

# Summary Analysis

2009-11

## Governor's Recommended Budget



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Fiscal  
Office

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February 9, 2009

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

The Legislative Fiscal Office staff has prepared a *Summary Analysis of the 2009-11 Governor's Recommended Budget*. This report is intended to provide an overview of the major General Fund and Lottery Funds budget proposed by the Governor in December 2008, and, as such, will not answer every question you may have. A detailed analysis of the 2009-11 Essential Budget Level by program area and agency is also available.

Documents can be obtained online at [www.leg.state.or.us/comm/lfo/publications.htm](http://www.leg.state.or.us/comm/lfo/publications.htm)

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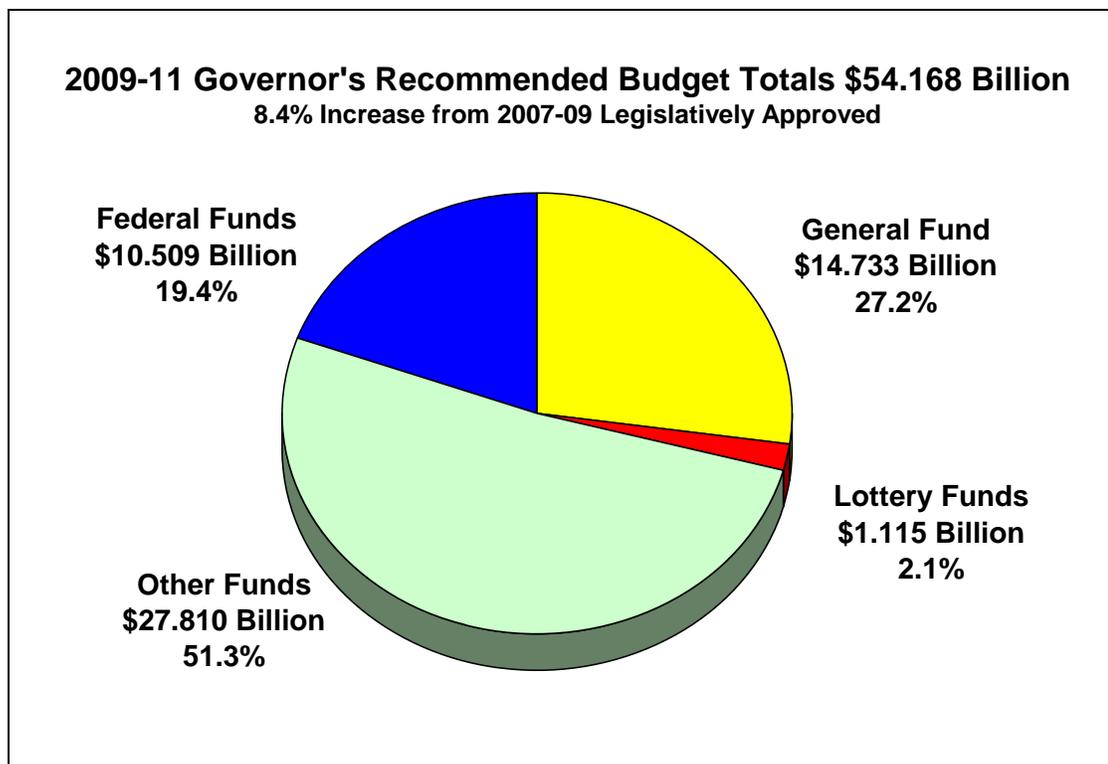
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## Summary of 2009-11 Governor's Recommended Budget

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### Budget Overview

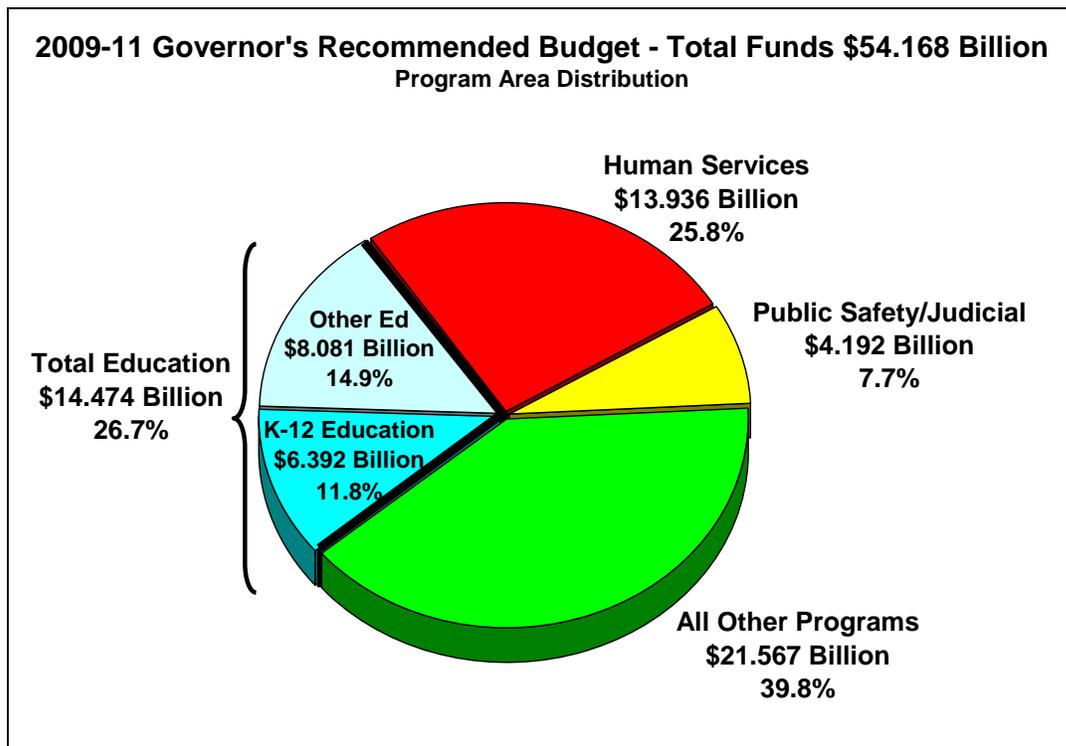
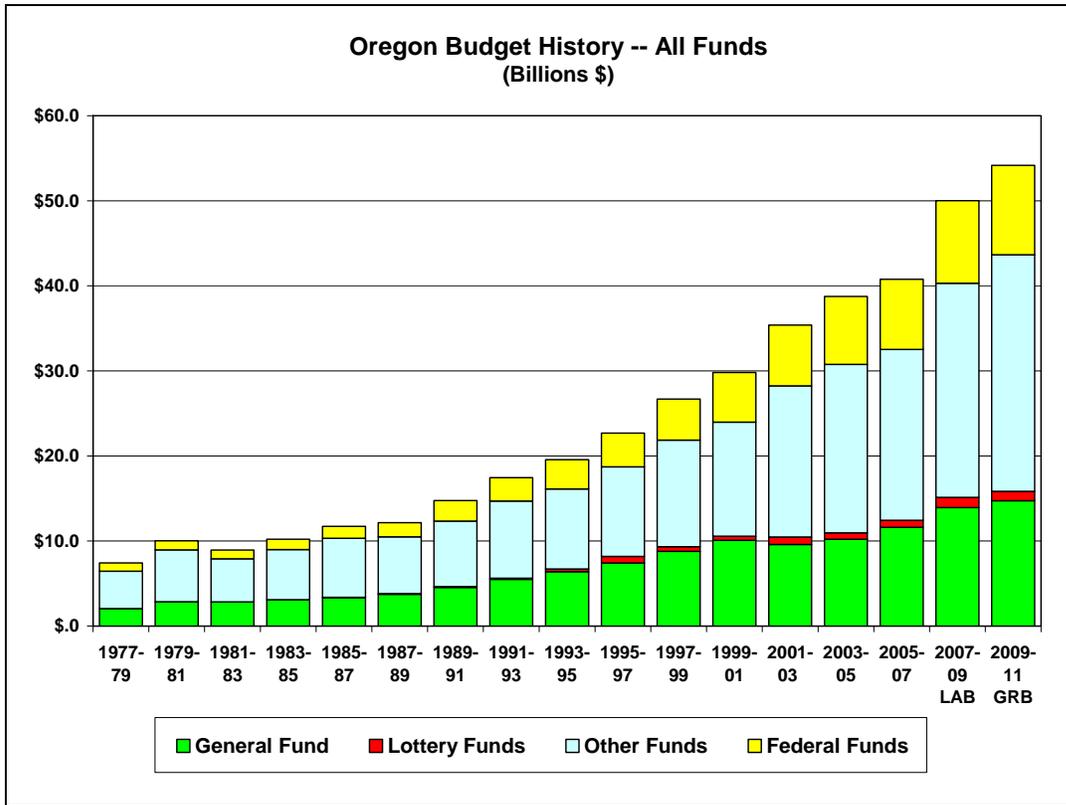
The total Governor's recommended budget (GRB) for the 2009-11 biennium is \$54.168 billion. The recommended budget includes \$15.848 billion in combined General Fund and Lottery Funds, \$27.810 billion Other Funds, and \$10.509 billion Federal Funds. The 2009-11 total recommended budget represents an 8.3% increase over the 2007-09 biennium's legislatively approved total budget of \$50.019 billion. The legislatively approved budget is the authorized budget following legislative actions through the December 2008 Emergency Board meeting.



If adopted by the Legislature, the Governor's recommended budget increase of 8.4% over the 2007-09 budget is less than half the total budget grew in the previous biennium. In terms of General Fund and Lottery Funds, the recommended expenditure increase of 4.7% over the 2007-09 legislatively approved level would be the smallest percentage growth in spending since the 2001-03 biennium when the state-supported budget decreased by 1% over the prior biennium.

The largest funding source in the budget, Other Funds, represents 51% of the total expenditures. Other Funds expenditures in the Governor's recommended budget are increased by 10.7% from the 2007-09 legislatively approved level. Other Funds are revenues received by the state from fees for registration or licenses, charges for services, specific taxes (such as gasoline and tobacco), and loan programs. These funds are restricted by law for specified purposes. The recommended budget includes several Other Funds enhancements, including increased revenue of \$320.4 million from higher fees (including transportation fee increases for vehicle registration and licensing and a gasoline tax increase), \$696 million from health services provider taxes, and \$112 million cigarette and tobacco products tax increases, all of which are budgeted as Other Funds.

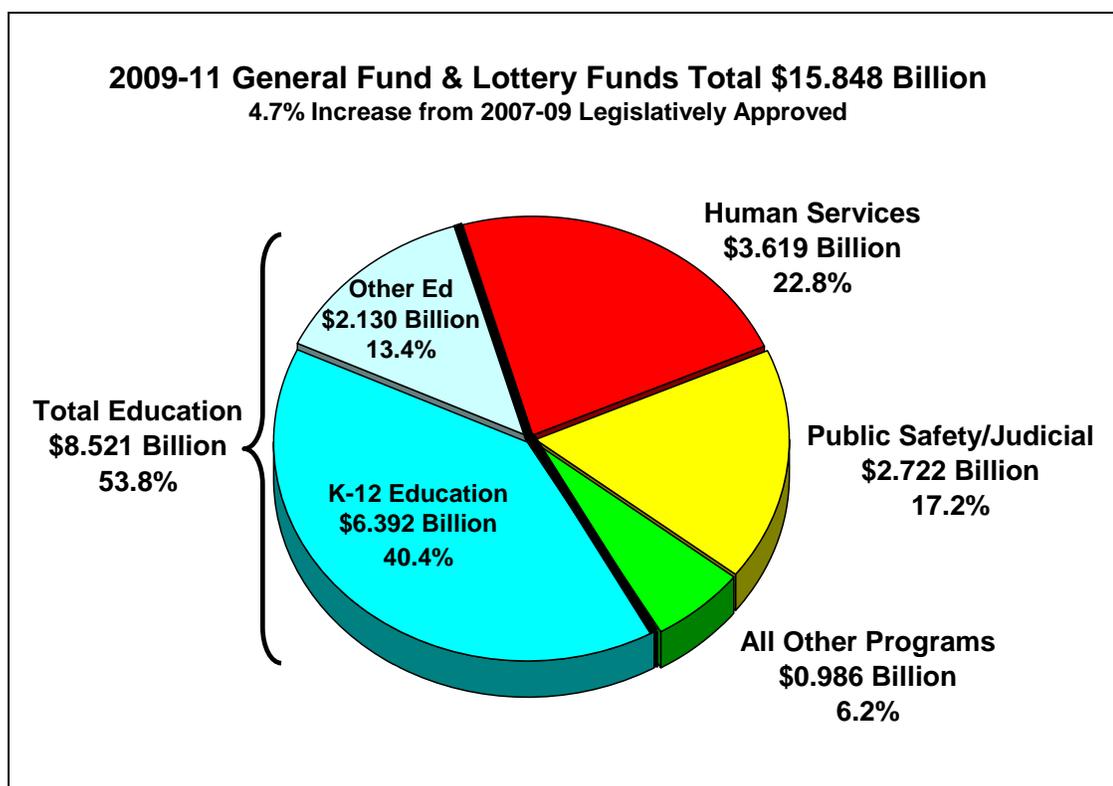
Nearly 20% of the 2009-11 Governor's recommended budget is made up of revenues from the federal government. Federal Funds expenditures are increased by 8.2% over the 2007-09 legislatively approved budget, after increasing by 17.8% the prior biennium. Nearly three-fourths of federal funds are received within the Human Services program area.



## General Fund and Lottery Funds

General Fund and Lottery Funds expenditures, which total \$15.848 billion in the 2009-11 Governor's recommended budget, represent 29.3% of the total proposed budget. This percentage is only slightly lower than the 30.3% share in 2007-09, but it is well below the average 34% for the period from 1991 through 2001. The primary reasons for the change in the General Fund and Lottery share of the total budget are the severe drop in General Fund resources during the 2001-03 biennium and an increasing reliance on Other Funds for budget continuity.

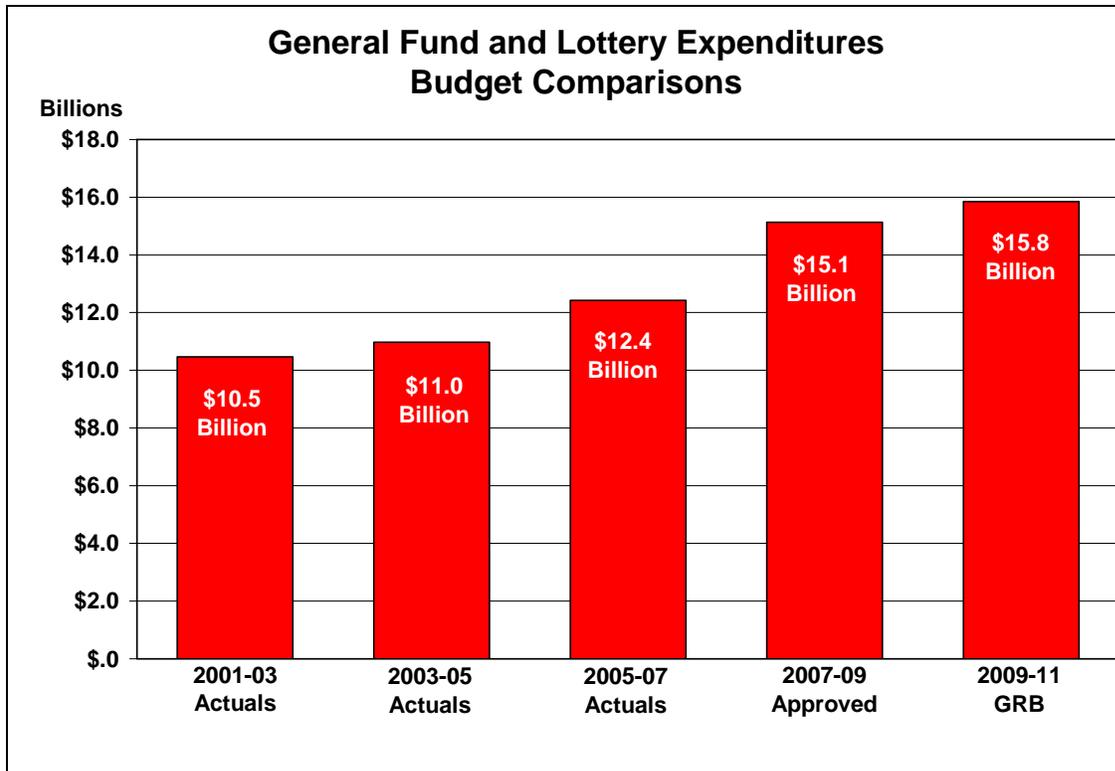
The total General Fund and Lottery Funds expenditures of \$15.848 billion in the 2009-11 recommended budget are only 4.7% higher than the 2007-09 legislatively approved budget of \$15.131 billion. Combined General Fund and Lottery Funds expenditures increased by 21.8% in the 2007-09 legislatively approved budget. That increase in expenditures was largely made possible by the substantial growth in the state's tax revenues. Total combined General Fund and Lottery Funds revenue available for the 2009-11 biennium is projected to be \$15.897 billion, with \$14.749 billion of this amount coming from the state's General Fund sources of income. The General Fund increase represents a gain of 15.8% from the 2005-07 General Fund, but the size of the increase does not take into account the fact that a personal income tax "kicker" payment of approximately \$1.1 billion was paid out to Oregon taxpayers in the fall of 2007 and therefore was not included in the 2007-09 revenues available for expenditure estimate. Based on current revenue forecasts, there is no kicker payment projected for 2009, either personal or corporate.



In the recommended budget, nearly 54% of the state's General Fund and Lottery expenditures are dedicated to education programs, including \$6.392 billion, or 40.4% of the total, to the K-12 State School Fund budget. Despite the Education program area being the largest single sector of the budget, the 53.8% of the total General Fund/Lottery Funds budget is the lowest percentage of the total since

the 1991-93 biennium. Nearly 94% of the state’s expenditures are found in the three major program areas of Education, Human Services, and Public Safety.

Additional details on proposed expenditures in each of these major program areas are included in the Program Area Summaries section.



In the past, the Governor and the Legislature have used “one-time” revenues to supplement the General Fund and Lottery Funds budget. About one-third of the \$1.5 billion General Fund and Lottery Funds increase from the 2003-05 budget to the 2005-07 legislatively approved budget was due to the Legislature’s use of General Fund support to backfill one-time revenues from discretionary sources relied on during the 2003-05 biennium. Reliance on one-time revenues in 2003-05 in part goes back to 2001-03, when the Legislature used approximately \$1 billion of discretionary funds derived from Medicaid Upper Payment Limit (MUPL) revenue, Tobacco Master Settlement Agreement (TMSA) revenue, and the Education Stability Fund as a part of budget rebalancing actions. (Additionally, 2001-03 budget balancing actions delayed final General Fund payments into the 2003-05 budget period for K-12 education [\$211 million] and Community Colleges [\$56 million].)

The 2003-05 budget included the use of approximately \$600 million in one-time revenues to replace General Fund. These major one-time sources included:

- \$122 million from the Education Stability Fund for the State School Fund.
- \$116 million of federal Jobs and Growth Tax Reconciliation Act funds in the Institutions budget for the Department of Corrections.
- \$91.8 million in Other Funds ending balances that were transferred to the General Fund.
- \$88.8 million of enhanced federal Medicaid matching funds in the Department of Human Services.
- \$45 million of Other Funds savings from implementation of reforms to the Public Employees Retirement System (PERS) transferred to the General Fund.

- \$42.2 million of TMSA funds in the Oregon Health Plan.
- \$34 million of General Fund savings from the issuance of pension obligation bonds to pay off the state's unfunded PERS liability.
- \$20 million in the natural resources program area from federal Pacific Coastal Salmon Recovery Fund (PCSRF) resources and dedicated Measure 66-Capital Lottery Funds.
- \$10 million of Tobacco Use Reduction Account funds in the Oregon Health Plan.

Most of these sources of one-time revenues were not available for use in the 2005-07 adopted budget. The only use of such discretionary funds in the 2005-07 budget was \$24.5 million of TMSA resources used in the Department of Human Services, which ultimately was not available due to withholding of settlement agreement payments by certain tobacco manufacturers as allowed under the terms of the agreement; the amount of the withholding is currently under litigation.

The 2009-11 Governor's recommended budget assumes several one-time or new sources of revenue to supplement the General Fund:

- An increase in the corporate minimum tax on a graduated scale adds \$83.6 million to the General Fund; while the Governor's recommended budget claims this increase is dedicated to the Oregon Student Assistance Commission Opportunity Grants program, there is no legal commitment.
- A transfer of \$20 million from the Tobacco Master Settlement Agreement funds is made to the Department of Human Services for the Oregon Health Plan in lieu of General Fund.
- An increase of \$20.7 million General Fund is assumed from enhancements to revenue collection by the Department of Revenue.
- An increase of \$30 million to the state's General Fund is assumed from an increase in distribution by the Oregon Liquor Control Commission.
- A transfer of \$8.1 million from 9-1-1 revenues to the General Fund is assumed in the recommended budget; a similar transfer of 9-1-1 revenues was adopted by the 2007 Legislature and was vetoed by the same Governor now proposing to make the transfer.
- Also affecting the General Fund resources for 2009-11 are several continuations and changes in tax expenditures (credits) with a combined effect of a negative \$1 million.

The following table compares the 2009-11 Governor's recommended General Fund and Lottery Funds budget with 2003-05 and 2005-07 actual expenditures, with the 2007-09 legislatively approved budget (LAB), and with the 2009-11 essential budget level (EBL) for each program area. The essential budget level is the calculated cost of continuing the current legislatively approved programs for the 2009-11 biennium. This calculation begins with the 2007-09 legislatively approved budget and adds program phase-ins, mandated caseload increases, and other cost increases such as price list changes and inflation. Any phased-out programs or one-time costs are reduced from the calculation. This calculation was previously known as the current service level or the current law budget. It is only a point in time estimate of ongoing costs and does not reflect a guarantee of funding for any agency or any program for any biennium.

Based on the December 2008 economic and revenue forecast, Oregon is approximately \$1.4 billion short of the revenue needed to finance the 2009-11 essential budget level. The table indicates that the Governor's recommended budget shifts resources away from the human services program area, primarily to add resources to the education program area, which is already the largest single component of the state budget. Additional details on the effects of these changes to the budget's program areas can be found in the following sections of this summary.

## General Fund & Lottery Spending by Major Program Area

(Dollars in Millions) <sup>1</sup>

	2003-05 Actuals	2005-07 Actuals	2007-09 Legislatively Approved Budget <sup>2</sup> (LAB)	2009-11 Essential Budget Level (EBL)	2009-11 Governor's Recommended Budget (GRB)	% Change 2009-11 Governor's Recommended from 2007-09 LAB	% Change 2009-11 Governor's Recommended from 2009-11 EBL
<b>Education</b>							
<b>K - 12 State School Fund</b>	\$4,914	\$5,305	\$6,245	\$6,545	\$6,392	2.3%	-2.3%
<b>Higher Education<sup>3</sup></b>	763	820	1,006	1,046	1,038	3.2%	-0.8%
<b>Community Colleges</b>	416	434	512	517	507	-0.9%	-1.9%
<b>All Other Education</b>	342	371	496	561	585	17.9%	4.3%
<b>Total Education</b>	6,436	6,931	8,259	8,668	8,521	3.2%	-1.7%
<b>Human Services<sup>4</sup></b>	2,333	2,790	3,455	4,339	3,619	4.7%	-16.6%
<b>Public Safety/Judicial Branch<sup>5</sup></b>	1,636	2,000	2,435	2,787	2,722	11.8%	-2.3%
<b>Natural Resources</b>	223	301	400	312	364	-9.0%	16.6%
<b>All Other Programs<sup>6</sup></b>	342	403	581	589	622	7.1%	5.7%
<b>Total Expenditures</b>	\$10,970	\$12,425	\$15,131	\$16,695	\$15,848	4.7%	-5.1%

<sup>1</sup> Amounts may not add due to rounding.

<sup>2</sup> 2007-09 legislative approved reflects all actions through the December 2008 Emergency Board meeting.

<sup>3</sup> Includes Oregon Health and Science University Public Corporation.

<sup>4</sup> The General Fund in 2003-05 was reduced, in part, based on the availability of an additional \$151.4 million in federal revenue from improved federal match rates authorized in the Jobs and Growth Tax Reconciliation Act.

<sup>5</sup> The 2003-05 budget was reduced by \$116 million General Fund based on one-time use of federal Jobs and Growth Tax Reconciliation Act funds.

<sup>6</sup> The 2007-09 LAB includes \$53.2 million remaining in the Emergency Fund. The 2009-11 EBL and GRB includes \$40.2 million in the Emergency Fund as follows: \$30 million General Purpose; \$5.1 million state employee health benefits; \$5.1 million special purpose appropriation for fire response

## Lottery Resources and Expenditures

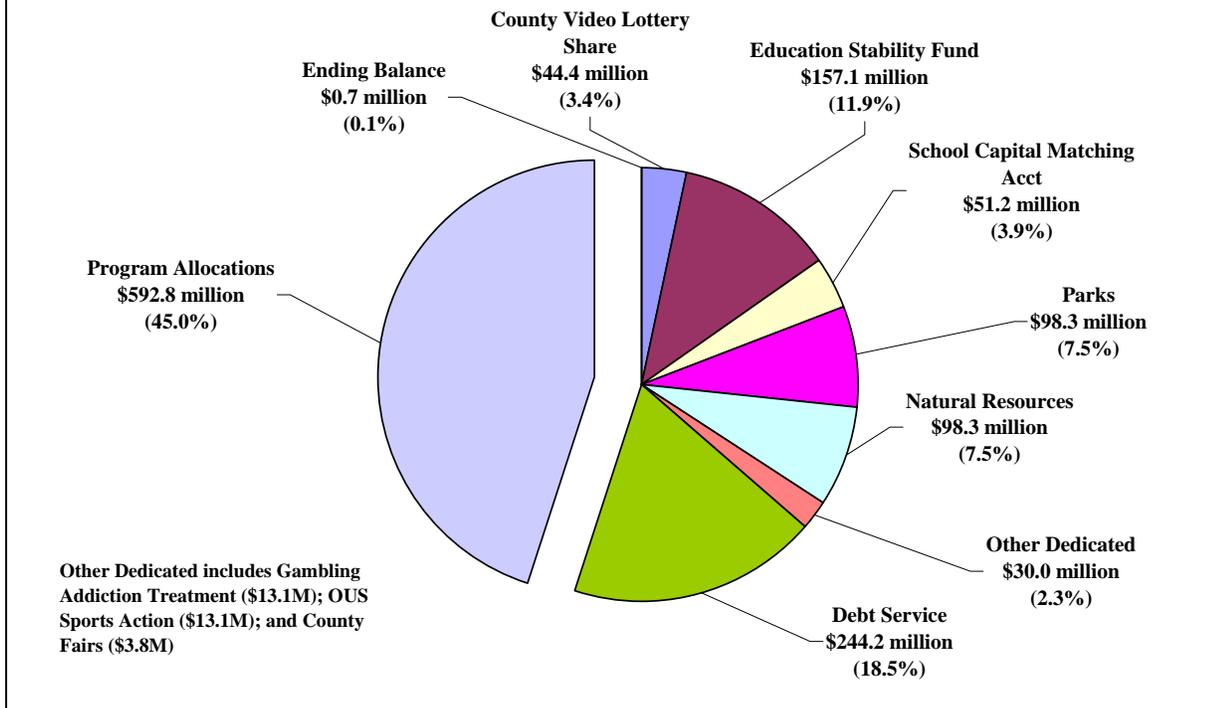
**Lottery Resources** – Total lottery resources are forecast to equal \$1.317 billion in the 2009-11 biennium, a decline of \$85 million (or 6.1%) from the 2007-09 biennium level. This would be the first biennial decline in lottery resources since the 1999-2001 biennium, and follows a period of rapid increases. Lottery resources grew substantially during the 2005-07 biennium, by 38.8% over the prior biennium level, due primarily to the addition of line games to video lottery terminals. In the 2007-09 biennium, lottery resources are forecast to increase by a further 28%. The \$85 million decline forecast for the 2009-11 biennium follows a \$306.4 million increase forecast for 2007-09.

<b>Difference between 2007-09 and 2009-11 Lottery Resources</b>				
<b>(\$ in millions)</b>				
	<b>2005-07</b>	<b>2007-09</b>	<b>2009-11</b>	<b>Difference</b>
	<b>Actuals</b>	<b>(12/08) Forecast</b>	<b>(12/08) Forecast</b>	<b>2007-09 to 2009-11</b>
Total Earnings	\$1,060.9	\$1,249.1	\$1,311.0	\$61.9
Beginning Balance	0.0	64.1	1.7	(62.4)
Admin Savings and Contingency Transfers	26.7	74.9	0.0	(74.9)
Reversions	1.9	2.3	0.0	(2.3)
Interest Earnings	6.1	11.8	4.5	(7.3)
<b>Total Lottery Resources</b>	<b>\$1,095.7</b>	<b>\$1,402.1</b>	<b>\$1,317.1</b>	<b>(\$85.0)</b>

During the 2007 session, the Legislature approved a level of Lottery Funds expenditures that retained a \$13.2 million ending balance. By December 2007, forecasted lottery resources had increased another \$12.6 million, thereby increasing the projected 2007-09 biennium ending balance to \$25.8 million. During the 2008 special session, the Legislature substituted an additional \$20 million of Lottery Funds for General Fund in the State School Fund, thus reducing the projected Lottery Funds ending balance to \$5.8 million. As of December 2008, however, the forecast of lottery resources has declined, and the projected ending balance is now only \$3.3 million. Under current law, half of this ending balance (\$1.7 million) is carried forward as a beginning balance for the 2009-11 biennium budget. The other half is transferred to the Oregon Capital Matching Account.

Total lottery resources are used for four general purposes in the budget: Dedicated Transfers, Debt Service, Program Allocations, and Ending Balance. The chart below illustrates the distribution of lottery resources to dedicated transfers, debt service, program allocations, and the ending balance in the 2009-11 biennium Governor's recommended budget.

### Most Lottery Funds Are Used for Debt Service and Dedicated Transfers



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

- Education Stability Fund** – In 1996, voters dedicated 15% of total net lottery proceeds and administrative savings transfers to the Education Endowment Fund. In 2002, in another vote, this fund was renamed the Education Stability Fund (ESF), and the percentage of proceeds transferred to the ESF was increased to 18%. The Constitution limits the balance of the Education Stability Fund, however, to an amount equal to no more than 5% of General Fund revenues in the prior biennium. When the ESF balance reaches this limit, transfers into the Education Stability Fund are suspended. During this suspension, a temporary transfer equal to 15% of net lottery proceeds and administrative savings is transferred to the Oregon Capital Matching Account to be used to match capital costs incurred by school districts. The ESF balance has never exceeded 5% of prior biennium General Fund revenues to date. Absent any withdrawals from the ESF, however, the balance is projected to exceed the 5% cap for the first time during the 2009-11 biennium. Dedicated transfers to the ESF are projected to total \$157.1 million in the 2009-11 biennium (down 34% from the \$238.3 million transferred in 2007-09), and dedicated transfers to the Oregon Capital Matching Account are projected to total \$51.2 million.

