



Co-Chairs' 2007-09 Recommended Budget

Strategic Investments for Sustained Prosperity

March 22, 2007

Senator Kurt Schrader

Representative Mary Nolan

Co-Chairs Process

- **Principles**

- Emphasize investments that promote self sufficiency and community vitality
- Fund outcomes that improve lives, not just activities
- Reward innovation, customer service, efficiency, collaboration
- Lead by example: energy conservation, diversity, family friendliness
- Expect continuous improvement

- **Subcommittee Role**

- Make the best use of all funds – discretionary and dedicated
- Focus agencies on achieving and reporting results
- Meet total expenditure target for program area
- Include Co-chairs' investment priorities in agency budgets
- Make other adjustments as subcommittees deem appropriate

Major Investments and Initiatives

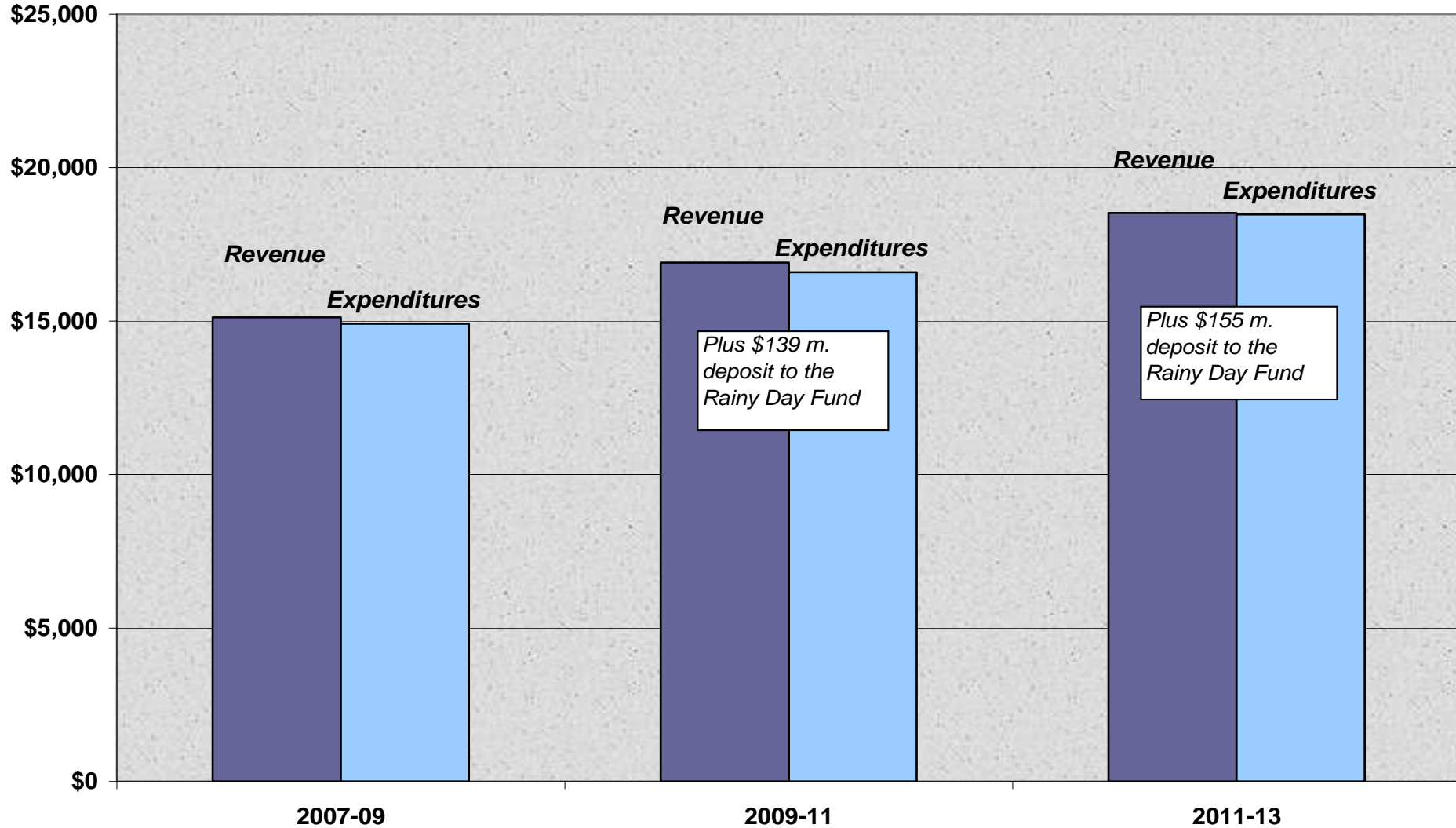
- The Co-chairs Recommended Budget is fully sustainable.
- It reaffirms our commitment to strengthening education, creating safe communities, supporting the rural economy, and making sure even the most vulnerable Oregonians have a solid foundation to build on.

This budget makes key investments in these areas by:

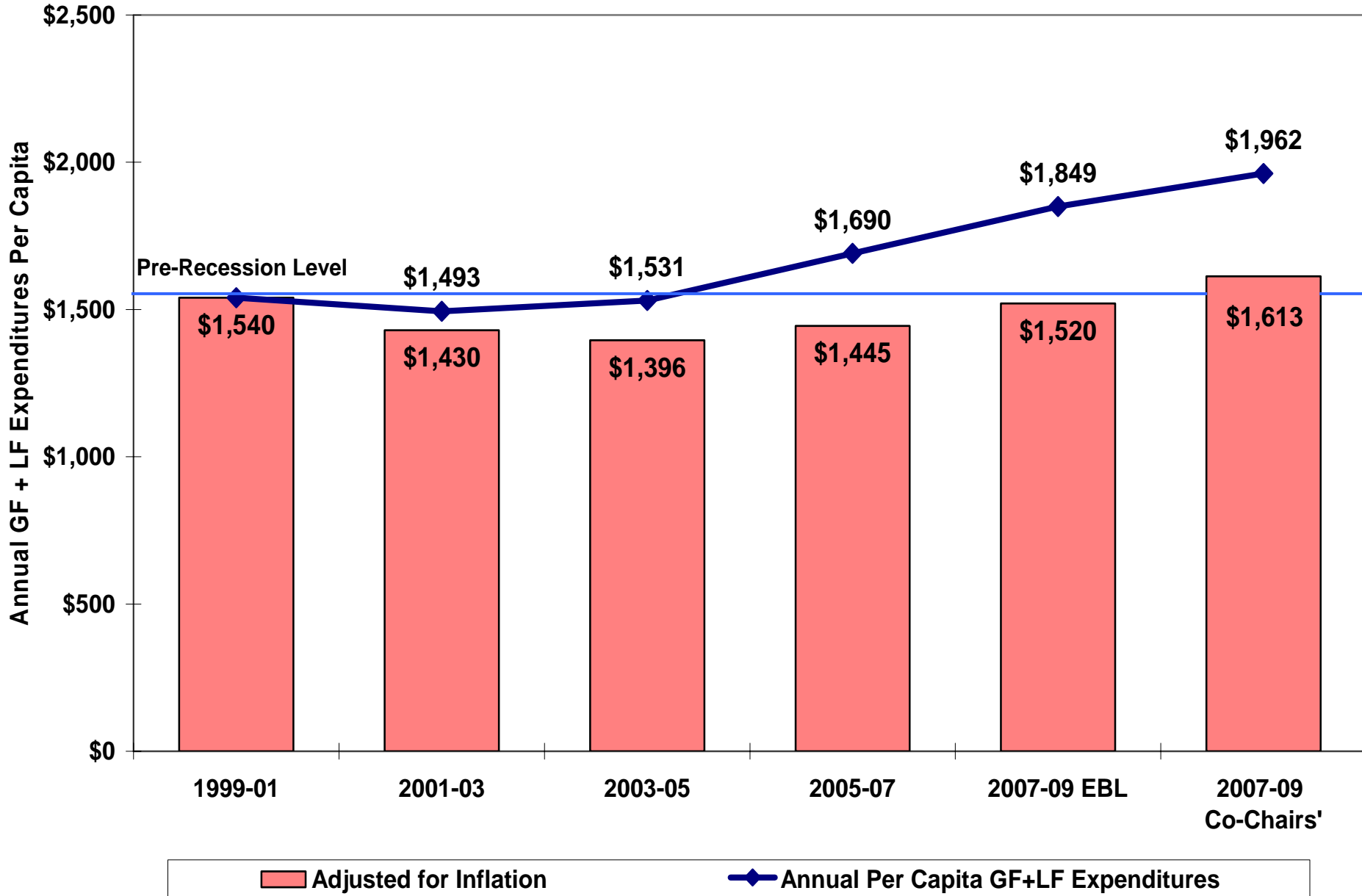
- Guaranteeing \$6,245 million for K-12 education, making sure Oregon's schools have a full school year and reduced class sizes.
- Dedicating \$47 million more for Shared Responsibility grants, making a college education accessible to EVERY Oregonian.
- Dedicating \$100+ million to affordable housing programs. Mental health, seniors and poverty advocates all agree that housing is a crucial issue for our most vulnerable citizens.
- Adding 100 sworn officers to the Oregon State Police, to fight meth and make Oregon's highways safer for everyone.
- Directing \$50 million to counties suffering from the loss of federal timber payments to make needed road repairs, plus additional funds to help them keep their school doors open.
- Adding \$139 million to our new Rainy Day Fund, keeping our commitment to save before we spend and protect Oregon during difficult economic times.

