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Department of Administrative Services (DAS) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	2,729,599	6,246,964	5,322,856	1,525,112
Lottery Funds	0	381,342	1,622,874	1,622,874
Other Funds	188,724,406	220,808,867	257,440,459	497,762,901
Federal Funds	473,407	765,168	0	100,000
Nonlimited	167,357,009	279,550,110	225,945,013	225,945,013
Nonlimited Debt Service	29,264,738	59,615,545	29,869,468	29,869,468
Total	388,549,159	567,367,996	520,200,670	756,825,368
FTE	836.40	933.48	919.45	896.15

The Department of Administrative Services (DAS) is the central administrative agency that supports other agencies of state government and coordinates statewide services. The Department has numerous divisions responsible for a variety of disparate functions. It operates centrally located motor pools, operates and maintains facilities, and provides printing, information technology consultation, computer, payroll, and accounting services. The Department also distributes federal, lottery, and state funds to cities, counties, and other state agencies. It also collects and distributes mass transit assessments.

Revenue Sources and Relationships

The Department's operating revenue comes primarily from fees charged for services provided to state agencies and from the statewide assessment. The Department establishes rates for these direct services and bills agencies based on how much of the service they use. It also provides indirect services to state agencies, such as the services provided by the Director's Office, Budget and Management Division, and Human Resource Services Division. Because a unit rate and usage volume cannot be determined directly, DAS recovers the cost of these services through a "statewide assessment," which is included in all state agencies' budgets as a line item expense titled "State Government Service Charges." Although services that are supported by the assessment cannot be directly measured and identified to each agency receiving the service, the Department makes an effort to allocate the assessment equitably.

DAS – Office of the Director

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	288,962	217,177	233,484	207,033
Other Funds	2,734,580	3,589,470	3,753,730	4,134,502
Total	3,023,542	3,806,647	3,987,214	4,341,535
FTE	13.63	14.50	17.00	17.00

Program Description

The Director is responsible for managing and coordinating the policies, programs, and services of the various divisions within the Department. Also, as head of state government's central administrative agency, the Director is responsible for coordinating policy among the various state agencies and setting guidelines for developing and executing the Governor's budget. The Office of the Director now has the following units:

- *Agency Administration* includes the Director, Deputy Director, Director for Operations, and support staff.
- *Office of Economic Analysis* produces the Oregon Economic and Revenue Forecast and Criminal Justice Population Forecast.
- *Internal Audits* is responsible for conducting internal audits.
- *Government Affairs and External Relations* is responsible for legislative coordination and communications with agencies and the public.

Revenue Sources and Relationships

The General Fund supports the Prison Population Forecast. Otherwise, the Office is supported through an assessment of state agencies.

Budget Environment

The Office of the Director is purely an administrative office within an administrative agency. Its budget is based upon the amount of support needed within the Department and within state government. The Office of the Director wants to ensure that the Department of Administrative Services is a management model for all state agencies.

Legislatively Adopted Budget

The legislatively adopted budget reflects the internal transfer of three positions (3.0 FTE) to the Office and the elimination of one position (0.50 FTE) associated with the Highway Cost Allocation Study work. The Legislature, however, included funding for contracting out the Highway Cost Allocation Study. Other Funds needed to pay for the study will be provided by the Department of Transportation. The budget restores one-time reductions taken during special sessions. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

DAS – Budget and Management Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	5,785,619	8,700,870	8,815,806	8,353,724
Nonlimited	60,908	100,000	76,500	76,500
Nonlimited Debt Service	197,223	1,789,634	1,943,695	1,943,695
Total	6,043,750	10,590,504	10,836,001	10,373,919
FTE	35.04	34.50	33.50	33.50

Program Description

The Budget and Management Division establishes and enforces statewide budget standards and monitors agencies to ensure that funds are spent within legal and budgetary constraints. It is responsible for reviewing agency budget requests and developing and tracking the Governor's budget through the legislative process. The Division also helps to coordinate statewide bonded debt programs, including issuance of Certificates of Participation (COPs), Tax Anticipation Notes (TANs), Pension Obligation Bonds, and Lottery Revenue Bonds. It recently completed development and implementation of the first phase of a new statewide budgeting system (ORBITS).

