066,999,152

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>PUBLIC SAFETY</b>					
<b>Corrections, Dept of</b>					
General Fund	1,258,729,939	1,208,328,818	1,526,439,274	1,403,994,352	1,324,785,417
Other Funds	82,826,944	302,145,322	34,565,851	31,237,396	27,563,757
Federal Funds	17,625,085	116,056,435	6,175,822	7,434,551	8,171,635
Total Expenditures	1,359,181,968	1,626,530,575	1,567,180,947	1,442,666,299	1,360,520,809
<b>Criminal Justice Commission</b>					
General Fund	6,287,416	4,954,312	5,619,548	4,954,312	4,761,327
Other Funds	67,003	196,866	159,320	123,616	299,950
Federal Funds	178,872	12,513,937	12,839,452	12,512,260	12,512,069
Total Expenditures	6,533,291	17,665,115	18,618,320	17,590,188	17,573,346
<b>District Attorneys and Their Deputies</b>					
General Fund	10,481,366	10,415,578	10,390,201	9,852,919	9,979,285
<b>Justice, Dept of</b>					
General Fund	49,089,856	51,826,586	64,330,882	57,936,559	53,992,283
Other Funds	218,303,809	231,916,598	251,399,469	231,046,813	236,245,220
Federal Funds	111,838,545	129,648,146	128,473,138	129,368,496	123,253,833
Total Expenditures	379,232,210	413,391,330	444,203,489	418,351,868	413,491,336
<b>Military Department</b>					
General Fund	24,068,731	22,901,757	31,806,080	24,624,329	24,068,435
Other Funds	126,912,134	126,420,532	93,235,124	107,548,338	125,448,360
Federal Funds	274,234,096	275,814,161	264,279,161	286,549,849	288,377,938
Total Expenditures	425,214,961	425,136,450	389,320,365	418,722,516	437,894,733
<b>Oregon Youth Authority</b>					
General Fund	249,785,623	254,140,592	301,343,350	231,658,348	257,469,820
Other Funds	28,127,294	14,669,929	15,925,863	12,816,354	13,173,713
Federal Funds	26,415,309	31,443,387	35,611,340	34,246,429	31,107,232
Total Expenditures	304,328,226	300,253,908	352,880,553	278,721,131	301,750,765
<b>Parole &amp; Post Prison Supervision, Bd. of</b>					
General Fund	3,896,669	3,742,600	4,251,582	3,877,663	3,641,093
Other Funds	1,424	21,048	10,289	10,289	10,289
Total Expenditures	3,898,093	3,763,648	4,261,871	3,887,952	3,651,382
<b>Police, Dept of State*</b>					
General Fund	215,083,395	216,671,712	249,708,246	139,002,319	216,465,576
Lottery Funds	6,669,667	7,223,958	7,804,013	6,680,937	6,653,450
Other Funds	153,784,453	94,772,462	99,079,963	185,797,572	93,439,786
Federal Funds	18,649,062	9,951,117	6,756,916	6,747,819	9,122,153
Total Expenditures	394,186,577	328,619,249	363,349,138	338,228,647	325,680,965
<b>Public Safety Standards &amp; Training, Dept of</b>					
General Fund	10,979,575	11,360,288	11,366,106	11,366,106	10,968,292
Other Funds	36,677,979	35,479,059	38,606,457	35,483,437	33,836,196
Federal Funds	54,635	56,165	57,513	57,513	57,513
Total Expenditures	47,712,189	46,895,512	50,030,076	46,907,056	44,862,001
<b>PUBLIC SAFETY PROGRAM AREA</b>					
General Fund	1,828,402,570	1,784,342,243	2,205,255,269	1,887,266,907	1,906,131,528
Lottery Funds	6,669,667	7,223,958	7,804,013	6,680,937	6,653,450
Other Funds	646,701,040	805,621,816	532,982,336	604,063,815	530,017,271
Federal Funds	448,995,604	575,483,348	454,193,342	476,916,917	472,602,373
Total	2,930,768,881	3,172,671,365	3,200,234,960	2,974,928,576	2,915,404,622

\* The OWIN Project was transferred from OSP to ODOT during the Feb. 2010 special session; no budget changes are included in this table