Tentative General Fund and Lottery Funds Budgets for 2009-11 & 2011-13

(in millions)

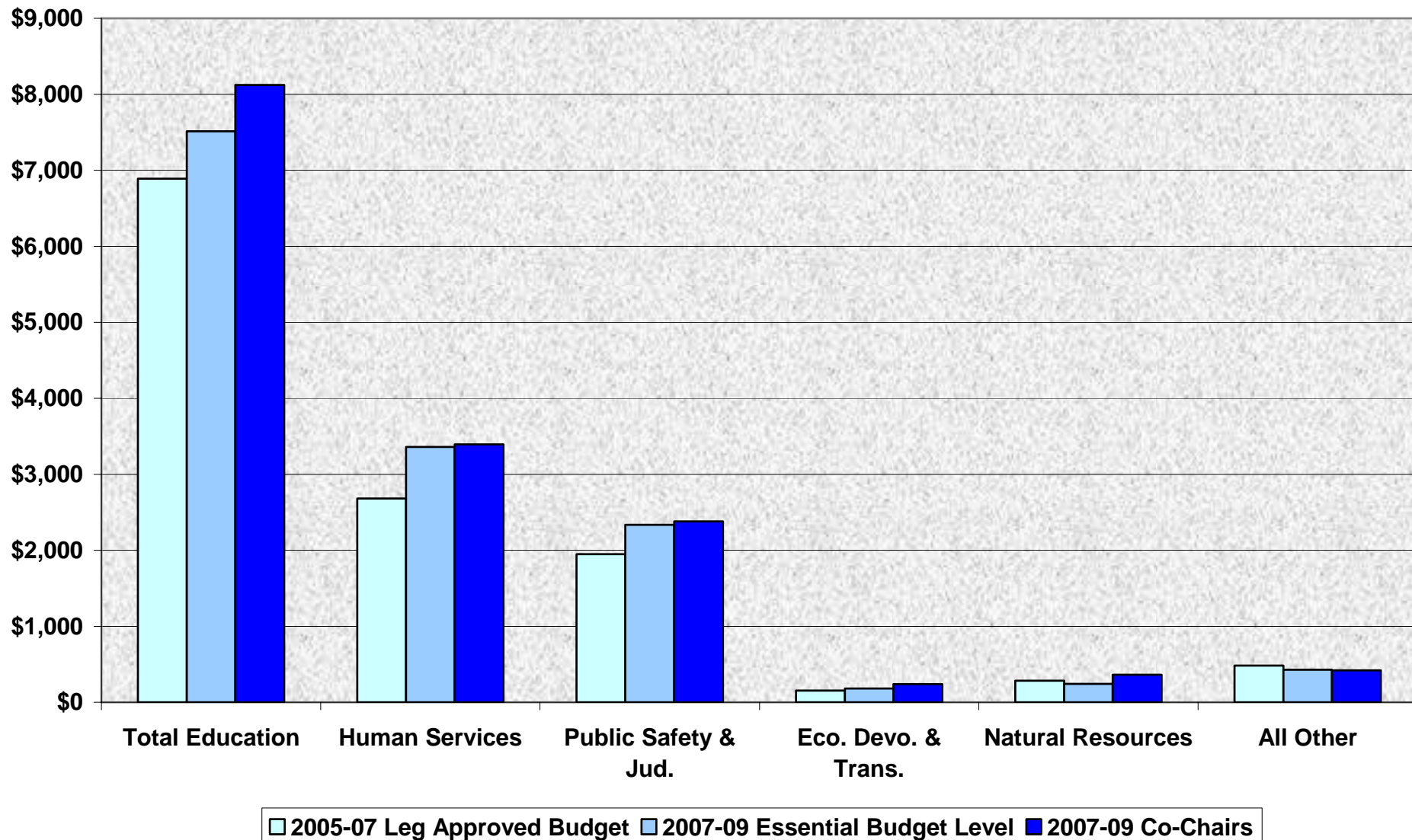


Per Capita General Fund plus Lottery Funds Expenditures

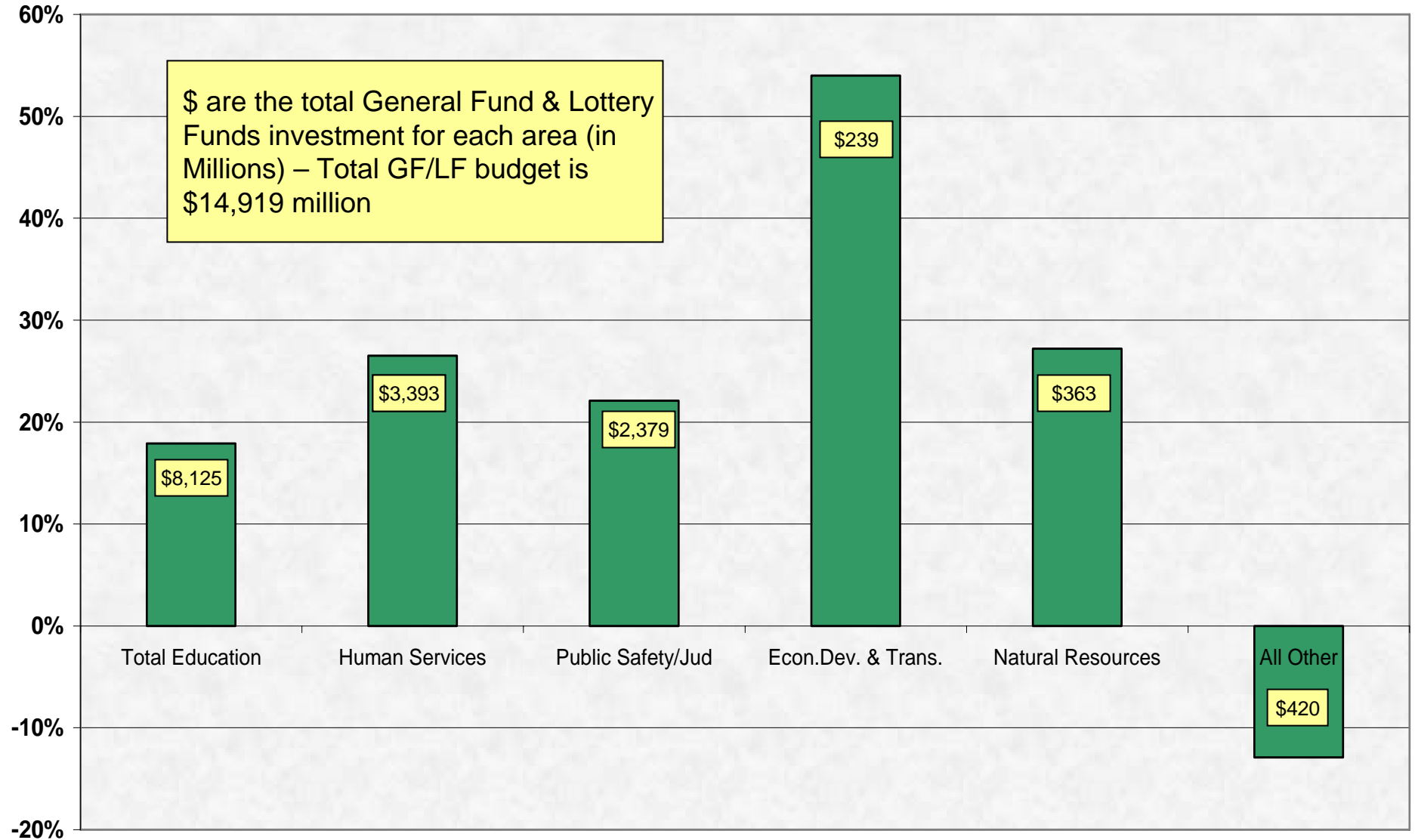


General Fund and Lottery Funds Investments in Oregon

(in millions)



General Fund and Lottery Funds Percent Change From 2005-07



2007-09 Ways & Means Co-Chair Recommended Budget Resources (in millions)

| | General Fund | Lottery Funds Discretionary | Lottery Funds Measure 66 | TOTAL GF+LF |
|--|-----------------|--------------------------------|-----------------------------|-----------------|
| March 2007 Forecast Revenues | | | | |
| Beginning Balance | 1,397.9 | 59.2 | 25.1 | 1,482.2 |
| Projected Revenues | 12,666.8 | 1,061.1 | 185.9 | 13,913.8 |
| Total Resources | 14,064.7 | 1,120.3 | 211.0 | 15,396.0 |
| Less Anticipated Administrative Actions | (64.3) | - | - | (64.3) |
| Total Available Resources | 14,000.4 | 1,120.3 | 211.0 | 15,331.7 |
| Dedicated Distributions | | | | |
| County Economic Development | - | (44.7) | - | (44.7) |
| Education Stability Fund | - | (223.1) | - | (223.1) |
| Education Stability Fund Interest | - | 26.7 | - | 26.7 |
| Agency Beginning Balances | - | 23.1 | - | 23.1 |
| Interest and Other Earnings | - | 2.3 | - | 2.3 |
| Net Current Law Resources | 14,000.4 | 904.6 | 211.0 | 15,116.0 |
| Resources Beyond Forecast in C-CRB | | | | |
| Resources: | | | | |
| Racing Commission Revenue Increase | 0.5 | - | - | 0.5 |
| State Agency Reversions | 25.0 | - | - | 25.0 |
| Adjustments: | | | | |
| Biofuel and other Tax Credits | (9.0) | - | - | (9.0) |
| CFAA Reduction to GF | (12.3) | - | - | (12.3) |
| ERT Funding (from County Eco. Dev. LF) | - | 0.9 | - | 0.9 |
| Total Resources in C-CRB | 14,004.6 | 905.5 | 211.0 | 15,121.1 |

2007-09 Ways & Means Co-Chair Recommended Budget Expenditures (in millions)

| | General Fund | Lottery Funds Discretionary | Lottery Funds Measure 66 | TOTAL GF+LF |
|---|--------------|--------------------------------|-----------------------------|----------------|
| Total Resources in C-CRB | 14,002.2 | 905.5 | 211.0 | 15,118.7 |
| 2005-07 Supplemental Expenditures not in GRB | | | | |
| OJD - Interpreter Costs | 1.7 | - | - | 1.7 |
| PDSC - Caseload and Costs per Case | 1.1 | - | - | 1.1 |
| DOJ - TMSA Litigation | 0.6 | - | - | 0.6 |