Revenue Sources and Relationships

The Budget and Management Division is funded through assessments of state agencies (\$7.5 million). An additional \$3.1 million will be provided from the issuance of COPs. The balance of the Division's planned expenditures will be funded with carry-forward cash balance from COPs previously issued for the ORBITS project.

Budget Environment

The Division's budget relies entirely on the ability of agencies to pay their assessments. Department management must ensure that the Division does its job properly, using only resources necessary to accomplish the work. Agencies understandably chafe at paying for a Division whose main responsibility is to review agency operations, analyze budget and Emergency Board requests, and make recommendations on those requests.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. It also includes nine limited duration positions (9.0 FTE) to continue work on the ORBITS project. This next phase of the project will bring additional critical core system elements on line. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

DAS – State Controllers Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	7,037,917	8,227,206	9,199,069	8,342,850
Nonlimited	8,473,610	11,581,700	13,332,954	13,332,954
Nonlimited Debt Service	5,368,787	5,319,175	2,653,328	2,653,328
Total	20,880,314	25,128,081	25,185,351	24,329,132
FTE	48.67	52.32	51.00	48.00

Program Description

The primary role of the State Controllers Division is to support and ensure accuracy and accountability in state government financial systems by providing services and controls in the management of statewide accounting, receivables, financial reporting, and payroll functions. It also supports budget and financial and accounting support to a number of small state agencies, including the Office of the Governor.

Revenue Sources and Relationships

The Division receives its revenue from an assessment of state agencies (\$15 million) and from direct charges for processing warrants and payroll checks/stubs (\$5.9 million). Assessments are based on analyses of services provided. The assessment has been reduced from 2001-03, primarily by using the Division's carry-forward cash balance. Direct charge rates have increased due to additional system maintenance and internal control functions recommended by the Secretary of State Audits Division.

Budget Environment

The Division's budget relies on the ability of agencies to pay their assessments and direct charges. Department management must ensure that the Division does its job properly, using only resources necessary to accomplish the work.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during special sessions. The budget takes into account reductions imposed during the 2002 special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. The budget phases out two limited duration positions (1.66 FTE) and continues one permanent position (0.34 FTE) provided for the state's E-commerce initiative. The Legislature eliminated three vacant positions (3.0 FTE). The Legislature also approved funding for one policy option package of \$79,678 to support statewide revenue services.

DAS – Information Resources Management Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	43,194,660	50,710,601	72,242,212	66,660,640
Nonlimited	60,726,627	79,779,518	99,873,238	99,236,151
Nonlimited Debt Service	813,442	1,337,752	2,118,888	2,118,888
Total	104,734,729	131,827,871	174,234,338	168,015,679
FTE	148.31	173.62	307.55	294.92

Program Description

The Information Resources Management Division (IRMD), encompasses computer and information services, telecommunications, and video teleconferencing, and is responsible for central review and coordination of the acquisition by state agencies of all major telecommunication and information technology systems including hardware and software.

The Division has five separate sections for budgetary purposes:

- *Corporate Services and Administration* provides administrative support.
- *Strategic Planning and Review* reviews state agency information technology plans, projects, hardware and software acquisition, and consultant contracts.
- *Application Service Providers* provide systems integration for electronic commerce, the General Government Data Center, data archiving, geographic information systems, database management and other related services. It will house the new Oregon Center for Electronic Commerce and Government.

- *Enterprise Network Services* provides voice, video, and data services. It is responsible for the State of Oregon Enterprise Network (SOEN).
- *Publishing and Distribution Program* provides complete electronic “print-to-post” services to state agencies, provides printed and electronic document services to public agencies, and operates a secure print facility for printing checks, warrants, and negotiable documents. It also collects, processes, and distributes federal and interagency mail in the Willamette Valley.

The Division had a sixth section, Statewide Technical Education Program Services, that provides state employees with technical education and training. The Legislature approved the transfer of that section to the Human Resource Services Division for administrative and budgetary purposes.

Revenue Sources and Relationships

The Division receives a small portion of its revenues from assessments of state agencies. Agencies are assessed for the Division’s role in information technology planning and review (\$3.5 million), E-government support (\$2.8 million), and maintenance of a centralized Geographic Information System (\$1.5 million). It also includes an assessment for inter-office mail delivery services (\$1.9 million) that previously were provided by another division. Another \$3.3 million will be provided by issuance of COPs. The Division also expects to have a carry-forward balance of about \$8.3 million. The balance of the Division’s estimated \$190 million in revenues comes largely from various systems and services usage fees. The Division has an extensive rate schedule for the myriad services it provides to state and local agencies. Demand for services is heavily driven by the state’s policy movement toward increased use of telecommunications and electronic processes in government. It is also driven by demand for printing and distribution services, not only from state agencies, but also from local government units.