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>JUDICIAL BRANCH</b>					
<b>Judicial Department</b>					
General Fund	310,336,253	284,351,512	356,079,948	297,215,227	359,234,028
Other Funds	54,364,563	84,649,199	46,680,285	70,675,474	24,966,976
Federal Funds	829,955	1,119,163	884,626	884,626	850,613
Total Expenditures	365,530,771	370,119,874	403,644,859	368,775,327	385,051,617
<b>Judicial Fitness, Commission on</b>					
General Fund	160,475	157,988	201,311	178,929	183,353
<b>Public Defense Services Commission</b>					
General Fund	211,417,131	211,391,731	241,961,766	209,794,161	222,524,924
Other Funds	1,054,057	12,861,974	468,312	468,312	1,192,555
Total Expenditures	212,471,188	224,253,705	242,430,078	210,262,473	223,717,479
<b>JUDICIAL BRANCH PROGRAM AREA</b>					
General Fund	521,913,859	495,901,231	598,243,025	507,188,317	581,942,305
Other Funds	55,418,620	97,511,173	47,148,597	71,143,786	26,159,531
Federal Funds	829,955	1,119,163	884,626	884,626	850,613
Total	578,162,434	594,531,567	646,276,248	579,216,729	608,952,449

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>ECONOMIC AND COMMUNITY DEVELOPMENT</b>					
<b>Business Development Department*</b>					
General Fund	4,544,947	8,926,280	4,871,796	4,010,484	3,851,208
Lottery Funds	122,082,119	111,215,883	122,687,000	159,832,848	136,340,722
Other Funds	239,702,256	295,704,787	252,946,158	293,315,080	263,100,111
Federal Funds	24,544,245	41,581,438	29,710,826	32,781,618	50,172,649
Total Expenditures	390,873,567	457,428,388	410,215,780	489,940,030	453,464,690
<b>Employment Department</b>					
General Fund	3,767,711	2,756,283	4,548,624	-	3,670,948
Other Funds	2,410,307,278	3,217,515,645	1,903,340,659	1,899,477,400	2,210,177,925
Federal Funds	418,078,216	3,532,699,426	640,420,137	516,492,112	1,277,050,188
Total Expenditures	2,832,153,205	6,752,971,354	2,548,309,420	2,415,969,512	3,490,899,061
<b>Housing &amp; Community Services Dept</b>					
General Fund	19,514,921	9,524,011	10,575,562	9,523,939	10,018,855
Lottery Funds	5,929,190	8,659,409	11,230,921	11,230,921	10,383,766
Other Funds	1,322,305,198	1,681,336,310	715,001,377	725,664,155	721,020,619
Federal Funds	236,129,019	390,831,340	307,537,205	307,242,589	307,269,422
Total Expenditures	1,583,878,328	2,090,351,070	1,044,345,065	1,053,661,604	1,048,692,662
<b>Veterans' Affairs, Department of</b>					
General Fund	6,122,619	5,898,200	6,630,666	5,898,200	6,469,659
Other Funds	382,743,615	674,656,812	489,887,760	488,657,812	488,286,728
Federal Funds	-	1,970,508	-	-	-
Total Expenditures	388,866,234	682,525,520	496,518,426	494,556,012	494,756,387
<b>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</b>					
General Fund	33,950,198	27,104,774	26,626,648	19,432,623	24,010,670
Lottery Funds	128,011,309	119,875,292	133,917,921	171,063,769	146,724,488
Other Funds	4,355,058,347	5,869,213,554	3,361,175,954	3,407,114,447	3,682,585,383
Federal Funds	678,751,480	3,967,082,712	977,668,168	856,516,319	1,634,492,259
Total	5,195,771,334	9,983,276,332	4,499,388,691	4,454,127,158	5,487,812,800