| ODF - Eradicate Pathogens for Sudden Oak Death | 0.3 | - | - | 0.3 |
| Governor - Computer Purchases | - | - | - | - |
| ODE - SB 426 OEBC 05-07 start up costs | 0.1 | - | - | 0.1 |
| Total 2005-07 Supplemental Expenditures | 3.8 | - | - | 3.8 |
| 2007-09 Expenditures by Program Area | | | | |
| Education | 7,443.9 | 681.2 | - | 8,125.1 |
| Human Services | 3,380.7 | 12.0 | - | 3,392.7 |
| Public Safety/Judicial | 2,371.9 | - | 6.8 | 2,378.7 |
| Transportation/Economic Development | 55.2 | 183.5 | - | 238.7 |
| Natural Resources | 162.1 | - | 201.2 | 363.3 |
| General Government | 255.6 | 6.8 | - | 262.4 |
| Emergency Fund | 158.3 | - | - | 158.3 |
| Total 2007-09 Expenditures | 13,827.7 | 883.5 | 208.0 | 14,919.2 |
| Total Budgeted Expenditures | 13,831.5 | 883.5 | 208.0 | 14,923.0 |
| 1% GF Expenditures plus March 07 Forecast | 173.0 | - | - | 173.0 |

Totals may not add due to rounding.

Education Investments K-12

(in millions)

Total State Support for K-12

\$6,245



- Includes \$260 million for the School Improvement Fund pilot to:
 - Improve graduation rates
 - Achieve 3rd grade reading proficiency
 - Narrow achievement gap
 - Other ODE performance outcomes

• Plus local resources

\$ 2,817

Total Support for K-12

\$9,062

Shared Responsibility Model



- Affordable college education for all Oregonians
 - Require reasonable contribution by student and families
 - Students must maintain good academic standing
 - State provides balance to ensure students who want to attend college can afford to

\$100+ million Housing Initiative



- Investments in affordable housing for seniors and mentally ill Oregonians and low income families
- \$50 million total investment from General Fund, Lottery Funds, and Public Purpose Charges
- Recommend additional \$60+ million from increased document recording fee

Prevention Initiative

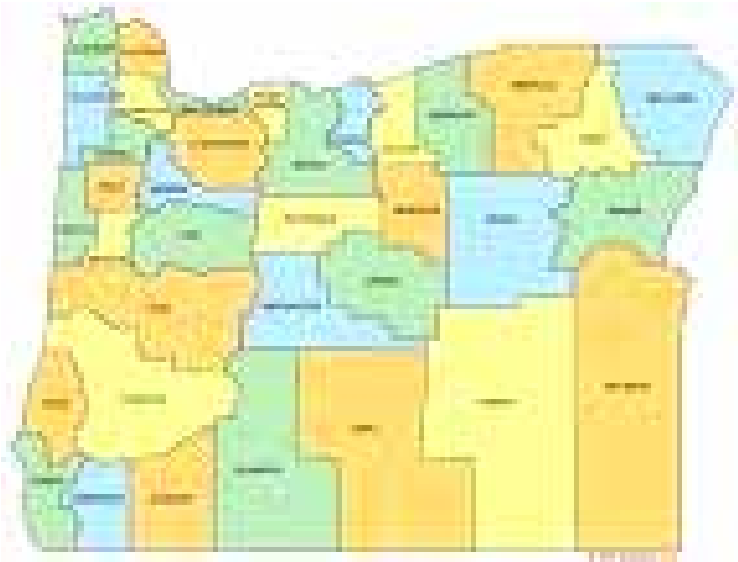


- Keep Oregonians safe
 - Increase highway patrol
 - Increase meth interdiction



- Brighten our children's future
 - Access to health care
 - Build quality day care capacity
 - Services for kids who have been victims of violence and abuse

County Partnership



- Protect schools from loss of federal timber money
- Create \$50 million fund for county roads
- Continue enhanced video lottery distribution
- Community Corrections funding to build toward a county friendly rebasing
- Continue county enhanced services for veterans