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. Currently, conditions allowing expenditure of ESF funds on approval of 3/5 votes have been met without the need of a gubernatorial declaration of emergency. Any expenditures from the ESF must be spent on public education.

The investment earnings of the ESF, unlike the Fund's corpus, are distributed for expenditures on a regular basis. Investment earnings are distributed as follows: 75% to finance debt service costs on bonds that the Legislature approved for schools in the 1997 and 1999 sessions, and 25% for need-based college scholarships awarded through the Oregon Opportunity Grant program. During the 2009-11 biennium, the distributions to these two programs are forecast to total \$26.9 million, and \$9 million, respectively. These distributions are in addition to, and are not included in, the total lottery resources figures above.

Other dedicated transfers of total lottery resources include:

- 15% for parks and natural resources (by a vote in 1998 – Ballot Measure 66)
- 1% for gambling addiction treatment programs
- 1% to the Department of Higher Education for athletic programs and graduate student scholarships
- 2.5% of video lottery earnings (not of total lottery resources) to counties for economic development programs

All of these dedicated transfers are projected to total a combined \$479.4 million during the 2009-11 biennium, equivalent to 36.4% of total lottery resources.

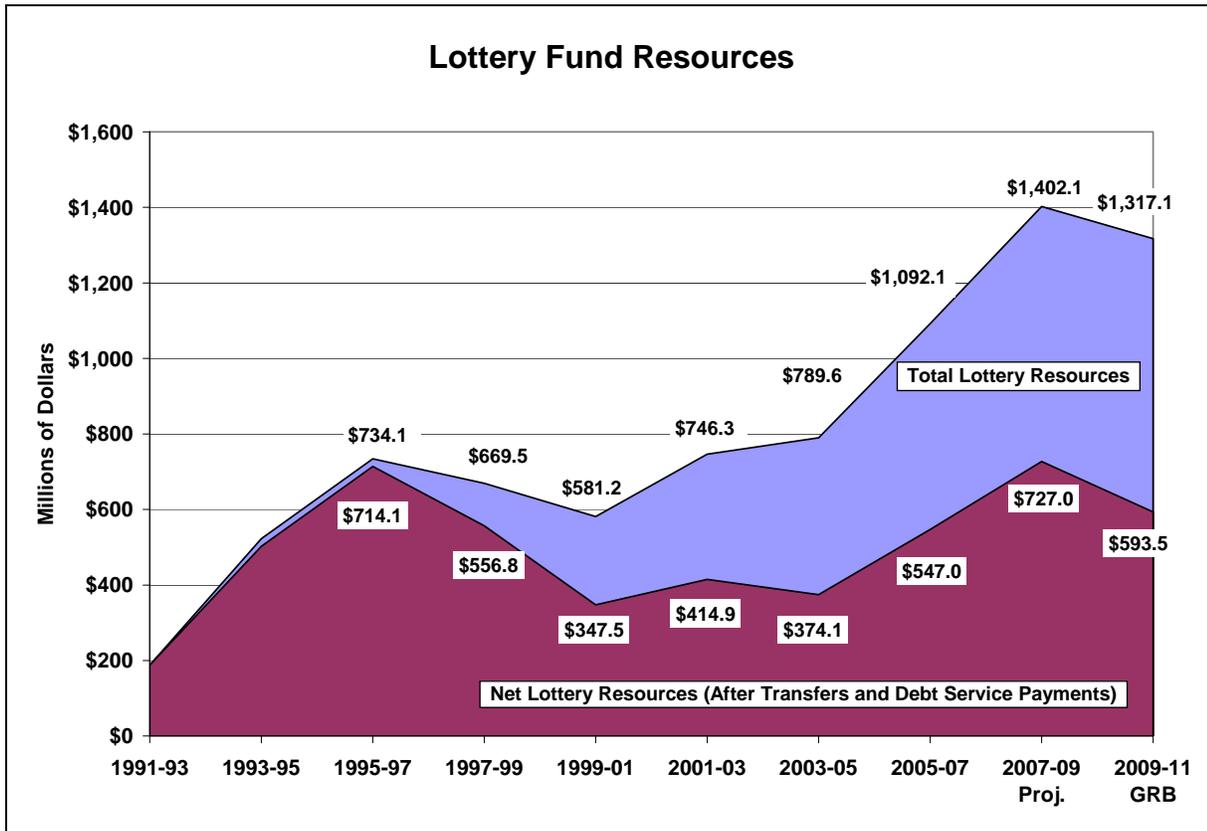
The distribution of 2.5% of video lottery earnings to counties is the state's primary shared revenue supporting local economic development programs.

**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 to support 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 Governor's recommended budget allocates \$244.2 million for debt service costs on outstanding and proposed lottery revenue bonds, equal to 18.5% of total lottery resources. These allocations support debt service costs for bonds issued for the Department of Transportation (\$104.9 million), the Oregon Economic and Community Development Department (\$68.8 million), the Department of Education (\$39.7 million), the Department of Higher Education (\$19.7 million), the Housing and Community Services Department (\$8.9 million), the Department of Administrative Services for bonds issued for Oregon Public Broadcasting (\$1.9 million), and the Water Resources Department (\$0.2 million).

Total debt service costs represent a \$76.7 million (or 45.8%) increase over the \$167.5 million level in the 2007-09 biennium. In the 2007-09 biennium, debt service payments will equal an estimated 12% of total lottery resources. As indicated above, debt service payments rise to 18.5% of total lottery resources in the 2009-11 biennium in the Governor's recommended budget. 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.

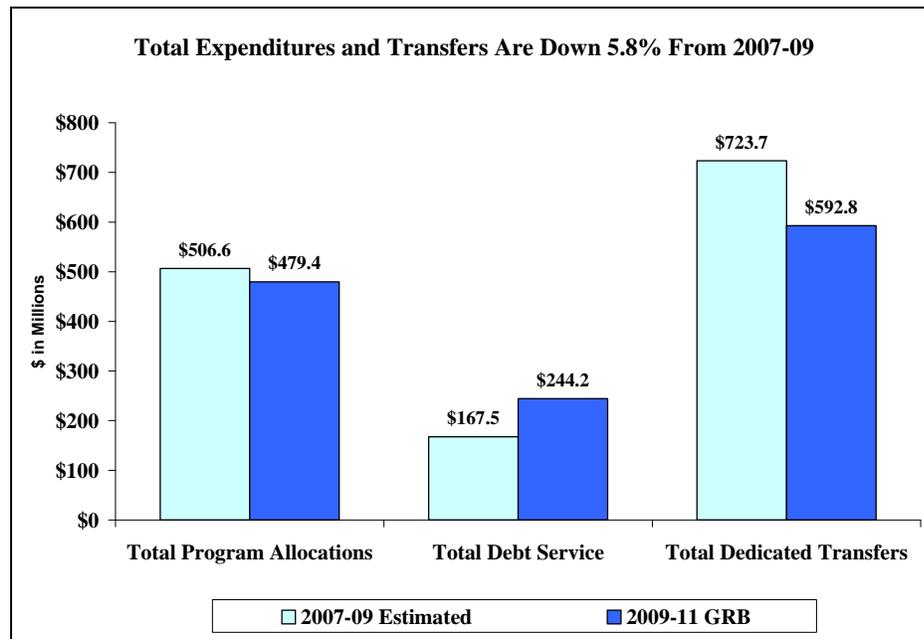


**Net Lottery Resources after Dedicated Transfers and Debt Service** – Dedicated transfers and debt service payments have priority claims to lottery resources in law and in the state Constitution. The resources remaining net of these purposes represent the funds available for two other uses: to be either spent as program allocations in support of education or economic development programs *in lieu* of General Fund, or to be saved and carried forward to the next biennium in the ending balance. The amount of net resources available for these purposes is projected to total \$593.5 million in the 2009-11 biennium. This represents a \$133.5 million (or 18.4%) decline from the prior biennium level, and is in sharp contrast to the 46.2% growth in these resources during the 2005-07 biennium and the 32.9% growth in the 2007-09 biennium. The Governor’s recommended budget proposes allocating \$592.8 million of these net lottery resources to programs, retaining only \$0.7 million (or 0.1%) for the ending balance.

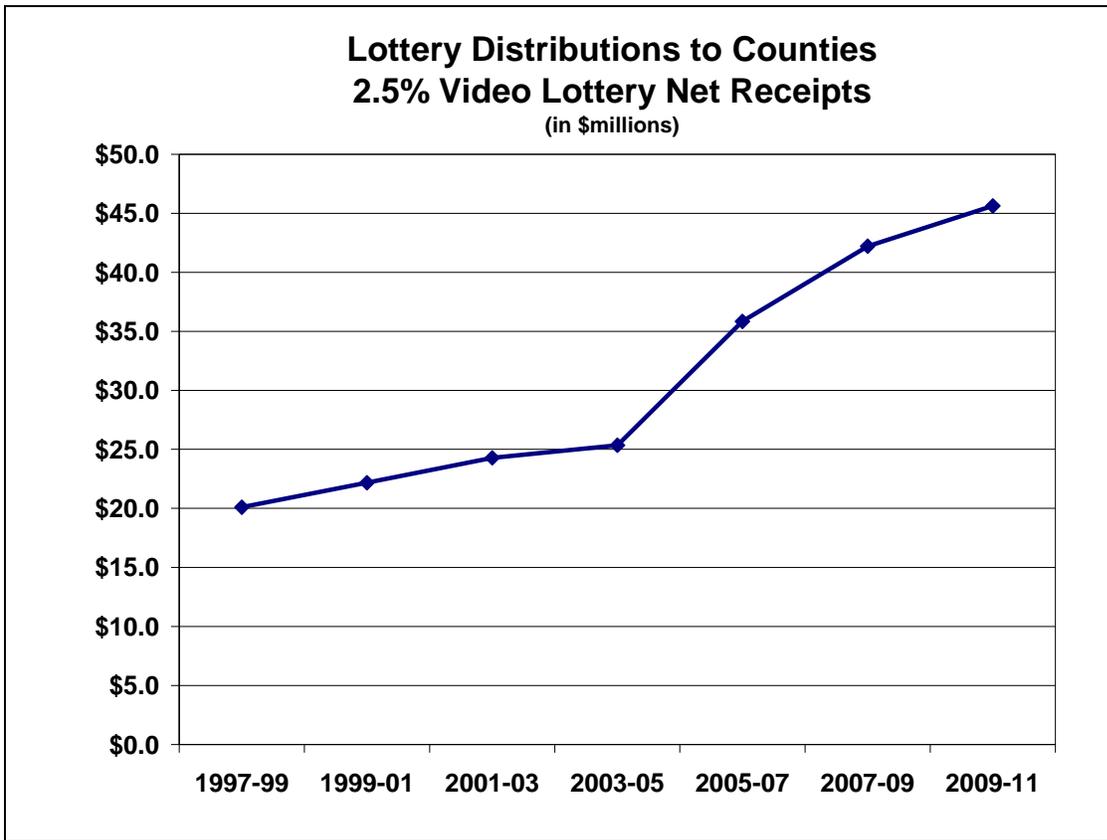
The Governor’s budget would allocate the \$592.8 million for program allocations to the following four programs:

- \$539.1 million to the State School Fund
- \$51.3 million to the Oregon Economic and Community Development Department
- \$2.4 million to the Governor’s Office for the Economic Revitalization Team
- \$35,972 to the Department of Agriculture for County Fair Administration

The chart below compares Program Allocation, Debt Service payments, and Dedicated Transfers in the Governor’s recommended budget with prior biennium levels.



***County Video Lottery Distribution*** – Another use of lottery receipts that often is overlooked in the budget process is the statutory sharing of 2.5% of lottery receipts from video lottery games to counties for economic development purposes. Since this dedication goes directly to counties and does not flow through the state budget, these resources are not included as “available” lottery funds that can be used for state programs. This treatment is similar to how the lottery funds flowing into the Education Stability Fund are treated in the overall budget. As with the other percentage dedications of lottery resources, counties have experienced a significant increase in this funding source over the past four years. In the 2009-11 biennium, counties are anticipated to receive nearly \$46 million; approximately \$2 million is used in the Governor’s recommended budget for the county share of funding for Economic Development Revitalization Teams (ERTs) in the Governor’s Office. These funds are typically used by counties as part of their individual general purpose funds.

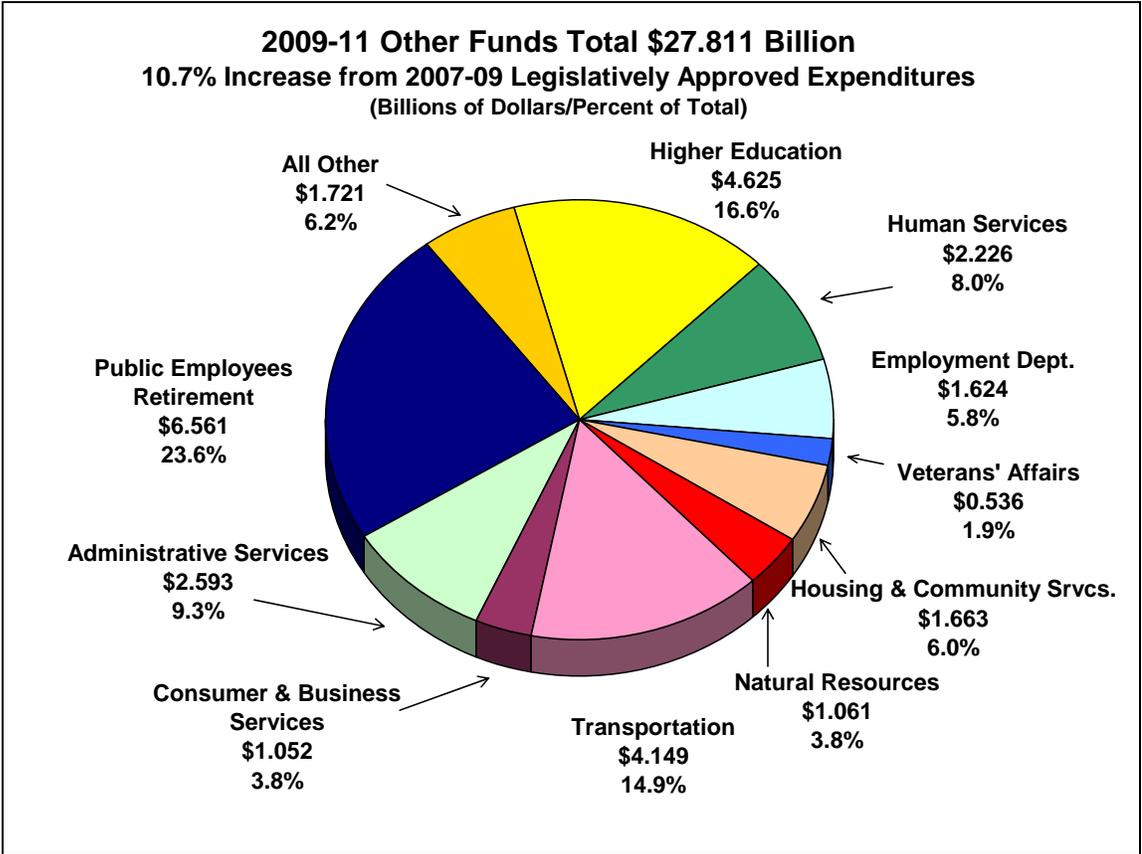


### Other Funds Expenditures

The 2009-11 Governor’s recommended budget provides for the expenditure of \$27.811 billion in Other Funds resources. Other Funds consist of revenue received by a state agency other than General Fund, Lottery Funds, or Federal Funds, and is generally restricted by law to defined purposes. Examples include revenue from licenses and fees; charges for services; fines, rents, and royalties; interest earnings; bond sale proceeds; sales income; donations and contributions; loan repayments; and certain funds received from the federal government.

The 2009-11 recommended Other Funds budget represents an increase of \$2.7 billion, or 10.7%, over the 2007-09 legislatively approved budget. Other Funds are comprised of three categories of expenditures: Limited, Nonlimited, and Non-Adds. Of the \$27.811 billion Other Funds in the 2009-11 recommended budget, \$11.686 billion are Limited, \$15.066 billion are Nonlimited, and \$1.058 billion are Non-Adds. Nonlimited Other Funds expenditures are generally inestimable and must be paid by law; consequently, there is no expenditure limitation placed on agencies when Nonlimited expenditures are authorized. Non-Adds reflect funds that are spent twice within the state’s accounting system (e.g., assessments charged against one agency for services provided by a second agency).

Nonlimited expenditures can vary significantly during the biennial execution of the budget. Administrative actions that occurred after the close-of-session through Emergency Board actions and approved increases to Nonlimited expenditures requested by agencies and approved by the Department of Administrative Services are reflected in the legislatively approved budget calculation.

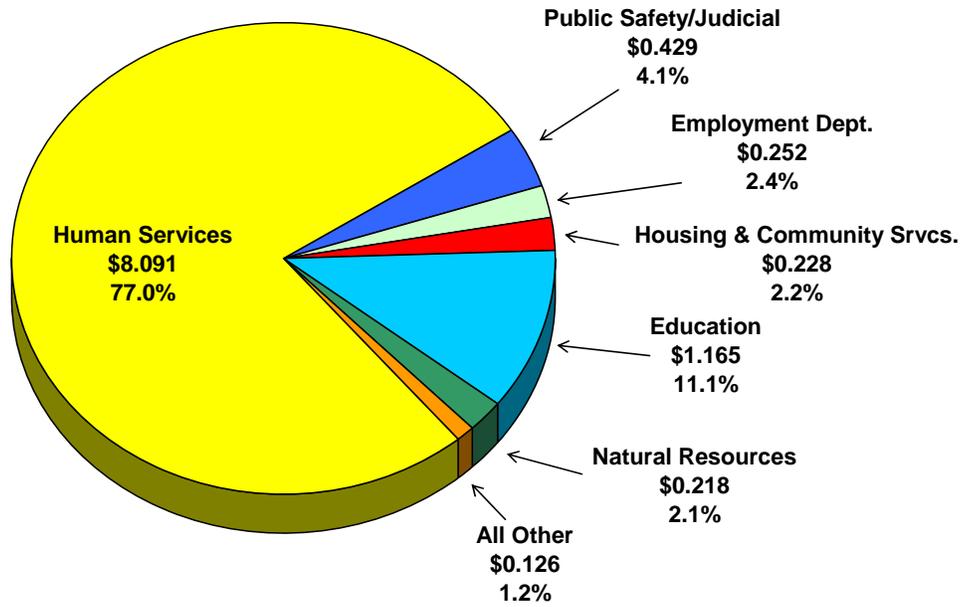


**Federal Funds Expenditures**

The 2009-11 Governor’s recommended budget authorizes expenditure of \$10.509 billion Federal Funds. Federal Funds comprise revenue from the federal government sent to state agencies to pay for specific programs and activities. Examples include competitive grants, matching funds, block grants, pass-through funds, or special payments.

The 2009-11 recommended Federal Funds budget represents an increase of \$800 million, or 8.2%, over the 2007-09 legislatively approved budget. Federal Funds are also separated into two categories of Limited and Nonlimited. Of the \$10.509 billion Federal Funds in the 2009-11 recommended budget, \$8.861 billion are under expenditure limitation and \$1.649 billion are Nonlimited. More than \$1.2 billion of the Nonlimited funds are found in the Department of Human Services, primarily in the Children, Adult and Families program area for Food Stamp benefits and Women, Infants and Children (WIC) program payments.

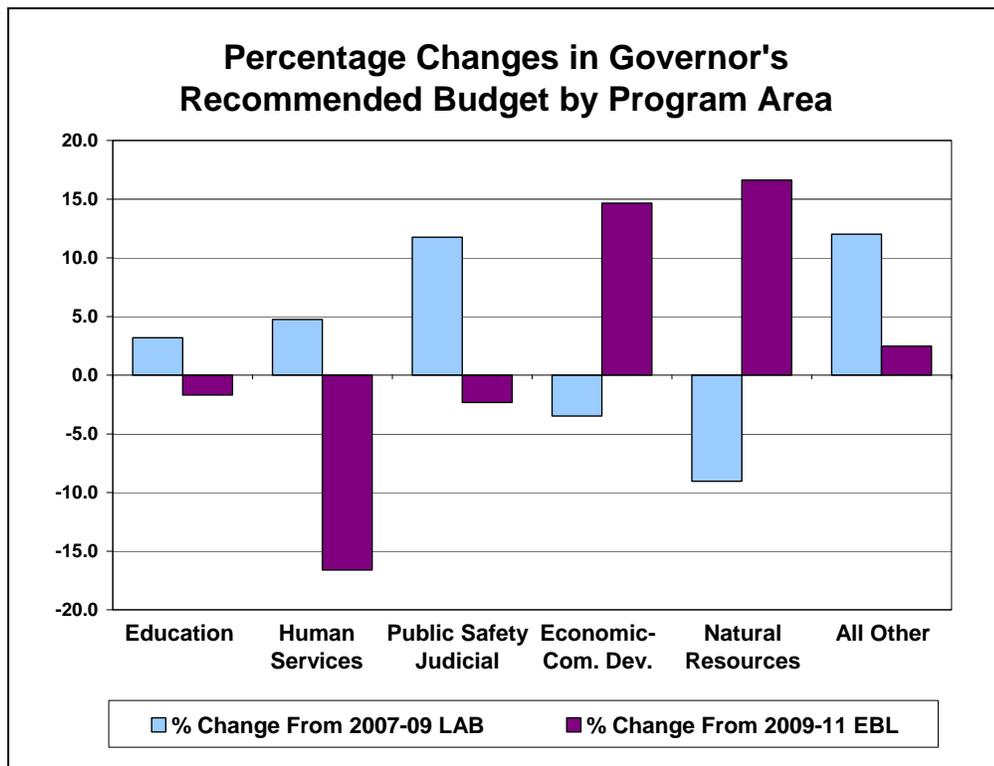
**2009-11 Federal Funds Total \$10.509 Billion**  
**8.2% Increase from 2007-09 Legislatively Approved Expenditures**  
(Billions of Dollars/Percent of Total)



## 2009-11 Balanced Budget Proposal

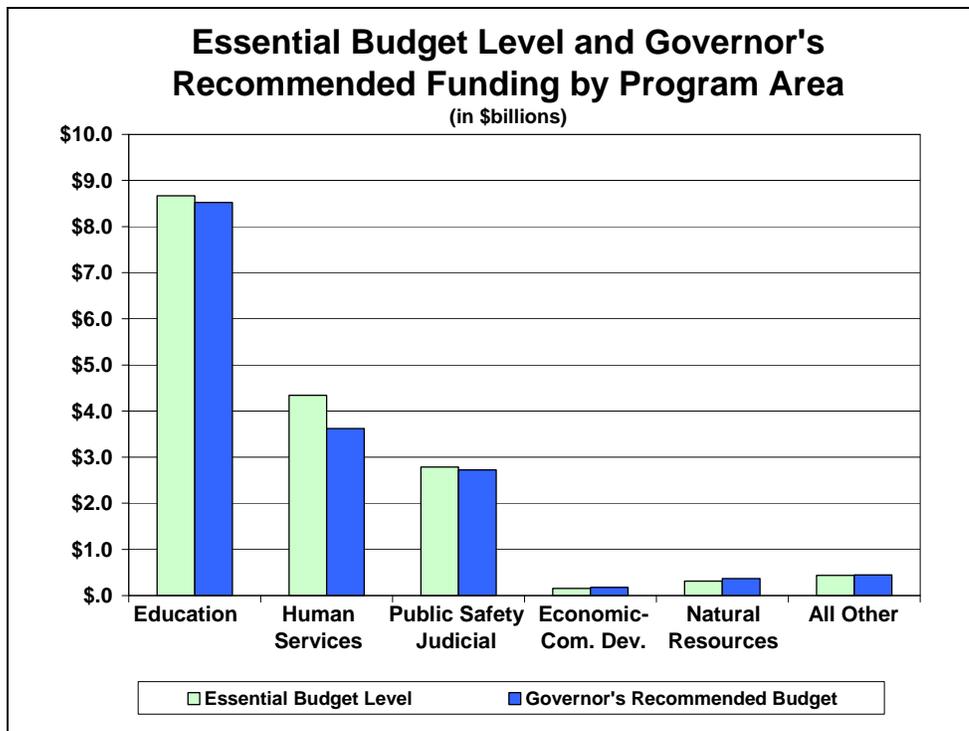
In the 2009-11 recommended budget, the Governor proposes spending \$717 million more General Fund and Lottery Funds than in the current biennium. Based on the estimated “essential budget level,” or the amount of funding needed to continue all programs and services in the 2007-09 biennial budget through the full two-year biennial period in 2009-11, an increase of approximately \$1.6 billion in expenditures is needed over the 2007-09 legislatively approved budget. The difference of about \$846 million between what was ultimately included in the Governor’s recommended budget and the amount needed to continue currently existing programs was reduced from all agency budgets by an average amount of 5.4% below the essential budget level. More information on these reductions from the amounts necessary to continue all currently existing programs and other changes proposed in the Governor’s recommended budget can be found in the Program Area Summaries section of this document and in the Legislative Fiscal Office’s publication, *Analysis of the 2009-11 Essential Budget Level*, which includes details by all individual agencies.

The following two charts graphically display where the \$846 million General Fund and Lottery Funds below the essential budget level were allocated in the Governor’s recommended budget. In terms of percentage growth over the amount necessary to continue all current law programs, the Natural Resources and Economic and Community Development program areas increased by 16.6% and 14.7%, respectively. The Public Safety and Education program areas were basically funded at the essential budget level, down only 2.3% and 1.7%, respectively. The Human Services program area decreased by 16.6% over the 2009-11 essential budget level.



Despite the percentage growth in the Economic and Community Development and Natural Resources program areas (Natural Resources is only due to a technicality of the essential budget calculation process which eliminates capital construction), the most significant change in terms of actual dollars is accounted for by the Human Services program area. Human Services programs comprise \$720 million

of the net \$847 million of state support spent below the essential budget level. The Education program area makes up \$147 million of the decrease, followed by Public Safety at a reduction of \$65 million. Natural Resources (up by \$52 million), Economic and Community Development (\$23 million), and the miscellaneous All Other program area (\$11 million) are the only program areas with increases over the calculated 2009-11 essential budget level.



The Governor is required by statute to produce a balanced budget using current law revenues. The budget is generally based on the current law revenues from the economic and revenue forecast produced by the Department of Administrative Services' Office of Economic Analysis in the December immediately prior to the start of the legislative session. The December 2008 current law forecast identified total General Fund resources of \$14.749 billion and Lottery Funds resources of \$923.2 million discretionary and \$224.2 million dedicated Measure 66 available for expenditure in the 2009-11 biennium, a total of \$15.897 billion. These amounts reflect beginning balances, interest earnings, and, in the case of Lottery Funds, carry forward revenues.

In addition to the currently projected state resources, the Governor's balanced budget relies upon several revenue changes that are not reflected in the December 2008 Office of Economic Analysis revenue forecast and will require legislative action during the 2009 session. Specifically, the Governor's budget relies upon the following revenue enhancements:

- Increase in the corporate minimum on graduated scale; \$83.6 million increase to General Fund; placed in General Fund, but claims to be the source to pay for Oregon Student Assistance Commission Opportunity Grants.
- Increase in the cigarette tax of \$0.60 per pack and an increase of 25% of wholesale of Other Tobacco Products; projected at \$112 million; used to fund the Oregon Health Plan, enhanced tobacco prevention education, and local transportation for seniors and disabled.
- Continuation and restructuring of the provider taxes for managed care organizations and hospitals; projected at \$696 million; used to pay for Healthy Kids Plan (insurers tax) and continuation and

expansion of the Oregon Health Plan Standard Program to cover 100,000 uninsured (hospital tax); approximately \$213 million of the projected provider tax increases are not used in the budget, but placed in a Department of Human Services caseload reserve.

- Increases in vehicle and registration fees and a two-cent increase in the state fuel tax; projected at \$1 billion; used for investments in the state's transportation system.
- Other transfers and revenues include:
  - \$20 million of Tobacco Settlement to the Oregon Health Plan
  - \$20.7 million additional General Fund from Dept. of Revenue collection enhancements
  - \$30 million additional General Fund from Liquor Control Commission distribution increase
  - Transfer of \$8.1 million of 911 tax revenues to the General Fund (a similar transfer was vetoed by the same Governor in 2007)
  - \$14.1 million General Fund reduction by allowing the Department of Higher Education to retain interest earnings
  - Continuation of tax credits that sunset in 2009-11 (\$0.3 million General Fund reduction); revisions to business and residential energy tax credits (\$4.3 million General Fund addition); and expansion of the film development tax credit (\$5 million General Fund reduction)

The table on the following page provides a summary of the General Fund and Lottery Fund revenues assumed in the Governor's recommended budget and proposed expenditures by program area.