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

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>NATURAL RESOURCES</b>					
<b>Agriculture, Department of</b>					
General Fund	14,147,428	13,012,720	15,586,409	11,939,880	12,917,172
Lottery Funds	9,695,292	10,143,165	10,766,321	9,463,296	6,894,457
Other Funds	46,106,933	49,680,325	50,408,598	54,574,473	52,099,191
Federal Funds	7,635,574	12,287,361	12,718,208	12,665,265	11,944,869
Total Expenditures	77,585,227	85,123,571	89,479,536	88,642,914	83,855,689
<b>Columbia River Gorge Commission</b>					
General Fund	1,022,067	818,084	1,014,777	847,538	814,846
Other Funds	-	73,030	75,294	5,000	5,000
Total Expenditures	1,022,067	891,114	1,090,071	852,538	819,846
<b>Energy, Department of</b>					
General Fund	3,100,000	-	-	-	-
Lottery Funds	-	590,347	2,164,185	2,164,185	2,088,439
Other Funds	131,645,798	251,224,102	199,160,044	202,446,266	203,393,061
Federal Funds	3,551,982	57,739,197	2,973,451	30,830,850	36,736,671
Total Expenditures	138,297,780	309,553,646	204,297,680	235,441,301	242,218,171
<b>Environmental Quality, Department of</b>					
General Fund	36,444,631	30,807,725	36,718,093	28,962,145	25,073,542
Lottery Funds	5,610,171	5,415,717	5,911,822	3,133,153	4,502,197
Other Funds	254,742,611	326,931,551	234,826,673	268,843,730	265,892,704
Federal Funds	26,452,507	37,313,314	33,887,324	32,597,667	30,728,115
Total Expenditures	323,249,920	400,468,307	311,343,912	333,536,695	326,196,558
<b>Fish &amp; Wildlife, Department of</b>					
General Fund	13,849,847	13,284,543	14,813,311	12,134,244	7,067,548
Lottery Funds	11,945,861	6,105,448	6,574,180	3,645,741	5,824,398
Other Funds	131,336,054	153,095,223	163,908,277	176,455,718	197,593,072
Federal Funds	83,303,669	98,206,507	98,718,380	112,976,593	109,794,486
Total Expenditures	240,435,431	270,691,721	284,014,148	305,212,296	320,279,504
<b>Forestry, Department of</b>					
General Fund	46,393,079	43,202,509	48,607,094	46,101,909	47,871,547
Lottery Funds	-	1,374,136	2,360,100	3,060,100	2,453,947
Other Funds	214,469,567	253,883,379	216,730,761	213,776,816	197,855,667
Federal Funds	16,746,135	46,558,712	49,248,073	47,864,641	44,278,675
Total Expenditures	277,608,781	345,018,736	316,946,028	310,803,466	292,459,836
<b>Geology &amp; Mineral Industries, Dept of</b>					
General Fund	3,289,957	2,675,265	3,168,020	2,597,776	2,465,906
Lottery Funds	1,499,224	500,000	-	-	-
Other Funds	5,581,580	7,734,026	4,209,203	7,211,066	7,246,479
Federal Funds	1,690,466	3,811,371	2,421,760	3,502,353	3,558,985
Total Expenditures	12,061,227	14,720,662	9,798,983	13,311,195	13,271,370
<b>Land Conservation &amp; Development, Dept of</b>					
General Fund	19,057,084	15,509,125	13,050,378	11,440,378	10,885,017
Other Funds	686,757	2,193,137	882,414	1,363,210	1,457,573
Federal Funds	5,259,499	6,598,675	5,839,675	5,860,289	5,857,281
Total Expenditures	25,003,340	24,300,937	19,772,467	18,663,877	18,199,871
<b>Land Use Board of Appeals</b>					
General Fund	1,506,938	1,414,047	1,647,924	1,352,155	1,295,278
Other Funds	65,304	80,003	88,300	83,644	83,620
Total Expenditures	1,572,242	1,494,050	1,736,224	1,435,799	1,378,898