Ending Balance/Reserves

(in millions)

| | |
|----------------------------------|------------------|
| 1% of appropriations | \$139 |
| March forecast change | <u>34</u> |
| • Total Ending Balance | \$173 |
| • Education Stability Fund | \$451 |
| • Rainy Day Fund | \$290 |
| • May Forecast Change | <u>?</u> |
| Ending Balance + Reserves | +/- \$914 |

Jobs and Business Investments



- Keep freight moving with Connect Oregon II and expediting OTIA projects
- Continue investing in innovative technologies
- Enhance ETIC
- Create jobs for Oregonians by building modern infrastructure in small and rural communities

Renewable Energy and Quality of Life Initiative



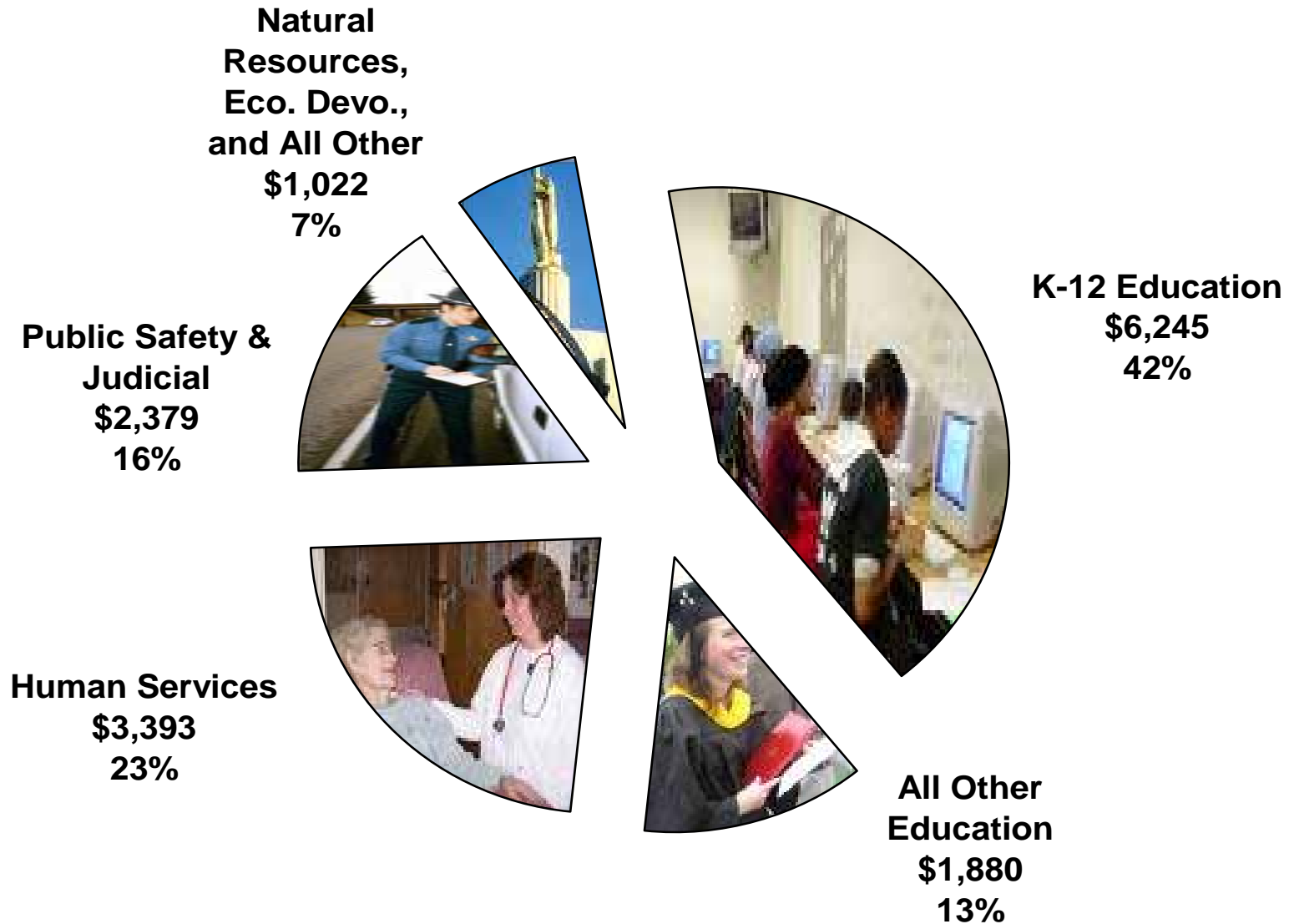
- Renewable Portfolio Standard legislation
- Catalyst investments in biofuels, solar, geothermal, wind and wave energy production
- Projects that reduce CO₂ emissions and reliance on fossil fuels

Veterans Initiative

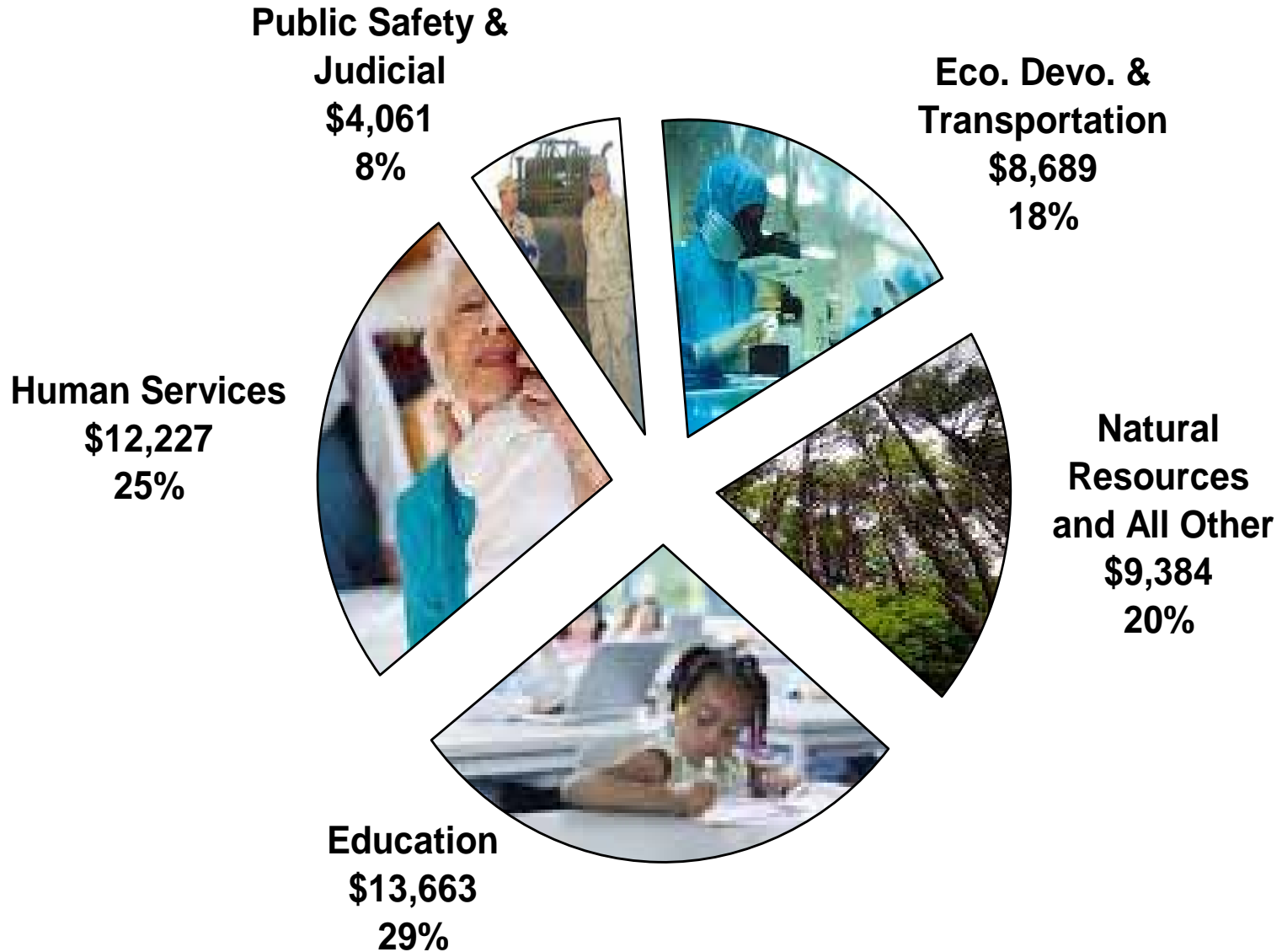


- Additional assistance for loans for veterans
- Increase funds for services to veterans – emergency needs and long-term
- Increase funding for education programs serving veterans
- Nationally recognized reintegration program for returning soldiers