**2009-11 Governor's Recommended Budget**

	<b>General Fund</b>	<b>Lottery Funds- Discret.</b>	<b>Lottery Funds- Meas. 66</b>	<b>Combined GF + LF</b>	<b>\$ millions</b>
<b>2009-11 Revenues</b>					
Current Projected 2007-09 Ending Balance	\$0.0	\$3.3	\$27.6	\$30.9	December 2008 forecast
1% of Projected GF Expenditures (\$139.5 million)	0.0			0.0	Rainy Day Fund projected deposit
Half of LF Ending Balance to K-12 Capital Acct.		(1.7)		(1.7)	HB 3344 (2007)
Carryforward		19.8		19.8	
Projected Available 2009-11 Beginning Balance	0.0	21.5	27.6	49.1	
Current Projected 2009-11 Revenues	14,749.4	1,154.6	196.6	16,100.6	LF includes ESF interest
Current Projected LF Dedications (non-M-66)		(252.7)		(252.7)	County Video, ESF, Cap Match Acct, ERT
Current Projected Available 2009-11 Resources	\$14,749.4	\$923.3	\$224.2	\$15,896.9	
<b>Other Resources in the GRB</b>					
Projected TANS interest costs	(43.7)			(43.7)	
Department of Revenue Collection Enhancement	20.7			20.7	
OLCC Revenue Enhancements	30.0			30.0	
911 Tax Transfer to General Fund	8.1			8.1	
Tax Credit Restoration (2009-11 Sunsets)	(0.3)			(0.3)	
Climate Change Tax Credits (LC 598)	4.3			4.3	
Film Tax Credit Increase to \$7.5 million/year	(5.0)			(5.0)	
OUS Retain Interest Earnings	(14.1)			(14.1)	
Corporate Minimum Increase	83.6			83.6	
<b>Total Revenues/Resources</b>	<b>14,833.0</b>	<b>923.3</b>	<b>224.2</b>	<b>15,980.5</b>	
<b>2009-11 GRB Program Area Expenditures</b>					
K-12	\$5,852.8	\$539.1	\$0.0	6,391.9	
Education (Other)	2,031.7	97.8	-	2,129.5	
Human Services	3,605.2	13.6	-	3,618.9	
Public Safety	2,170.1	-	6.2	2,176.3	
Judicial Branch	545.5	-	-	545.5	
Economic and Community Development	31.8	137.4	-	169.3	
Natural Resources	156.1	0.3	207.9	364.2	\$54.8 million of M66 is OWEB capital
Transportation	1.2	105.0	-	106.2	
Consumer and Business Services	13.8	-	-	13.8	
Administration	207.4	8.0	-	215.4	
Legislative Branch	77.2	-	-	77.2	
Program Area Subtotal	\$14,692.9	\$901.2	\$214.1	\$15,808.2	
<b>2009-11 GRB Emergency Fund</b>					
Salary Adjustment	40.0			40.0	health benefits only; net is \$5.1 million
Forestry Fire Insurance/Severity SPA	5.1			5.1	
Furloughed Employees	(34.9)			(34.9)	one day per quarter Executive Branch
General Purpose	30.0			30.0	
<b>Total Expenditures</b>	<b>\$14,733.1</b>	<b>\$901.2</b>	<b>\$214.1</b>	<b>\$15,848.4</b>	
<b>Net Fiscal Position</b>	<b>\$99.9</b>	<b>\$22.2</b>	<b>\$10.1</b>	<b>\$132.2</b>	
<b>Adjustments</b>	<b>\$0.0</b>	<b>(\$20.7)</b>	<b>(\$10.1)</b>	<b>(\$30.8)</b>	Reserved/encumbered funds
<b>Projected Ending Balance</b>	<b>\$99.9</b>	<b>\$1.4</b>	<b>(\$0.0)</b>	<b>\$101.3</b>	

## Criminal Fines and Assessments

Criminal Fines and Assessment Account (CFAA) revenue is a major source of funding for public safety agencies and is generated from a variety of fines, assessments, and repayments received through the state courts and local justice and municipal courts. The 2009-11 essential budget level (EBL) assumes over \$127 million in CFAA revenues will be available. Over 80% of the CFAA revenues come from two sources – non-designated fines and the unitary assessment. The fines are mostly traffic and motor vehicle related, but do not include parking violation fines. The unitary assessment is authorized under ORS 137.290 and is an amount over and above any other monetary obligation imposed by the court. The unitary assessment varies based on the type of crime. ORS 137.300 sets out a priority order for CFAA funds as follows: (1) public safety standards and training (through the Department of Public Safety Standards and Training, or DPSST), (2) crime victims programs, (3) State Police forensics and medical examiner programs, and (4) the Law Enforcement Data System (LEDS). CFAA revenues can not be used for any other purpose than these programs, including debt service. The remaining CFAA funds are deposited into the General Fund.

The 2009-11 EBL for the allocation of CFAA revenues generally reflect the amount necessary to continue the programs based on EBL costs as submitted by the agencies. In the case of the Department of Human Services (DHS), there were no adjustments made for EBL costs and the amounts are equal to the 2007-09 allocations. The combination of falling CFAA revenues and the growth in EBL costs (primarily driven by DPSST operations) led to the decrease in the amount distributed to the General Fund from almost 60% in 2009-11 to 53.8% in the 2007-09 EBL. The Governor's budget for 2009-11 reflects the decision to direct more funds to the General Fund (from 53.8% in EBL to 59.4% in the Governor's budget) with reductions from EBL in proposed allocations to DPSST operations of 15% and Department of Justice crime victims programs of 7.8%. No reductions were made to the DHS programs.

### Criminal Fines and Assessment (CFAA) Allocations: 2005-07 to 2009-11

	<u>Agency</u>	2005-07 Allocation	2007-09 Final Allocation 9/07 Forecast	2009-11 EBL Allocation 12/08 Forecast	2009-11 GRB Allocation 12/08 Forecast
<b>Total Available CFAA Revenues for Allocation</b>		<b>119,083,203</b>	<b>130,376,140</b>	<b>127,636,866</b>	<b>127,636,866</b>
<b>Priority 1</b>					
DPSST Operations	DPSST	19,188,582	29,122,518	35,104,232	29,581,721
Public Safety Memorial Fund	DPSST	104,962	211,221	250,425	250,425
State Police Training	OSP	1,051,174	-		
<b>Priority 2</b>					
Child Abuse Medical Assessments	DOJ	749,280	772,508	794,138	794,138
Child Abuse Multidisciplinary Intervention (CAMI)	DOJ	7,298,296	9,540,470	9,807,504	8,213,220
Criminal Injuries Compensation Account (CICA)	DOJ	6,496,035	8,697,412	8,936,223	8,936,223
Regional Assessment Centers	DOJ	886,403	913,881	939,470	939,470
Domestic Violence Fund	DHS	2,157,784	2,224,675	2,224,675	2,224,675
Emergency Medical Services & Trauma Systems	DHS	315,000	324,765	324,765	324,765
Sexual Assault Victims Fund	DHS	532,342	533,332	533,332	533,332
<b>Priority 3</b>					
Forensics Services	OSP	-	-	-	-
Medical Examiner	OSP	-	-	-	-
<b>Priority 4</b>					
Law Enforcement Data Systems (LEDS)	OSP	-	-	-	-
<b>Total Allocation</b>		<b>38,779,858</b>	<b>52,340,782</b>	<b>58,914,764</b>	<b>51,797,969</b>
<i>% of Total CFAA Revenue</i>		<i>32.57</i>	<i>40.15</i>	<i>46.16</i>	<i>40.58</i>
<b>Total Distributed to the General Fund</b>		<b>80,303,345</b>	<b>78,035,358</b>	<b>68,722,102</b>	<b>75,838,897</b>
<i>% of Total CFAA Revenue</i>		<i>67.43</i>	<i>59.85</i>	<i>53.84</i>	<i>59.42</i>

## Program Area Summaries

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### Education Program Area

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

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

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

Total General Fund plus Lottery Funds support for the Education program area in the Governor's budget is \$8.52 billion. This is up \$262.5 million (or 3.2%) over the 2007-09 legislatively approved budget. This is below the 4.7% proposed increase in General Fund and Lottery Funds spending overall, and 1.7% below the essential budget level for the program area.

### K-12 School Funding

The Governor's recommended budget provides \$6.39 billion in state support for K-12 school funding. This is an increase of about \$143.7 million, or 2.3%, above the 2007-09 legislatively approved budget of \$6.25 billion. Of the total budget, \$5.85 billion is from General Fund support, \$539.1 million is from Lottery Funds, and \$340,252 is from state timber taxes expended as Other Funds. General Fund is increased by \$261.7 million and Lottery Funds are decreased by \$115.1 million from the 2007-09 legislatively approved budget.

Currently, the 2009-11 essential budget level for the state-supported portion of the State School Fund (SSF) is estimated at \$6.27 billion. The essential budget level is determined each interim by the School Revenue Forecast Committee, which was established by executive order in 1999. Assumptions made by the Committee for the 2009-11 essential budget level include, among other factors, a 14.08% PERS rate; increases of 8% annually in health benefits costs; about a 2.3% annual increase in teacher salaries; and growth in student counts of 0.3% annually.

The Governor's budget for the SSF totals \$147.9 million below the essential budget level. Allocations from the State School Fund for the Oregon Virtual School District (\$0.9 million), Physical Education Grants (\$0.5 million), and Best Business Practice Advisory Committee and Audits (\$0.4 million) are funded in the first school year only. The Governor proposes to increase services to children with autism and low-incidence disabilities (\$5 million), enhance teacher and administrator mentoring (\$2.5 million), and enhance professional development (\$0.15 million) through allocations from the SSF; therefore, the State School Fund available for distribution would be reduced by those amounts. The Governor's budget continues funding for the School Improvement Fund at \$268.6 million, or \$6.4 million below the essential budget level.

The Governor's recommended budget for K-12 School Funding also includes \$1.3 million General Fund for local option matching grants to eligible districts that have passed local option levies. Given the estimated need of \$2.3 million for local option matching grants, approximately \$2 million more would be needed to fully fund the program.

During 2009-11, local revenues, which are primarily property taxes, are expected to be \$3 billion, or about \$116 million more than estimated for 2007-09. Combined state and local support would be increased by 3% from 2007-09 to 2009-11 (from \$9.116 billion to \$9.388 billion).

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

<i>(\$ in millions)</i>											
Fiscal Year	State funding	Local funding	Total	Percent change	State share	Fiscal Year	State funding	Local funding	Total	Percent change	State share
1991-92	818	1,561	2,379	7.0%	34%	2001-02	2,537	1,040	3,577	4.2%	71%
1992-93	1,100	1,490	2,590	8.9%	42%	2002-03	2,358	1,112	3,470	-3.0%	68%
1993-94	1,132	1,343	2,475	-4.4%	46%	2003-04	2,591	1,134	3,725	7.3%	70%
1994-95	1,427	1,178	2,605	5.3%	55%	2004-05	2,326	1,202	3,536	-5.1%	66%
1995-96	1,750	902	2,652	1.8%	66%	2005-06	2,567	1,285	3,852	8.9%	67%
1996-97	1,760	956	2,716	2.4%	65%	2006-07	2,738	1,355	4,093	6.3%	67%
1997-98	2,078	896	2,974	9.5%	70%	2007-08 Est	3,044	1,414	4,458	8.9%	68%
1998-99	2,250	889	3,139	5.5%	72%	2008-09 Est	3,204	1,454	4,658	4.5%	69%
1999-2000	2,326	967	3,293	4.9%	71%	2009-10 GRB	3,203	1,471	4,674	0.3%	69%
2000-01	2,437	995	3,432	4.2%	71%	2010-11 GRB	3,188	1,526	4,714	0.9%	68%

### **Department of Education**

The budget for the agency (not including K-12 School Funding) funds agency operations, the School for the Blind (OSB) and the School for the Deaf (OSD), the Youth Corrections Education Program (YCEP), the Grant-in-Aid program, Common School Fund distributions, and the debt service payments on bonds issued in the late 1990s.

The Governor's recommended budget for agency operations is a 3.5% increase over the 2007-09 legislatively approved budget. The General Fund is decreased by 0.8%, Other Funds expenditure limitation is increased by 15.2%, and Federal Funds expenditure limitation is increased by 3.7%.

The Governor's budget includes:

- A package to partially implement new diploma requirements including six positions (6.00 FTE) and \$1.36 million General Fund.
- Additional funding of \$1 million General Fund to address increased vendor assessment costs; however, this is \$1.2 million short of the Department's estimate of the need.
- A package to increase child nutrition programs such as Farm-to-School and the Fresh Fruit and Vegetable Program including three positions (3.00 FTE) and \$0.5 million Federal Funds.

The Governor's recommended budget for the School for the Blind and the School for the Deaf funds these programs at essentially the same level with increases for standard inflation. The budget does not address the issues of deferred maintenance or potentially moving the School for the Blind program to the School for the Deaf campus. The budget for the Youth Corrections Education Program (YCEP) was reduced by \$5.2 million General Fund to reflect the transfer of funding to the Oregon Youth Authority for YCEP participants who have already received a high school diploma or who were 21 years of age or older.

The Governor's recommended budget for the Grant-in-Aid program is a 3.4% increase over the 2007-09 legislatively approved budget. Within this overall increase, General Fund support is increased by 13.6%, Other Funds expenditure limitation increases by 2.3%, and federal resources remain essentially level. The Governor's budget includes:

- Funding to reflect the full cost of the Oregon Pre-Kindergarten expansion approved by the Legislature in 2007-09 and an additional \$6 million General Fund to expand services to approximately 700 children. However, the Governor's proposal is unclear in its intention for an implementation timeline. In order to achieve the addition of 700 children, the expansion would need to occur in the second half of the biennium. At this level, approximately 62% of eligible children would be served by the end of the biennium.
- Establishing state funding for an Early Head Start Program which serves prenatal to age 3. For \$1 million General Fund, it is estimated that 59 children could be served during the biennium.

The budget has distributions from the Common School Fund estimated to be \$39 million. That is a reduction of about 64.4% from the 2007-09 legislatively approved level. In developing the essential budget level for the State School Fund, the School Revenue Forecast Committee assumed the minimal 2% distribution would be made.

## **Post-Secondary Education**

The state budget supports post-secondary education through the Department of Higher Education, the Department of Community Colleges and Workforce Development, the Oregon Health and Science University public corporation, and the Oregon Student Assistance Commission. The Governor's recommended budget includes a total of \$1.71 billion of General Fund and Lottery Funds to support post-secondary education. This is an increase of \$80.8 million, or 5%, over the 2007-09 legislatively approved budget. This increase is slightly above the 4.7% growth in General Fund and Lottery Funds spending overall, but is 0.2% below the essential budget level.

The budgets of the post-secondary education agencies also include \$4.8 billion of Other and Federal Funds. These funds support various programs in the agency budgets, including:

- federally funded programs, primarily relating to job training under the Workforce Investment Act, in the Department of Community Colleges and Workforce Development budget;

- tuition and fee-paid, auxiliary, student loan, and grant activities in the Department of Higher Education budget; and
- capital construction expenditures in both the Department of Higher Education and the Department of Community Colleges and Workforce Development budgets.

The preponderance of these funds – including those associated with higher education student loan, auxiliary, and grant programs – are not limited by the Legislature. Programs supported by Other Funds in the post-secondary education budgets are generally distinct from the state-supported programs. The exception to this is in the Department of Higher Education, where tuition and other student fees are combined with state support monies to finance the Education and General Services program and where state monies support activities also funded by Other Funds in the Statewide Public Service Program budgets.

### **Department of Higher Education**

State support for the Department of Higher Education (DHED) totals \$949.5 million. This is an increase of \$30.3 million, or 3.3%, from the 2007-09 approved biennium level. The Department budget also includes \$4.6 billion Other Funds for a total of \$5.54 billion from all fund sources.

General Fund support for the Education and General Services program totals \$716.4 million, which is a \$23.7 million (or 3.4%) increase over the 2007-09 legislatively approved budget through December 2008. The General Fund appropriation is combined with limited Other Funds to finance Education and General Services program expenditures. Combined limited expenditures for the Education and General Services program total \$2.03 billion in the Governor’s budget, which is 9.4% above the level approved by the Legislature for the prior biennium.

Notable changes to existing program levels in the Governor’s budget include:

- \$16.3 million in General Fund reductions to Public Services, Academic Support, and Institutional Management and Support across program areas.
- \$13.9 million General Fund reduction and a \$13.9 million Other Funds expenditure limitation increase for a proposal by which DHED would retain interest earnings on non-General Fund balances in its accounts. Currently, all interest on DHED accounts accrues to the General Fund. Under this proposal, interest on General Fund appropriations would continue to accrue to the General Fund, while interest on all other cash balances like tuition payments would be kept by the Department. In order to offset the General Fund revenue impact of the change, the agency agreed to reduce General Fund expenditures by \$13.9 million to make the proposal General Fund neutral.
- \$3 million General Fund enhancement to the Engineering and Technology Industrial Council (ETIC) Program.
- \$325,000 General Fund for the Climate Change Research Institute at Oregon State University to create a climate change information clearinghouse and develop a water research roadmap.

To accommodate recent large enrollment growth rates, the Governor recommended adding \$73 million in Other Funds expenditure limitation for additional tuition revenues from higher enrollment and allow the use of cash reserves to meet costs. The Governor’s budget does not include any extra General Fund to supplement tuition revenues for the additional students. While the Governor’s budget includes no allowance for tuition rate increases, the executive branch has stated it is not opposed to tuition increases, and is leaving any needed tuition increase for the Legislature to determine.

### **Community Colleges**

General Fund support in the Governor's budget for the Department of Community Colleges and Workforce Development (CCWD) totals \$506.8 million. This is a decrease of \$4.75 million (or 0.9%) from the 2007-09 biennium level. Most of the General Fund is transferred to community colleges, either through the Community College Support Fund (CCSF), or for specified activities. Of the total General Fund in the budget, \$488.4 million is allocated for community college support, \$8.4 million is for the office operations of the state Department, and \$10 million is to pay debt service on bonds previously issued to finance capital construction projects on community college campuses.

The state provides most funding to community colleges through the Community College Support Fund. Of the total \$488.4 million of General Fund for community college support, \$485 million is distributed to colleges through the CCSF. These monies are unrestricted funds used by the colleges to support all of their operations, and are not dedicated to any particular purpose or program. CCSF funds are distributed to the colleges primarily on an enrollment basis. The CCSF appropriation is \$15 million (or 3%) below the prior biennium level, which represents a reduction of \$15.2 million from the essential budget level. The budget includes an additional \$3.4 million General Fund for community colleges outside of the CCSF. These funds are designated to specified programs.

General Fund enhancements in the Governor's budget include:

- \$3.35 million and two new positions (2.00 FTE) for the Department for a new Career Readiness Certification program, which would establish skills assessments that would certify job applicants as "Ready to Work" to employers;
- \$1.35 million for Career and Technical Education that would be distributed to community colleges to support their programs in these areas; and
- \$100,000 for the Post-Secondary Quality Education Commission.

The Department's budget also includes \$159.5 million of Federal and Other Funds, for a total of \$666.3 million from all fund sources. Expenditure limitations are recommended to allow the Department to spend all projected revenue from federal Workforce Investment Act and Carl Perkins Technical and Applied Technology Act funds, as well as revenues available for the Oregon Youth Conservation Corps. Federal Funds of \$120.4 million, down \$7 million (or 5.5%) from the prior biennium level, support the agency's workforce programs through the Workforce Investment Act (WIA Title IB) and Adult Education and Family Literacy (WIA Title II) programs. Most of the budget's Other Funds, \$31.8 million, consist of \$15.9 million of state (Article XI-G) bonds matched by an equal amount of community college funds, to finance capital construction projects on three community college campuses.

The Governor's recommended budget therefore continues a policy reinstated in the 2005-07 biennium of issuing state bonds for community college capital construction. The \$15.9 million of Article XI-G bonds included in the CCWD budget represents a 64% decrease from the \$88.1 million of bonds approved in the 2007-09 biennium. Debt service on these bonds is projected to total \$2.3 million General Fund per biennium, beginning in the 2011-13 biennium. Details on capital construction for the Department are discussed in the "Capital Construction" section of this report.

### **OHSU Public Corporation**

The Governor's recommended budget for the Oregon Health and Science University (OHSU) public corporation totals \$120.1 million and is equal to the 2009-11 essential budget level. The budget consists of \$88.2 million General Fund, and \$31.9 million of debt service payments for the Oregon Opportunity Program. The proposed General Fund appropriation represents a \$1.6 million (or 1.9%)

increase over the prior biennium and includes full biennial funding for costs associated with inflation, as well as programs that were begun during the 2007-09 biennium and therefore, only partially funded.

As noted above, the budget includes \$31.9 million of Tobacco Master Settlement Agreement funds to pay debt service on Article XI-L bonds previously issued to support the Oregon Opportunity Program. This program is an initiative to expand OHSU's research programs in biotechnology and genetics, and to expand its rural health programs. A total of \$200 million of Article XI-L bonds were issued in the 2001-03 and 2003-05 biennia. Debt service costs for these bonds are unchanged from the prior biennium level.

### **Oregon Student Assistance Commission**

State funding for the Oregon Student Assistance Commission (OSAC) totals \$166.3 million. This is an increase of \$53.6 million (47.5%) over the 2007-09 biennium level. The budget increases funding for the Opportunity Grant student aid program to \$163 million total funds, up \$53 million (48.2%) over the amount approved for the prior biennium. OSAC estimates between 30,500 and 34,500 students could be served each year of the biennium with an average award of up to \$2,700 for full-time and \$700 for part-time students. The Governor's budget adds \$15 million General Fund and anticipates no changes to the cost controls in the first year of the biennium. However, fewer students or lower awards would be necessary during the second year of the biennium if additional dollars beyond the Governor's budget were not added.

## **Human Services Program Area**

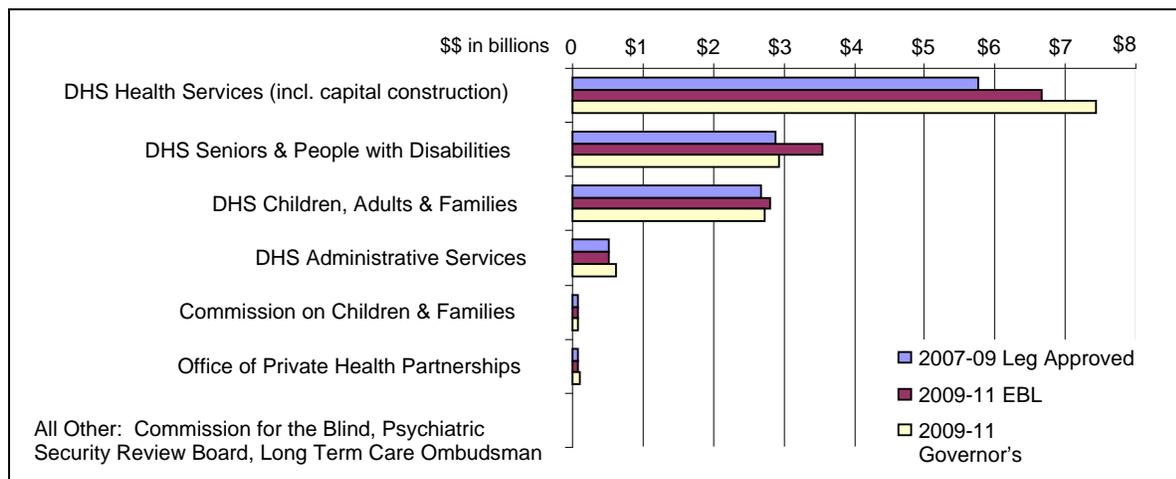
The agencies in the Human Services program area work with local governments, private for-profit and non-profit organizations, communities, and individuals to provide cash and employment assistance, food stamps, medical coverage, long-term care and other support to low-income individuals and families,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

The Human Services program area represents about 22.8% of Oregon's combined General Fund and Lottery Funds expenditures, and 24% of total funds expenditures, for the current biennium. The 2009-11 essential budget level for the program area is calculated at \$4.325 billion General Fund and \$13.725 billion total funds. The Governor's 2009-11 budget for the Human Services program area is \$13.936 billion total funds, including \$3.605 billion General Fund and \$13.6 million Lottery Funds. The Governor's combined General Fund/Lottery Funds budget is 4.7% more than the 2007-09 legislatively approved budget for the program area, but 16% below the essential budget level. The \$13.936 billion total funds budget is about 15.8% higher than the 2007-09 legislatively approved budget and 1.5% higher than the essential budget level. About 98% of the Human Services program area budget is in the Department of Human Services (DHS), which has major cost drivers in caseload growth, health care inflation, continued work on the Oregon State Hospital replacement project, and proposed health care expansions in the Healthy Kids Plan and the Oregon Health Plan Standard program.

The Human Services program area budget as proposed by the Governor includes \$2.226 billion Other Funds. Major sources are tobacco taxes, Medicaid provider taxes, certificates of participation proceeds for the Oregon State Hospital replacement project, transfers from other state agencies, and various

fees. At \$8.091 billion, Federal Funds are primarily matching funds such as Medicaid, capped block grants such as Temporary Assistance to Needy Families (TANF), and Nonlimited funds such as food stamps.

The table below compares the program area agencies' total funds budgets for the 2007-09 Legislatively Approved Budget at December 2008, the 2009-11 calculated essential budget level (EBL), and the 2009-11 Governor's recommended budget.



**Department of Human Services**

The calculated essential budget level for DHS is \$4.233 billion General Fund and \$13.530 billion total funds. The 2009-11 Governor's recommended budget is \$3.521 billion General Fund and \$13.728 billion total funds. Although the proposed General Fund budget is 5% more than DHS' 2007-09 legislatively approved budget, it is 16.8% less than the essential budget level. The proposed total funds budget is 15.9% more than the 2007-09 legislatively approved budget, and 1.5% more than the essential budget level. The Governor's budget would make significant reductions in programs for low-income families, for mental health and alcohol and drug services, and in services for seniors and people with disabilities. Most program providers, except for those in the Oregon Health Plan, would receive no cost of living adjustments during the 2009-11 biennium. The Governor proposes major investments in health care for low-income children and adults with a proposed tobacco tax rate increase and higher provider taxes on hospitals and managed care organizations.

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

**DHS Children, Adults and Families**

The Children, Adults, and Families (CAF) area is responsible for programs that promote independence for families and adults, provide child welfare and adoption services, and administer vocational rehabilitation services. CAF's 2009-11 essential budget level is \$716.6 million General Fund and \$2.797 billion total funds, overall about 4.5% higher than the 2007-09 legislatively approved budget. The EBL calculation reflects a substantial shift to General Fund to replace capped federal funds, TANF and child care program enhancements phased-in during the 2007-09 biennium, mandated caseload increases, and inflationary adjustments.

The Governor's recommended budget is \$673.2 million General Fund and \$2.716 billion total funds. This includes \$1.140 billion in Nonlimited Federal Funds for Food Stamp benefits. The Governor's budget is 16.9% General Fund and 1.4% total funds higher than the 2007-09 legislatively approved budget as of December 2008, but 6.1% General Fund and 2.9% total funds below the essential budget level for 2009-11. The Governor proposes to backfill some expected federal fund shortfalls caused by capped federal funds and increasing caseloads, but significant program reductions would take place in TANF-funded programs and vocational rehabilitation services. Much of the 2007-09 investment in TANF cash assistance, JOBS employment and training services, and Employment Related Day Care would be reversed, program access would be further limited, and client and provider payments would be reduced. The largest reductions would come from limiting Employment Related Day Care only to families leaving TANF, and eliminating or reducing TANF cash assistance payments based on a number of new eligibility criteria. The Governor's budget largely protects child welfare programs, but Supportive Remedial Day Care services are eliminated and selected medical services for children or parents of children in DHS' custody are reduced.

### **DHS Division of Medical Assistance Programs**

The Division of Medical Assistance Programs (DMAP) budget contains funding for the Oregon Health Plan (OHP), non-OHP expenditures, the Children's Health Insurance Program (CHIP), and program support and central administrative costs. The OHP provides medical care, including physician, hospital, pharmaceutical, vision, and dental services, to more than 400,000 low income Oregonians. It is funded with a combination of state funds and federal matching Medicaid funds. CHIP expenditures are also for medical services, and similar to Medicaid are a combination of state funds and an allocation of federal matching CHIP funds. Non-OHP expenditures include a payment to the federal government for Oregon's "dual-eligible" citizens – those that are eligible for both Medicare and Medicaid – that is required under the Medicare Modernization Act for Medicare Part D, a drug benefit. The non-OHP budget also includes funding on behalf of certain Qualified Medicare Beneficiaries for their Medicare cost sharing such as co-payments or coinsurance.

The 2009-11 essential budget level for DMAP is \$1.4 billion General Fund and \$5.2 billion total funds. General Fund is 33% higher, and total funds 19% higher, than the 2007-09 legislatively approved budget. These significant increases are the result of caseload increases, higher medical service costs, lower amounts of available Other Funds which are replaced with General Fund, and increasing diagnostic-related grouping hospital reimbursement within managed care capitation rates from 80% to 100% of actuarially-determined costs. The transfer of Medicare premium payments for low-income Medicare beneficiaries from DMAP to SPD partially offsets these increases.

The 2009-11 Governor's recommended budget makes significant changes to the DMAP budget, increasing it by \$589.6 million total funds. General Fund, however, is reduced by \$413.2 million. The Governor's budget replaces \$231 million General Fund with new and existing Other Funds revenue sources; reduces services and reimbursement; and expands the OHP Standard program and enhances Medicaid and CHIP coverage for children through the Healthy Kids Plan. The OHP Standard expansion and Healthy Kids Plan are funded with new medical provider and insurer taxes along with federal Medicaid and CHIP revenue.

### **DHS Addictions and Mental Health Division**

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

The 2009-11 essential budget level is \$595.6 million General Fund and \$912.7 million total funds. This is about 19% higher than the 2007-09 legislatively approved budget. The increases are largely the result of adding a full biennial cost for community-based facilities that were developed during the 2007-09 biennium, inflationary costs including medical inflation for several expenditure categories at the state hospital, and the cost of anticipated caseload growth in community-based treatment programs.

The Governor's recommended budget of \$556.9 million General Fund and \$844 million total funds reflects \$68.8 million in total funds reductions from the essential budget level. The Governor's budget adds a significant number of staff to the Oregon State Hospital (OSH), but makes large reductions to AMH community-based services for non-Medicaid clients. While the Governor's policy analysts are hopeful that some of the (currently) non-Medicaid eligible clients will receive community-based mental health and alcohol and drug treatment services from an expanded OHP Standard program, the Governor's budget would probably still leave a number of non-Medicaid eligible clients without services. In effect, the budget represents a bona fide attempt to increase OSH staffing to more appropriate levels, but at a significant cost to community-based programs that are designed to care for those leaving OSH as well as treating clients before they need the level of care available at OSH.

### **DHS Public Health Division**

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

The 2009-11 essential budget level is \$53.9 million General Fund and \$524.8 million total funds, about 4% higher than the 2007-09 legislatively approved budget. The budget includes adjustments for personal services costs and inflation.

The Governor's recommended budget of \$501.2 million total funds is \$23.6 million total funds (\$2 million General Fund) lower than the essential budget level. Most significantly, the budget reflects a reduction in the Family Planning Expansion Program (FPEP) of nearly \$22 million total funds (\$2.2 million General Fund). The Governor's budget adds about \$3 million General Fund to provide obesity prevention and education programs. Also, the Governor's budget proposes to add about \$1.9 million to replace \$0.9 million in lower Federal Funds and to make \$1 million in local public health system improvements. Finally, it adds \$7 million of new tobacco taxes to augment the tobacco prevention and education program and \$1.4 million of new provider or insurer taxes for school-based clinics as part of the Healthy Kids Plan.

### **DHS Seniors and People with Disabilities**

The Seniors and People with Disabilities (SPD) program area includes the Medicaid long-term care program for seniors and people with physical disabilities, and services for people with developmental disabilities. The 2009-11 essential budget level for SPD is \$1.235 billion General Fund and \$3.547 billion total funds. This is about 22.9% higher than the 2007-09 legislatively approved budget due to the transfer of the Medicare Buy-in Programs from the Division of Medical Assistance Programs (which adds \$102.2 million General Fund and \$249.6 million total funds to this budget), mandated caseload growth, and phased-in costs such as provider rate increases started during the 2007-09 biennium.