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>State Lands, Department of</b>					
General Fund	213,075	2,441,534	-	-	-
Other Funds	38,690,120	35,743,944	35,403,187	34,262,987	36,548,525
Federal Funds	2,277,027	6,101,737	3,065,077	2,895,671	5,671,787
<b>Total Expenditures</b>	<b>41,180,222</b>	<b>44,287,215</b>	<b>38,468,264</b>	<b>37,158,658</b>	<b>42,220,312</b>
<b>Marine Board</b>					
Other Funds	23,795,485	26,262,518	27,021,626	25,615,484	22,020,102
Federal Funds	8,032,484	8,091,039	7,077,388	6,954,993	6,683,394
<b>Total Expenditures</b>	<b>31,827,969</b>	<b>34,353,557</b>	<b>34,099,014</b>	<b>32,570,477</b>	<b>28,703,496</b>
<b>Parks &amp; Recreation Department</b>					
Lottery Funds	93,331,031	90,870,271	93,636,268	88,206,624	79,815,323
Other Funds	105,328,561	94,290,268	100,809,889	110,137,391	99,228,158
Federal Funds	5,225,522	16,066,381	8,609,710	11,917,038	12,733,936
<b>Total Expenditures</b>	<b>203,885,114</b>	<b>201,226,920</b>	<b>203,055,867</b>	<b>210,261,053</b>	<b>191,777,417</b>
<b>Water Resources Department</b>					
General Fund	25,873,738	19,268,371	23,239,705	21,170,643	20,614,684
Lottery Funds	-	354,911	574,400	574,400	706,751
Other Funds	4,999,094	13,746,310	10,675,966	33,210,177	29,162,165
Federal Funds	576,618	1,197,639	1,105,794	1,195,501	1,195,479
<b>Total Expenditures</b>	<b>31,449,450</b>	<b>34,567,231</b>	<b>35,595,865</b>	<b>56,150,721</b>	<b>51,679,079</b>
<b>Oregon Watershed Enhancement Board</b>					
Lottery Funds	75,662,082	66,667,401	20,226,715	68,715,916	64,796,420
Other Funds	919,340	2,009,705	1,880,865	1,764,253	1,773,534
Federal Funds	14,955,720	24,020,144	29,066,758	44,106,297	45,479,276
<b>Total Expenditures</b>	<b>91,537,142</b>	<b>92,697,250</b>	<b>51,174,338</b>	<b>114,586,466</b>	<b>112,049,230</b>
<b>NATURAL RESOURCES PROGRAM AREA</b>					
General Fund	164,897,844	142,433,923	157,845,711	136,546,668	129,005,540
Lottery Funds	197,743,661	182,021,396	142,213,991	178,963,415	167,081,932
Other Funds	958,367,204	1,216,947,521	1,046,081,097	1,129,750,215	1,114,358,851
Federal Funds	175,707,203	317,992,077	254,731,598	313,367,158	314,662,954
<b>Total</b>	<b>1,496,715,912</b>	<b>1,859,394,917</b>	<b>1,600,872,397</b>	<b>1,758,627,456</b>	<b>1,725,109,277</b>

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>TRANSPORTATION</b>					
<b>Aviation, Department of</b>					
Other Funds	8,463,051	9,562,159	7,128,635	-	5,676,565
Federal Funds	9,993,345	4,867,696	1,000,070	-	3,472,055
Total Expenditures	18,456,396	14,429,855	8,128,705	-	9,148,620
<b>Transportation, Department of*</b>					
General Fund	4,504,713	18,860,253	52,678,638	20,000,231	17,416,053
Lottery Funds	46,559,439	85,445,105	83,891,421	83,891,421	69,700,542
Other Funds	3,001,135,602	4,172,409,977	3,642,855,208	3,772,513,148	3,570,764,678
Federal Funds	61,841,086	137,804,876	113,406,125	115,714,734	138,174,806
Total Expenditures	3,114,040,840	4,414,520,211	3,892,831,392	3,992,119,534	3,796,056,079
<b>TRANSPORTATION PROGRAM AREA</b>					
General Fund	4,504,713	18,860,253	52,678,638	20,000,231	17,416,053
Lottery Funds	46,559,439	85,445,105	83,891,421	83,891,421	69,700,542
Other Funds	3,009,598,653	4,181,972,136	3,649,983,843	3,772,513,148	3,576,441,243
Federal Funds	71,834,431	142,672,572	114,406,195	115,714,734	141,646,861
Total	3,132,497,236	4,428,950,066	3,900,960,097	3,992,119,534	3,805,204,699
* The OWIN Project was transferred from OSP to ODOT during the Feb. 2010 special session; no budget changes are included in this table					