2007-09 General Fund & Lottery Funds \$14,919 Million



2007-09 Total Funds \$48,024 Million



Education Investments

(in millions)

\$7,443.9 General Fund
\$ 681.2 Lottery Funds
54.5% of Total GF/LF

GF/LF Cost to continue previous services \$7,505.3

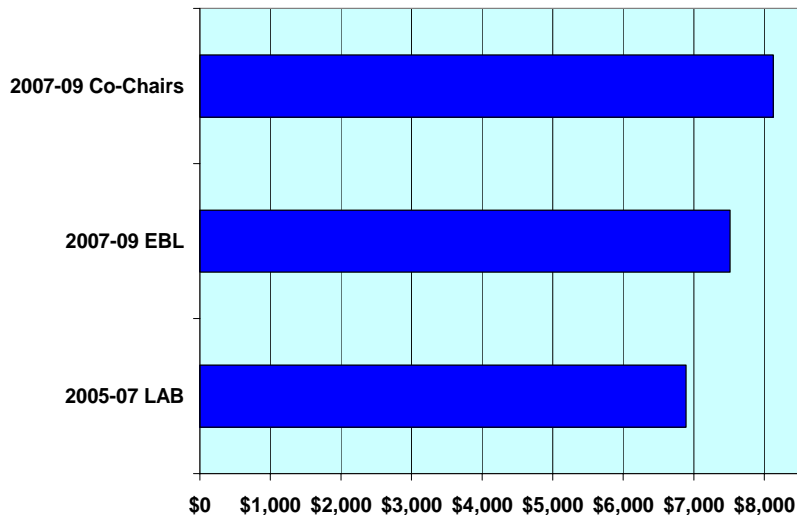
PreK-20 holistic view of Education and lifelong learning

Highlights –

- 16% increase in K-12 Funding, including \$260 million for the School Improvement Fund pilot
- Dramatically expand Head Start and start ramp up to serve all eligible children
- Affordable access to college for every Oregonian who maintains good grades
- Increase per student support for Community Colleges
- Increase support and flexibility for public Universities
- Graduate more health care professionals
- Continued capital investment to maintain infrastructure and create jobs
- Build data systems to ensure great results
- Other strategic investments

Total General Fund/Lottery Funds \$8,125.1

Education



Human Services Investments

(in millions)

\$3,380.7 General Fund
 \$ 12.0 Lottery Funds
 22.7% of Total GF/LF

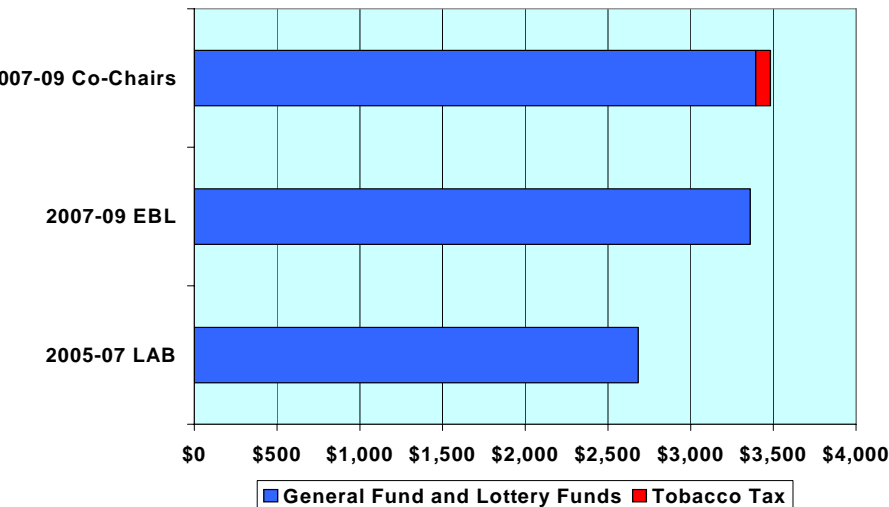
GF/LF Cost to continue previous services \$3,360.6

*Promote independence, self sufficiency, and dignity
 Put health back into health care*

Highlights

- Expand employment related day care for low income working families
- Expand support for abused and at-risk children
- Ensure access to health and long term care providers—provider taxes, increase DRG rates, improve AAA equity
- Ensure sustainability for Oregon Project Independence
- Invest more in school based health centers
- Make our Healthy Kids program sustainable
- Replace the State hospital and add community services for Oregonians with mental illness
- Data systems to support transparency and fiscal responsibility
- Other strategic investments

Human Services



Total General Fund/Lottery Funds

\$3,392.7

Public Safety/Judicial Investments

(in millions)

\$2,371.9 General Fund
 \$ 6.8 Lottery Funds
 15.9% of Total GF/LF

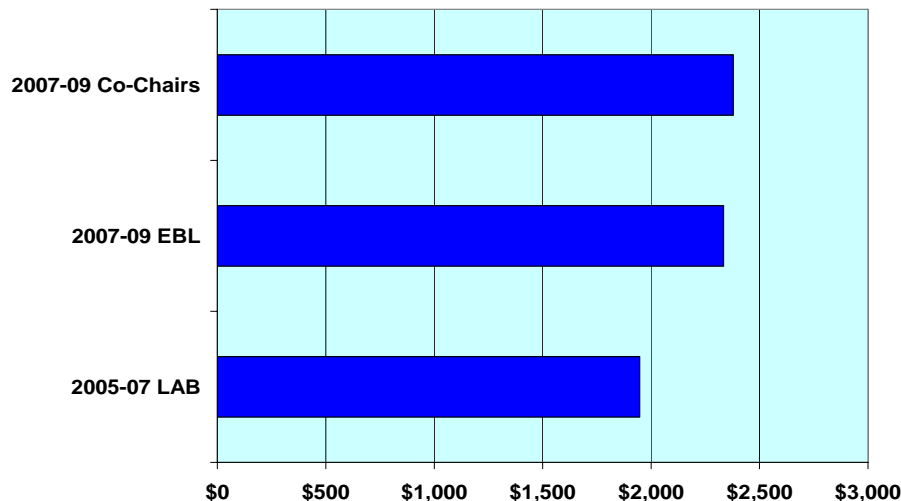
GF/LF Cost to continue previous services \$2,333.6

Effective prevention backed up by enforcement

Highlights

- Increase juvenile crime and gang prevention grants
- More beds and services for juveniles
- Expand services to prevent and treat victims of child abuse and domestic violence
- Add 100 new Oregon State Police officers
- Enhance statewide forensics capability
- Bolster community corrections and initiate a path to fully fund a new partnership formula
- Assures equal access to justice under the law
- Enhanced support for our military troops and our veterans
- Other strategic investments

Public Safety & Judicial



Total General Fund/Lottery Funds \$2,378.7

Economic Development and Transportation Investments

(in millions)