The 2009-11 Governor's recommended budget is \$999.4 million General Fund and \$2.945 billion total funds. The Governor's proposed total funds budget would be about 6.6% less than SPD's 2007-09 budget except for the transfer of the Medicare Buy-in Programs; with this transfer, the Governor's total funds budget for SPD is about 2% higher than the 2007-09 legislatively approved level, but 17% below the 2009-11 essential budget level.

The Governor's proposal does not move forward any of the long-term care system enhancements proposed by the agency and its stakeholders in recent planning efforts. It would instead eliminate services to about 4,300 seniors and persons with physical disabilities who currently receive services, about 19% of the current caseload, by implementing a new federal Medicaid state plan option that restricts income eligibility to 150% of the Federal Poverty Level. This would reduce the SPD budget by almost \$100 million General Fund, with additional savings in the Oregon Health Plan as persons losing long-term care eligibility would also lose their OHP eligibility. Other savings would result from limiting client services and worker benefits for in-home care. Nursing facility rates would be reduced by limiting the allowable cost claimed for reimbursement.

The Governor's budget would also further delay full implementation of the Staley settlement agreement on services for persons with developmental disabilities. The reductions would affect employment supports, in-home and family support services, comprehensive services, and local brokerage support services.

### **DHS Administrative Services Division**

The Administrative Services Division (ASD) budget funds central operations and support for DHS. The 2009-11 essential budget level for ASD is \$240.3 million General Fund and \$515.2 million total funds. This represents a very small increase (less than 1%) in total funds compared with the 2007-09 legislatively approved budget, but a 20% increase in General Fund. The General Fund increase is largely the result of higher General Fund debt service costs for the Oregon State Hospital replacement project and information systems projects (\$13 million), a Federal Funds shortfall of about \$10 million caused by a reinterpretation of Medicaid Targeted Case Management and Temporary Assistance for Needy Family rules, inflationary costs (\$9.6 million), and a phase-in of Medicaid Management Information System maintenance costs as the system is brought into service.

The Governor's recommended budget is \$621.8 million total funds, and adds \$78 million that would support information systems development and maintenance. The budget would fund completion and maintenance of the Statewide Automated Child Welfare Information System (now called the Oregon Kids Project), the development of other CAF and Public Health systems, and the enhancement of the new Oregon State Hospital Behavioral Health Information Project so that it could also be used by community mental health providers. The Governor's proposed budget also provides for Healthy Kids administrative costs and support for the Oregon Health Fund Board's proposal to create a Health Fund Authority. The Governor's budget contains several reductions as well, including a \$1 million General Fund decrease (\$2.5 million total funds) to the Office of Budget, Planning, and Analysis; eliminating essential budget level increases for caseload, training, and higher fuel costs; and a \$1.6 million General Fund reduction (\$3.1 million total funds) to the payments for the state data center.

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

The State Commission on Children and Families facilitates statewide planning for a system of services for children and families; supports 36 local commissions with policy direction, program information, and technical assistance; and distributes state and federal funds for local programs. The Commission's essential budget level is \$62.1 million General Fund and \$88.6 million total funds, 3% General Fund

and 0.4% total funds more than the 2007-09 legislatively approved budget. The Governor's proposed 2009-11 budget is \$55.9 million General Fund and \$82.4 million total funds. This is 7.3% General Fund and 6.6% total funds less than the 2007-09 legislatively approved budget, and 10% General Fund and 7% total funds less than the essential budget level. The Governor's General Fund across-the-board reduction would touch state and county commission operations, flexible funding streams for children and youth services, and programs such as Healthy Start, relief nurseries, and Court Appointed Special Advocates.

### **Office of Private Health Partnerships**

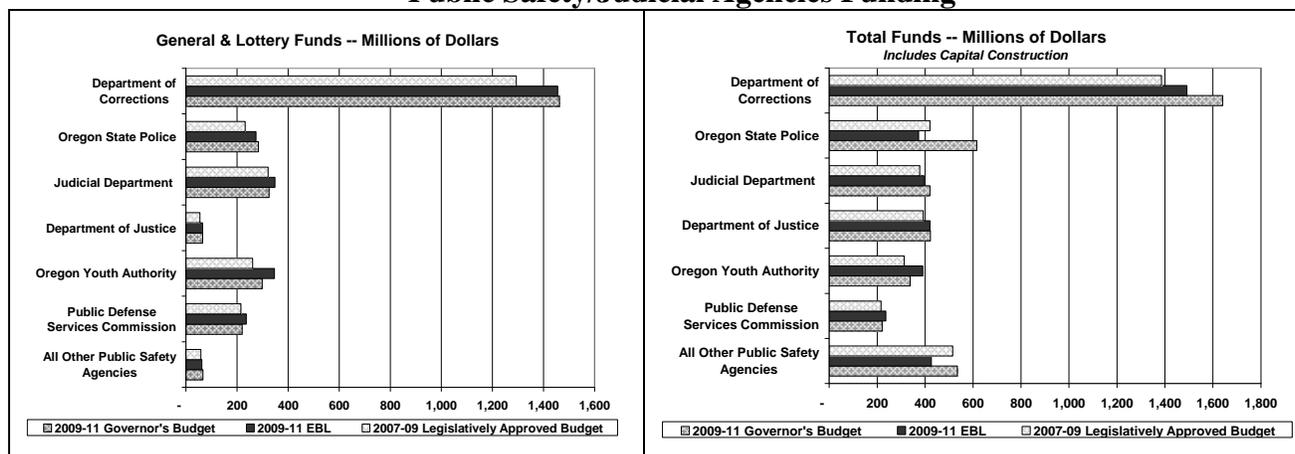
The primary function of the Office of Private Health Partnerships (OPHP) is to manage the Family Health Insurance Assistance Program (FHIAP) – part of the OHP, and in the Governor's budget, a portion of the Healthy Kids Plan. FHIAP provides health insurance premium subsidies to eligible low-income individuals or employees. The 2009-11 essential budget level is \$26.3 million General Fund and \$86.3 million total funds. The Governor's budget reduces agency General Fund, which is primarily used to match Medicaid and Children's Health Insurance Program Federal Funds, by 10%, but adds \$12.9 million of medical provider tax revenue (and federal matching funds) to implement the Healthy Kids Plan. As designed, the Healthy Kids Plan within OPHP would increase the 2009-11 average monthly caseload of children by 20,374. The 2009-11 Governor's budget is \$23.7 million General Fund and \$105.4 million total funds.

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

The agencies in the combined Public Safety and Judicial Branch program area generally provide services to insure the safety of Oregonians as it relates to criminal activities, civil disputes, highway safety, natural disasters, and homeland security. Many of these agencies provide a systemic approach to providing services representing four major interconnected and interdependent 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. Budget and policy changes in any of these components have a direct impact on the other components. For example, a decision to increase in the number of law enforcement officers will likely lead to increased arrests, prosecutions, and incarceration. From a different perspective, increased prevention and intervention activities hopefully lead to less criminal behavior affecting the need for public safety services.

Overall, the 2009-11 essential budget level (EBL) for the agencies in this program area total \$2.779 billion General Fund and \$3.733 billion total funds, a 14.5% increase from the 2007-09 legislatively approved budget in General Fund resources and a 3.15% increase in total funds. The growth is generally due to employee compensation increases, inflation, and mandated caseload growth (e.g., corrections). The Governor's recommended budget for 2009-11 of \$2.716 billion General Fund and \$4.191 billion total funds reflects a 2.3% General Fund decrease from EBL and a 12.3% increase in total funds. The significant increase in total funds is primarily due to capital construction increases for the Oregon Wireless Interoperability Network (OWIN) and prison construction for the Department of Corrections.

## Public Safety/Judicial Agencies Funding



*The other agencies include the Criminal Justice Commission, Military Department, District Attorneys, Public Safety Standards and Training (DPPST), Board of Parole and Post Prison Supervision, and Judicial Fitness and Disability Commission.*

### Department of Corrections

The 2009-11 EBL for the Department of Corrections (DOC) of \$1.455 billion General Fund (\$1.492 billion total funds) is 12.5% greater than the 2007-09 legislatively approved budget primarily driven by employee compensation, inflation (including health related), and the costs of the growing prison and community corrections populations. The EBL is understated by \$3 million since only half of the growth for community corrections estimated in the October 2008 forecast is included in the Governor's printed EBL. Before factoring in the costs of Ballot Measure 57, the DOC 2009-11 General Fund budget is \$66.6 million, or 4.6% below EBL. These General Fund reductions include:

- Over \$25 million by delaying the opening of medium security beds at Deer River Correctional Institution (DRCI) and minimum security beds at Shutter Creek Correctional Institution (SCCI).
- Reducing grants to counties for Community Corrections by \$12.1 million which is in addition to the \$3 million left out of the EBL. This could create issues relating to additional counties opting out of the program and returning their program to DOC.
- Assuming \$16.6 million in vacancy savings and undefined changes in staffing configuration.
- Reducing the amount provided for inflation increases across the agency by \$4.6 million and the amount for state government service charges and Attorney General charges by \$3.2 million.
- Assuming \$7 million of net savings by transferring the training of new correctional officers from DPSST to DOC. There are additional savings of \$1.2 million in the DPSST budget relating to this training change.

The Governor's budget includes \$74 million General Fund for implementing Ballot Measure 57. To house the 1,286 estimated additional inmates anticipated during the 2009-11 biennium due to the measure, the budget includes a net \$53.8 million. The remaining \$20 million is for substance abuse treatment and increased supervision at the local level with \$5 million for treatment in DOC facilities and \$15 million provided to the county community corrections programs. The agency will have to find almost 2,000 new beds by the end of 2009-11 – 694 for the base population and 1,286 for the impact of Ballot Measure 57. A combination of temporary beds, more beds in existing spaces, and accelerating the opening of new units at the Deer Ridge prison in Madras will be used until the proposed Junction City prison is scheduled to open in late 2012. The Governor's budget includes \$117.5 million in Other Funds capital construction limitation for the 2009-11 construction costs of the proposed Junction City prison.

### **Department of State Police**

The Department of State Police's EBL of \$266.7 million General Fund is 18.7% larger than the amount for the 2007-09 legislatively approved budget and includes the roll-up costs of new positions added in 2007-09 including 139 new troopers, 15 forensic lab scientists, eight detectives, and 39 administrative infrastructure or support positions. The Governor's General Fund budget is \$10.6 million greater than the EBL driven by the increases in staff and debt service costs for the Oregon Wireless Interoperability Network (OWIN) program. Without these OWIN costs, the General Fund is \$5.6 million less in the Governor's budget including \$3.1 million underfunding for existing positions in the Criminal and Forensics positions and \$1.1 million in cuts to the Forensic Division's services and supplies funding. The Fish and Wildlife Division loses funding for eight trooper positions funded with General Fund or Lottery Funds. These losses are offset partially by increases in other funding for six positions including two positions for enforcement relating to ATVs and two positions funded with resources from the Department of Fish and Wildlife.

The 65% increase in the Governor's total funds budget over EBL is due to the over \$240 million in Other Funds capital construction limitation for OWIN. Also proposed by the Governor is \$11.1 million General Fund in estimated debt service costs for the COPs that are proposed to be issued during this biennium and \$5.1 million General Fund for staff and other costs relating to OWIN. There is already \$14.7 million in the budget for debt service for COPs that are anticipated to be issued in the current biennium.

### **Oregon Judicial Department**

The 2009-11 printed EBL for the Oregon Judicial Department (OJD) of \$348 General Fund and \$395.4 million total funds represents increases from the 2007-09 legislatively approved budgets of 8.3% and 4.7%, respectively. Adjustments to the printed EBL for mandated caseload, eCourt, debt service, and other areas will be recommended. The 2009-11 Governor's budget for OJD of \$325.1 million General Fund includes unspecified reductions to the Department's General Fund EBL of \$23 million, or 6.6%. The Governor's budget, while making no specific recommendation as to the budgets of Judicial Branch agencies, has made a recommendation to ensure that statewide expenditures balance with projected revenues across all branches of government. The Chief Justice will need to recommend to the Legislature how reductions in the Governor's budget would need to be implemented. A reduction of this amount means that the ongoing initiatives such as eCourt may not be funded as well as existing court functions may have to be reduced. Reductions will likely fall disproportionately on administrative and support staff since the Constitution prohibits any reduction to compensation of judges during the term for which they are elected and the ongoing debt service is a contractual obligation that must be met.

### **Public Defense Services Commission**

The Public Defense Services Commission (PDSC) has a printed EBL for 2009-11 of \$235.8 million General Fund (\$236.5 million total funds) which is 9.5% greater than the 2007-09 legislatively approved budget. This increase includes a mandated caseload adjustment totaling \$19.4 million General Fund that supports increases to contractor payments; reducing caseloads at the trial and appellate levels; and meeting the Appellate Court standard of 180 days for the filing of an initial criminal case brief. The 2009-11 Governor's budget for PDSC is \$220.2 million General Fund, and like the budget for OJD represents a 6.6% unspecified reduction of \$15.6 million from the EBL. The Commission will need to recommend to the Legislature how reductions in the Governor's budget would need to be implemented. Since the Public Defense Services Account represents over 90% of the PDSC budget, reductions will have to be made to funds dedicated for the legal representation of eligible individuals in criminal matters, involuntary civil commitments, juvenile court matters,

probation violations, and termination of parental rights cases to meet the funding levels in the Governor's budget.

### **Military Department**

The 2009-11 EBL for the Military Department of \$28.3 million General Fund and \$349.6 million total funds represents a 14.9% increase in General Fund and a 19.2% decrease in total funds from the 2007-09 legislatively approved budget. The decrease in total funds is due to capital construction not being budgeted as part of EBL while there was over \$75 million of capital construction limitation in the 2007-09 budget. Most of the General Fund growth is attributable to increases in debt service. The Governor's budget is a \$452.8 million, or 29.5%, increase in total funds over EBL. The increase is primarily due to construction projects financed with certificates of participation (COPs) or General Obligation bonds for seismic rehabilitation (\$30 million), regional emergency preparedness centers (\$14.2 million), new or remodeled armories, and purchase of property. The Governor's 2009-11 budget of \$32.8 million General Fund (15.8% increase over EBL) includes an increase of \$5.4 million in debt service need to pay for the construction projects listed above. The Governor's budget also continues funding for veteran Reintegration Program (\$263,520 General Fund) and the Governor's Military Policy Advisor (\$259,610 General Fund) while eliminating \$1.4 million General Fund for deferred maintenance of the agency's facilities and other services and supplies reductions.

### **Oregon Youth Authority**

The EBL for the Oregon Youth Authority (OYA) of \$346.2 million General Fund (\$390.1 million total funds) represents a 32.8% increase over the 2007-09 legislatively approved budget. This increase would fund all 1,177 closed custody beds forecasted by the Office of Economic Analysis. Over at least the past two biennia, the number of beds actually funded in the OYA budget has been significantly under that forecasted amount and the trend continues. The 2009-11 Governor's budget for OYA is \$298.3 million General Fund and \$337.8 million total funds. This amount is a decrease of 13.8% from the 2009-11 General Fund EBL. Notable changes from the 2007-09 budget include:

- For Facilities programs, funding is eliminated for 45 close custody beds (25 beds at River Bend, 20 beds at Hillcrest) that are scheduled to come on in February 2009 reducing General Fund need by \$10.5 million. The number of close custody beds funded for 2009-11 is 950, which is a reduction of 45 from the 2007-09 budget and 227 less than the projected demand of 1,177 beds.
- For Community programs, funding is eliminated for 68 community placements (\$4.3 General Fund) that are not currently filled. The number of community placements funded for 2009-11 in the Governor's budget is 613, which is a reduction of 68 placements from the 2007-09 budget and 95 less than the 708 placements included in EBL.
- The Governor's budget includes a \$5.4 million fund shift from Federal Funds to General Fund due to federal regulation changes making OYA case management charges ineligible for Medicaid funding.
- In addition, due to a disconnect between the amount of General Fund eliminated in the Governor's budget and actual cost of services, additional program reductions will be required to balance the Governor's budget. The agency has identified a series of cuts to meet the reduction target. These include the delay of 25 close custody beds originally scheduled to be available in February 2009, holding community provider inflation flat and reducing educational service for older youth.

### **Department of Justice**

The 2009-11 EBL of \$419.9 million total funds for the Department of Justice represents a 7% increase from the 2007-09 legislatively approved budget. The General Fund EBL for the same period of \$64.9 million is \$10.6 million, or 19.5% greater than the 2007-09 budget and largely attributable to growth in the (1) Defense of Criminal Convictions (DCC) budget unit (\$8.6 million) for caseload growth and

increases in the hourly rate for attorneys, and (2) the need to backfill lost revenue in the Child Support program (\$1.5 million). The 2009-11 Governor's recommended budget for this agency of \$65.2 million General Fund and \$422 million total funds represents increases over EBL of less than 1%. The Governor funds the DCC and Child Support programs at roughly the EBL levels including over \$3.3 million to backfill lost federal and other revenues. Other major changes include:

- Crime Victims programs including those relating to domestic and sexual violence and the Child Abuse Multidisciplinary Intervention (CAMI) program are reduced by \$0.5 million General Fund and \$1.6 million in Criminal Fines and Assessment revenues (Other Funds).
- General Fund programs in the Criminal Division including those that assist District Attorney offices and fight organized crime are reduced by 10% or almost \$1 million.
- Eleven positions are added in the Appellate and Trial Divisions to keep pace with the increased DCC workload and eight positions are added to the Financial Fraud and Consumer Protection and Education unit.

The rates charged for attorney and other services (e.g., paralegal, investigator) to state agencies and internally for DOJ overall increase 23% (the attorney rate is increased by 25.4%) in EBL from 2007-09 levels. These greater rates represent increases in the 2009-11 EBL of roughly \$13 million General Fund and \$26 million total funds across all state agencies. Most of the increase is due to compensation increases provided during the current biennium. The ability to significantly alter this increase is limited since the compensation increases, in large part, are based on negotiated labor contracts.

#### **Department of Public Safety Standards and Training**

The total funds 2009-11 EBL for the Department of Public Safety Standards and Training (DPSST) of \$54.1 million is 7.6% greater than the 2007-09 legislatively approved budget and reflects the roll-up costs of positions added during 2007-09. The 2009-11 Governor's budget for this agency of \$51.1 million total funds is 5.5% less than the EBL. Those portions of the budget supported by Criminal Fines and Assessment (CFAA) revenues are reduced substantially more including reductions in regional training (\$585,000), elimination of the Instructor Development program (\$400,789), reductions in training resources and staff at the DPSST facility in Salem (\$1 million), and \$1.4 million in staff and contract resources for maintenance, security, and operation of the Salem facility and the agency's information systems. In addition, a further \$1.2 million is reduced by transferring the responsibility for training of new Department of Corrections (DOC) correctional officers from DPSST to DOC.

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

The Governor's budget for the **District Attorneys and Their Deputies** (\$10.8 million General Fund) and the **Commission on Judicial Fitness and Disability** (\$190,577 General Fund) are at their EBL. The Governor's budget for the **Board of Parole and Post-Prison Supervision** of \$4.3 million General Fund is 3.6% larger than the agency's EBL and reflects adding one hearings officer position. The Governor's budget for the **Criminal Justice Commission (CJC)** of \$7.2 General Fund (\$15.1 million total funds) reflects the transfer of \$7.6 million Federal Funds from the Department of State Police for the responsibility of administering of federal grant programs.

## **Economic Development Program Area**

### **Economic and Community Development Department**

The Governor's recommended budget includes the following policy packages for the Oregon Economic and Community Development Department (OECDD):

- \$20.5 million Lottery Funds for Oregon Innovation Council (Oregon InC) initiatives. This funding level is a reduction from the \$28.2 million included for these programs in the 2007-09 biennium. Funding for all of the 2007-09 biennium Oregon InC initiatives is continued in the budget, but at the \$18.2 million level (a 35.5% reduction). A new \$2.3 million Forestry Cluster Initiative is added to bring total support to \$20.5 million.
- \$5.35 million Lottery Funds reduction in support for Community Development Fund programs. This represents a 23.3% reduction from the essential budget level. OECDD staff recommend allocating this reduction as follows: \$2.1 million to Regional Investment Board activities (eliminating all new funding for these activities), \$2 million to the Strategic Reserve Fund (a 14.9% reduction from essential budget level), \$1.3 million from Small Business Service Programs (a 53.5% reduction) and a \$24,612 reduction (or 1.5%) to other programs.
- \$1 million General Fund to the Arts Commission for the Creative Oregon II initiative.
- \$5 million in additional tax credits to support the film and video production subsidies offered by the Film and Video Office.

The Governor's budget also includes \$9 million Nonlimited Other Funds in infrastructure bonding authority for the Department's community development revolving loan funds. These lottery bonds will be used for infrastructure development for industrial land sites, water and wastewater systems, and other economic development-related infrastructure. The budget would delay issuance of the bonds until the spring of 2011, to avoid any debt service costs in the 2009-11 biennium. The 2011-13 biennium roll-up cost for this delayed bond sale is projected to be \$2.1 million Lottery Funds debt service.

The Governor's budget assumes that the Association of Oregon Counties will continue to expend a portion of revenues from the 2.5% county share of the video lottery distribution for the county share of the cost of the Economic Revitalization Team.

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

The Governor's recommended budget for the Housing and Community Services Department includes the following elements:

- Cuts \$1.9 million General Fund in the following programs:
  - Statewide Homeless Assistance Program (SHAP) by \$733,680.
  - Emergency Housing Assistance (EHA) Program by \$342,692 (with corresponding Other Funds cuts to EHA totaling \$342,692).
  - Homeownership Assistance program by \$842,468, resulting in the elimination of down payment assistance and the ABCs of HomeBuying programs.
- Eliminates 12.5 positions due to higher costs and declining Other Funds operating revenue.
- Provides \$4 million General Fund to subsidize green and sustainable energy efficiency and weatherization technologies for low income Oregonians.
- Provides \$19 million in lottery bond proceeds to support preservation of affordable housing:
  - \$16 million in the form of grants for the purchase of properties with expiring federal Section 8 contracts to keep these units from being converted to market rate housing.

- \$3 million for low interest loans for tenants cooperatives to purchase manufactured dwelling parks that go up for sale, keeping the property from being converted to individual, market rate home sites.

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

The Governor's recommended budget exceeds the essential budget level in three areas. It includes \$400,000 General Fund for distribution to eligible veterans: \$250,000 for emergency needs, and \$150,000 for education benefits. (During the interim, the Emergency Board approved an additional \$70,000 General Fund for education benefits.) The budget also includes \$422,000 General Fund for five permanent positions, and related services and supplies, to provide counseling services to veterans at colleges and universities throughout the state.

### **Oregon Historical Society**

The Oregon Historical Society receives \$1.25 million of General Fund support in the Governor's recommended budget.

### **Oregon Public Broadcasting**

Oregon Public Broadcasting (OPB) is provided with a General Fund operating grant of \$250,000 through the Department of Administrative Services. Additionally, there are \$1.9 million of Lottery Funds allocated for debt service on bonds previously issued for OPB infrastructure improvements.

## **Natural Resources Program Area**

The 2009-11 Governor's recommended budget for the Natural Resources program area totals \$1.644 billion, including \$156 million General Fund and expenditure limitation for \$208 million Lottery Funds, \$741 million Limited Other Funds, and \$218 million Federal Funds. The budget also includes \$320 million in Nonlimited Other Funds, mainly for bond sales proceeds and other loan program activity. Including Nonlimited Other Funds, the total program area budget for 2009-11 is approximately \$65 million, or 3.8%, below the 2007-09 approved budget as of December 2008. The combined limited budget for the natural resource agencies, which is more representative of agency operational activities, is over 5% below the previous biennium.

Net General Fund resources for natural resource agencies decreased by \$22.6 million, or 12.7%, from the 2007-09 approved levels. Agencies with large net reductions in General Fund support include:

- \$11.4 million (or 23%) General Fund reduction for the Department of Forestry compared to the 2007-09 legislatively approved budget through December 2008. The budget shifts about \$3 million of General Fund costs to be paid with increased landowner assessments for wildland fire protection and funds from the State Forestry Development Account (timber receipts). The Private Forests program is reduced \$4 million General Fund, or about 34%.
- \$3.1 million (or 18.1%) in General Fund reductions for the Department of Agriculture compared to 2007-09 approved levels. Reductions include \$800,000 from eliminating the Pesticide Use Reporting System, \$335,000 from predator control funding, and replacement of \$2.1 million General Fund with Other Fund balances in the food safety inspections and animal health programs.
- \$2.7 million (or 9.8%) less in General Fund for the Department of Water Resources compared to the 2007-09 legislatively approved budget, which includes 10% General Fund reductions in Oregon Plan activities, water measurement support, and reviews of permits for municipal or irrigation district water management and conservation plans.

Despite widespread General Fund reductions, the Governor's budget does include some proposed General Fund increases to address executive branch policy priorities. These increases in General Fund expenditures include:

- \$1.1 million for the Department of Environmental Quality to establish a new Greenhouse Gas Reduction program to implement a market-based cap and trade system for reducing Greenhouse Gas emissions by capping total emissions and then allowing the trade of allotted emissions among participants.
- \$500,000 for the Water Resources Department to begin implementation of the Headwaters to Oceans (or H2O) Initiative, which is an integrated water conservation and supply long-term planning process.
- \$400,000 for the Department of Environmental Quality to work analyzing any proposed water storage projects to ensure they maintain water quality. The most common type of project requiring this assessment are aquifer storage or recharge projects that pump surface water into the aquifer during peak flow periods for later use, such as the proposed Umatilla Basin project.

Lottery Funds limitation decreased by a net \$13.6 million, or 6.1%, largely due to a forecasted reduction in lottery revenues expected for the 2009-11 biennium and removal of one-time limitation provided during 2007-09. This resulted in a \$4.8 million decrease in the Lottery Funds budget for the Oregon Watershed Enhancement Board and a \$6.2 million decrease in the budget for the State Parks and Recreation Department. An additional \$1.8 million in salmon and watershed restoration activities funded with Lottery Funds was cut from the Department of Fish and Wildlife. The Governor also proposed adding about \$225,000 for debt service on \$2.5 million in Lottery Bonds for the Department of Water Resources to make grants for water storage projects.

Total limited Other Funds in the Governor's budget are \$32.8 million (or 4.2%) lower than the 2007-09 legislatively approved budget as of December 2008 due to removal of one-time capital expenditures and reductions in the Other Funds expenditure limitation in a number of agencies where there is insufficient revenue to support the base budget expenditure limitation. This reduction in Other Funds occurs despite a number of fee increases, such as an increase in state park user fees and hunting and fishing licenses and tags, proposed in the Governor's budget needed to meet the higher costs of continuing current programs and proposed fees for new programs like the Greenhouse Gas Reduction program.

Federal Funds expenditure limitation decreased by about 3% from the 2007-09 legislatively approved levels primarily due to anticipated decreases in federal funding support for natural resource agency activities.

Nonlimited Other Funds increased by a net \$11.6 million (or 3.8%) largely due to anticipated increases in the number of loans the Department of Environmental Quality anticipates making from the Clean Water State Revolving Loan Fund.

## **Transportation Program Area**

The Transportation program area includes the Department of Transportation (ODOT) and the Department of Aviation. Transportation agencies are primarily funded with Other Fund revenues generated through motor and jet fuel taxes, licenses and fees, bond revenue that is supported by increases in licenses and fees, and Federal Funds. The State Highway Fund is shared among ODOT, counties, and cities. Oregon's population growth rate, stronger employment, and E-commerce

continue to increase traffic congestion and demands for maintenance, pavement preservation, Driver and Motor Vehicle services, and Motor Carrier Transportation activities.

The 2009-11 Governor's budget for the Transportation program area totals \$4.3 billion of which \$1.2 million is General Fund, \$105 million Lottery Funds, \$4,131 million Other Funds, and \$85 million Federal Funds. The budget also includes \$18.1 million in Nonlimited Other Funds for the Infrastructure Bank Loan program activity.

Including Nonlimited Other Funds, the total program area recommended budget for 2009-11 is approximately \$759.3 million, or 21.2%, above the 2007-09 approved budget. The increase in total funds is primarily due to a proposal by the Governor to increase taxes and fees that, if adopted by the Legislature, will generate an additional \$772.5 million for the 2009-11 biennium for the Oregon Department of Transportation, an increase of 39.4%. No provision is made in the proposal to increase jet fuel taxes for the Department of Aviation.

General Fund resources for transportation agencies decreased by \$3.5 million, or 77%, from the 2007-09 approved levels due to a proposal to increase fees for customized vehicle registration plates which were dedicated to the passenger rail program by the 2007 Legislature. Under the Governor's proposal, fees would increase by \$25 per year from \$25 to \$50 to generate approximately \$2.3 million per year. This revenue would be used to reduce General Fund support for passenger rail service during the 2009-11 biennium and replace it entirely during the 2011-13 biennium.

Lottery Funds limitation increased by a net \$58.5 million, or 125.5%, largely due to additional debt service for current obligations in 2009-11 that are estimated at \$92.8 million; an increase of \$46.2 million from the 2007-09 biennium. The increase is primarily due to legislative approval in 2007 for the sale of \$250 million lottery-backed bonds for the Southeast Portland Light Rail Project and \$20 million lottery-backed bonds for a Streetcar Grant Program. Debt Service for the bonds was not required in the 2007-09 biennium. The Governor's proposal to use lottery-backed bonds for \$150 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, and \$35 million to purchase two train sets to support passenger rail service debt service would have about \$18.6 million of debt service in the 2009-11 biennium.

Other Funds limitation increased \$728.3 million, or 21.4%, higher than the 2007-09 legislatively approved budget level. The 2009-11 recommended budget reflects substantial increases in highway construction programs and smaller investments in Department of Aviation programs. It increases the Preservation, Highway Operations, Modernization, and Local Government Programs by \$456 million, 13 positions (9.00 FTE) to be funded by increases in the vehicle registration and title fees and a two cent increase in the state fuel taxes to raise \$499 million annually. (Jobs and Transportation Act of 2009). It also includes \$280 million in bond proceeds to provide for the Oregon Wireless Interoperability Network (OWIN) project, Oregon Street Car grant program, purchase of two train sets for passenger rail, and the Connect Oregon III. It continues investments for ongoing administration of the legal presence standard now required for Oregon Driver Licensing and Identification Cards. Positions would be funded by increased fees for issuance, renewal, or replacement of the licenses or identity cards. The Governor is also proposing incorporating increases in fees to implement the federal Real ID initiatives. The recommended budget also includes \$100,000 to provide Financial Aid to Municipalities Grants for operation and improvement of local general aviation airports in Oregon. The grants would be financed from a proposal to increase aircraft registration fees.