Budget Environment

As state government becomes more dependent on technology for the delivery of services within and without, the role of the Division takes on additional meaning as the central information technology repository. The coming foray into conducting state government business over the Internet requires information systems security and protocols that protect confidentiality and privacy, while ensuring that financial transactions and activity are properly safeguarded. The increased interconnectivity of information technology and print media, coupled with the demand for economies of scale and cost effectiveness of bulk mail and pre-sorted zip+four first class mail, has increased work levels in the publishing and distribution area.

Legislatively Adopted Budget

The legislatively adopted budget continues the operations of the Division with the added staff (138.55 FTE) and functions associated with the transferred publishing and distribution program. The transfer of publishing and distribution adds \$44 million to the Division’s budget. The budget also reflects the transfer of one position (1.0 FTE) to the Operations Division and four positions (4.0 FTE) and \$1,526,882 Other Funds to the Human Resource Services Division. It also phases out seven limited duration positions authorized for the 2001-03 biennium. The budget takes into account reductions imposed during the 2002 special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

The budget for services and supplies and capital outlay is reduced by \$4.5 million. To offset the loss of contract services for systems and database support under this reduction, the budget adds two positions (2.0 FTE) and \$406,772 to maintain essential systems and database support in-house. The budget was reduced also by \$184,638 and 2.25 FTE to phase out the Statewide Directory Assistance Program. The Department will work with the Department of Corrections to transfer the function to that Department. The Legislature also eliminated seven vacant positions (6.38 FTE).

Additionally, the budget includes the following policy option packages:

Description	FTE	Amount
Add 3 permanent positions that were limited duration positions in 01-03	3.00	\$456,448
Funding to continue E-government activities/ program		\$1,983,626
Add 1 permanent position as part of consolidation of mail operations from Department of Revenue	1.00	\$178,619
Professional services for systems development for E-procurement project		\$3,345,180
Funding for statewide technology infrastructure needs (see Note below)		\$2,676,774

Note: The Legislature requested that the Department of Administrative Services unschedule \$2.3 million of the \$2.7 million provided for statewide technology infrastructure needs. The Legislature directed the Department to report to the Emergency Board on the results of its reorganization and to provide a financing plan for the infrastructure needs. The Legislature felt that efficiencies in state government will result from better coordination and consolidation of information technology resources within and between state agencies. The Legislature is supportive of the Department's efforts in this direction.

DAS – Public Employees Benefit Board

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	2,160,010	2,298,362	4,018,634	3,866,487
Nonlimited	504,730	49,377,206	28,448,793	28,448,793
Total	2,664,740	51,675,568	32,467,427	32,315,280
FTE	13.68	13.68	16.68	16.68

Program Description

The Public Employees Benefit Board started operations January 1, 1998, when the State Employee Benefits Board and the Bargaining Unit Benefits Board were abolished. The Board contracts for and administers health and dental insurance for state employees and their dependents, representing over 110,000 Oregonians. The Board also selects and administers life and disability insurance coverage for eligible state employees. A major part of the Board's responsibility is developing benefit packages to meet the needs of customers of the two previous boards, and preparing benefits information and answering inquiries from employees and their dependents about coverage.

Revenue Sources and Relationships

Board operation is funded through an administrative charge (assessment) added to the employees' health insurance premiums. By law, the assessment cannot exceed 2% of monthly premiums. Currently, the charge, or assessment, is 0.6% of monthly premiums. Additionally, the Board receives a portion of employee "opt-out" contributions which are placed in a stabilization fund that is used to help stabilize contribution rates and provide wellness and education activities. The Board also is reimbursed the cost of annual open enrollment activities from insurance companies. In 1999, the Board received \$19.5 million when Standard Life Insurance Company changed from a mutual life insurance company to a stock life insurance company. The \$19.5 million is currently earning interest, while the Board seeks a court ruling on how the funds may be used. The Oregon Health and Science University and two individuals have filed lawsuits seeking some of the money. It is not known when the issue will be resolved.