\$ 55.2 General Fund
 \$ 183.5 Lottery Funds
 1.6% of Total GF/LF

GF/LF Cost to continue previous services \$183.2

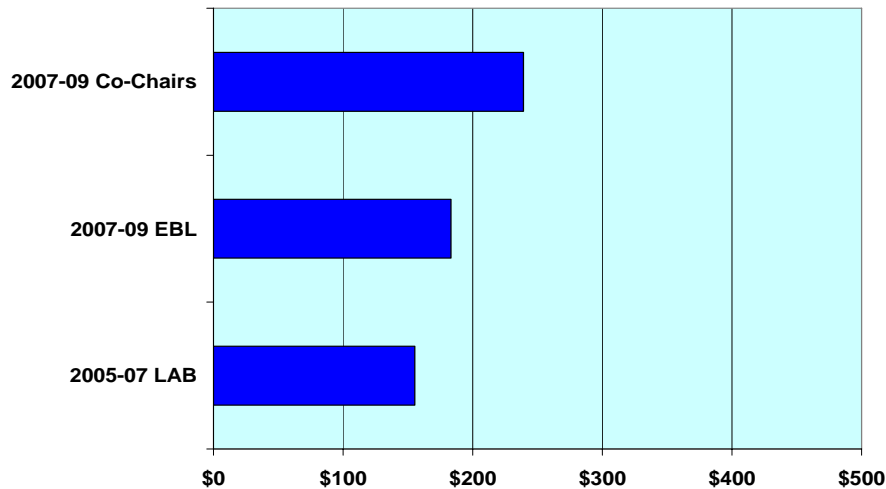
Support businesses that invest in Oregon & provide jobs to Oregonians

Highlights

- Make targeted sustainable investments in the Innovation Economy
- Continue investing in Women, Minority and Small Business
- Continue investing in Oregon's roads and bridges
- Connect Oregon II for freight mobility
- Reinvest in Oregon's Arts Community
- Major investment in housing for Oregon's vulnerable populations, including seniors
- Other strategic investments

Total General Fund/Lottery Funds \$238.7

Economic Development & Transportation



Natural Resources Investments

(in millions)

\$162.1 General Fund
\$201.2 Lottery Funds
2.4% of Total GF/LF

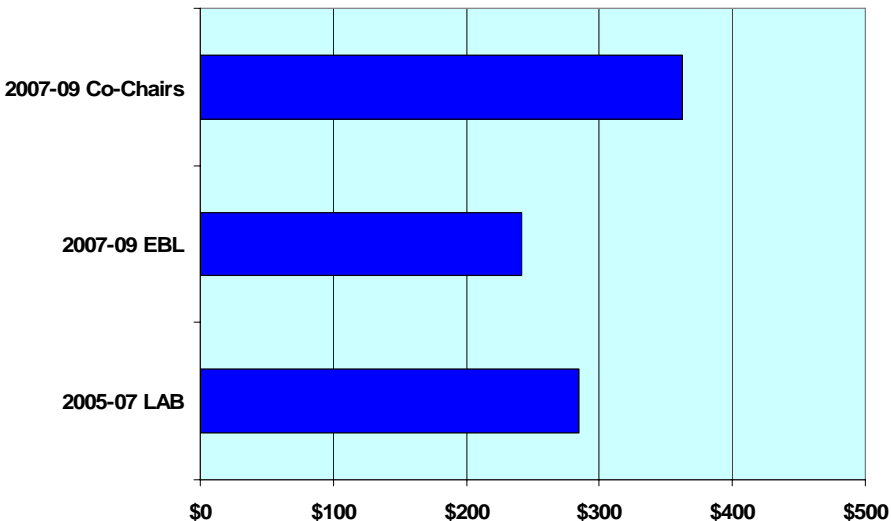
GF/LF Cost to continue previous services \$241.2

Restoring our commitment to Oregon's natural splendor

Highlights

- Restores General Fund for regulatory activities
- Establishes Oregon as a leader in renewable energy
- Reinvestment in Oregon's air and water quality
- Enhance fire protection of forests with Oregon's landmark early attack system
- Double OWEB investments from 4 years ago to restore habitat
- Assistance to rural Oregon through grants
- Provides funds for forest monitoring in E. Oregon
- Commitment to reach park grant and land acquisition goals to ensure Oregon communities' quality of life as we grow
- Begin to inventory water resources to support sustainable development
- Other strategic investments

Natural Resources



Total General Fund/Lottery Funds

\$363.3

General Government Investments

(in millions)

\$413.9 General Fund
\$ 6.8 Lottery Funds
2.8% of Total GF/LF

GF/LF Cost to continue previous services \$428.6

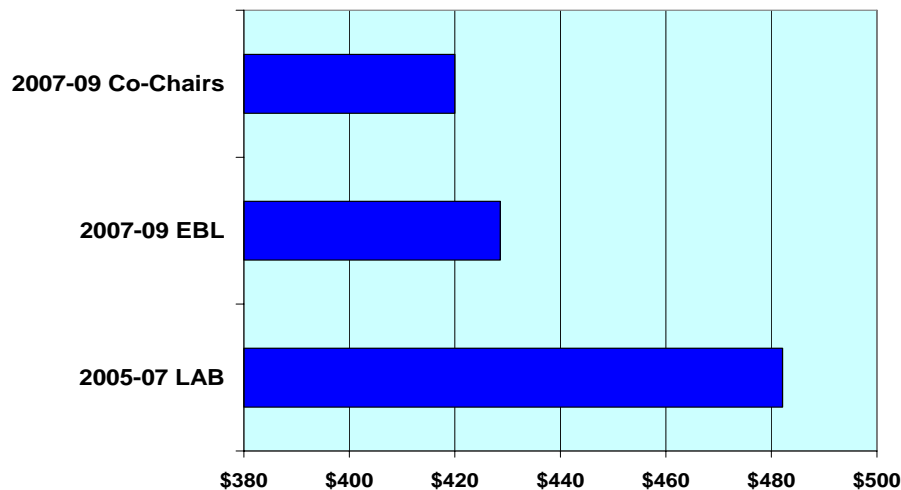
Reducing percentage of the budget spent on administrative costs

Highlights

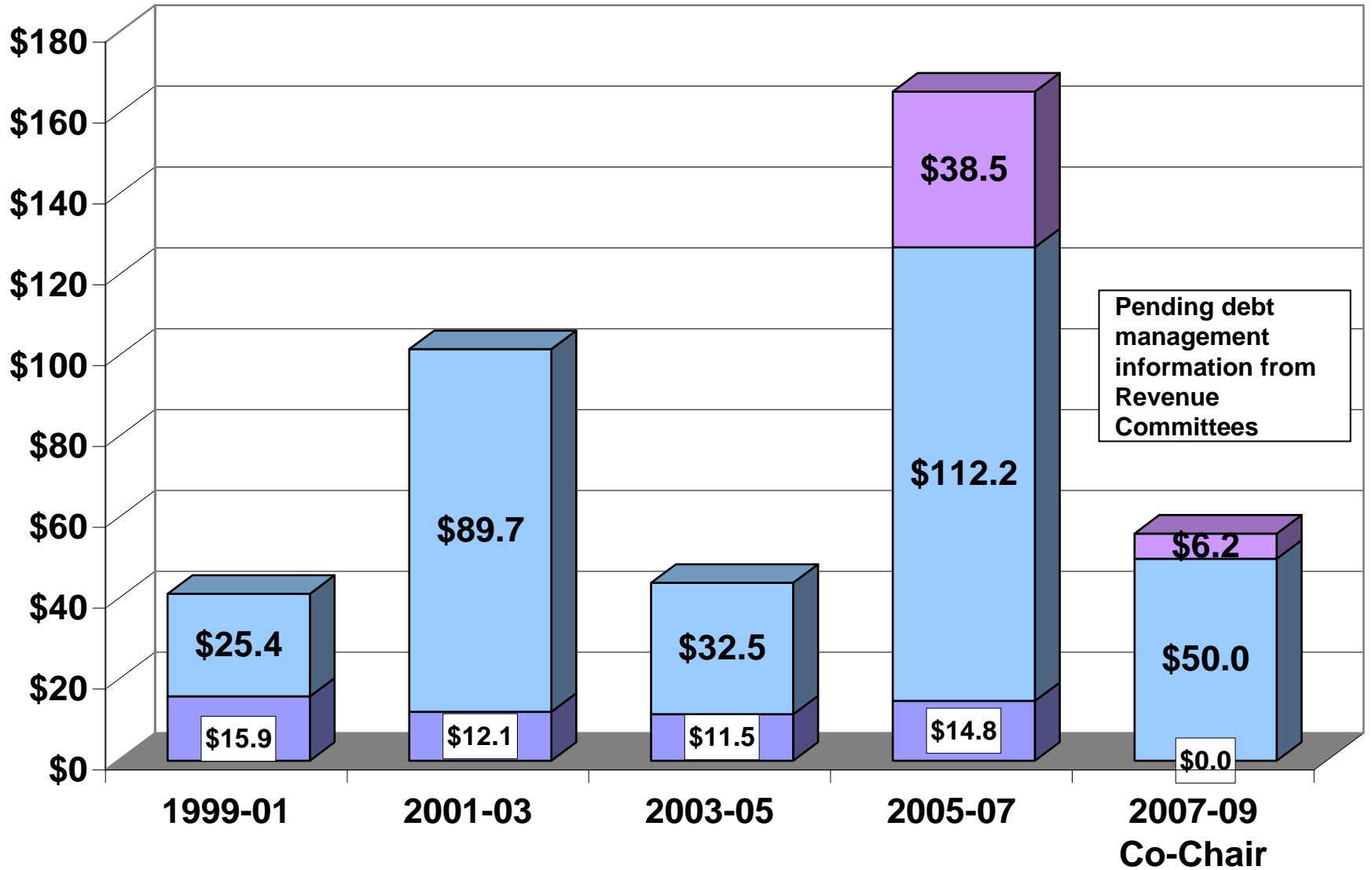
- Clean government initiative and ethics reform
- Provide resources to help Oregon's seniors navigate prescription drug issues, especially Medicare Part D
- Enhance apprenticeship training coordination
- Ensure a reliable, secure IT infrastructure
- Audit outcomes, continuous improvement, and agency performance
- Other strategic investments