Federal Funds limitation is decreased \$5.3 million, or 5.8%, from the 2007-09 legislatively approved budget. The decrease in Federal Funds reflects the removal of one-time federal grant expenditures related to construction at 8 public-use airports and implementation of legal residence legislation and commercial driver licenses information system improvements. The recommended budget includes \$1.5 million Federal Funds for the Department of Aviation to construct safety-related improvements through the renovation of the runway, taxiway, and apron at the Joseph Airport. It also includes increases in public transit grant and rail programs through the federal SAFETEA-LU authorization bill.

## **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 Services agencies are primarily funded with Other Fund revenues generated through licenses and fees.

The 2009-11 Governor's budget for the Consumer and Business Services program area totals \$1.067 billion, of which \$13.8 million is General Fund, \$351 million Other Funds, and \$2 million Federal Funds. The budget also includes \$700.9 million in Nonlimited Other Funds for Workers' Compensation and Insurance programs. Including Nonlimited Other Funds, the total program area recommended budget for 2009-11 is approximately \$180 million, or 20%, above the 2007-09 approved budget.

General Fund resources for consumer and business services agencies increased by \$0.8 million, or 7%, from the 2007-09 approved budget primarily due to standard increases in personal services and applying general inflation rates. The Bureau of Labor and Industries (BOLI) is the only agency in this program supported by General Fund. Because of revenue shortfalls in training fees and federal civil rights funds, BOLI will reduce services in these areas and the Governor's recommended budget supports three fewer agency positions than in the 2007-09 legislatively approved budget.

Other Funds limitation increased \$174.2 million, or 20%, more than the 2007-09 legislatively approved budget level. The 2009-11 recommended budget reflects combining the Board of Examiners of Nursing Home Administrators with the Health Licensing Agency. For several biennia, the Board of Examiners of Nursing Home Administrators has operated with severe revenue constraints, a result of a small and decreasing licensing base. The board's ability to overcome its lack of resources has now reached its limit.

The recommended budget for Consumer and Business Services Department is 26.8% higher than the 2007-09 legislatively approved budget. The essential budget level is 27.1% higher than the 2007-09 legislatively approved budget. Limited Other Fund expenditures increased by 10% while the Nonlimited Other Fund expenditures are expected to increase by 35% largely due to quickly rising medical payments within the Oregon Medical Insurance Pool. The budget supports a revenue transfer of \$212.2 million to the Department of Human Services from a tax on insurers for the Healthy Kids Initiative. The Governor recommends enhancing the budget by adding 9 staff in the Mortgage Lending and 10 staff in the Occupational Safety and Health Division Units, with a total cost of \$3 million. The

budget also adds 9 staff to its Information Technology program to support improvements to the consumer and business services information systems, totaling \$2.2 million. The budget continues support for statewide electronic permitting, totaling \$2.4 million. The budget also transfers the Office of Minority, Women and Emerging Small Business five positions and \$952,136 expenditure limitation to the Oregon Economic and Community Development Department.

The Governor's recommended budget for the Public Utility Commission includes packages to extend the Residential Service Protection Fund program beyond its 2010 sunset date, and to expand eligibility for assistive devices and service to low income and disabled Oregonians. Volatility of energy costs continues to be a major issue for utilities and consumers, and is likely to add complexity to evaluation of utility resource planning and acquisition processes and cost recovery (rate change) filings by the utilities. PUC is continuing implementation of the Renewable Portfolio Standard for utilities passed by the 2007 Legislative Assembly, monitoring utilities to ensure they acquire the lowest cost, lowest risk mix of resources consistent with Oregon's requirements.

## **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 Governor's recommended budget for this program area is \$9.7 billion total funds. This funding level is an increase of 13.7% from the 2007-09 legislatively approved budget. The recommended budget continues existing service levels and includes enhancements throughout the program area.

### **Office of the Governor**

The recommended budget for the Office of the Governor is \$17.8 million total funds, which is 6% higher than the 2007-09 legislatively approved budget. Standard inflation on personal services costs and services and supplies included in the budget is partially offset by the removal of 2007-09 one-time costs. One policy package in the amount of \$100,000 Other Funds is added, supporting a new fee that would be used to pay for the return of parolees that violate their parole in other states and are required to be returned to Oregon.

### **Treasurer of State**

The Treasurer's budget is \$39 million total funds, which is a 15.8% increase over the 2007-09 legislatively approved budget. The recommended budget continues all programs at their current level and provides for enhancements, including a new debt management system.

### **Secretary of State**

The Secretary of State's total funds budget is a 5% decrease from the 2007-09 legislatively approved budget. The decrease is due to the phase-out of \$5.7 million in one-time costs and a generic reduction of \$2.3 million General Fund required to balance the Governor's budget. The General Fund decrease is effectively a 6.9% reduction to the agency's General Fund essential budget level.

The agency request budget is \$62.8 million total funds, which is right at the 2007-09 legislatively approved level. The requested budget would fund a signature verification initiative, create several positions, pay for position reclassifications, and provide for technology upgrades. A change in the fee model for administrative rules and a dedicated local government archives and record management program (fee-supported) are also included in the request.

### **Department of Administrative Services**

The Department of Administrative Services total funds budget is \$937 million, or 56.2% above the 2007-09 legislatively approved. It should be noted that about 48% (\$488.6 million) of the Department's limited budget is for debt service and debt management costs on appropriation and pension obligation bonds. The increased debt service cost accounts for \$40 million of the Other Funds increase in the Department's budget. Other significant increases include: \$1.2 million and 5 positions for facilities operation and leasing services, \$27.2 million and 11 positions to support customer agency projects at the State Data Center, and \$9.1 million and 15 positions to revamp the employee classification and compensation systems. Other Funds Nonlimited is increased by \$1.4 billion primarily to allow the Oregon Educators Benefit Board to pay monthly insurance premium payments to providers on behalf of the participating education entities.

### **Oregon Liquor Control Commission**

The Governor's recommended budget for the Oregon Liquor Control Commission is a 13.8% increase from the 2007-09 legislatively approved level. To meet the projected demand for distilled spirits, the budget adds six positions in the distribution center, which is expected to result in additional sales that would distribute \$26.2 to the state General Fund, \$15.8 million to cities, and \$4.7 million to counties.

The budget also provides \$1.3 million to fund a feasibility study to explore replacing and integrating the agency's various information systems over future biennia. Also added is \$8.6 million to maintain agent compensation at 8.88% of sales, based on gross sales of \$97.3 million. This increase assumes approval of the request noted above that would increase sales of distilled spirits.

### **Oregon State Library**

The Governor's recommended budget for the Oregon State Library is a 10.4% General Fund increase from the 2007-09 legislatively approved level. The General Fund increase is greater than the total funds increase of just over 3% due to a shift from Federal Funds to General Fund on positions in the Library Development program. The program had been exceeding the level of administrative spending allowed under the federal guidelines. A part-time student worker position, funded by donations, is added to assist in the Talking Book and Braille Services program.

### **Department of Revenue**

The Governor's recommended budget for the Department of Revenue is a 9% General Fund increase from the 2007-09 legislatively approved level. To increase efforts in tax collection and taxpayer compliance, 44 positions and \$5.7 million General Fund is added. This package is expected to generate additional revenues of \$20.7 General Fund. The Governor's statewide budget assumes this revenue level, which requires the positions and work to actually start in 2007-09. The package targets nonfilers in both personal income and payroll tax areas, includes technology enhancements, and adds infrastructure support positions.

The agency's budget reflects collections and transfers for proposed increases in cigarette and tobacco taxes, generating an additional \$107 million for use by the Department of Human Services and \$5

million for the Oregon Department of Transportation. Also included is collection of an additional \$83.6 million General Fund resulting from a proposed increase in corporate income taxes.

### **Government Ethics Commission**

The recommended budget for the Government Ethics Commission is a 75% total funds increase from the 2007-09 legislatively approved level. The proposed budget includes three new positions, which is in addition to three positions approved in 2007-09. Based on legislation passed in 2007, the agency's funding shifts from General Fund to assessments (Other Funds) on state agencies and local entities. To support this transition, the budget includes \$466,000 General Fund beginning balance to allow for the collection of assessment revenue. Future budgets will be all Other Funds.

### **Public Employees Retirement System**

The Governor's recommended budget for the Public Employees Retirement System (PERS) is about a 3% increase from the 2007-09 legislatively approved level. The budget supports payments of all benefits, refunds, and health insurance premiums. It also provides PERS with 76 permanent positions and \$13 million Other Funds to bring the agency to an essential operating level. These positions were previously approved as limited duration.

## **Legislative Branch**

Even though the Governor does not make a recommendation for the Legislative Branch budget, he has included a 6.6% reduction to the branch's General Fund budget from the essential budget level in his recommended budget. Usually the Governor includes a reduction that equals the statewide average reduction to all General Fund budgets. It is unclear how the reduction percentage was calculated for the Legislative Branch, since the statewide average is only a 5.4% reduction.

## **Emergency Fund**

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

The 2007-09 Governor's recommended budget for the Emergency Fund totals \$40.2 million which includes a \$30 million general purpose Emergency Fund and two separate special purpose appropriations totaling \$10.2 million (\$5.1 million for fire insurance premium costs and fire severity suppression resources and \$5.1 million for salary and benefit costs). Special purpose appropriations are made for specific uses, often designated for individual agencies, and are generally made available for general uses if not allocated within a specified period of time.

The \$30 million general purpose Emergency Fund in the recommended budget is at the same level as adopted by the Legislature for the 2005-07 and 2007-09 biennia. Between the 1995-97 and 2003-05 biennia, the average amount appropriated to the Emergency Board was in excess of \$39 million. During the 2005-07 biennium, the Emergency Board was often placed in a situation of having to defer requests for Emergency Fund allocations because of the low cash balance in the Fund. During the

2007-09 biennium, the Emergency Board retained about \$17.5 million of the original \$30 million general purpose appropriation. This was the result of two factors: 1) the Emergency Board did not meet during the period between July 2007 and May 2008 because of the planned February 2008 special session, which allowed the Legislature to make necessary budget adjustments instead of the Emergency Board; and 2) the worsening economic situation that became increasingly apparent beginning with the June 2008 economic and revenue forecast led the Emergency Board to be cautious about allocating funds that might be necessary for further rebalance actions once the 2009 session began. In fact, combining unused special purpose appropriations and the remaining amount in the general purpose appropriation, the Emergency Fund had a \$53.2 million balance after the December 2008 meeting. These resources are available to the Legislature for reallocation during the 2009 session and will likely be used in efforts to rebalance the 2007-09 biennial budget.

The Governor's recommended budget's proposal for state employee salary and health benefits for the 2009-11 biennium has an unusual construction. The Governor's proposed budget assumes that state employees will not receive any cost-of-living adjustment in salaries during the 2009-11 biennium. An estimated \$30.2 million is assumed in the budget, however, to help cover the increasing costs for health and benefit plans for state employees. In addition, the Governor was required by law to include in the 2009-11 recommended budget the amount of \$9.8 million for funding salary increases for the state's elected officials, as recommended by the Public Officials Compensation Commission. Instead of including a special purpose appropriation to the Emergency Board to cover these identified costs to the 2009-11 budget, the Governor's budget instead only includes a special purpose appropriation of \$5.1 million to the Emergency Board for salary and benefit costs. The apparent reason is that the proposed budget also assumes a statewide reduction of \$34.9 million General Fund related to "temporary closures" due to a plan to furlough all state employees (both represented and management) one day per quarter for the eight quarters of the biennium. The assumed \$34.9 million in "savings" from this furlough action, however, were not removed from individual agency budgets in the Governor's proposed budget.

If the Legislature decides to capture the proposed savings from furloughs during 2009-11, two separate processes will need to be completed. The Executive Branch will need to negotiate the concept of furloughs for all represented employees with the collective bargaining units and will need to answer questions about the legality of furloughing management service employees. If these issues are addressed, then the Legislature will need to reduce agency budgets by the amounts identified from the furloughs in order to collect sufficient funding for any statewide salary and benefit changes proposed for the 2009-11 biennium. The Legislature will also need to decide whether or not to include the recommended salary increases for the state's elected officials

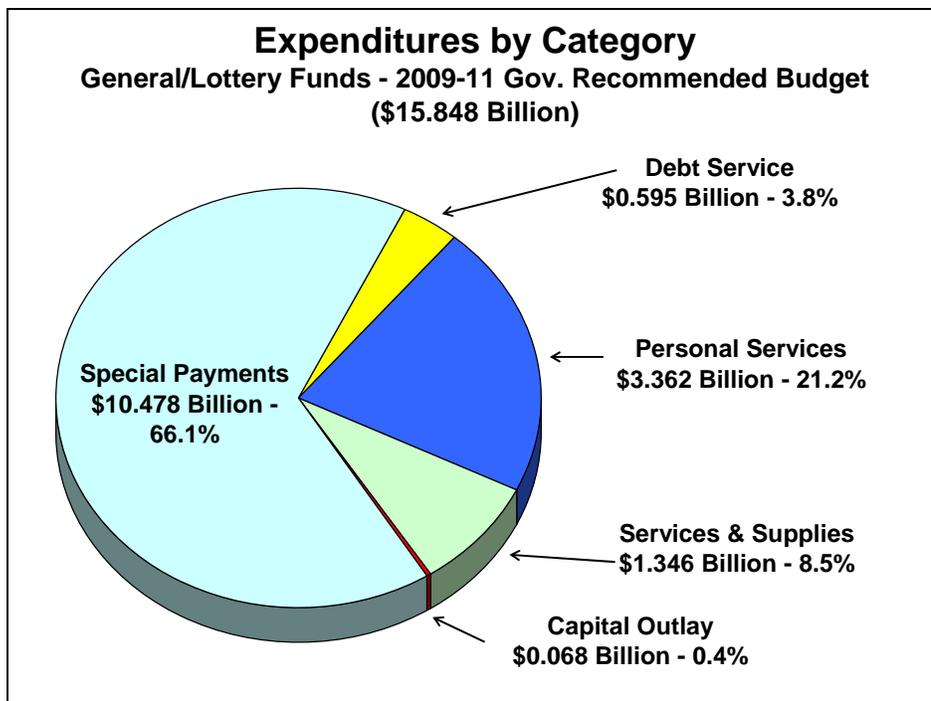
## Summary of Governor's Proposals Affecting the 2009-11 Budget

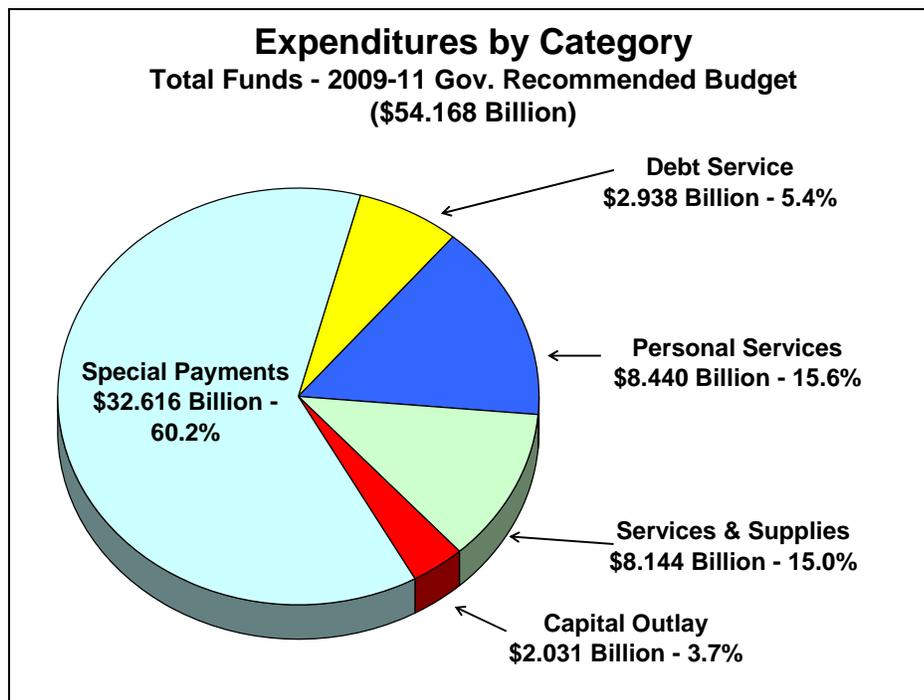
### Budget Expenditures by Category

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

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

In the Governor's recommended budget, the largest single expenditure category is the "special payments" category. Slightly over 66% of the state's combined General Fund and Lottery Funds are simply passed through a state agency to another entity, either a local government, a local service provider, or an individual recipient of a state government payment. The largest special payment in the budget is the transfer of state resources from the State School Fund to local K-12 education districts. This transfer is \$6.39 billion in the Governor's budget proposal, or slightly over 40% of the state's combined General Fund and Lottery Funds budget.

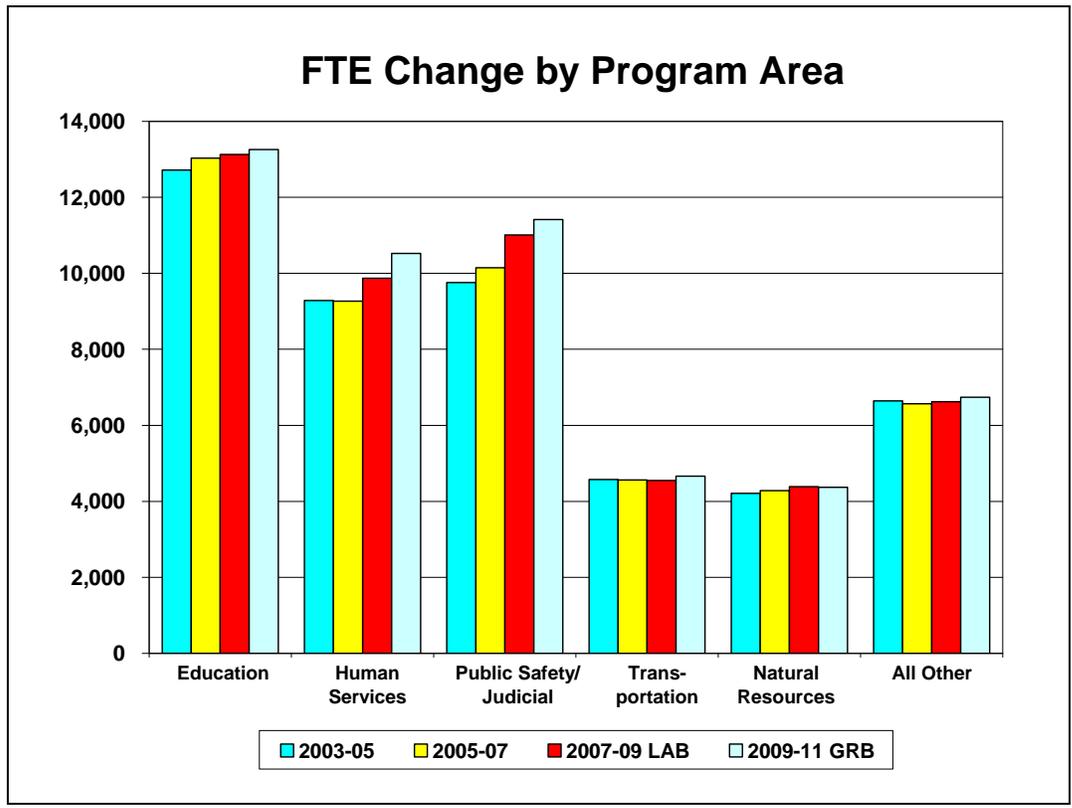
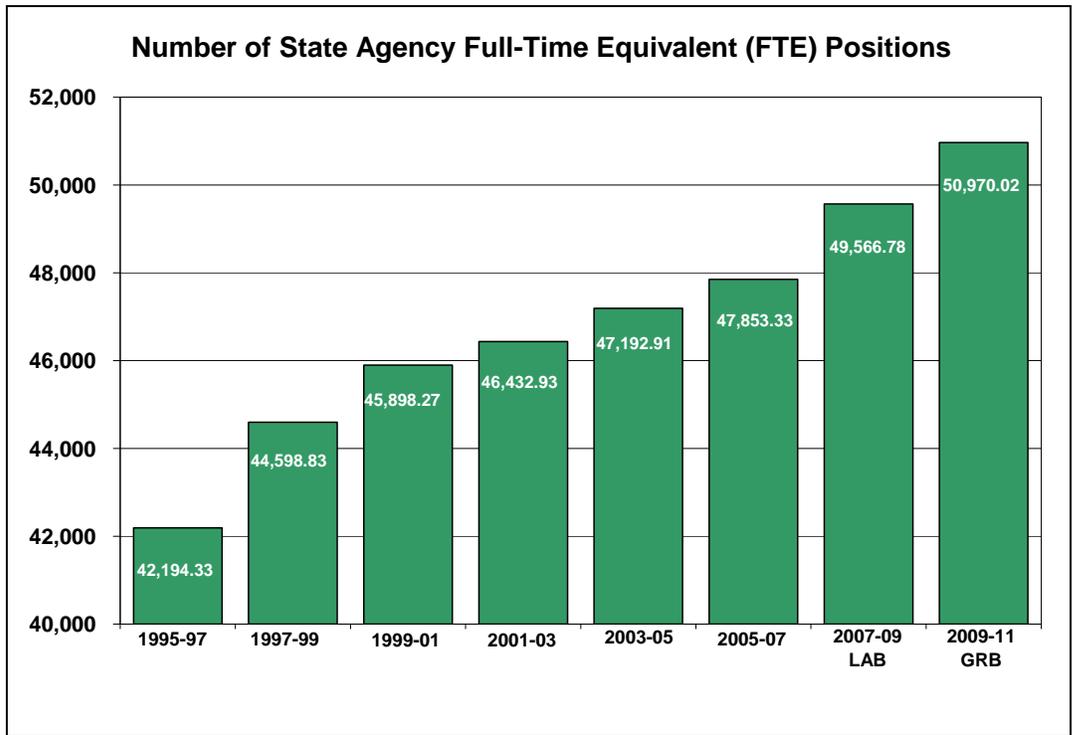




## State Employees

The Governor's recommended total funds budget supports 50,970 state Full-Time Equivalent (FTE) positions. An FTE represents the number of months for which each position is budgeted during the 24-month biennium. State law (ORS 240.185) limits the number of state FTE positions to 1.5% of the state's population in the previous year. As of July 1, 2008, the state's population was estimated at 3,796,000; the state's population is projected to be 3,898,300 in July 2010. The FTE limit at the beginning of the biennium is therefore 56,940 and 58,475 at the end of the biennium, substantially higher than the number included in the Governor's recommended budget. ORS 240.185 also provides for certain FTE exclusions, including employees in the legislative and judicial branches, the Offices of the Secretary of State, the Governor, and the Treasurer, and some positions in the Employment Department and Department of Higher Education. With these exclusions, the total FTE subject to the statutory limit in the 2009-11 recommended budget is approximately 44,594. Over 76% of the FTE subject to the limit are in three areas: Education (primarily higher education), Human Services, and Public Safety.

Despite being under the statutory cap on state positions, the increase in the number of FTE between 2007-09 and the Governor's recommended 2009-11 budget continues the trend of significant increase started last biennium. The increase of slightly over 1,400 FTE, or 2.8%, is less than the 3.6% increase in the 2007-09 biennium, but is the second largest percentage gain since the 1999-2001 biennium. The majority of the new positions are added in the Human Services (+650.61 FTE) and the Public Safety/Judicial (+400.91 FTE) program areas, with Education (+133.36 FTE) and Transportation (+116.34 FTE) also contributing to the growth. The agency with the largest increase is the Department of Human Services with an increase of 637.17 FTE, followed by the Judicial Department (+144.10 FTE) and the Department of Higher Education (+128.08 FTE).



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

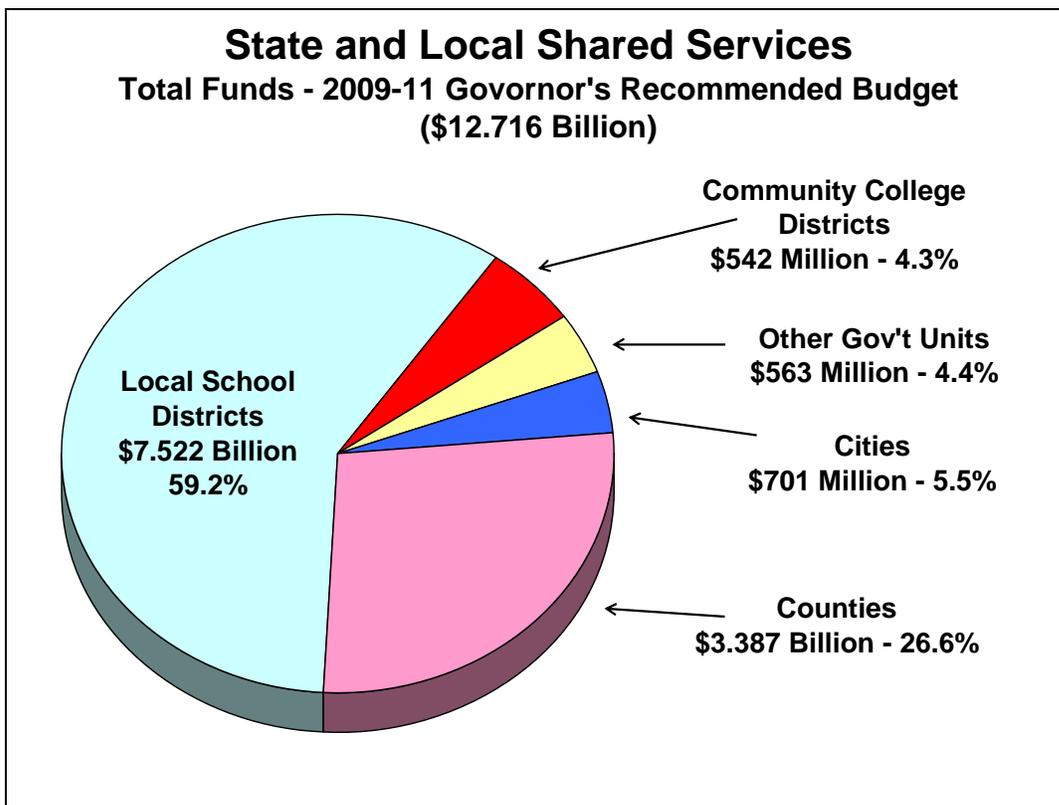
## **State Employee Salary and Benefit Actions**

The Governor's recommended budget assumes no cost-of-living adjustments for state employees during the 2009-11 biennium. A \$5.1 million special purpose appropriation to the Emergency Board is proposed in the Governor's recommended budget for state employee benefit issues, even though the cost is assumed to be \$30.2 million. The final need will be determined by negotiated agreements with employees in 32 separately represented groups and by decisions on equivalent changes to be provided to employees who are not represented by a bargaining unit. The difference between the assumed cost and the amount proposed as a special purpose appropriation to the Emergency Board is achieved in the Governor's recommended budget by a plan to "furlough" all state employees, both represented and management, for a day per quarter during the eight quarters of the 2009-11 biennium. Neither the legality nor mechanics of this furlough are thoroughly explained in the Governor's printed budget.

## **Aid to Local Government**

The state provides three types of aid to local government: 1) direct payments by state agencies to local government for programs administered at the local level; 2) revenues collected by the state and shared with local governments for the provision of local government services; and 3) services delivered directly by state agencies that provide local government benefits. The state's budget only explicitly reflects some of these funds, with most of the shared revenue being sent directly to local government and not being accounted for in the state budget. For example, 2.5% of video lottery proceeds are sent directly to the counties, which are projected to amount to \$45.6 million in the 2009-11 biennium, and an estimated \$142.3 million from liquor sales and \$22.6 million from cigarette taxes will also be transferred directly to cities and counties.

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



Approximately 62% of the aid to local government, or \$7.9 billion, is combined General Fund (\$7.3) and Lottery Funds (\$611 million). The remaining 38% is nearly evenly split between Other Funds (\$2.6 billion) and Federal Funds (\$2.2 billion). It is not surprising that the majority of funds budgeted for local governments are consistent with the major funding components of the statewide budget – education, human services, and public safety.

### 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 agency to develop performance measures and to link measures to Oregon Benchmarks. The Benchmarks are a set of societal-level performance indicators of Oregon’s progress toward the goals defined in *Oregon Shines II*, the State’s strategic vision. The Oregon Progress Board coordinates *Oregon Shines* and Benchmarks updates and reports, so they were initially tasked with supporting state agency efforts to develop key performance measures (KPMs).

KPMs are metrics that state agencies report on annually to the Governor and Legislature that inform on progress achieving their mission, goals, and pertinent high-level outcomes (including Oregon Benchmarks). During Oregon’s budget development process, the legislature adjusts KPMs and related targets to be aligned with agency base budgets and investments. The resulting list of legislatively approved KPMs and targets is included in the agency’s official budget report. In June 2007, the administration of the KPM system transferred from the Progress Board to the Budget and Management (BAM) Division of the Department of Administrative Services (DAS) who works collaboratively with the Legislative Fiscal Office (LFO) to continuously improve the system.

Oregon state government has learned over time that tracking and reporting performance measurement data by itself ignores the opportunity to use performance measures to improve services. Currently, LFO and BAM are working to transform the KPM system which is largely a reporting system, into a performance management system. Performance management is an organized approach to determining priorities, setting outcome goals, and actively using performance data to allocate resources, manage programs and services, and evaluate results. Performance management goes beyond simply reporting on outcomes to create a culture focused on continuous improvement and meeting customer expectations.

During the 2007-09 biennium, BAM and LFO focused on the following activities that target improvements to the KPM system and support performance management and continuous improvement efforts:

- ***KPM system automation*** – BAM has developed a statewide data system to facilitate KPM tracking and reporting. The initial phase of the project replicates the current system reports and data requirements. Over time, additional system features will be added to enable public access to the information, enhance graphic displays, and to support more rigorous data analysis.
- ***KPM data reviews*** – LFO worked with the DAS Chief Audit Executive and agency internal auditors to review 86 KPMs from 25 different agencies to assess data management practices and information accuracy and reliability. Preliminary findings and recommendations were reported to the interim Joint Committee on Ways and Means (IJWM) in November 2008, and a final report will be delivered to the Legislature in January 2009.
- ***Tool development*** – Two new statewide performance management tools were added during the biennium, a KPM data audit template and a KPM management report. The audit template standardizes the process for reviewing KPM data integrity. The KPM management report provides a high-level snapshot of KPM performance status and is expected to help focus legislative conversations with agencies about performance achievements and challenges.
- ***Training*** – LFO and BAM provided training to boards and commissions who were implementing the best practice KPM to ensure that they were familiar with the documentation and evaluation expectations associated with the KPM. BAM provided business case development training designed to improve the quality of analysis used to support requests for new resources. LFO and BAM provided training to the IJWM on the continued evolution of the KPM system, future opportunities to support performance management and continuous improvement activities, and legislative KPM review processes. Several system and process trainings were also provided to agency KPM coordinators.
- ***Consulting and technical assistance to agencies*** – LFO and BAM provide assistance to numerous agencies on legislative follow-up activities related to KPMs and on other performance improvement efforts.