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>CONSUMER AND BUSINESS SERVICES</b>					
<b>Accountancy, Board of</b>					
Other Funds	1,658,890	2,152,239	1,909,095	2,066,408	2,048,572
<b>Chiropractic Examiners, Board of</b>					
Other Funds	1,112,908	1,243,565	1,320,530	1,303,051	1,261,261
<b>Licensed Social Workers, Board of</b>					
Other Funds	793,311	1,039,435	923,450	1,256,572	1,244,968
<b>Construction Contractors Board</b>					
Other Funds	14,693,323	15,082,530	16,570,428	14,373,739	15,137,443
<b>Consumer and Business Services, Dept of</b>					
Other Funds	707,492,436	818,279,694	838,201,845	393,684,861	398,194,798
Federal Funds	-	830,000	-	756,100	753,662
Total Expenditures	707,492,436	819,109,694	838,201,845	394,440,961	398,948,460
<b>Dentistry, Board of</b>					
Other Funds	1,943,392	2,295,770	2,391,834	2,509,517	2,502,044
<b>Health Licensing Agency</b>					
Other Funds	6,262,795	6,622,806	6,593,989	6,568,327	6,612,566
<b>Health Related Licensing Boards:</b>					
<b>Licensed Dietitians***</b>					
Other Funds	71,185	76,354	98,800	103,773	-
<b>Mortuary and Cemetery Board</b>					
Other Funds	1,032,009	1,256,294	1,380,119	1,310,960	1,320,994
<b>Naturopathic Examiners</b>					
Other Funds	478,567	543,608	572,989	655,139	598,123
<b>Nursing Home Administrators*</b>					
Other Funds	162,985	-	-	-	-
<b>Occupational Therapy Licensing Bd</b>					
Other Funds	256,951	337,191	389,571	391,377	363,959
<b>Medical Imaging</b>					
Other Funds	569,574	612,737	696,570	754,416	749,594
<b>Speech-Language Path. and Audio.</b>					
Other Funds	290,440	373,188	388,011	560,437	404,495
<b>Veterinary Medical Examiners Bd</b>					
Other Funds	557,881	658,855	733,433	696,996	701,629
<b>Health Related Licensing Boards Total</b>					
Other Funds	3,419,592	3,858,227	4,259,493	4,473,098	4,138,794

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>Labor &amp; Industries, Bureau of</b>					
General Fund	12,749,264	11,927,913	14,006,222	11,927,913	11,282,811
Other Funds	7,228,654	11,044,921	8,968,262	10,263,580	10,982,406
Federal Funds	1,326,011	1,412,409	1,430,297	1,356,446	1,355,627
Total Expenditures	21,303,929	24,385,243	24,404,781	23,547,939	23,620,844
<b>Licensed Prof Counselors and Therapists, Bd</b>					
Other Funds	666,367	925,809	811,204	998,835	932,509
<b>Medical Board, Oregon</b>					
Other Funds	8,614,946	9,532,401	10,350,412	10,179,398	10,028,550
<b>Nursing, Board of</b>					
Other Funds	10,236,464	12,760,411	13,734,704	14,171,248	13,988,205
<b>Pharmacy, Board of**</b>					
Other Funds	4,387,662	5,105,407	5,757,096	5,109,140	5,111,603
Federal Funds	19,360	-	-	-	-
Total Expenditures	4,407,022	5,105,407	5,757,096	5,109,140	5,111,603
<b>Psychologist Examiners, Board of</b>					
Other Funds	995,663	1,041,395	1,039,935	1,008,437	965,662
<b>Public Utility Commission</b>					
Other Funds	130,305,620	134,565,726	116,356,212	114,787,177	114,677,490
Federal Funds	476,384	2,910,317	821,211	4,813,961	4,813,925
Total Expenditures	130,782,004	137,476,043	117,177,423	119,601,138	119,491,415
<b>Real Estate Agency</b>					
Other Funds	6,939,595	8,377,812	8,279,954	7,876,904	7,461,430
<b>Tax Practitioners, Board of</b>					
Other Funds	1,000,861	1,016,527	1,173,554	1,233,405	1,098,646
<b>CONSUMER AND BUSINESS SERVICES PROGRAM AREA</b>					
General Fund	12,749,264	11,927,913	14,006,222	11,927,913	11,282,811
Other Funds	907,752,479	1,034,944,675	1,038,641,997	591,863,697	596,386,947
Federal Funds	1,821,755	5,152,726	2,251,508	6,926,507	6,923,214
Total	922,323,498	1,052,025,314	1,054,899,727	610,718,117	614,592,972
* 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; it is now a separate stand-alone agency.					
*** Board of Licensed Dieticians moved into Oregon Health Licensing Agency beginning with the 2011-13 legislatively adopted budget.					