Total General Fund/Lottery Funds \$420.7

General Government

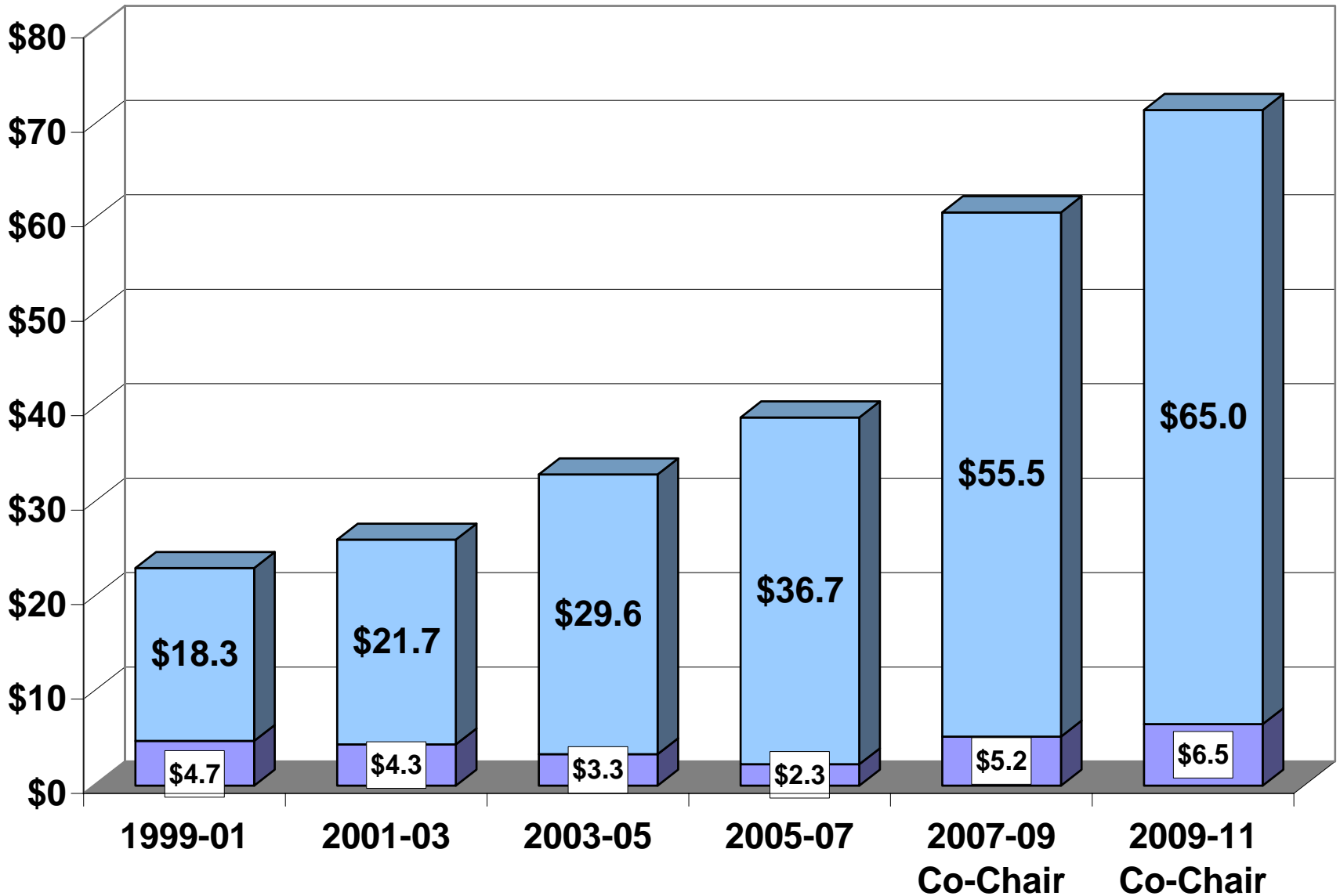


State-supported DHED/CCWD Capital Construction Budget (in millions)



General Fund
 State-paid Bonds (DHED)
 State-paid Bonds (CCWD)

State-paid DHED/CCWD Capital Construction Debt (in millions)



■ CCWD

■ DHED

Other Issues

- Federal Budget and Policy Changes
 - Human Services
 - Technology
 - Local government
- Lawsuits and initiatives
- Revenues
 - Economic Volatility
 - Tobacco Taxes
 - Provider “Self” Taxes
 - Insurance Surcharge
 - Corporate Minimum
- Health care issues
 - Inflation
 - Demographics



Education Program Area Investments - Highlights (in millions \$ GF/LF)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|--|--|---|
| Department of Education - State School Fund | K-12 - Increase over EBL (including Statewide Virtual School District and Mentoring) K-12 - School Improvement Fund Pilot | 196.0 260.0 |
| \$6,245.0 million GF/LF total | | |
| Department of Education | Data integration project and Growth Model development/implementation Oregon Pre-K expansion Early Intervention/Early Childhood Special Education (EI/ECSE) caseload | 10.2 29.0 3.0 |
| \$371.1 million GF/LF total | | |
| Community Colleges & Workforce Development | Community College Support Fund enhancement Integrated Management Information System - data system consolidation | 30.0 1.7 |
| \$468.6 million GF total | | |
| Higher Education | Basic University Support Regional University Support Healthcare Initiative - Allied Health and Nursing Programs ETIC - increase in engineering programs | 28.5 2.0 7.4 7.0 |
| \$843.1 million GF/LF total | | |
| Oregon Health & Sciences Univ. | MD class expansion from 108 to 120 Nursing Program Partnerships Expansion (including BS, Master's, WOU) State student enrollment 75% in-state in MD program (from current 50-50) | 4.1 5.6 1.2 |
| \$86.6 million GF total | | |
| Student Assistance Commission | Opportunity Grant Shared Responsibility Model | 47.0 |
| \$111.0 million GF/LF total | | |