Looking to the future, BAM and LFO have identified the following areas of potential opportunities:

- ***Organizational health measure*** – The goal is to identify a multi-dimensional measure that provides critical information about an agency's management processes and provides data to support improved efficiency and effectiveness.
- ***Shared system measures*** – The KPM system is segmented by agencies, which makes it a challenge to gather performance outcome information for activities involving multiple agencies. Over the last year, the Oregon Judicial Department led an effort to engage the courts and human services and nonprofit service providers to develop a shared outcome measure related to child welfare. This

collective group agreed to focus on ensuring that children in foster care have permanency in their living situations as expeditiously as possible. To measure this, the group used an indicator that combines two composite numbers: timeliness and permanency of reunification of children discharged from foster care, and timeliness of foster care related adoptions. BAM and LFO would like to pursue the development of additional shared system measures in the future.

- **Performance committee** – SB 1099 (2008) established a committee on performance excellence to advise state government agencies on performance management and continuous improvement activities. This committee has authority to create a grants program and make recommendations to the Emergency Board on funding for continuous improvement projects. LFO and BAM share staffing responsibilities for this committee. The committee held its first formation meeting in December 2008. More information about the activities and accomplishments of this committee will be distributed as it becomes available.
- **Training** – The knowledge and skills that support a successful performance management system are different from those required to develop and report on a set of performance measures. Future training will be developed that targets performance management skill development.

Oregon state government invests 1.50 FTE in the management of the statewide KPM system and related performance management and continuous improvement activities. BAM has a Performance Management Coordinator (1.00 FTE) responsible for administrating the KPM system and providing performance management consulting and training services to state agencies. LFO has a Legislative Analyst (0.50 FTE) working closely with BAM on administration of the system and other agency performance improvement activities. Continued statewide support for Oregon's performance measurement and management activities would not be possible without this investment. In contrast, the State of Washington invests approximately \$2.4 million (15.00 FTE) in their Government Management, Accountability and Performance (GMAP) initiative.

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

### **Prioritization Process for Agency Programs**

Balancing the state budget necessitates resource allocation decisions concerning public services and programs. During the 2005 legislative session, the Joint Committee on Ways and Means established a program prioritization process. A worksheet was developed by the Legislative Fiscal Office to help provide data in a consistent format. Information required in the worksheet included summary information for each activity; purpose and authority; activity costs and source of funds; positions; and expected results (performance measure). The initial prioritization was accomplished by asking agencies to prioritize their own divisions or programs and then consolidate the divisions or programs to develop an agency-wide priority ranking. Agencies were instructed to document the criteria used to establish their priorities.

The agency priority worksheets served as a starting place for the Joint Committee on Ways and Means subcommittees to develop a framework for prioritizing services and programs within each of the six program areas (Education, Human Services, Public Safety, Natural Resources, General Government, and Transportation/Economic Development). In the 2009 legislative session, each agency will be required to again present its list of prioritized programs as part of its budget presentation. It is anticipated that each of the subcommittees will use these prioritization lists in conjunction with lists of potential reduction options in considering whether General Fund services should be maintained; reliance on General Fund should be reduced through alternate fund sources, service reductions, or fee

increases; or should be eliminated. For services supported by Other Funds and Federal Funds, the results will be used to formulate expenditure plans based on legislative program priorities.

### **The Budget and the Statutory Appropriations Limit**

The state's statutory appropriations limit (ORS 291.357) caps biennial expenditures for government activities at 8% of projected biennial personal income. Based on the December 2008 economic forecast of personal income for the 2009-11 biennium of \$291.03 billion, the statutory limit on appropriations for governmental activities is \$23.28 billion. The Governor's recommended budget for 2009-11 provides for expenditures of approximately 7.9% of projected personal income.

The Governor's recommended budget totals \$54.2 billion. For purposes of the appropriation limit, however, governmental activities exclude the fiduciary and business activities of government. The largest fiduciary activity in the budget is the Public Employees Retirement System (PERS), with a total budget approaching \$6.6 billion, most of which is for payment of retirement benefits. Business activities include various loan programs and insurance programs such as workers' compensation and unemployment insurance. Also excluded are Federal Funds (including Federal Funds as Other Funds) and expenditures from other excluded financing sources, such as donations, revenues from a voter-approved tobacco tax increase, and borrowings for capital construction and asset acquisition.

## Technical Assumptions in the 2009-11 Governor's Recommended Budget

In building the budget, various assumptions regarding rates and assessments need to be made. Since these are statewide assumptions, they affect nearly every agency budget.

**Inflation** – The biennial inflation factors used in the recommended budget are 2.8% for general inflation and for non-state employee contract providers and 4.4% for medical services. The general inflation factor applies to most “services and supplies” categories, capital outlay, and some special payments. Medical inflation is used for programs with medical costs such as the Oregon Health Plan provider payments, child foster care costs, programs for the developmentally disabled, mental health services, and nursing home and residential care.

**Merit Increases** – The budget assumes the equivalent of one salary step increase for the 2009-11 biennium for eligible employees of agencies with more than 10.00 FTE. Smaller agencies are fully funded for merit increases since they are less likely to incur vacancy savings or other budget savings in order to finance the total cost of step increases. The estimated General Fund cost of non-base budget merit increases for 2009-11 is \$56.1 million.

**Other Payroll Expenses (OPE)** – One driver of cost changes between biennial periods is the amount required for Other Payroll Expenses, referred to as OPE, including Public Employee Retirement System (PERS) contribution rates, workers’ compensation charges, Employment Relations Board (ERB) assessments, and Flexible Benefits. This category also includes pension obligation bonds debt service, which is discussed below. The following table shows the OPE rates applicable to 2005-07, 2007-09, and the proposed budget for 2009-11.

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

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

### OPE Rate Comparison

As the chart shows, the standard PERS rate is reduced, while ERB and Flexible Benefits (health insurance) rates increase.

The ERB increase in 2007-09 allowed for the addition of one Administrative Law Judge. The increase for 2009-11 would cover increased salaries as well as increased costs for travel and other services and supplies.

The workers' compensation rate includes a cents-per-hour assessment that is paid one-half by employers and one-half by workers to finance the Department of Consumer and Business Services, Workers' Benefit Fund. The \$2.60 rate is based on 1.5 cents-per-hour per employee. (Note: This rate only represents a small portion of the actual agency costs. For agencies with loss experience, the projected full cost of claims is budgeted.) For 2009-11, state agencies are being assessed approximately \$59 million total funds by Department of Administrative Services (DAS) Risk Management.

The default PERS rate decrease to 9.08% was developed by the PERS actuary to produce a reasonable budgetary rate. The rate is based on rates approved by the PERS Board. The primary drivers for the rate decrease are prior years' investment earnings and the effect of 2003 legislation that made changes to PERS.

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

The Flexible Benefits are primarily for health insurance and the rate built into budgets is an estimate of the composite cost rate applicable to all employees for the biennium. The actual rate charged depends on negotiated labor agreements, as well as individual employee/family coverage needs. The amount initially built into agency budgets generally does not cover the actual costs that will be incurred, so the Governor's budget commonly recommends that a special purpose appropriation to the Emergency Fund be established to, at least partially, cover these costs. Specifically, the Governor's budget proposes \$30.2 million for health insurance costs which is intended to cover an increase in premiums of 5% per year.

**Attorney General Charges** – The Governor's budget is based on an Assistant Attorney General hourly rate of \$158, up from \$126 an hour for the 2007-09 legislatively adopted budget. The overall allowable increase in Attorney General costs is 23% and is based on the blended increases of a variety of positions with the Department of Justice.

**State Government Service Charges** – Each agency budget includes a "State Government Service Charge" line item. This item reflects charges for services and related expenses imposed by one state agency on another state agency. Charges and user fees are set early in the budget development process and are included in the *Price List of Goods and Services* published by the Department of Administrative Services. Some are based on actual use and others on an assessment calculated to provide sufficient revenue to support service delivery during the 2009-11 biennium. As the Legislature makes changes to the proposed budgets for agencies that assess state government service charges, budget adjustments for other agencies that pay the affected assessment may be required.

**Pension Obligation Bonds (POBs)** – The Department of Administrative Services assesses agencies for their share of actual debt service costs associated with \$2 billion in Pension Obligation Bonds that

were issued in October 2003. The 2009-11 recommended budget includes state agency assessments totaling \$225.1 million (\$93.5 million General Fund, \$2.3 million Lottery Funds, \$91.9 million Other Funds, and \$37.4 million Federal Funds) for Pension Obligation Bond debt service.

## State Bonding and Capital Construction in the Governor's Budget

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The Governor's recommended budget relies on the passage of several bills that establish or increase authority to issue various types of bonds or Certificates of Participation (COPs). The planned capital construction projects will provide for the continuation of new State Hospital facilities, continued development of statewide public safety interoperability communications, a correctional facility in Junction City, and improvements to facilities in higher education, military, and state office buildings.

The State Debt Policy Advisory Commission issued a report in January of 2009 that made estimates on General Fund and Lottery Funds debt capacity. The recommended capacity is \$1.1 billion for General Fund and Lottery Funds capacity is estimated at \$400 million for the 2009-11 biennium. The Governor's recommended budget proposes spending the entire amount available for General Fund debt. For Lottery Fund debt, the Governor is recommending \$327.4 million in new projects. It should be noted that an additional \$40 million is needed to fund reserves in 2007-09 for projects that were approved by the 2007 Legislature. These unanticipated costs will equally reduce the bonding cap for 2009-11 if they are approved.

To finance various projects and provide financing capital for state self-supporting lending programs, the Governor's budget proposes issuance of \$1,393 million of General Obligation bonds, \$3,626 million of direct revenue and pass-through revenue bonds including \$327 million in lottery bonds, and \$891 million in COPs.

Of the General Obligation bonds, \$322 million is funded with General Fund and \$1,071 million is funded with dedicated funds. About 89% will go to fund projects for Higher Education with the rest funding projects for veterans, housing, energy, and environmental quality.

Direct revenue bonds total \$2,026 million and include \$898.5 million for Highway User Tax and Infrastructure Fund, \$600 million for housing bonds, and \$200 million for economic and community development. It also includes \$327.4 million in Lottery bonds. The largest Lottery Bond projects include Connect Oregon III (\$168.5 million), the purchase of an Amtrak train (\$39.5 million), and capital projects at the Department of Higher Education (\$85.1 million). Debt service on the new lottery bonds is expected to increase from \$20.3 million in 2009-11 to \$60.2 million in 2011-13.

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

The largest COP-funded projects include \$343.7 million for the new State Hospital, \$240.5 for the Oregon Wireless Interoperability Network (OWIN), \$136.8 million for the Junction City correctional facility, \$40.4 million for the e-Court project, and \$61.4 for higher education. A complete list of COP projects is available in **Appendix A**. It should be noted that debt service on these new COP projects is estimated to increase from \$54.4 million in 2009-11 to \$199 million in 2011-13.

### Capital Construction

The proposed capital construction projects total \$1,722 million. There are two projects at Higher Education totaling \$18 million that are proposed to be funded with General Fund directly. Other

Funds projects total \$1,688.6 million, including \$961.8 million for higher education facilities improvements and deferred maintenance, \$240.5 million for the Oregon Wireless Interoperability Network (OWIN), \$279.2 million for the new State Hospital facility, and \$133.9 million for a prison in Junction City. Federal Funds expenditures for projects total \$15.3 million and include \$13.8 million for The Dalles Readiness Center and \$1.5 million for the Joseph airport.

For a complete list of all projects included in the Governor's recommended budget, see **Appendix B**.

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

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### 2009-11 Budget Risks

The Governor's recommended budget is accompanied by a number of budgetary or financial risks.

- **Revenue Forecast** – The December 2008 economic forecast, which is the basis for 2009-11 projected revenues, is widely anticipated to be higher than what the next forecast scheduled for release on February 20, 2009, will show. The state revenue economist has publically announced that the next forecast could indicate a reduction of between \$300 and \$600 million in available revenue below the December 2008 forecast. The state is already facing a \$142 million deficit as a result of the December 2008 forecast; this deficit was temporarily addressed by the Governor through the use of the across-the-board allotment authority provided by ORS 291.261. Economists indicate that Oregon's economy is facing serious downside risks that could continue to adversely impact revenues, such as the unstable financial market, the extremely depressed housing market, and increasing unemployment (Oregon's latest unemployment rate was 9% for December 2008, the highest unemployment rate in Oregon since April 1985).
- **Ending Balance** – The Governor's budget proposes a General Fund ending balance of \$100 million. This balance is not even enough to satisfy the statutory requirement for 1% of General Fund expenditures to be deposited into the Oregon Rainy Day Fund at the closing of the books for each biennium. The minimum amount of an ending balance for the 2009-11 biennium's Rainy Day Fund deposit, based on the Governor's proposed budget, is \$147 million General Fund. In addition, during a time of economic uncertainty, a larger ending balance is an important factor in avoiding special sessions to rebalance the state budget in between sessions (either regular or planned special sessions) of the Legislature. Bond rating agencies and best practices suggest a minimum ending balance of approximately 5% of revenues. Application of this standard would require a balance of almost \$740 million.
- **Emergency Fund** – The recommended budget provides for a general purpose Emergency Fund of \$30 million. This is the same amount provided for general purposes by the Legislature for the 2007-09 biennium. Through careful management of the general purpose fund and various special purpose appropriations made to the Emergency Board for specified agencies and uses, the Emergency Board was able to retain \$53.2 million that is available to be applied toward the current 2007-09 deficit of \$142.1 million General Fund (based on the December 2008 economic and revenue forecast). Although the Governor's budget assumes costs for salary and benefit adjustments that total \$40 million (\$30.2 million for state employee health and benefit plans and \$9.8 million for salary increases for state elected officials, as recommended by the Public Officials Compensation Commission), only \$5.1 million General Fund is provided to the Emergency Board for these costs in the 2009-11 biennium.
- **Employee Compensation/Benefits** – The recommended budget is built on the assumption that state employee pay and health benefit costs will only increase by \$30.2 million for proposed health benefit increases of 5% per year. There are no cost-of-living increases assumed for state employees in the Governor's recommended budget for 2009-11, although regular merit increases are included. In order to achieve the necessary funding for the health and benefit

increases, the Governor's budget assumes General Fund savings of \$34.9 million in personal services by the furloughing of all state employees for one day per quarter (or a total of eight days per employee) during the 2009-11 biennium. The ability to furlough represented employees will be the subject of negotiations with the state employee bargaining units. The ability to furlough management service employees is questionable due to federal Fair Labor Standards Act provisions.

- **Caseload-Related Costs** – Caseload-related costs are always a budget risk due to the volatility of the caseloads for many programs and the magnitude of the dollars spent on caseload. While it is anticipated that human service caseloads will increase during difficult economic times, the full extent of caseload increases are a challenge to accurately forecast. The primary hedge against this kind of risk has been three-fold: the agency may have savings in other programs to offset higher caseload costs; the Emergency Board may allocate a portion of its general purpose Emergency Fund to supplement an agency's budget, or the Legislature may meet in special session to either reduce program expenditures or appropriate additional funds, if available.
- **Legislative and Governmental Decisions** – The Governor's recommended budget assumes that the Legislature will pass legislation (in addition to the appropriation bills) or that other governmental units will take actions necessary to implement certain decisions included in the recommended budget. The 2009-11 budget includes several programs that require the passage of legislation to increase revenues. These revenues are used in the budget to pay for specific programs, some which are program enhancements and some which are base programs. For example, the budget removes significant amounts of General Fund from the Department of Human Services' programs and replaces the funding with a proposed increase in hospital and managed care organization provider taxes. (See program area discussions for other major items that require passage of legislation, some of which has not been pre-session filed, to support the proposed budget.)
- **Federal Budget Changes** – As a major funding source for a number of state agencies, decisions made by the federal government can result in additional costs to the state. This can be the result of an automatic adjustment (such as the Medicaid match rate), from a decision to reduce or eliminate support for programs or services, from the creation of new requirements that states must implement in order to continue to receive funding, or from changes in the tax code that affect state revenues.
- **Lawsuits** – Lawsuits always pose a risk to the state's budget. During the 2007-09 biennium, for example, the State faced a number of lawsuits, some of which have a potentially significant fiscal risk. For example, in *Clark v. Oregon Health and Science University (OHSU)* the state's cap on liability of public bodies of \$200,000 for individual claims was challenged. Department of Administrative Services' Risk Management charges have been increased to cover the additional liability resulting from the court's decision in this case. Another example of legal actions currently under way involving the state is the dispute between major tobacco companies and 45 states over the payments under the Non-participating Manufacturing section of the Master Settlement Agreement. Tobacco companies withheld a portion of the \$75 million due April 2006 and further withholding is possible in future years until the dispute is resolved. It is not possible to quantify the cost of defending the state against such legal actions or estimate the ongoing financial obligations that may result, but to the extent that legal challenges create a

state obligation, this puts further demands on limited resources. It may be necessary to appropriate additional funds to the Emergency Board to address these contingencies.

### **Tentative Budget Issues for 2011-13**

Although Oregon currently budgets for a two-year period, it is still important to look ahead to the following biennium for purposes of assessing the state's long-term planning and investment options. There are a number of potential 2011-13 budget issues that warrant consideration while producing the budget for the 2009-11 biennium.

In the Governor's recommended budget, \$595.1 million of General Fund and Lottery Funds is proposed to be spent on debt service. The vast majority of this amount is to pay for debt that has already been issued rather than new debt being proposed. In fact, much of the new debt being proposed in the budget has minimal debt service costs in the current biennium, resulting in a significant additional cost in 2011-13. Under the Governor's recommended budget, total General Fund and Lottery Funds debt service represents a 46% increase over 2007-09 debt service and nearly 90% more than was incurred during the 2005-07 biennium. While investing in state infrastructure is a necessary activity, close attention should be paid to the amount of General Fund and Lottery Funds debt service in the budget. Since debt service is a legal obligation, it must be budgeted for and paid out before other discretionary state services.

Another potential issue for the 2011-13 budget is the increasing costs in the Public Safety program area as a result of the passage of Measure 11 in 1994 and, more recently, the passage of Measure 57 in 2008. Since the passage of Measure 11, the Public Safety program area has grown by an average of 20% per biennium. The passage of Measure 57 calling for additional incarceration of repeat property crime offenders has an estimated 2009-11 cost of \$74 million in the Governor's recommended budget. By the end of the biennium, it is projected that the state will need to find an additional 2,000 inmate beds. Given that the full costs of Measure 11 are still being phased in and that Measure 57 costs are just beginning to be felt, it is expected that the essential budget level will continue to grow at a fast rate at least into the next two or three biennia. As with debt service, this rate of growth will exceed the projected revenue growth.

Perhaps the more difficult issue facing the 2011-13 biennial budget is the possible complications resulting from the currently proposed federal economic stimulus package. Plummeting revenues and deteriorating economic conditions are plaguing Oregon and other states for the both the current biennium and projected into the next biennium. Federal economic stimulus dollars are being looked upon as best way to prevent extensive and damaging budget cuts to vital programs for the remainder of the 2007-09 biennium and into the 2009-11 biennium. Current estimates have Oregon receiving in the area of \$1.6 billion of federal funds able to be used to backfill for state funds in various programs and services. A portion of this will be able to be used to rebalance the 2007-09 biennium. All of these additional resources, however, should be assumed to be one-time revenues that will not be available for the 2011-13 biennium. Therefore, depending on the strength, timing, and extent of Oregon's recovery from the recession and how the recovery affects state General Fund resources, the 2011-13 budget could be in the situation of not having sufficient resources to maintain programs and services continued during 2009-11 with one-time federal dollars, unless the 2009-11 budget is crafted with a mixture of reductions and the federal stimulus dollars.

# Appendix A

## Governor's Recommended 2009-11 Certificates of Participation

**2009-11 CERTIFICATES OF PARTICIPATION**

**ESTIMATED DEBT SERVICE AND ISSUANCE DATES INCLUDED IN 2009-11 GOVERNOR'S RECOMMENDED BUDGET**

*Tentative Sale Dates: October 2009, May 2010, March 2011*

Agency Division	Agency Sale Date	Project	Par	Project Amount	Cost of Issuance	Capitalized Interest (1)	Principal	Interest	Debt Service 2011-13
<b>Administrative Services</b>									
<b>FACILITIES</b>									
DAS-Fac	5/1/2010	\$5M Energy Efficiencies	5,110,000	5,000,000	110,000			314,183	941,235
DAS-Fac	10/1/2009	L&Bldg Water Line	900,000	875,000	25,000		70,000	74,032	237,348
<b>Subtotal:</b>			<b>\$ 6,010,000</b>	<b>\$ 5,875,000</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ 70,000</b>	<b>\$ 388,215</b>	<b>\$ 1,178,583</b>
<b>State Data Center / Office of Enterprise Information Technology</b>									
DAS-SDC	10/1/2009	Voice Network Upgrade	3,270,000	3,208,440	61,560		595,000	233,328	1,471,746
<b>Subtotal:</b>			<b>\$ 3,270,000</b>	<b>\$ 3,208,440</b>	<b>\$ 61,560</b>	<b>\$ -</b>	<b>\$ 595,000</b>	<b>\$ 233,328</b>	<b>\$ 1,471,746</b>
<b>DAS Subtotal</b>			<b>\$ 9,280,000</b>	<b>\$ 9,083,440</b>	<b>\$ 196,560</b>	<b>\$ -</b>	<b>\$ 665,000</b>	<b>\$ 621,543</b>	<b>\$ 2,650,329</b>
<b>Forestry</b>									
Forestry	10/1/2009	John Day - rolled from 07-09	520,000	500,000	20,000		40,000	42,816	137,572
Forestry	10/1/2009	Sisters - rolled from 07-09	270,000	250,000	20,000		20,000	22,316	70,045
Forestry	10/1/2009	Business System Imp - rolled from 07-09	1,420,000	1,388,772	31,228		260,000	101,255	642,310
<b>Subtotal:</b>			<b>\$ 2,210,000</b>	<b>\$ 2,138,772</b>	<b>\$ 71,228</b>	<b>\$ -</b>	<b>\$ 320,000</b>	<b>\$ 166,387</b>	<b>\$ 849,927</b>
<b>Oregon University System</b>									
OUS	5/1/2010	OUS IT Projects	3,000,000	2,936,727	63,273		545,000	214,075	1,354,984
OUS	3/1/2011	OUS Deferred Maint - 20Yr	29,020,000	28,362,000	658,000		0	0	5,248,086
OUS	3/1/2011	OUS New Building 30Yr	29,410,000	28,663,000	747,000		0	0	4,640,178
<b>Subtotal:</b>			<b>\$ 61,430,000</b>	<b>\$ 59,961,727</b>	<b>\$ 1,468,273</b>	<b>\$ -</b>	<b>\$ 545,000</b>	<b>\$ 214,075</b>	<b>\$ 11,243,248</b>
<b>Military</b>									
Military	5/1/2010	The Dalles Readiness Center	4,125,000	4,056,560	68,440		330,000	218,347	1,097,774
Military	5/1/2010	Milton Freewater Armory	3,410,000	3,348,000	62,000		270,000	180,617	905,173
Military	5/1/2010	Hood River Armory	1,630,000	1,591,762	38,238		130,000	86,335	430,410
Military	5/1/2010	Grants Pass Armory	2,640,000	2,592,000	48,000		210,000	139,783	701,596
Military	5/1/2010	Albany Armory	1,945,000	1,907,064	37,936		155,000	102,987	515,439
Military	5/1/2010	Emergency Preparedness	14,465,000	14,218,200	246,800		1,155,000	765,805	3,843,006
Military	5/1/2010	Salem USAR Reserve Center	3,055,000	3,000,000	55,000		245,000	161,710	810,865
<b>Subtotal:</b>			<b>\$ 31,270,000</b>	<b>\$ 30,713,586</b>	<b>\$ 556,414</b>	<b>\$ -</b>	<b>\$ 2,495,000</b>	<b>\$ 1,655,584</b>	<b>\$ 8,304,263</b>
<b>Human Services</b>									
DHS	10/1/2009	State Hospital	89,175,000	78,608,215	1,773,089	8,793,696		8,793,697	18,463,362
DHS	5/1/2010	State Hospital	139,605,000	123,742,293	2,668,142	13,194,565		8,796,378	26,424,664
DHS	3/1/2011	State Hospital	87,880,000	76,828,610	1,771,647	9,279,743			14,413,666
DHS	5/1/2010	OR Kids (SACWIS Phase V)	12,510,000	12,300,844	209,156		2,285,000	594,218	5,754,731
DHS	5/1/2010	Case Mgmt - DHS case worker system needs	14,485,000	14,249,302	235,698		2,645,000	688,007	6,669,228
<b>Subtotal:</b>			<b>\$ 343,655,000</b>	<b>\$ 305,729,264</b>	<b>\$ 6,657,732</b>	<b>\$ 31,268,004</b>	<b>\$ 4,930,000</b>	<b>\$ 18,872,300</b>	<b>\$ 71,725,651</b>

**2009-11 CERTIFICATES OF PARTICIPATION  
ESTIMATED DEBT SERVICE AND ISSUANCE DATES INCLUDED IN 2009-11 GOVERNOR'S RECOMMENDED BUDGET**

*Tentative Sale Dates: October 2009, May 2010, March 2011*

Agency Division	Agency Sale Date	Project	Par	Project Amount	Capitalized Interest (1)	Debt Service 2009-11 Principal	Debt Service 2009-11 Interest	Debt Service 2011-13
<b>Corrections</b>								
DOC	05/01/10	Misc Staffing 5YR	\$ 2,755,000	\$ 2,702,903		\$ 500,000	\$ 130,879	\$ 1,270,107
DOC	05/01/10	Junction City Const 25YR	74,675,000	73,121,801			4,766,397	12,543,563
DOC	05/01/10	Deferred Maint 10YR	5,665,000	5,658,684			305,025	1,636,359
DOC	03/01/11	Misc Staffing 5YR	3,415,000	3,357,645				1,585,971
DOC	03/01/11	Junction City Const 25YR	45,420,000	44,383,879				7,196,395
DOC	03/01/11	Deferred Maint 10YR	4,865,000	4,781,575				1,007,662
<b>Subtotal:</b>			<b>\$ 136,795,000</b>	<b>\$ 133,906,487</b>		<b>\$ 500,000</b>	<b>\$ 5,202,301</b>	<b>\$ 25,240,057</b>
<b>Oregon Youth Authority</b>								
OYA	10/1/2009	Maclaren \$1.4 M 07-09 Cap Proj	1,435,000	1,400,000			122,415	407,420
OYA	10/1/2009	Deferred Maint \$2 M 07-09 Cap Proj	2,040,000	2,000,000			174,019	577,489
OYA	5/1/2010	Convallis House \$1 M 07-09 Cap Proj	1,025,000	1,000,000			55,216	296,062
<b>Subtotal:</b>			<b>\$ 4,500,000</b>	<b>\$ 4,400,000</b>		<b>\$ -</b>	<b>\$ 351,651</b>	<b>\$ 1,280,971</b>
<b>Oregon Judicial</b>								
OJD	10/01/09	e-Court	\$ 12,710,000	\$ 12,500,000		\$ 2,310,000	\$ 906,954	\$ 5,728,926
OJD	05/01/10	e-Court	14,380,000	14,150,000		2,625,000	683,028	6,621,890
OJD	03/01/11	e-Court	13,270,000	13,050,000				6,152,349
<b>Subtotal:</b>			<b>\$ 40,360,000</b>	<b>\$ 39,700,000</b>		<b>\$ 4,935,000</b>	<b>\$ 1,589,982</b>	<b>\$ 18,503,165</b>
<b>Oregon State Treasurer</b>								
OST	10/01/09	Debt Mgmt System	\$ 825,000	\$ 800,000		\$ 150,000	\$ 58,884	\$ 371,000
<b>Subtotal:</b>			<b>\$ 825,000</b>	<b>\$ 800,000</b>		<b>\$ 150,000</b>	<b>\$ 58,884</b>	<b>\$ 371,000</b>
<b>State Police</b>								
OSP	10/1/2009	OWIN Oct 09 Issue	\$ 35,620,000	\$ 34,872,003		\$ 370,000	\$ 3,661,913	\$ 9,055,812
OSP	05/01/10	OWIN May 2010 Issue	105,105,000	103,037,018		\$ 370,000	\$ 6,689,471	\$ 28,265,922
OSP	3/1/2011	OWIN March 2011 Issue	99,810,000	97,761,531				21,478,512
<b>Subtotal:</b>			<b>\$ 240,535,000</b>	<b>\$ 235,670,552</b>		<b>\$ 740,000</b>	<b>\$ 10,351,384</b>	<b>\$ 58,800,246</b>
<b>Unidentified Financing Needs:</b>								
			\$ 20,000,000	\$ 20,000,000				
<b>GRAND TOTAL:</b>			<b>\$ 890,860,000</b>	<b>\$ 842,103,828</b>		<b>\$ 15,280,000</b>	<b>\$ 39,084,091</b>	<b>\$ 198,968,857</b>