Budget Environment

Demand for the Board's services has been increasing because of issues surrounding health insurance costs. Increased dealings with current and prospective providers also have placed additional demands on staff. Also, employee benefit packages that may be mandated by statute or arrived at through collective bargaining agreements can impact workload. The Nonlimited portion of the Board's budget is for open enrollment period expenses and health insurance premiums, paid to insurance carriers. In addition, the Board has a stabilization reserve which it can use to reduce the cost of employee insurance premiums, provide wellness and education activities, and cover health plan liabilities that may arise from contractual risk-sharing agreements. Other Board operating activities are subject to expenditure limitation.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. The budget includes three additional permanent positions (3.0 FTE) to cope with increased workload demands. It also includes \$0.9 million to complete and maintain the new Benefit Management System approved by the 2001 Legislative Assembly. The budget includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

DAS – Human Resources Services Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	8,294,386	9,586,762	10,185,468	10,310,143
Nonlimited	657,179	694,639	1,360,272	1,997,359
Total	8,951,565	10,281,401	11,545,740	12,307,502
FTE	52.46	54.00	52.42	54.50

Program Description

This Division provides central personnel-related services to help agencies obtain and retain a skilled workforce. Through administrative rules and policies and collective bargaining agreements, the Division defines and manages the state's human resources system based upon equal employment opportunity and a merit-based compensation system. The Division maintains the state's classification and compensation systems. It also maintains the centralized position and personnel database (PPDB), which captures position and employee information for all employees other than higher education academic staff. In addition, it provides training to new board and commission members, and training and consultation to state agency management on human resources issues.

Revenue Sources and Relationships

The Division's principal revenue source is from an assessment (\$11.1 million) of Executive Branch state government agencies excluding the Department of Higher Education. Legislative and Judicial Branch agencies and the Lottery Commission pay a reduced assessment to use the centralized employee database. Approximately \$1.9 million of revenue comes from specialized training sessions and executive recruitment services.

Budget Environment

The Division's budget is largely affected by its ability to assess other state agencies. To that extent, it must justify its budget to its Department head and, more particularly, the Legislature. Complaints about the amount of the assessment compared to services provided can cause a more thorough review of Division activities and performance outcomes. The Division intends to meet this challenge by ensuring that it delivers good service at a reasonable cost. Because of the unique nature of government personnel laws, rules, and regulations, it is somewhat difficult to make comparisons or develop performance measures.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. It also includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. The Legislature approved the phase-out of a limited duration position, the elimination of two vacant positions (1.92 FTE) and the transfer-in of four training positions (4.0 FTE) from the Information Resources Management Division, and other personnel adjustments.

DAS – Procurement, Fleet, and Surplus Services Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	39,084,679	44,199,127	32,604,246	31,490,153
Nonlimited	40,735,084	39,716,409	13,841,508	13,841,508
Nonlimited Debt Service	2,146,666			
Total	81,966,429	83,915,536	46,445,754	45,331,661
FTE	234.14	265.21	116.80	117.80

Program Description

The Procurement, Fleet, and Surplus Services Division is organized into the following five units: Administration; Purchasing Operations; Fleet Management/Motor Pool; State Surplus Property; and Federal Surplus Property. The primary role of this Division is to provide cost effective central services to state agencies and local governments in the following areas: purchasing, motor pool/fleet services, and surplus property.

Revenue Sources and Relationships

Operations of the Division are entirely self-supporting. Division Administration is funded through revenue transfers from the four other operating units.

Purchasing operations are supported through service charges (price list) of \$3.9 million based on volume of transactions and number of agency positions. An additional \$4.5 million is provided through other direct fees for services and purchasing, consulting, and training fees.

The Fleet Management/Motor Pool operations are supported entirely through fees for services, principally fleet rental charges. In addition, the unit charges agencies that own vehicles for fueling, service, and repair fees. State Fleet Operations revenues are budgeted at \$39.9 million for the 2003-05 biennium.

State and Federal Surplus Property operations together generate revenue from service fees. For state surplus items, the fees (\$2.2 million) are based on the value of the items sold for state agencies disposing of the surplus property. For federal surplus property, the service fees (\$2.3 million) are charged to agencies acquiring the property through the Division based on the value of the federal surplus property acquired.