Human Services Program Area Investments - Highlights

(in millions \$ GF/LF, except where OF noted)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|--|---|---|
| Dept. of Human Services | | |
| Children, Adults & Families | Self Sufficiency/Substitute Care Health and Safety Initiatives | 51.0 |
| Seniors and People with Disabilities | Long Term Care Services to DD Clients - Equity rate increases for providers Program Support - Medicare Part D enrollment and quality of care in community-based facilities Extend Long Term Care provider tax (Other Funds) Continue Oregon Project Independence using property tax deferral account transfers (Other Funds) | 20.0 2.3 40.4 12.0 |
| Health Services | Community mental health programs OHP extends MCO and Hospital Provider Taxes expiring Jan. 2008 (Other Funds) CHIP Healthy Kids program/TURA (using increased cigarette tax; Other Funds) | 21.5 191.4 62.0 |
| \$3,308.0 million GF/LF - DHS Total | | |
| Office of Private Health Partnerships | Healthy Kids program (using increased cigarette tax; Other Funds) | 22.6 |
| \$26.5 million GF total | | |
| State Commission on Children and Families | Expanded programs for court appointed special advocates; Healthy Start; Relief Nurseries | 4.6 |
| \$54.7 million GF total | | |
| Commission for the Blind | | |
| \$1.6 million GF total | | |
| Long Term Care Ombudsman | | |
| \$0.8 million GF total | | |
| Psychiatric Security Review Board | | |
| \$1.0 million GF total | | |

Public Safety / Judicial Program Area Investments
(in millions \$ GF/LF, except where OF noted)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|---|---|---|
| Corrections | Mental Health Staffing/Services/A&D Compensation/Re-Entry Coordination Community Corrections | 8.0 12.3 |
| \$1,285.1 million GF total | | |
| Oregon Youth Authority | Facility Program staffing safety and security/young women services/medical and pharmacy costs Community Program - juvenile crime prevention grants and provider rates Gang Prevention Grants | 2.7 4.1 1.6 |
| \$252.9 million GF total | | |
| Oregon State Police | Essential patrol infrastructure adds evidence techs, field support, equipment Oregon Wireless Interoperability Network (OWIN) development Forensics Staffing and DNA backlog; infrastructure and field support 100 new officers for patrol and drug interdiction 46 existing troopers funded with GF rather than OF from auto insurance surcharge | 1.9 4.8 3.4 13.4 6.3 |
| \$222.3 million GF/LF total | | |
| Department of Justice | Domestic and Sexual Violence services Victim Services compensation and Child Abuse Multidisciplinary Intervention (CFAA; Other Funds) | 1.0 4.0 |
| \$47.9 million GF total | | |
| Criminal Justice Commission | Drug Court program | 2.5 |
| \$6.4 million GF total | | |
| Military Department | | |
| \$23.1 million GF total | | |
| District Attorneys & Deputies | | |
| \$9.2 million GF total | | |
| Bd. of Parole & Post Prison Supervision | | |
| \$3.7 million GF total | | |
| Dept. of Public Safety Standards and Training | | |
| \$11.3 million GF total | | |
| Council on Court Procedures | | |
| \$0.01 million GF total | | |
| Judicial Department | | |
| \$304.6 million GF total | | |
| Public Defense Services Commission | | |
| \$212.1 million GF total | | |
| Commission on Judicial Fitness | | |
| \$0.2 million GF total | | |

Transportation/Economic Development Program Area Investments - Highlights

(in millions \$ GF/LF, except where OF noted)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|---|--|---|
| Economic and Community Development Dept. | Oregon InC investment | 19.0 |
| | Workforce Investment - targeted training in industry clusters (LF) | 5.0 |
| | Small Business Services - restores base for minority, women, small bus dev center (LF) | 4.3 |
| | Arts, Culture, and Tourism (GF) | 1.4 |
| \$125.9 million GF/LF total | | |
| Housing and Community Services | Affordable housing investment (GF and LF); additional OF assumed in initiative | 11.7 |
| | Oregon Food Bank network increased capacity | 1.2 |
| \$28.6 million GF/LF total | | |
| Veterans' Affairs | County Veterans' Services Offices funding | 2.7 |
| | Emergency Assistance program | 0.5 |
| \$5.9 million GF total | | |
| Consumer and Business Services | Senior Assistance for Medicare Part D (OF) | 0.8 |
| (no direct GF) | | |
| Transportation | Connect Oregon II; \$100 million multi-modal investment (lottery-backed bonds) | 5.5 |
| | Commuter Light Rail; \$250 million (lottery-backed bonds; debt begins in 2009-11) | - |
| \$60.4 million GF/LF total | | |
| Employment Department | | |
| \$3.9 million GF total | | |
| Bureau of Labor and Industries | | |
| \$12.6 million GF total | | |
| County Fairs | | |
| \$3.5 million LF total | | |
| OPB/Historical Society | | |
| \$3.1 million GF/LF total | | |

Natural Resources Program Area Investments - Highlights (in millions \$ GF/LF)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|---|---|---|
| Agriculture | Ag Development - developing renewable energy sources | 0.5 |
| | Natural Resources - fund shift from PCSRF to GF due to FF declines | 2.0 |
| | Natural Resources - CAFO - use GF instead of M66 LF | 1.2 |
| | \$30.7 million GF/LF total | |
| Environmental Quality | Air Quality program investments | 4.0 |
| | Water Quality program investments | 2.4 |
| | Water Quality fund shift from PCSRF to GF due to FF declines | 0.9 |
| | \$37.8 million GF/LF total | |
| Fish & Wildlife | Natural Prod - M66 operating LF for Lower Columbia Monitoring Program (16 positions) | 1.4 |
| | Natural Prod - fund shift from PCSRF to GF due to FF declines | 3.8 |
| | Habitat - fund shift from PCSRF to GF due to FF declines | 0.5 |
| | Coastal monitoring program | 0.7 |
| | \$24.5 million GF/LF total | |
| Forestry | Fire - Severity resources, insurance premium, system redesign | 6.0 |
| | \$47.1 million GF total | |
| Land Conservation & Development | Measure 37 claim processing and 30-Year Land Use Review | 5.2 |
| | \$16.0 million GF total | |
| Oregon Watershed Enhancement | Non-capital grant program (monitoring, watershed education, technical asst) (M66 LF) | 4.0 |
| | Non-capital grant program (split out Restoration and Protection Research Fund) | 2.7 |
| | Capital construction grants (M66 LF) | 55.8 |
| | Capital construction grants (M66 LF) - (split out Restoration and Protection Res. Fund) | 4.8 |
| | \$77.1 million LF total | |
| Parks & Recreation | Additional funding for Grants, Acquisition, and Recreation programs (M66 LF) | 26.9 |
| | \$98.9 million LF total | |
| Water Resources | Field Services restoration and Technical Services (measurement and supply) | 1.6 |
| | \$24.1 million GF total | |
| Columbia River Gorge Commission | | |
| | \$1.0 million GF total | |
| Dept. of Energy | | |
| | \$1.5 million GF total | |
| Dept. of Geology and Mineral Industries | | |
| | \$3.2 million GF total | |
| Land Use Board of Appeals | | |
| | \$1.4 million GF total | |
| Dept. of State Lands | | |
| | \$0.2 million GF total | |

General Government Program Area Investments - Highlights (in millions \$ GF/LF)

| Agency | Description | Co-Chairs' Recommended Enhancements |
|---|--|---|
| Dept. of Administrative Services | BM 37 claims processing costs | 0.7 |
| | Oregon Prescription Drug Program staff and related costs | 0.7 |
| \$10.1 million GF total* | | |
| Dept. of Revenue | Verification of refundable credits eligibility staff | 0.5 |
| | Electronic document management system | 0.8 |
| \$148.6 million GF total | | |
| Secretary of State | Voters' Pamphlet funding | 1.2 |
| \$11.8 million GF total | | |
| Government Standards & Practices Commission | Implement ethics reforms | 1.1 |
| \$1.8 million GF total (including Emergency Fund) | | |
| Emergency Fund | Continuous Improvement Projects | 2.5 |
| \$157.5 million GF total (including special purpose) | | |
| Advocacy Commissions Office | | |
| \$0.4 million GF total | | |
| Employment Relations Board | | |
| \$1.7 million GF total | | |
| Office of Governor | | |
| \$11.6 million GF/LF total | | |
| State Library | | |
| \$3.4 million GF total | | |
| Legislative Branch | | |
| \$68.9 million GF total | | |

* \$5.2 million LF in DAS shown in Transportation/Economic Development