## **Appendix B**

### **Governor's Recommended 2009-11 Capital Construction Projects**

## 2009-2011 GOVERNOR'S RECOMMENDED CAPITAL CONSTRUCTION PROJECTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
<b>EDUCATION PROGRAM</b>				
Higher Education University System				
System				
Capital Repair	\$ -	\$ 51,400,000	\$ -	\$ 51,400,000
South Waterfront Life Sciences Facility	-	250,000,000	-	250,000,000
South Waterfront Corporate Complex	15,000,000	150,000,000	-	165,000,000
Biofuels demonstration project	-	8,000,000	-	8,000,000
Wind demonstration project	-	4,000,000	-	4,000,000
Oregon Center for Sustainability	-	80,000,000	-	80,000,000
Western Oregon University				
Physical Education Building deferred maintenance	-	12,651,000	-	12,651,000
Classroom and office building	3,000,000	3,000,000	-	6,000,000
Health and wellness center	-	12,000,000	-	12,000,000
Eastern Oregon University				
Zabel Hall deferred maintenance	-	6,443,000	-	6,443,000
Oregon State University				
Education Hall deferred maintenance	-	4,000,000	-	4,000,000
Strand Agriculture Hall deferred maintenance	-	24,870,000	-	24,870,000
Bates Hall/Halie Ford Healthy Children and Families Center	-	12,000,000	-	12,000,000
Student Involvement Center	-	55,000,000	-	55,000,000
Cultural Center	-	10,000,000	-	10,000,000
Memorial Union, phase 3	-	14,000,000	-	14,000,000
Student Health Services	-	19,000,000	-	19,000,000
International Residential Hall	-	52,000,000	-	52,000,000
Sports Performance Center	-	12,000,000	-	12,000,000
CH2M Hill Alumni Center	-	4,200,000	-	4,200,000
Portland State University				
Campus steam loop phase 2, deferred maintenance	-	17,500,000	-	17,500,000
Southern Oregon University				
Churchill Hall deferred maintenance	-	5,922,000	-	5,922,000
Theater Arts Expansion and Remodel	-	11,000,000	-	11,000,000
University of Oregon				
Fenton Hall Deferred Maintenance	-	5,000,000	-	5,000,000
Straub Memorial Hall deferred maintenance	-	22,427,000	-	22,427,000
Power Station, phase 2 (waste gasification demonstration project)	-	56,315,000	-	56,315,000
Erb Memorial Union, partial renovation, West Lower Level	-	2,560,000	-	2,560,000
Chiles Center renovations	-	1,000,000	-	1,000,000
Alumni Center project	-	16,800,000	-	16,800,000
Riverfront Research Park, Technology Business Incubator	-	1,500,000	-	1,500,000
Barnhart Hall building envelope restoration	-	900,000	-	900,000
Carson Hall electrical upgrade	-	560,000	-	560,000
Earl Complex building envelope, electrical & mechanical	-	2,924,000	-	2,924,000
Oregon Institute of Technology				
Owens Hall deferred maintenance	-	5,030,000	-	5,030,000
Geothermal renewable energy demonstration project	-	6,600,000	-	6,600,000
Project Reserves	-	21,157,420	-	21,157,420
Total Department of Higher Education	<u>\$ 18,000,000</u>	<u>\$ 961,759,420</u>	<u>\$ -</u>	<u>\$ 979,759,420</u>
Dept. of Community Colleges and Workforce Development				
Blue Mountain Community College				
Hermiston University Center	\$ -	\$ 8,800,000	\$ -	\$ 8,800,000
Treasure Valley Community College				
Ontario University Center	-	6,000,000	-	6,000,000
Umpqua Community College				
Roseburg Regional Health Occupational Training Center	-	17,000,000	-	17,000,000
Total Community Colleges and Workforce Development	<u>\$ -</u>	<u>\$ 31,800,000</u>	<u>\$ -</u>	<u>\$ 31,800,000</u>
<b>TOTAL EDUCATION PROGRAM</b>	<u>\$ 18,000,000</u>	<u>\$ 993,559,420</u>	<u>\$ -</u>	<u>\$ 1,011,559,420</u>

**2009-2011 GOVERNOR'S RECOMMENDED  
CAPITAL CONSTRUCTION PROJECTS**

Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
<b>HUMAN SERVICES PROGRAM</b>				
Department of Human Services				
State Hospital Replacement	\$ -	\$ 279,179,118	\$ -	\$ 279,179,118
Total Department of Human Services	\$ -	\$ 279,179,118	\$ -	\$ 279,179,118
<b>TOTAL HUMAN SERVICES PROGRAM</b>	<b>\$ -</b>	<b>\$ 279,179,118</b>	<b>\$ -</b>	<b>\$ 279,179,118</b>
<b>PUBLIC SAFETY PROGRAM</b>				
Department of Corrections				
Junction City Prison	\$ -	\$ 123,566,228	\$ -	\$ 123,566,228
Public Safety Bldg Planning	\$ -	\$ 1	\$ -	\$ 1
Total Department of Corrections	\$ -	\$ 123,566,229	\$ -	\$ 123,566,229
Military Department				
The Dalles Readiness Center	\$ -	\$ 4,056,560	\$ 13,825,000	\$ 17,881,560
Milton Freewater Armory	\$ -	\$ 3,348,000	\$ -	\$ 3,348,000
Hood River Armory	\$ -	\$ 1,591,762	\$ -	\$ 1,591,762
Grants Pass Armory	\$ -	\$ 2,592,000	\$ -	\$ 2,592,000
Albany Armory	\$ -	\$ 1,907,064	\$ -	\$ 1,907,064
Salem USAR Center	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Emergency Preparedness Facil.	\$ -	\$ 14,218,200	\$ -	\$ 14,218,200
Total Military Department	\$ -	\$ 30,713,586	\$ 13,825,000	\$ 44,538,586
Oregon State Police				
Oregon Wireless Interoperability Network - Phase 2	\$ -	\$ 235,670,552	\$ -	\$ 235,670,552
Total Oregon State Police	\$ -	\$ 235,670,552	\$ -	\$ 235,670,552
<b>TOTAL PUBLIC SAFETY PROGRAM</b>	<b>\$ -</b>	<b>\$ 389,950,367</b>	<b>\$ 13,825,000</b>	<b>\$ 403,775,367</b>
<b>NATURAL RESOURCES PROGRAM</b>				
Department of Forestry				
Land Acquisition	\$ -	\$ 1	\$ -	\$ 1
Total Department of Forestry	\$ -	\$ 1	\$ -	\$ 1
<b>TOTAL NATURAL RESOURCES PROGRAM</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 1</b>
<b>TRANSPORTATION PROGRAM</b>				
Department of Transportation				
Oregon Wireless Interoperability Network - OWIN	\$ -	\$ 74,500,000	\$ -	\$ 74,500,000
Transportation Building Renovation	\$ -	\$ 1	\$ -	\$ 1
Total Department of Transportation	\$ -	\$ 74,500,001	\$ -	\$ 74,500,001
Department of Aviation				
Joseph Airport	\$ -	\$ 75,000	\$ 1,500,000	\$ 1,575,000
Total Department of Aviation	\$ -	\$ 75,000	\$ 1,500,000	\$ 1,575,000
<b>TOTAL TRANSPORTATION PROGRAM</b>	<b>\$ -</b>	<b>\$ 74,575,001</b>	<b>\$ 1,500,000</b>	<b>\$ 76,075,001</b>
<b>ADMINISTRATION PROGRAM</b>				
Department of Administrative Services				
Executive Building Replacement	\$ -	\$ 1	\$ -	\$ 1
L & I Bldg Water Line Replacement	\$ -	\$ 875,000	\$ -	\$ 875,000
Central Point Var. Flow Refrig. Sys	\$ -	\$ 650,000	\$ -	\$ 650,000
Human Services Bldg Lighting and VAV	\$ -	\$ 800,000	\$ -	\$ 800,000
Roof Replacements	\$ -	\$ 2,113,535	\$ -	\$ 2,113,535
PSOB Fire Sys Upgrade - Phase 2	\$ -	\$ 462,282	\$ -	\$ 462,282
Planning Funds	\$ -	\$ 250,000	\$ -	\$ 250,000
HVAC Improvement Projects	\$ -	\$ 750,357	\$ -	\$ 750,357
Rev Bldg Lighting Upgrade	\$ -	\$ 617,329	\$ -	\$ 617,329
Clean and Seal Project	\$ -	\$ 1,451,145	\$ -	\$ 1,451,145
PSOB Carpet Replacement	\$ -	\$ 1,056,209	\$ -	\$ 1,056,209
Justice Bldg Elevator Replacement	\$ -	\$ 875,500	\$ -	\$ 875,500
State Data Center Parking Lot	\$ -	\$ 750,000	\$ -	\$ 750,000
Total Department of Administrative Services	\$ -	\$ 10,651,358	\$ -	\$ 10,651,358
<b>TOTAL ADMINISTRATION PROGRAM</b>	<b>\$ -</b>	<b>\$ 10,651,358</b>	<b>\$ -</b>	<b>\$ 10,651,358</b>
<b>GRAND TOTAL 2009-11 BIENNIUM</b>	<b>\$ 18,000,000</b>	<b>\$ 1,747,915,265</b>	<b>\$ 15,325,000</b>	<b>\$ 1,781,240,265</b>

## **Appendix C**

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

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

	2005-07 ACTUALS	2007-09 LEGISLATIVELY APPROVED	2009-11 ESSENTIAL BUDGET LEVEL	2009-11 GOVERNOR'S RECOMMENDED	Change			
					07-09 Approved to 09-11 EBL #	07-09 Approved to 09-11 EBL %	07-09 Approved to 09-11 GRB #	07-09 Approved to 09-11 GRB %
<b>PROGRAM AREA: EDUCATION</b>								
COMMUNITY COLLEGES & WORKFORCE DEV, DEPT	49.70	56.03	55.70	59.70	(0.33)	(0.6)	3.67	6.6
EDUCATION, DEPT OF	442.61	448.28	443.47	452.47	(4.81)	(1.1)	4.19	0.9
HIGHER EDUCATION, DEPT OF	12,495.08	12,566.58	12,594.10	12,694.66	27.52	0.2	128.08	1.0
STUDENT ASSISTANCE COMMISSION	22.75	31.91	30.16	27.83	(1.75)	(5.5)	(4.08)	(12.8)
TEACHER STANDARDS & PRACTICES COMMISSION	21.50	23.50	20.50	25.00	(3.00)	(12.8)	1.50	6.4
<b>EDUCATION TOTAL</b>	<b>13,031.64</b>	<b>13,126.30</b>	<b>13,143.93</b>	<b>13,259.66</b>	<b>17.63</b>	<b>0.1</b>	<b>133.36</b>	<b>1.0</b>
<b>PROGRAM AREA: HUMAN SERVICES</b>								
BLIND, COMMISSION FOR THE	44.60	47.24	47.60	44.60	0.36	0.8	(2.64)	(5.6)
CHILDREN & FAMILIES, COMMISSION ON	28.77	30.92	29.67	28.17	(1.25)	(4.0)	(2.75)	(8.9)
HUMAN SERVICES, DEPT OF	9,124.28	9,727.30	9,919.58	10,364.47	192.28	2.0	637.17	6.6
LONG TERM CARE OMBUDSMAN	8.16	10.00	10.50	10.50	0.50	5.0	0.50	5.0
PRIVATE HEALTH PARTNERSHIPS, OFFICE OF	56.80	52.42	52.50	69.83	0.08	0.2	17.41	33.2
PSYCHIATRIC SECURITY REVIEW BOARD	4.75	5.00	5.00	5.92	0.00	0.0	0.92	18.4
<b>HUMAN SERVICES TOTAL</b>	<b>9,267.36</b>	<b>9,872.88</b>	<b>10,064.85</b>	<b>10,523.49</b>	<b>191.97</b>	<b>1.9</b>	<b>650.61</b>	<b>6.6</b>
<b>PROGRAM AREA: PUBLIC SAFETY</b>								
CORRECTIONS, DEPT OF	4,170.25	4,647.32	4,665.29	4,692.34	17.97	0.4	45.02	1.0
CRIMINAL JUSTICE COMMISSION	5.25	6.00	6.00	10.00	0.00	0.0	4.00	66.7
DISTRICT ATTORNEYS & THEIR DEPUTIES	36.00	36.00	36.00	36.00	0.00	0.0	0.00	0.0
JUSTICE, DEPT OF	1,210.81	1,306.71	1,305.68	1,333.37	(1.03)	(0.1)	26.66	2.0
MILITARY, DEPT OF*	437.37	476.23	470.93	494.93	(5.30)	(1.1)	18.70	3.9
PAROLE & POST PRISON SUPERVISION BRD	15.00	15.00	15.00	15.67	0.00	0.0	0.67	4.5
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF	134.73	167.13	168.12	149.12	0.99	0.6	(18.01)	(10.8)
STATE POLICE, DEPT OF*	1,159.36	1,229.16	1,320.75	1,339.43	91.59	7.5	110.27	9.0
YOUTH AUTHORITY, DEPT OF	1,048.10	1,147.46	1,416.89	1,201.14	269.43	23.5	53.68	4.7
<b>PUBLIC SAFETY TOTAL</b>	<b>8,216.87</b>	<b>9,031.01</b>	<b>9,404.66</b>	<b>9,272.00</b>	<b>373.65</b>	<b>4.1</b>	<b>240.99</b>	<b>2.7</b>
<b>PROGRAM AREA: JUDICIAL BRANCH</b>								
JUDICIAL DEPARTMENT	1,871.21	1,912.85	1,923.13	2,056.95	10.28	0.5	144.10	7.5
JUDICIAL FITNESS AND DISABILITY, COMM. ON	0.50	0.50	0.50	0.50	0.00	0.0	0.00	0.0
PUBLIC DEFENSE SERVICES COMMISSION	55.05	65.85	77.07	81.67	11.22	17.0	15.82	24.0
<b>JUDICIAL BRANCH TOTAL</b>	<b>1,926.76</b>	<b>1,979.20</b>	<b>2,000.70</b>	<b>2,139.12</b>	<b>21.50</b>	<b>1.1</b>	<b>159.92</b>	<b>8.1</b>
<b>PROGRAM AREA: ECONOMIC &amp; COMMUNITY DEVELOPMENT</b>								
ECONOMIC & COMMUNITY DEVELOPMENT DEPT	119.23	126.00	125.00	134.00	(1.00)	(0.8)	8.00	6.3
EMPLOYMENT DEPARTMENT	1,356.77	1,284.10	1,273.39	1,297.39	(10.71)	(0.8)	13.29	1.0
FAIR & EXPO CENTER, STATE**	0.00	0.00	0.00	0.00	0.00	NA	0.00	NA
HOUSING & COMMUNITY SERVICES DEPT.	145.50	140.42	135.70	125.20	(4.72)	(3.4)	(15.22)	(10.8)
VETERANS' AFFAIRS, DEPT OF	111.03	110.53	110.21	110.60	(0.32)	(0.3)	0.07	0.1
<b>ECONOMIC &amp; COMMUNITY DEVELOPMENT TOTAL</b>	<b>1,732.53</b>	<b>1,661.05</b>	<b>1,644.30</b>	<b>1,667.19</b>	<b>(16.75)</b>	<b>(1.0)</b>	<b>6.14</b>	<b>0.4</b>
<b>PROGRAM AREA: NATURAL RESOURCES</b>								
AGRICULTURE, DEPT OF	364.12	375.05	368.29	357.87	(6.76)	(1.8)	(17.18)	(4.6)
ENERGY, DEPT. OF	86.73	90.49	84.79	117.00	(5.70)	(6.3)	26.51	29.3
ENVIRONMENTAL QUALITY, DEPT OF	773.89	797.31	787.59	807.28	(9.72)	(1.2)	9.97	1.3
FISH & WILDLIFE, DEPT OF	1,160.74	1,147.90	1,124.65	1,152.52	(23.25)	(2.0)	4.62	0.4
FORESTRY DEPARTMENT	909.15	920.96	893.41	873.23	(27.55)	(3.0)	(47.73)	(5.2)
GEOLOGY & MINERAL INDUSTRIES, DEPT OF	39.71	36.20	35.20	36.37	(1.00)	(2.8)	0.17	0.5
LAND CONSERVATION & DEVELOPMENT, DEPT OF	69.63	85.54	57.71	79.68	(27.83)	(32.5)	(5.86)	(6.9)
LAND USE BOARD OF APPEALS	6.00	6.00	6.00	6.00	0.00	0.0	0.00	0.0
LANDS, DEPT. OF STATE	96.11	108.75	91.50	114.46	(17.25)	(15.9)	5.71	5.3
MARINE BOARD	39.00	39.00	39.00	39.00	0.00	0.0	0.00	0.0
PARKS & RECREATION, DEPT OF**	571.22	602.20	600.94	608.49	(1.26)	(0.2)	6.29	1.0
WATER RESOURCES DEPT	138.13	147.60	142.42	143.92	(5.18)	(3.5)	(3.68)	(2.5)
WATERSHED ENHANCEMENT BOARD	26.38	30.00	23.00	34.00	(7.00)	(23.3)	4.00	13.3
<b>NATURAL RESOURCES TOTAL</b>	<b>4,280.81</b>	<b>4,387.00</b>	<b>4,254.50</b>	<b>4,369.82</b>	<b>(132.50)</b>	<b>(3.0)</b>	<b>(17.18)</b>	<b>(0.4)</b>
<b>PROGRAM AREA: TRANSPORTATION</b>								
AVIATION, DEPT OF	17.92	17.00	16.00	19.00	(1.00)	(5.9)	2.00	11.8
TRANSPORTATION, DEPT OF	4,544.69	4,532.62	4,512.72	4,646.96	(19.90)	(0.4)	114.34	2.5
<b>TRANSPORTATION TOTAL</b>	<b>4,562.61</b>	<b>4,549.62</b>	<b>4,528.72</b>	<b>4,665.96</b>	<b>(20.90)</b>	<b>(0.5)</b>	<b>116.34</b>	<b>2.6</b>

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

	2005-07 ACTUALS	2007-09 LEGISLATIVELY APPROVED	2009-11 ESSENTIAL BUDGET LEVEL	2009-11 GOVERNOR'S RECOMMENDED	Change			
					07-09 Approved to 09-11 EBL		07-09 Approved to 09-11 GRB	
					#	%	#	%
<b>PROGRAM AREA: CONSUMER AND BUSINESS SERVICES</b>								
ACCOUNTANCY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
CHIROPRACTIC EXAMINERS, BOARD OF	4.50	4.50	4.50	4.50	0.00	0.0	0.00	0.0
CLINICAL SOCIAL WORKERS, BOARD OF	2.50	3.50	3.00	4.00	(0.50)	(14.3)	0.50	14.3
CONSTRUCTION CONTRACTORS BOARD	61.34	80.26	79.00	84.50	(1.26)	(1.6)	4.24	5.3
CONSUMER & BUSINESS SERVICES, DEPT OF	1,054.78	1,072.03	1,064.58	1,094.14	(7.45)	(0.7)	22.11	2.1
COUNSELORS AND THERAPISTS, BOARD OF LICENSED	2.00	2.50	2.50	3.50	0.00	0.0	1.00	40.0
DENTISTRY, BOARD OF	7.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
HEALTH LICENSING AGENCY	27.00	31.40	29.00	35.00	(2.40)	(7.6)	3.60	11.5
<i>HEALTH RELATED LICENSING BOARDS</i>								
LICENSED DIETICIANS	0.30	0.30	0.30	0.30	0.00	0.0	0.00	0.0
MORTUARY & CEMETERY BOARD	6.50	5.00	5.00	6.00	0.00	0.0	1.00	20.0
NATUROPATHIC EXAMINERS	2.00	2.00	2.00	2.00	0.00	0.0	0.00	0.0
NURSING HOME ADMINISTRATORS	1.00	0.92	0.92	0.00	0.00	0.0	(0.92)	(100.0)
OCCUPATIONAL THERAPY LICENSING BOARD	1.25	1.25	1.25	1.25	0.00	0.0	0.00	0.0
RADIOLOGIC TECHNICIANS	3.00	3.00	3.00	3.50	0.00	0.0	0.50	16.7
SPEECH PATHOLOGY AND AUDIOLOGY	1.40	1.40	1.40	1.40	0.00	0.0	0.00	0.0
VETERINARY MEDICAL EXAMINERS BOARD	2.25	2.25	2.25	2.75	0.00	0.0	0.50	22.2
LABOR & INDUSTRIES, BUREAU OF	107.88	111.00	111.00	107.50	0.00	0.0	(3.50)	(3.2)
MEDICAL BOARD, OREGON	34.30	35.30	35.30	38.00	0.00	0.0	2.70	7.6
NURSING, BOARD OF	44.25	41.75	41.75	47.75	0.00	0.0	6.00	14.4
PHARMACY, BOARD OF	17.50	20.75	18.50	19.00	(2.25)	(10.8)	(1.75)	(8.4)
PSYCHOLOGIST EXAMINERS, BOARD OF	3.00	3.58	3.00	4.00	(0.58)	(16.2)	0.42	11.7
PUBLIC UTILITY COMMISSION	124.69	124.50	119.62	127.50	(4.88)	(3.9)	3.00	2.4
REAL ESTATE AGENCY	30.41	31.62	29.63	30.63	(1.99)	(6.3)	(0.99)	(3.1)
TAX PRACTITIONERS, STATE BOARD OF	4.00	5.00	5.00	4.00	0.00	0.0	(1.00)	(20.0)
<b>CONSUMER &amp; BUSINESS SERVICES TOTAL</b>	<b>1,549.85</b>	<b>1,597.81</b>	<b>1,576.50</b>	<b>1,635.22</b>	<b>(21.31)</b>	<b>(1.3)</b>	<b>37.41</b>	<b>2.3</b>
<b>PROGRAM AREA: ADMINISTRATION</b>								
ADMINISTRATIVE SERVICES, DEPT OF	898.52	948.30	930.37	987.00	(17.93)	(1.9)	38.70	4.1
ADVOCACY COMMISSIONS OFFICE	2.18	2.00	2.00	2.00	0.00	0.0	0.00	0.0
EMPLOYMENT RELATIONS BOARD	12.00	13.00	13.00	13.00	0.00	0.0	0.00	0.0
GOVERNMENT ETHICS COMMISSION	3.00	6.25	6.00	9.00	(0.25)	(4.0)	2.75	44.0
GOVERNOR, OFFICE OF	45.50	62.56	62.00	62.00	(0.56)	(0.9)	(0.56)	(0.9)
LIBRARY, STATE	42.47	42.84	42.47	43.26	(0.37)	(0.9)	0.42	1.0
LIQUOR CONTROL COMM	215.46	225.68	223.72	232.72	(1.96)	(0.9)	7.04	3.1
PUBLIC EMPLOYEES RETIREMENT SYSTEM	386.71	394.88	295.05	361.55	(99.83)	(25.3)	(33.33)	(8.4)
RACING COMMISSION	13.22	14.52	14.52	14.52	0.00	0.0	0.00	0.0
REVENUE, DEPT OF	997.34	968.22	962.11	1,016.90	(6.11)	(0.6)	48.68	5.0
SECRETARY OF STATE	200.50	198.50	197.50	205.50	(1.00)	(0.5)	7.00	3.5
TREASURER OF STATE	74.10	81.24	81.10	84.10	(0.14)	(0.2)	2.86	3.5
<b>ADMINISTRATION TOTAL</b>	<b>2,891.00</b>	<b>2,957.99</b>	<b>2,829.84</b>	<b>3,031.55</b>	<b>(128.15)</b>	<b>(4.3)</b>	<b>73.56</b>	<b>2.5</b>
<b>PROGRAM AREA: LEGISLATIVE BRANCH</b>								
INDIAN SERVICES, COMM	2.00	2.00	2.00	2.00	0.00	0.0	0.00	0.0
LEGISLATIVE ADMINISTRATION	103.39	107.45	107.45	109.95	0.00	0.0	2.50	2.3
LEGISLATIVE ASSEMBLY	216.95	216.20	216.20	216.20	0.00	0.0	0.00	0.0
LEGISLATIVE COUNSEL	46.81	50.27	50.36	50.36	0.09	0.2	0.09	0.2
LEGISLATIVE FISCAL OFFICER	18.75	21.00	20.50	20.50	(0.50)	(2.4)	(0.50)	(2.4)
LEGISLATIVE REVENUE OFFICER	6.00	7.00	7.00	7.00	0.00	0.0	0.00	0.0
<b>LEGISLATIVE BRANCH TOTAL</b>	<b>393.90</b>	<b>403.92</b>	<b>403.51</b>	<b>406.01</b>	<b>(0.41)</b>	<b>(0.1)</b>	<b>2.09</b>	<b>0.5</b>
<b>STATE OF OREGON TOTAL FTE POSITIONS</b>	<b>47,853.33</b>	<b>49,566.78</b>	<b>49,851.51</b>	<b>50,970.02</b>	<b>284.73</b>	<b>0.6</b>	<b>1,403.24</b>	<b>2.8</b>

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

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

## Appendix D

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

#### Notes:

- The 2005-07 Actual and 2007-09 Legislatively Approved expenditures include certain administrative actions taken by the Department of Administrative Services approving increases to Nonlimited Other Funds.
- The 2007-09 Legislatively Approved expenditures reflected in this table may differ from those included in the Governor's Recommended Budget, due to the inclusion of Emergency Board and other administrative actions through December 2008.
- The 2009-11 Essential Budget Level represents an estimate of the budget necessary to continue all current law programs through the next two year budget cycle with adjustments for inflation, mandatory caseload changes, and other technical budget adjustments.
- Special purpose appropriations to the Emergency Board in the 2009-11 Governor's Recommended Budget are not included within individual agency totals.
- The 2009-11 Governor's Recommended Budget amounts reflect the original December 2008 recommendations in the printed Governor's Budget document, except as noted in cases where the Legislative Fiscal Office records expenditures in different program areas from the Governor's budget presentation.
- Non-Add Other Funds represent charges between state agencies; they are listed separately for informational purposes since they reflect double counting of expenditures.

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>EDUCATION</b>				
<b>Community Colleges and Workforce Development</b>				
General Fund	433,764,035	511,583,561	516,563,006	506,831,645
Other Funds	82,478,580	92,979,816	6,468,473	39,030,466
Federal Funds	131,932,717	127,458,668	127,212,011	120,446,133
<b>Total Expenditures</b>	<b>648,175,332</b>	<b>732,022,045</b>	<b>650,243,490</b>	<b>666,308,244</b>
<b>Education, Dept of</b>				
General Fund	252,080,396	327,090,436	353,578,057	362,809,126
Lottery Funds	56,466,743	56,415,089	55,834,298	55,834,298
Other Funds	147,663,275	183,256,050	169,408,124	99,167,301
Federal Funds	1,002,009,072	1,034,160,467	1,043,294,840	1,043,238,667
<b>Total Expenditures</b>	<b>1,458,219,486</b>	<b>1,600,922,042</b>	<b>1,622,115,319</b>	<b>1,561,049,392</b>
<b>State School Fund &amp; Other K-12 Grants</b>				
General Fund	4,858,068,416	5,591,149,767	6,005,773,807	5,852,801,966
Lottery Funds	447,302,659	654,142,231	539,063,144	539,063,144
Other Funds	657,980	3,247,438	340,252	340,252
<b>Total Expenditures</b>	<b>5,306,029,055</b>	<b>6,248,539,436</b>	<b>6,545,177,203</b>	<b>6,392,205,362</b>
<b>Higher Education, Dept. of</b>				
General Fund	737,484,478	893,201,532	924,840,969	916,539,455
Lottery Funds	9,630,340	25,982,232	32,885,315	32,956,259
Other Funds	3,689,645,298	4,253,506,778	3,601,694,608	4,592,736,180
<b>Total Expenditures</b>	<b>4,436,760,116</b>	<b>5,172,690,542</b>	<b>4,559,420,892</b>	<b>5,542,231,894</b>
<b>Oregon Health and Science University</b>				
General Fund	73,337,163	86,561,620	88,201,785	88,201,785
Other Funds	31,945,510	31,978,666	31,912,991	31,912,991
<b>Total Expenditures</b>	<b>105,282,673</b>	<b>118,540,286</b>	<b>120,114,776</b>	<b>120,114,776</b>
<b>Student Assistance Commission</b>				
General Fund	62,791,959	102,867,354	142,354,225	157,354,225
Lottery Funds	253	9,879,176	8,960,475	8,960,475
Other Funds	12,682,289	15,624,030	18,655,644	18,056,685
Federal Funds	2,063,925	2,104,655	1,791,006	1,791,006
<b>Total Expenditures</b>	<b>77,538,426</b>	<b>130,475,215</b>	<b>171,761,350</b>	<b>186,162,391</b>
<b>Teacher Standards &amp; Practices Comm</b>				
Other Funds	4,174,259	5,090,324	4,661,306	5,414,311
<b>EDUCATION PROGRAM AREA TOTAL</b>				
General Fund	6,417,526,447	7,512,454,270	8,031,311,849	7,884,538,202
Lottery Funds	513,399,995	746,418,728	636,743,232	636,814,176
Other Funds	3,969,247,191	4,585,683,102	3,833,141,398	4,786,658,186
Federal Funds	1,136,005,714	1,163,723,790	1,172,297,857	1,165,475,806
<b>Total</b>	<b>12,036,179,347</b>	<b>14,008,279,890</b>	<b>13,673,494,336</b>	<b>14,473,486,370</b>

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>HUMAN SERVICES</b>				
<b>Blind, Commission for the</b>				
General Fund	1,233,746	1,602,398	1,710,148	1,659,770
Other Funds	2,786,193	2,497,700	2,517,386	2,484,693
Federal Funds	11,364,345	12,157,237	11,448,361	10,621,710
Total Expenditures	15,384,284	16,257,335	15,675,895	14,766,173
<b>Children and Families, Commission on</b>				
General Fund	46,119,756	60,263,113	62,078,040	55,867,083
Other Funds	18,320,733	23,487,919	21,706,708	21,706,708
Federal Funds	2,421,701	4,522,936	4,864,514	4,864,514
Total Expenditures	66,862,190	88,273,968	88,649,262	82,438,305
<b>Human Services, Department of</b>				
General Fund	2,707,105,503	3,352,885,424	4,232,552,182	3,521,305,226
Lottery Funds	9,191,451	13,160,998	13,712,288	13,636,910
Other Funds	1,086,680,639	1,316,252,633	1,119,143,952	2,118,417,170
Federal Funds	6,020,928,817	7,162,637,405	8,164,577,353	8,075,138,953
Total Expenditures	9,823,906,410	11,844,936,460	13,529,985,775	13,728,498,259
<b>Long Term Care Ombudsman</b>				
General Fund	581,337	948,604	1,184,701	1,184,701
Other Funds	1,487,945	1,828,365	2,000,527	2,000,527
Total Expenditures	2,069,282	2,776,969	3,185,228	3,185,228
<b>Private Health Partnerships, Office of</b>				
General Fund	25,075,821	25,134,324	26,326,825	23,689,027
Other Funds	56,349,908	57,384,129	59,923,264	81,701,938
Total Expenditures	81,425,729	82,518,453	86,250,089	105,390,965
<b>Psychiatric Security Review Board</b>				
General Fund	873,358	1,113,946	1,413,015	1,521,251
Other Funds	-	2,000	2,056	2,056
Total Expenditures	873,358	1,115,946	1,415,071	1,523,307
<b>HUMAN SERVICES PROGRAM AREA</b>				
General Fund	2,780,989,521	3,441,947,809	4,325,264,911	3,605,227,058
Lottery Funds	9,191,451	13,160,998	13,712,288	13,636,910
Other Funds	1,165,625,418	1,401,452,746	1,205,293,893	2,226,313,092
Federal Funds	6,034,714,863	7,179,317,578	8,180,890,228	8,090,625,177
Total	9,990,521,253	12,035,879,131	13,725,161,320	13,935,802,237