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>ADMINISTRATION</b>					
<b>Administrative Services, Dept of*</b>					
General Fund	8,238,635	12,644,865	6,259,139	6,932,367	8,172,526
Lottery Funds	-	5,334,247	5,923,458	6,301,489	6,126,950
Other Funds	1,601,711,984	3,569,508,156	3,784,022,555	1,026,343,648	1,017,987,109
Federal Funds	-	47,001	1	1	1
Total Expenditures	1,609,950,619	3,587,534,269	3,796,205,153	1,039,577,505	1,032,286,586
<b>Citizens' Initiative Review Commission</b>					
Other Funds	-	-	-	-	1
<b>County Fairs*</b>					
Lottery Funds	3,557,141	2,807,758	3,706,169	3,706,169	3,576,453
<b>Historical Society*</b>					
General Fund	2,609,668	577,215	-	-	-
Lottery Funds	-	-	-	-	225,133
Other Funds	-	-	-	-	2,549,322
Total Expenditures	2,609,668	577,215	-	-	2,774,455
<b>Oregon Public Broadcasting*</b>					
General Fund	-	115,443	-	-	-
Lottery Funds	1,725,427	1,882,590	1,877,987	1,877,990	1,812,260
Other Funds	3,024,167	-	-	-	-
Total Expenditures	4,749,594	1,998,033	1,877,987	1,877,990	1,812,260
<b>Advocacy Commissions Office</b>					
General Fund	334,556	387,791	470,315	387,792	368,932
Other Funds	17,728	75,000	76,800	75,000	40,000
Total Expenditures	352,284	462,791	547,115	462,792	408,932
<b>Employment Relations Board</b>					
General Fund	1,781,460	1,623,327	1,965,370	-	932,803
Other Funds	1,581,906	1,758,626	1,873,772	3,745,109	1,862,696
Total Expenditures	3,363,366	3,381,953	3,839,142	3,745,109	2,795,499
<b>Government Ethics Commission</b>					
General Fund	1,257,474	162,912	16,826	-	-
Other Funds	1,523	1,381,699	1,513,310	1,684,230	1,615,856
Total Expenditures	1,258,997	1,544,611	1,530,136	1,684,230	1,615,856
<b>Governor, Office of the</b>					
General Fund	11,223,550	10,071,418	12,816,997	10,905,192	13,339,757
Lottery Funds	2,049,136	1,941,910	2,394,097	1,941,910	1,855,731
Other Funds	2,261,593	4,909,229	2,873,984	2,741,773	2,740,911
Federal Funds	16,734	-	-	-	825,616
Total Expenditures	15,551,013	16,922,557	18,085,078	15,588,875	18,762,015
<b>Oregon Liquor Control Comm</b>					
Other Funds	120,573,770	134,285,467	138,535,660	135,625,890	133,668,473
<b>Public Employees Retirement System</b>					
Other Funds	6,168,800,054	6,866,570,691	7,509,894,178	7,514,893,964	7,513,441,730

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
	\$	Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>Racing Commission, Oregon</b>					
Other Funds	5,663,042	5,941,351	6,365,833	5,241,417	5,192,629
<b>Revenue, Dept of</b>					
General Fund	145,212,294	143,053,692	167,090,664	151,329,855	146,373,434
Other Funds	30,716,245	38,014,405	41,694,423	46,907,550	36,175,094
Total Expenditures	175,928,539	181,068,097	208,785,087	198,237,405	182,548,528
<b>Secretary of State</b>					
General Fund	13,964,221	13,386,882	12,625,823	11,639,792	12,040,291
Other Funds	36,525,613	37,641,052	40,605,602	44,871,880	42,099,026
Federal Funds	6,421,887	7,505,935	7,798,373	4,812,513	7,559,402
Total Expenditures	56,911,721	58,533,869	61,029,798	61,324,185	61,698,719
<b>State Library</b>					
General Fund	3,207,437	3,128,064	3,667,545	1,802,078	2,888,189
Other Funds	6,862,070	7,176,422	7,543,197	6,418,622	6,325,531
Federal Funds	4,160,813	4,710,785	4,888,461	4,749,472	4,747,696
Total Expenditures	14,230,320	15,015,271	16,099,203	12,970,172	13,961,416
<b>Treasury, Oregon State</b>					
Other Funds	31,664,795	36,291,377	38,487,832	40,136,840	38,498,684
<b>ADMINISTRATION PROGRAM AREA</b>					
General Fund	187,829,295	185,151,609	204,912,679	182,997,076	184,115,932
Lottery Funds	7,331,704	11,966,505	13,901,711	13,827,558	13,596,527
Other Funds	8,009,404,490	10,703,553,475	11,573,487,146	8,828,685,923	8,802,197,062
Federal Funds	10,599,434	12,263,721	12,686,835	9,561,986	13,132,715
Total	8,215,164,923	10,912,935,310	11,804,988,371	9,035,072,543	9,013,042,236
* 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.					