Budget Environment

Demand for services drives the budget of this Division. Significant growth has occurred in its fleet operations, purchasing, and surplus property services.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. The Legislature approved the transfer of 138.55 FTE to the Information Management Resources Division, other internal transfers, the phase-out of limited duration positions, elimination of one vacant position, and other personnel adjustments. The budget includes an additional \$0.4 million for additional Attorney General costs of legal sufficiency reviews and other purchasing related legal services. Additionally, \$0.7 million of additional expenditure limitation is provided for computer support and maintenance costs of IRMD. The budget reflects adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. It also includes one purchasing position (1.0 FTE) to support contracting needs of the Public Employees Retirement System.

DAS – Facilities Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	24,934,805	28,808,109	32,440,517	31,115,494
Nonlimited	6,864,197	39,849,299	7,934,316	7,934,316
Nonlimited Debt Service	19,855,600	51,168,984	23,153,557	23,153,557
Total	51,654,602	119,826,392	63,528,390	62,203,367
FTE	185.32	204.25	207.50	206.50

Program Description

The Facilities Division provides services related to facilities management, lease negotiation and supervision, project management, space planning and parking management, building operations and maintenance, and landscape maintenance for agencies occupying state-owned space. Major acquisition, construction, capital improvement, and maintenance projects are planned and managed by this Division.

Revenue Sources and Relationships

The Division is funded from a variety of sources but its two major sources are the uniform rent assessed on all tenant agencies and parking fees. The uniform rent rate for office space in 2003-05 is \$1.30 per square foot, an increase of \$0.22 per square foot over the 2001-03 rate. Uniform rent includes a depreciation component that is deposited in a Capital Projects Account, the balances of which are used for major rehabilitation of building space, as conditions require. Newly constructed office space will pay rent at \$0.10 per square foot more than other uniform rent buildings in order to provide funds to pay debt service. The Division also receives \$1.7 million from assessments of state agencies on the Capitol Mall for landscaping, debt service, and general facilities coordination. Other revenue is generated from service agreements to perform maintenance and janitorial services for office buildings owned by other state agencies, managing specialized non-office facilities, and a number of other facilities-related services.

Budget Environment

The Division owns or manages about 2.8 million square feet of mostly office space. The Division attempts to keep office facilities adequately maintained to prolong their useful lives and keep rental rates at a reasonable level. Demand for new or improved facilities has a direct impact on Division activities. The Division exhausted the balance in the Rent Stabilization Fund during the current biennium. This was a fund established years ago by the Legislature to help defray future facilities costs. Additionally, increased utility and security costs contribute to the increased uniform rent.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. It also includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. It reflects internal reallocation of funding to increase part-time positions to full-time (a net increase of 4.25 FTE). It also eliminates three positions (3.0 FTE) as a result of budget reductions made during special sessions. The budget also adds two positions (2.0 FTE) to coordinate the sale of state surplus real property and to assist agencies in managing major construction and capital improvement projects. The Legislature eliminated one vacant position (1.0 FTE).

DAS – Risk Management Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	7,133	3,456	0	0
Other Funds	12,365,436	14,732,792	16,387,158	15,139,284
Nonlimited	35,880,153	44,264,000	45,813,855	45,813,855
Total	48,252,722	59,000,248	62,201,013	60,953,139
FTE	22.33	22.00	21.00	21.00

Program Description

The Risk Management Division purchases insurance for the state, and also is responsible for the management of the state's Self-Insurance Fund in order to maintain adequate balances for known and projected losses and to purchase excess coverage for the state. The Division investigates and resolves claims against the state and its employees. Risk Management also devises strategies that encourage agencies to minimize loss-related costs.

Revenue Sources and Relationships

The revenue source for the Division's operating expenditures is the Insurance Fund. State agencies pay into the Insurance Fund through an assessment (\$72.5 million) based on a share of forecast statewide claims costs. Statewide needs are developed from independent actuarial forecasts for workers' compensation, property, and liability costs and estimated legal costs. Assessments are significantly higher than for the 2001-03 biennium because the Division used carryover fund balance in the Insurance Fund to support 2001-03 needs; \$26.5 million was transferred out of the fund into the General Fund July 1, 2001; and Workers' Compensation surplus funds were depleted in the biennium. Other Funds also are provided from investment income earned on the Insurance Fund. More than 70% of the Division's budget, established to purchase insurance and pay claims from the Insurance Fund, is Nonlimited. The General Fund was provided in prior biennia to pay for liability insurance for retired dentists who provide volunteer dental care to the needy.