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>PUBLIC SAFETY</b>				
<b>Corrections, Dept of</b>				
General Fund	1,060,812,814	1,293,447,718	1,455,542,591	1,462,737,921
Other Funds	53,410,765	75,451,123	31,838,251	173,825,982
Federal Funds	3,648,414	16,379,875	4,696,921	4,696,921
Total Expenditures	<u>1,117,871,993</u>	<u>1,385,278,716</u>	<u>1,492,077,763</u>	<u>1,641,260,824</u>
<b>Criminal Justice Commission</b>				
General Fund	3,278,770	6,879,283	7,203,683	7,244,001
Other Funds	78,503	1,148,677	33,158	116,033
Federal Funds	100,650	201,954	126,993	7,738,084
Total Expenditures	<u>3,457,923</u>	<u>8,229,914</u>	<u>7,363,834</u>	<u>15,098,118</u>
<b>District Attorneys and Their Deputies</b>				
General Fund	<u>9,161,601</u>	<u>10,481,366</u>	<u>10,818,348</u>	<u>10,818,348</u>
<b>Justice, Dept of</b>				
General Fund	34,463,132	54,305,136	64,884,333	65,238,098
Other Funds	156,212,673	222,960,910	235,799,607	239,379,080
Federal Funds	95,054,809	115,129,117	119,187,549	117,420,023
Total Expenditures	<u>285,730,614</u>	<u>392,395,163</u>	<u>419,871,489</u>	<u>422,037,201</u>
<b>Military Department</b>				
General Fund	18,237,338	25,645,400	28,323,692	32,794,274
Other Funds	11,733,037	111,678,070	84,111,080	151,363,167
Federal Funds	70,018,953	306,495,601	237,131,727	268,657,031
Total Expenditures	<u>99,989,328</u>	<u>443,819,071</u>	<u>349,566,499</u>	<u>452,814,472</u>
<b>Oregon Youth Authority</b>				
General Fund	212,774,323	260,835,288	346,165,025	298,343,659
Other Funds	10,195,513	22,700,916	16,341,610	15,370,801
Federal Funds	21,199,132	28,705,913	27,601,588	24,131,169
Total Expenditures	<u>244,168,968</u>	<u>312,242,117</u>	<u>390,108,223</u>	<u>337,845,629</u>
<b>Parole &amp; Post Prison Supervision, Bd. of</b>				
General Fund	3,450,872	3,980,132	4,138,063	4,285,336
Other Funds	5,624	16,539	10,048	10,048
Total Expenditures	<u>3,456,496</u>	<u>3,996,671</u>	<u>4,148,111</u>	<u>4,295,384</u>
<b>Police, Dept of State</b>				
General Fund	177,443,107	224,709,275	266,694,456	277,288,340
Lottery Funds	6,364,954	7,150,132	7,596,103	6,233,403
Other Funds	149,614,503	162,941,154	85,311,266	326,117,341
Federal Funds	147,562,352	25,741,644	13,310,911	5,686,867
Total Expenditures	<u>480,984,916</u>	<u>420,542,205</u>	<u>372,912,736</u>	<u>615,325,951</u>

	<b>2005-07 Actual</b>	<b>2007-09 Legislatively Approved</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Governor's Recommended</b>
	\$	\$	\$	\$
<b>Public Safety Standards &amp; Training, Dept of</b>				
General Fund	8,480,768	11,150,003	11,360,288	11,360,288
Other Funds	29,141,449	39,093,811	42,680,364	39,714,284
Federal Funds	52,992	54,635	56,165	56,165
<b>Total Expenditures</b>	<b>37,675,209</b>	<b>50,298,449</b>	<b>54,096,817</b>	<b>51,130,737</b>
<b>PUBLIC SAFETY PROGRAM AREA</b>				
General Fund	1,528,102,725	1,891,433,601	2,195,130,479	2,170,110,265
Lottery Funds	6,364,954	7,150,132	7,596,103	6,233,403
Other Funds	410,392,067	635,991,200	496,125,384	945,896,736
Federal Funds	337,637,302	492,708,739	402,111,854	428,386,260
<b>Total</b>	<b>2,282,497,048</b>	<b>3,027,283,672</b>	<b>3,100,963,820</b>	<b>3,550,626,664</b>

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>JUDICIAL BRANCH</b>				
<b>Court Procedures, Council on</b>				
General Fund	583	-	-	-
Other Funds	7,996	-	-	-
Total Expenditures	8,579	-	-	-
<b>Judicial Department</b>				
General Fund	282,060,774	321,426,492	348,048,319	325,108,851
Other Funds	31,153,045	55,212,433	46,306,763	93,638,578
Federal Funds	1,478,760	1,013,463	1,047,391	1,047,391
Total Expenditures	314,692,579	377,652,388	395,402,473	419,794,820
<b>Judicial Fitness, Commission on</b>				
General Fund	220,903	184,806	190,577	190,577
<b>Public Defense Services Commission</b>				
General Fund	183,534,420	215,263,430	235,774,872	220,186,896
Other Funds	316,795	631,568	676,845	676,845
Total Expenditures	183,851,215	215,894,998	236,451,717	220,863,741
<b>JUDICIAL BRANCH PROGRAM AREA</b>				
General Fund	465,816,680	536,874,728	584,013,768	545,486,324
Other Funds	31,477,836	55,844,001	46,983,608	94,315,423
Federal Funds	1,478,760	1,013,463	1,047,391	1,047,391
Total	498,773,276	593,732,192	632,044,767	640,849,138

	2005-07 Actual \$	2007-09 Legislatively Approved \$	2009-11 Essential Budget Level \$	2009-11 Governor's Recommended \$
<b>ECONOMIC AND COMMUNITY DEVELOPMENT</b>				
<b>Economic &amp; Community Development Dept</b>				
General Fund	1,791,094	4,760,464	4,431,047	5,431,047
Lottery Funds	93,797,043	133,083,024	113,014,071	128,448,725
Other Funds	230,020,998	255,009,464	212,310,469	235,198,902
Federal Funds	23,312,513	36,374,862	27,140,696	27,140,696
<b>Total Expenditures</b>	<b>348,921,648</b>	<b>429,227,814</b>	<b>356,896,283</b>	<b>396,219,370</b>
<b>Employment Department</b>				
General Fund	3,714,007	3,976,091	4,170,698	4,170,698
Other Funds	1,170,845,830	1,557,866,994	1,620,646,687	1,623,934,305
Federal Funds	247,466,002	253,659,367	255,114,976	251,978,197
<b>Total Expenditures</b>	<b>1,422,025,839</b>	<b>1,815,502,452</b>	<b>1,879,932,361</b>	<b>1,880,083,200</b>
<b>Housing &amp; Community Services Dept</b>				
General Fund	10,872,777	20,499,074	12,760,057	14,841,217
Lottery Funds	4,460,536	5,932,768	7,516,467	8,996,348
Other Funds	1,628,808,600	2,248,317,105	1,646,793,520	1,662,812,051
Federal Funds	214,452,947	251,665,336	227,612,585	227,562,815
<b>Total Expenditures</b>	<b>1,858,594,860</b>	<b>2,526,414,283</b>	<b>1,894,682,629</b>	<b>1,914,212,431</b>
<b>Veterans' Affairs, Department of</b>				
General Fund	5,608,595	6,477,737	6,584,883	7,400,562
Other Funds	443,305,106	649,304,589	530,838,399	535,738,572
<b>Total Expenditures</b>	<b>448,913,701</b>	<b>655,782,326</b>	<b>537,423,282</b>	<b>543,139,134</b>
<b>County Fairs*</b>				
Lottery Funds	3,344,827	3,554,474	3,554,474	3,813,569
<b>Historical Society*</b>				
General Fund	-	2,800,000	-	1,250,000
<b>Oregon Public Broadcasting**</b>				
General Fund	-	-	-	250,000
Lottery Funds	1,619,165	1,790,684	1,882,673	1,883,232
Other Funds	-	3,000,000	-	-
<b>Total Expenditures</b>	<b>1,619,165</b>	<b>4,790,684</b>	<b>1,882,673</b>	<b>2,133,232</b>

	<u>2005-07</u> <u>Actual</u> \$	<u>2007-09</u> <u>Legislatively</u> <u>Approved</u> \$	<u>2009-11</u> <u>Essential</u> <u>Budget Level</u> \$	<u>2009-11</u> <u>Governor's</u> <u>Recommended</u> \$
<b>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</b>				
General Fund	21,986,473	38,513,366	27,946,685	33,343,524
Lottery Funds	103,221,571	144,360,950	125,967,685	143,141,874
Other Funds	3,472,980,534	4,713,498,152	4,010,589,075	4,057,683,830
Federal Funds	485,231,462	541,699,565	509,868,257	506,681,708
<b>Total</b>	<b>4,083,420,040</b>	<b>5,438,072,033</b>	<b>4,674,371,702</b>	<b>4,740,850,936</b>

\* County Fairs and Historical Society included in Governor's recommended budget as part of Department of Administrative Services' budget

\*\* Oregon Public Broadcasting included in Governor's recommended budget in the Dept. of Administrative Services.  
2007-09 Legislatively Adopted includes \$3 million Other Funds for Lottery Bonds authorized to be issued in May 2008.

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>NATURAL RESOURCES</b>				
<b>Agriculture, Department of</b>				
General Fund	14,835,593	17,054,149	17,393,910	13,967,823
Lottery Funds	10,924,178	10,412,624	10,799,970	9,903,718
Other Funds	40,181,341	49,900,553	49,108,221	51,456,915
Federal Funds	7,357,069	7,551,822	6,751,898	7,101,898
Total Expenditures	73,298,181	84,919,148	84,053,999	82,430,354
<b>Columbia River Gorge Commission</b>				
General Fund	852,939	1,077,770	1,179,356	1,179,356
Other Funds	-	-	-	73,030
Total Expenditures	852,939	1,077,770	1,179,356	1,252,386
<b>Energy, Department of</b>				
General Fund	-	3,100,000	-	-
Other Funds	99,090,924	180,102,456	189,224,372	209,319,553
Federal Funds	3,781,133	5,622,500	5,847,654	6,053,604
Total Expenditures	102,872,057	188,824,956	195,072,026	215,373,157
<b>Environmental Quality, Department of</b>				
General Fund	23,091,569	38,725,586	40,371,909	38,511,854
Lottery Funds	3,799,400	5,184,632	5,555,984	6,056,344
Other Funds	241,107,066	264,301,333	216,591,281	269,994,753
Federal Funds	35,360,617	30,659,385	32,033,198	31,199,678
Total Expenditures	303,358,652	338,870,936	294,552,372	345,762,629
<b>Fish &amp; Wildlife, Department of</b>				
General Fund	10,993,233	15,973,589	16,909,505	15,434,670
Lottery Funds	5,719,505	12,322,064	11,281,640	10,494,749
Other Funds	116,757,237	131,898,100	130,985,313	144,262,732
Federal Funds	79,664,474	99,442,749	96,432,261	93,386,557
Total Expenditures	213,134,449	259,636,502	255,608,719	263,578,708
<b>Forestry, Department of</b>				
General Fund	52,819,882	48,702,605	44,963,795	37,337,506
Other Funds	198,662,336	260,863,893	185,400,142	215,388,082
Federal Funds	15,163,791	26,483,943	26,816,820	30,986,689
Total Expenditures	266,646,009	336,050,441	257,180,757	283,712,277
<b>Geology &amp; Mineral Industries, Dept of</b>				
General Fund	3,515,026	3,411,107	3,476,189	3,477,178
Lottery Funds	-	1,500,000	-	-
Other Funds	3,328,411	6,664,966	3,661,759	7,460,944
Federal Funds	1,377,697	1,945,003	2,045,936	2,045,936
Total Expenditures	8,221,134	13,521,076	9,183,884	12,984,058

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>Land Conservation &amp; Development, Dept of</b>				
General Fund	13,786,288	21,641,468	16,179,286	19,735,869
Other Funds	759,582	861,793	819,845	1,146,814
Federal Funds	5,370,272	6,559,044	6,440,348	6,808,291
<b>Total Expenditures</b>	<b>19,916,142</b>	<b>29,062,305</b>	<b>23,439,479</b>	<b>27,690,974</b>
<b>Land Use Board of Appeals</b>				
General Fund	1,315,100	1,554,792	1,599,580	1,599,580
Other Funds	62,644	77,054	81,546	81,546
<b>Total Expenditures</b>	<b>1,377,744</b>	<b>1,631,846</b>	<b>1,681,126</b>	<b>1,681,126</b>
<b>State Lands, Department of</b>				
General Fund	186,656	226,906	244,741	244,741
Other Funds	17,340,196	42,150,668	22,667,180	27,709,403
Federal Funds	2,227,353	4,929,187	2,399,608	3,620,990
<b>Total Expenditures</b>	<b>19,754,205</b>	<b>47,306,761</b>	<b>25,311,529</b>	<b>31,575,134</b>
<b>Marine Board</b>				
Other Funds	22,453,222	25,397,723	25,949,147	25,949,147
Federal Funds	4,880,114	8,588,830	8,710,980	6,940,466
<b>Total Expenditures</b>	<b>27,333,336</b>	<b>33,986,553</b>	<b>34,660,127</b>	<b>32,889,613</b>
<b>Parks &amp; Recreation Department</b>				
Lottery Funds	87,520,218	107,475,928	95,043,951	101,321,409
Other Funds	92,163,590	112,500,930	114,105,658	96,079,341
Federal Funds	7,363,360	9,420,900	8,153,759	8,636,678
<b>Total Expenditures</b>	<b>187,047,168</b>	<b>229,397,758</b>	<b>217,303,368</b>	<b>206,037,428</b>
<b>Water Resources Department</b>				
General Fund	21,254,080	27,240,281	25,451,601	24,575,826
Lottery Funds	-	-	-	324,354
Other Funds	5,567,010	7,233,244	7,168,086	10,164,776
Federal Funds	551,585	1,184,828	1,079,877	1,197,639
<b>Total Expenditures</b>	<b>27,372,675</b>	<b>35,658,353</b>	<b>33,699,564</b>	<b>36,262,595</b>
<b>Oregon Watershed Enhancement Board</b>				
Lottery Funds	50,561,621	84,871,878	21,863,785	80,073,661
Other Funds	753,210	2,094,862	2,136,718	2,136,718
Federal Funds	21,870,571	22,001,679	21,541,600	20,206,181
<b>Total Expenditures</b>	<b>73,185,402</b>	<b>108,968,419</b>	<b>45,542,103</b>	<b>102,416,560</b>
<b>NATURAL RESOURCES PROGRAM AREA</b>				
General Fund	142,650,366	178,708,253	167,769,872	156,064,403
Lottery Funds	158,524,922	221,767,126	144,545,330	208,174,235
Other Funds	838,226,769	1,084,047,575	947,899,268	1,061,223,754
Federal Funds	184,968,036	224,389,870	218,253,939	218,184,607
<b>Total</b>	<b>1,324,370,093</b>	<b>1,708,912,824</b>	<b>1,478,468,409</b>	<b>1,643,646,999</b>

	<u>2005-07</u> <u>Actual</u> \$	<u>2007-09</u> <u>Legislatively</u> <u>Approved</u> \$	<u>2009-11</u> <u>Essential</u> <u>Budget Level</u> \$	<u>2009-11</u> <u>Governor's</u> <u>Recommended</u> \$
<b>TRANSPORTATION</b>				
<b>Aviation, Department of</b>				
Other Funds	6,886,659	9,508,576	6,826,725	7,478,042
Federal Funds	2,863,075	10,443,166	970,000	2,470,000
<b>Total Expenditures</b>	<b>9,749,734</b>	<b>19,951,742</b>	<b>7,796,725</b>	<b>9,948,042</b>
<b>Transportation, Department of</b>				
General Fund	8,626,167	4,504,713	4,630,845	1,180,845
Lottery Funds	22,819,711	46,559,957	92,782,785	105,011,065
Other Funds	2,798,948,109	3,428,612,691	3,415,432,926	4,141,241,701
Federal Funds	50,690,562	81,066,942	82,510,966	82,652,811
<b>Total Expenditures</b>	<b>2,881,084,549</b>	<b>3,560,744,303</b>	<b>3,595,357,522</b>	<b>4,330,086,422</b>
<b>TRANSPORTATION PROGRAM AREA</b>				
General Fund	8,626,167	4,504,713	4,630,845	1,180,845
Lottery Funds	22,819,711	46,559,957	92,782,785	105,011,065
Other Funds	2,805,834,768	3,438,121,267	3,422,259,651	4,148,719,743
Federal Funds	53,553,637	91,510,108	83,480,966	85,122,811
<b>Total</b>	<b>2,890,834,283</b>	<b>3,580,696,045</b>	<b>3,603,154,247</b>	<b>4,340,034,464</b>

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$
<b>CONSUMER AND BUSINESS SERVICES</b>				
<b>Accountancy, Board of</b>				
Other Funds	1,472,666	2,063,391	1,766,821	1,816,821
<b>Chiropractic Examiners, Board of</b>				
Other Funds	1,003,629	1,156,726	1,295,037	1,313,342
<b>Clinical Social Workers, Board of</b>				
Other Funds	581,996	857,778	808,079	978,911
<b>Construction Contractors Board</b>				
Other Funds	11,333,433	15,802,536	16,832,130	17,750,609
<b>Consumer and Business Services, Dept of</b>				
Other Funds	587,391,992	656,895,947	824,605,038	833,089,076
<b>Dentistry, Board of</b>				
Other Funds	1,674,133	1,913,097	2,091,744	2,264,053
<b>Health Licensing Agency</b>				
Other Funds	5,102,020	6,410,206	5,899,299	6,864,795
<b>Health Related Licensing Boards:</b>				
<b>Licensed Dietitians</b>				
Other Funds	58,026	81,722	78,971	78,971
<b>Mortuary and Cemetery Board</b>				
Other Funds	1,021,759	1,093,108	1,212,236	1,307,972
<b>Naturopathic Examiners</b>				
Other Funds	342,014	414,581	479,489	510,646
<b>Nursing Home Administrators</b>				
Other Funds	179,584	216,925	227,181	-
<b>Occupational Therapy Licensing Bd</b>				
Other Funds	213,006	296,776	360,241	360,241
<b>Radiologic Technology</b>				
Other Funds	433,225	548,450	648,171	894,165
<b>Speech-Language Path. and Audio.</b>				
Other Funds	258,523	299,360	326,107	333,907
<b>Veterinary Medical Examiners Bd</b>				
Other Funds	505,033	557,967	631,330	688,198

	<b>2005-07 Actual</b>	<b>2007-09 Legislatively Approved</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Governor's Recommended</b>
	\$	\$	\$	\$
<b>Health Related Licensing Boards Total</b>				
Other Funds	3,011,170	3,508,889	3,963,726	4,174,100
<b>Labor &amp; Industries, Bureau of</b>				
General Fund	11,658,779	12,942,482	13,832,851	13,832,851
Other Funds	7,223,172	8,867,282	9,262,949	9,263,841
Federal Funds	1,256,505	1,546,856	1,654,391	1,465,254
Total Expenditures	20,138,456	23,356,620	24,750,191	24,561,946
<b>Licensed Prof Counselors and Therapists, Bd</b>				
Other Funds	655,496	668,068	751,671	913,459
<b>Medical Board, Oregon</b>				
Other Funds	7,009,267	8,815,036	8,826,794	9,823,638
<b>Nursing, Board of</b>				
Other Funds	8,206,560	10,137,281	10,917,539	12,135,468
<b>Pharmacy, Board of*</b>				
Other Funds	3,478,189	4,399,694	4,725,674	5,091,490
Federal Funds	14,352	357,545	-	-
Total Expenditures	3,492,541	4,757,239	4,725,674	5,091,490
<b>Psychologist Examiners, Board of</b>				
Other Funds	720,718	944,816	971,603	1,103,263
<b>Public Utility Commission</b>				
Other Funds	132,955,731	141,250,848	125,877,673	135,805,402
Federal Funds	365,169	484,012	508,801	508,801
Total Expenditures	133,320,900	141,734,860	126,386,474	136,314,203
<b>Real Estate Agency</b>				
Other Funds	6,912,911	8,045,251	7,954,482	8,637,055
<b>Tax Practitioners, Board of</b>				
Other Funds	892,929	1,105,711	1,126,108	1,060,466
<b>CONSUMER AND BUSINESS SERVICES PROGRAM AREA</b>				
General Fund	11,658,779	12,942,482	13,832,851	13,832,851
Other Funds	779,626,012	872,842,557	1,027,676,367	1,052,085,789
Federal Funds	1,636,026	2,388,413	2,163,192	1,974,055
Total	792,920,817	888,173,452	1,043,672,410	1,067,892,695

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

	<u>2005-07</u> <u>Actual</u> \$	<u>2007-09</u> <u>Legislatively</u> <u>Approved</u> \$	<u>2009-11</u> <u>Essential</u> <u>Budget Level</u> \$	<u>2009-11</u> <u>Governor's</u> <u>Recommended</u> \$
<b>ADMINISTRATION</b>				
<b>Administrative Services, Dept of*</b>				
General Fund	9,816,287	8,450,712	7,925,382	11,239,565
Lottery Funds	600,000	-	-	-
Other Funds	921,800,550	1,657,837,094	1,190,346,735	2,593,340,957
Federal Funds	470,721	-	-	-
<b>Total Expenditures</b>	<b>932,687,558</b>	<b>1,666,287,806</b>	<b>1,198,272,117</b>	<b>2,604,580,522</b>
<b>Advocacy Commissions Office</b>				
General Fund	175,365	412,201	461,655	492,415
Other Funds	72,102	103,988	106,691	106,691
<b>Total Expenditures</b>	<b>247,467</b>	<b>516,189</b>	<b>568,346</b>	<b>599,106</b>
<b>Employment Relations Board</b>				
General Fund	1,449,843	1,813,556	1,858,241	1,858,241
Other Funds	1,351,934	1,724,436	1,809,436	1,838,728
<b>Total Expenditures</b>	<b>2,801,777</b>	<b>3,537,992</b>	<b>3,667,677</b>	<b>3,696,969</b>
<b>Government Ethics Commission</b>				
General Fund	636,522	1,282,675	403,618	465,697
Other Funds	3,262	3,379	864,101	1,397,604
<b>Total Expenditures</b>	<b>639,784</b>	<b>1,286,054</b>	<b>1,267,719</b>	<b>1,863,301</b>
<b>Governor, Office of the</b>				
General Fund	8,168,306	11,660,967	12,612,969	12,612,969
Lottery Funds	1,674,526	2,232,071	2,289,279	2,289,279
Other Funds	973,742	2,862,537	2,721,794	2,849,661
Federal Funds	62,943	-	-	-
<b>Total Expenditures</b>	<b>10,879,517</b>	<b>16,755,575</b>	<b>17,624,042</b>	<b>17,751,909</b>
<b>Oregon Liquor Control Comm</b>				
Other Funds	115,365,891	125,752,357	131,416,805	143,108,952
<b>Public Employees Retirement System</b>				
Other Funds	5,481,963,346	6,373,907,468	6,537,717,628	6,560,582,384
<b>Racing Commission, Oregon</b>				
Other Funds	4,983,295	5,848,854	6,114,165	6,114,165
<b>Revenue, Dept of</b>				
General Fund	134,178,423	150,874,321	160,041,827	164,559,971
Other Funds	29,384,991	35,102,489	35,500,847	35,088,835
<b>Total Expenditures</b>	<b>163,563,414</b>	<b>185,976,810</b>	<b>195,542,674</b>	<b>199,648,806</b>

	<b>2005-07 Actual</b>	<b>2007-09 Legislatively Approved</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Governor's Recommended</b>
	\$	\$	\$	\$
<b>Secretary of State</b>				
General Fund	11,413,725	14,019,697	11,688,558	10,884,645
Other Funds	32,004,781	39,656,419	37,536,318	41,827,664
Federal Funds	5,747,937	9,222,719	7,520,712	7,065,409
<b>Total Expenditures</b>	<b>49,166,443</b>	<b>62,898,835</b>	<b>56,745,588</b>	<b>59,777,718</b>
<b>State Library</b>				
General Fund	2,870,571	3,418,523	3,493,861	3,773,388
Other Funds	6,615,839	7,127,506	7,181,816	7,184,804
Federal Funds	3,987,317	4,687,789	4,755,410	4,754,416
<b>Total Expenditures</b>	<b>13,473,727</b>	<b>15,233,818</b>	<b>15,431,087</b>	<b>15,712,608</b>
<b>Treasury, Oregon State</b>				
Other Funds	24,218,151	33,662,234	34,695,709	38,956,940
<b>ADMINISTRATION PROGRAM AREA</b>				
General Fund	168,709,042	191,932,652	198,486,111	205,886,891
Lottery Funds	2,274,526	2,232,071	2,289,279	2,289,279
Other Funds	6,618,737,884	8,283,588,761	7,986,012,045	9,432,397,385
Federal Funds	10,268,918	13,910,508	12,276,122	11,819,825
<b>Total</b>	<b>6,799,990,370</b>	<b>8,491,663,992</b>	<b>8,199,063,557</b>	<b>9,652,393,380</b>

\* Oregon Public Broadcasting, County Fairs, and Oregon Historical Society are included in Governor's recommended budget as part of the Department of Administrative Services as pass-throughs; for 2007-09 legislatively approved totals, the \$3 million of bond proceeds for OPB are shown in the Economic Development program area; only issuance costs are shown in DAS.

	2005-07 Actual \$	2007-09 Legislatively Approved \$	2009-11 Essential Budget Level \$	2009-11 Governor's Recommended \$
<b>LEGISLATIVE BRANCH</b>				
<b>Indian Services, Commission on</b>				
General Fund	289,848	379,753	426,916	426,916
Other Funds	321	6,109	6,280	6,280
Total Expenditures	<u>290,169</u>	<u>385,862</u>	<u>433,196</u>	<u>433,196</u>
<b>Legislative Administration Committee</b>				
General Fund	21,817,506	32,378,248	31,952,708	26,510,696
Other Funds	4,425,687	38,052,738	2,666,396	2,619,661
Total Expenditures	<u>26,243,193</u>	<u>70,430,986</u>	<u>34,619,104</u>	<u>29,130,357</u>
<b>Legislative Assembly</b>				
General Fund	27,722,266	36,772,454	32,298,773	32,298,773
Other Funds	173,273	289,758	297,872	297,872
Total Expenditures	<u>27,895,539</u>	<u>37,062,212</u>	<u>32,596,645</u>	<u>32,596,645</u>
<b>Legislative Counsel Committee</b>				
General Fund	7,241,019	8,958,117	9,561,610	9,561,610
Other Funds	1,920,286	2,374,943	2,241,627	2,241,627
Total Expenditures	<u>9,161,305</u>	<u>11,333,060</u>	<u>11,803,237</u>	<u>11,803,237</u>
<b>Legislative Fiscal Officer</b>				
General Fund	<u>4,555,885</u>	<u>5,930,630</u>	<u>6,197,674</u>	<u>6,197,674</u>
<b>Legislative Revenue Officer</b>				
General Fund	<u>1,585,121</u>	<u>1,995,615</u>	<u>2,211,308</u>	<u>2,211,308</u>
<b>LEGISLATIVE BRANCH PROGRAM AREA</b>				
General Fund	63,211,645	86,414,817	82,648,989	77,206,977
Other Funds	6,519,567	40,723,548	5,212,175	5,165,440
Total	<u>69,731,212</u>	<u>127,138,365</u>	<u>87,861,164</u>	<u>82,372,417</u>

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Governor's Recommended
	\$	\$	\$	\$

### MISCELLANEOUS

#### Emergency Board

General Fund	-	17,450,960	30,000,000	30,000,000
Total Expenditures	-	17,450,960	30,000,000	30,000,000
Special Purpose Appropriations (details below)	-	35,789,831	10,219,084	10,219,084

### MISCELLANEOUS PROGRAM TOTAL

General Fund	-	53,240,791	40,219,084	40,219,084
Total	-	53,240,791	40,219,084	40,219,084

### Special Purpose Appropriations (SPA)

State Employee Compensation/Benefits	25,000,000	5,100,000	5,100,000
LEG - Continuous Improvement Contracts	2,500,000		
GSPC - Electronic Filing System	625,000		
ODE - Head Start and EI/ECSE	4,259,565		
ODE - Local Option Equalization Grants	407,754		
ODF - Fire Insurance and Severity	173,540	5,119,084	5,119,084
DLCD - Measure 37 claims	1,033,672		
SOS - Special Election Costs	32,849		
LEG - Capitol Renovation costs	257,451		
OSP - OWIN*	-		
LAC - Court Facilities Review	-		
DOJ - Master Settlement Agreement	500,000		
DHS - Caseload and other Issues	-		
DHS - Oregon State Hospital Staffing	-		
DOC/PDSC/OJD - Property Crimes	1,000,000		
<b>SPA Totals</b>	<b>35,789,831</b>	<b>10,219,084</b>	<b>10,219,084</b>

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

	<u>2005-07 Actual</u> \$	<u>2007-09 Legislatively Approved</u> \$	<u>2009-11 Essential Budget Level</u> \$	<u>2009-11 Governor's Recommended</u> \$
<b>STATE OF OREGON TOTAL EXPENDITURES</b>				
General Fund	11,609,277,845	13,948,967,482	15,671,255,444	14,733,096,424
Lottery Funds	815,797,130	1,181,649,962	1,023,636,702	1,115,300,942
Other Funds	20,098,668,046	25,111,792,909	22,981,192,864	27,810,459,378
Federal Funds	8,245,494,718	9,710,662,034	10,582,389,806	10,509,317,640
Total Expenditures	<u>40,769,237,739</u>	<u>49,953,072,387</u>	<u>50,258,474,816</u>	<u>54,168,174,384</u>

	<u>2005-07 Actual</u> \$	<u>2007-09 Legislatively Approved</u> \$	<u>2009-11 Essential Budget Level</u> \$	<u>2009-11 Governor's Recommended</u> \$
<b>NON-ADD EXPENDITURES*</b>				
Administrative Services, Dept. of	318,959,260	673,954,417	832,010,828	832,010,828
Employment Department	21,368,383	23,302,437	24,818,474	24,818,474
Justice, Department of	99,029,775	145,642,104	150,255,288	150,255,288
Secretary of State	12,122,386	15,156,645	16,163,230	16,163,230
Treasurer of State	22,110,723	30,818,370	34,775,090	34,775,090
<b>Total Non-Add Expenditures</b>	<u>473,590,527</u>	<u>888,873,973</u>	<u>1,058,022,910</u>	<u>1,058,022,910</u>

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