	2007-09	2009-11	2011-13	2011-13	2011-13
	Actual	Legislatively	Current	Governor's	Legislatively
		Approved	Service Level	Recommended	Adopted
	\$	\$	\$	\$	\$
<b>LEGISLATIVE BRANCH</b>					
<b>Indian Services, Commission on</b>					
General Fund	378,980	413,427	455,630	455,630	395,270
Other Funds	752	6,280	6,431	6,431	6,431
Total Expenditures	379,732	419,707	462,061	462,061	401,701
<b>Legislative Administration Committee</b>					
General Fund	30,183,274	24,472,822	30,359,959	18,418,435	28,438,846
Other Funds	36,420,133	6,432,894	2,713,322	2,713,322	4,706,617
Total Expenditures	66,603,407	30,905,716	33,073,281	21,131,757	33,145,463
<b>Legislative Assembly</b>					
General Fund	31,781,326	32,350,832	37,957,590	37,957,590	35,750,449
Other Funds	211,827	345,740	360,330	360,330	360,330
Total Expenditures	31,993,153	32,696,572	38,317,920	38,317,920	36,110,779
<b>Legislative Counsel Committee</b>					
General Fund	8,359,019	7,794,245	9,409,507	9,409,507	8,127,672
Other Funds	1,925,495	3,420,358	2,416,496	2,416,496	2,092,136
Total Expenditures	10,284,514	11,214,603	11,826,003	11,826,003	10,219,808
<b>Legislative Fiscal Officer</b>					
General Fund	5,433,438	5,760,680	6,582,859	6,582,859	5,596,558
Other Funds	-	97,516	-	-	-
Total Expenditures	5,433,438	5,858,196	6,582,859	6,582,859	5,596,558
<b>Legislative Revenue Officer</b>					
General Fund	1,783,399	2,084,888	2,354,579	2,354,579	1,903,986
<b>LEGISLATIVE BRANCH PROGRAM AREA</b>					
General Fund	77,919,436	72,876,894	87,120,124	75,178,600	80,212,781
Other Funds	38,558,207	10,302,788	5,496,579	5,496,579	7,165,514
Total	116,477,643	83,179,682	92,616,703	80,675,179	87,378,295

	2007-09 Actual \$	2009-11 Legislatively Approved \$	2011-13 Current Service Level \$	2011-13 Governor's Recommended \$	2011-13 Legislatively Adopted \$
<b>MISCELLANEOUS</b>					
<b>Emergency Board</b>					
General Fund	-	-	-	20,000,000	25,000,000
Total Expenditures	-	-	-	20,000,000	25,000,000
Special Purpose Appropriations (details below)	-	-	-	-	47,743,750
<b>MISCELLANEOUS PROGRAM TOTAL</b>					
General Fund	-	-	-	20,000,000	72,743,750
Total	-	-	-	20,000,000	72,743,750
<b>Special Purpose Appropriations (SPA)</b>					
ODF - Fire protection expenses	-	-	-		4,781,000
DHS - Child welfare differential res	-	-	-		5,000,000
OYA - Education related expenses	-	-	-		1,700,000
DOR - Elderly Rental Assistance	-	-	-		2,900,000
Early learning programs and services		-	-		17,649,000
Employment related day care and other services		-	-		5,713,750
DHS/OHA - Caseloads and costs for programs and services		-	-		8,000,000
DOJ - TMSA defense and Defense of Criminal Convictions		-	-		2,000,000
			-		
<b>SPA Totals</b>	-	-	-		<b>47,743,750</b>

			2009-11		2011-13		2011-13		2011-13
		2007-09	Legislatively		Current		Governor's		Legislatively
		Actual	Approved		Service Level		Recommended		Adopted
		\$	\$		\$		\$		\$
<b>STATE OF OREGON TOTAL EXPENDITURES</b>									
	General Fund	12,779,492,755	12,478,261,463		16,953,067,939		13,618,871,849		13,562,594,263
	Lottery Funds	1,544,100,289	1,122,441,987		907,381,831		931,601,255		1,056,300,390
	Other Funds	24,059,473,167	30,896,758,181		27,249,882,716		28,191,915,091		28,781,988,465
	Federal Funds	10,064,821,803	17,712,153,234		14,420,709,264		12,542,100,536		14,419,191,100
	<b>Total Expenditures</b>	<b>48,447,888,014</b>	<b>62,209,614,865</b>		<b>59,531,041,750</b>		<b>55,284,488,731</b>		<b>57,820,074,218</b>