Budget Environment

The amount and types of property owned, the number of employees and their work, and the types of programs agencies have all contribute to the need for risk management services and products, principally insurance. How well agencies manage their risk elements directly impacts their risk management costs. The Division also tries to avoid litigation costs by attempting to resolve claims against state officers, employees, and agents accurately and fairly.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. The budget reflects adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. It also eliminates one Dispute Resolution Cluster Coordinator position (1.0 FTE) that previously was funded in part with moneys transferred from the Oregon Dispute Resolution Commission.

DAS – Operations Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	0	0	22,000
Other Funds	8,119,417	10,811,817	12,315,101	11,757,518
Total	8,119,417	10,811,817	12,315,101	11,779,518
FTE	56.24	71.58	70.50	69.50

Program Description

As part of a reorganization begun during the 1999-01 biennium, a significant number of positions previously moved from the various operating divisions into the Director's Office have now been transferred into a newly created Operations Division. The Operations Division is expected to improve the efficiency and effectiveness of all departmental operations by providing core services that are best managed centrally. All Division administrators report to the Director of Operations. Included in the Operations Division are the following units:

- *Personnel/Training Office* is responsible for departmental human resource issues.
- *Office of Business Administration* is responsible for departmental budgeting, payroll, purchasing, and accounting.
- *Office of Information Technology* is responsible for departmental computer support and information technology management.

Revenue Sources and Relationships

The Division's revenue comes from service charges to the Department's various Divisions (\$11.8 million).

Budget Environment

The Operations Division is purely a support office within an administrative agency. Its budget is based upon the amount of support needed within the Department.

Legislatively Adopted Budget

The legislatively adopted budget restores one-time reductions taken during 2002 special sessions. The budget reflects adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. The Legislature also eliminated one vacant position (1.0 FTE). The \$22,000 General Fund is for anticipated costs the Department will incur on behalf of four advocacy commissions that are expected to reduce staff and wind-down operations due to non-receipt of General Fund support.

DAS – Office for Oregon Health Policy and Research

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,337,159	1,532,260	1,554,253	1,296,079
Other Funds	1,852,972	4,533,234	1,615,291	1,536,372
Federal Funds	473,407	765,168	0	0
Total	3,663,538	6,830,662	3,169,544	2,832,451
FTE	18.87	18.82	14.50	13.75

Program Description

The 1993 Legislative Assembly established the Office of the Oregon Health Plan Administrator to oversee implementation of the Oregon Health Plan. In 1995, the Legislative Assembly combined it with the Office of Health Policy and its responsibility for the collection of data on hospital discharges, revenues, and changes in rates with the Office of the Oregon Health Plan Administrator to assist with health planning. Administration of the Oregon Health Council, the Oregon Health Services Commission, and the Oregon Health Resources Commission were also transferred to this Office. Primary responsibilities of these commissions are policy advice on health care issues, establishment and maintenance of the prioritized list of health services, and the introduction, diffusion, and utilization of medical technology, respectively. The Office is the only agency with statewide Oregon Health Plan coordinating responsibilities.

Revenue Sources and Relationships

In addition to its General Fund support, the Office has contracts with Department of Human Services agencies that provide Other Funds revenue. The Federal Funds came from a federal grant to conduct research on

universal health coverage. The grant ended in the 2001-03 biennium. The Office also pursues other private grant funding to support its research activities.

Budget Environment

A significant amount of grant funds and federal funds was available and used during the 2001-03 biennium that is not expected to be available in the 2003-05 biennium. Temporary budget reductions were made during the 2002 special sessions and the Office accommodated the reductions through temporary reductions of services and supplies and additional reliance on federal and grant funds. Legislative review of the Oregon Health Plan impacted the nature and operation of the Office.

Legislatively Adopted Budget

The legislatively adopted budget continues budget reductions imposed by the 2002 fifth special session in by HB 5100. It includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. The Legislature eliminated one vacant position (0.75 FTE), reduced the budget by \$600,000 General Fund for general health care research activities, and provided \$475,000 General Fund for activities required by changes made to the Oregon Health Plan.

DAS – Oregon Progress Board

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	392,731	0	0
Other Funds	0	480,673	0	0
Total	0	873,404	0	0
FTE	0.00	0.00	3.00	3.00

Program Description

The Oregon Progress Board previously was included in the budget of the Economic and Community Development Department. The Oregon Progress Board consists of nine members appointed by the Governor. Functions include evaluating Oregon’s progress in meeting the goals established in the Oregon Benchmarks; updating the benchmark measures; defining new measures; and addressing strategies for meeting the benchmark goals. The 1997 Legislative Assembly re-authorized the Progress Board as a statutory program.

Revenue Sources and Relationships

The Board has been funded by a combination of General Fund and Other Funds. The Board also receives Other Funds revenue from communities for the development of Community Benchmarks, and partners with other state agencies to fund statewide reports on the benchmarks.

Budget Environment

The primary workload of the Progress Board has been the updating of the benchmarks and expanded work with communities. The Board has been directed by the Legislative Assembly to include state agencies benchmarks and progress in meeting those benchmarks as part of the state budget process. During the special sessions, the balance of funding for the Board was eliminated. The Emergency Board provided some additional funding to allow it to complete certain undertakings, but did not provide funding that countered the legislative decision to cease support for the Board.

Legislatively Adopted Budget

The legislatively adopted budget provides no funding for the Oregon Progress Board, but does include three unfunded positions (3.0 FTE). The Legislature encouraged the Department to seek Other Funds support for the Board.

DAS – Capital Improvements

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	4,194,455	3,320,940	3,540,000	4,735,189
FTE	0.00	0.00	0.00	0.00

Program Description

The Capital Improvement Program, developed to complement the Major Construction/Acquisition Program, provides for remodeling and renovation projects that cost less than \$500,000.

Revenue Sources and Relationships

Capital improvement activities are funded out of the Capital Projects Account, the Department's depreciation reserve fund, and are in addition to construction expenditures financed from the sale of certificates of participation.

Legislatively Adopted Budget

The legislatively adopted budget provides funding for 15 different capital improvement projects ranging in cost from \$27,000 to \$308,000. It includes \$465,000 for permanent energy saving improvements in buildings where temporary energy saving measures have been installed. It also includes \$500,000 for preparation of space for occupancy where unanticipated moves have occurred in state facilities. The Legislature also approved \$1.2 million Other Funds expenditure limitation for capital improvement projects carried over into the 2003-05 biennium. Staffing shortages and hiring freezes kept the Department from completing a number of significant maintenance projects that had been previously approved for the 2001-03 biennium.

DAS – Capital Construction

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	28,419,642	24,494,780	50,292,001	24,292,002
Nonlimited	306,378	500,000	500,000	500,000
Nonlimited Debt Service	883,020	0	0	0
Federal Funds	0	0	0	100,000
Total	29,609,040	24,994,780	50,792,001	24,892,002
FTE	0.71	0.00	0.00	0.00

Program Description

The Capital Construction Program includes major remodeling, renovation, and new construction or acquisition projects over \$500,000. In 1997, the Legislative Assembly approved significant changes in the state's approach to major construction and deferred maintenance. The legislation establishes an advisory committee to provide guidance on agencies' efforts to properly maintain and protect their investments in capital assets, and it mandates state agencies to prepare four-year capital construction budgets.

Revenue Sources and Relationships

Other Funds for capital construction come from the depreciation component of uniform rent and service agreements (\$8.3 million), and from the issuance of certificates of participation (COPs) (\$16.5 million). The \$500,000 Nonlimited Other Funds relate to issuance costs for COPs.

Legislatively Adopted Budget

The legislatively adopted budget includes funding for 12 specific projects, some of which are the second phase of projects authorized and begun in the prior biennium. The two largest projects are a Department of Environmental Quality and Health Division laboratory (\$6 million) and renovation of the Justice Building (\$11.2 million). It also includes a \$1 placeholder for future space management/acquisition expenditures and a \$1 placeholder for Transportation Building renovation planning.

DAS – Miscellaneous Distributions

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Nonlimited	13,148,143	13,687,339	14,763,577	14,763,577
FTE	0.00	0.00	0.00	0.00

Program Description

This program accounts for the Mass Transit Assessment collected from state agencies based on their number of employees. The assessment is then distributed to certain mass transit districts and transportation districts. The distribution is to reimburse the districts for the benefits they provide to the state government.

Legislatively Adopted Budget

The legislatively adopted budget reflects anticipated Mass Transit Assessment collections and distribution based on budgeted employment numbers.

DAS – Special Payments

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	615,287	1,206,523	878,336	0
Lottery Funds	0	381,342	1,622,874	1,622,874
Other Funds	0	6,198,954	0	276,028,543
Total	615,287	7,786,819	2,501,210	277,651,417
FTE	0.00	0.00	0.00	0.00

Program Description

This is a catch-all category that reports payments for services not directly related to the mission of the Department of Administrative Services.

Legislatively Adopted Budget

The legislatively adopted budget provides no General Fund payment to the Children's Trust Fund, but does provide \$1,622,874 Lottery Funds for debt service on Lottery Bonds previously issued for Oregon Public Broadcasting. The Legislature also provided Other Funds expenditure limitation of \$59.3 million and \$216.7 million, respectively, for debt service on appropriation bonds issued in March 2003 to balance the 2001-03 budget, and debt issuance and debt service costs of Pension Obligation Bonds authorized to pay the state's share of the Public Employees Retirement System's unfunded actuarial liability.

DAS – Community Development Office

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	481,058	1,900,770	1,694,505	0
Other Funds	545,828	85,000	0	0
Total	1,026,886	1,985,770	1,694,505	0
FTE	7.00	8.00	7.00	0

Program Description

During the 1997-99 biennium, the Legislative Assembly approved \$400,000 seed money for the Community Development Office (CDO). Its function is to facilitate integrated and coordinated services among state agencies that deal with community development issues. The Departments of Transportation, Economic Development, Housing and Community Services, Land Conservation and Development, and Environmental Quality loaned the CDO senior staff persons who function as policy advisors in their areas of expertise. The mission of the Community Development Office is to collaboratively bring together state agency programs, local government officials, and representatives from citizen and business resources.

Revenue Sources and Relationships

Prior to 2001, the Office received Other Funds that came from Federal Funds originally received by the Department of Transportation and transferred as Other Funds to the Community Development Office. That revenue source was not available and the Office was funded with General Fund for the 2001-03 biennium.

Budget Environment

Funding for the Office was eliminated by the Legislature during the 2002 fifth special session. However, the previous Governor restored the funding by using his line item veto authority.

Legislatively Adopted Budget

The Legislature transferred this program and its funding to the Governor's Office.

DAS – Arrest and Return

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	994,047	962,278	0
Other Funds	0	30,170	31,226	0
Total	0	1,024,217	993,504	0
FTE	0.00	1.00	1.00	0

Program Description

Extradition is a gubernatorial function and the Arrest and Return Program sends one officer to return Class A and B felons nationwide. For budgetary purposes, the Program was placed in the Department, although it is overseen by the Governor's Office.

Legislatively Adopted Budget

The Legislature transferred this activity to the Governor's Office.

Commission on Asian Affairs – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	131,384	139,208	166,867	0
Other Funds	17,130	40,886	27,367	173,648
Total	148,514	180,094	194,234	173,648
FTE	1.00	1.00	1.00	1.00

Program Description

The Commission on Asian Affairs was established by statute in 1995 to promote trade and tourism between Oregon and Pacific Rim countries, to identify and examine the needs of Asian Americans, and to encourage the economic development of the Asian American community. In 1999, the Legislature narrowed the Commission's mission to promoting equality for Asian Americans in Oregon, and to assessing the issues and needs confronting Asian Americans. The duties relating to promoting trade and tourism were repealed. With these changes, the Commission on Asian Affairs' mission now parallels those of the other advocacy commissions (Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women).

Revenue Sources and Relationships

The Commission has no dedicated source of Other Funds. An Other Funds expenditure limitation is provided to encourage grants, donations, and other non-state support to fund Commission activities. The Commission is authorized to receive donations and grants, and to conduct revenue-generating activities to finance its expenses. These revenues were the sole source of Commission support in 1995-97, but since then the agency's expenses have been General Fund supported. The Commission only raised \$3,360 in donations during the entire 1997-99 biennium. In the 1999-01 biennium, this increased to \$22,160, but for the 2001-03 biennium donations fell to a total of \$6,250. The donations that are raised are generally to support the agency sponsorship of Asian American Heritage Month activities.

Budget Environment

The agency's expenses were almost exclusively supported by the General Fund. The budget approved during the regular 2001 legislative session provided sufficient General Fund to allow the Commission to operate at its then current service level. The bulk of the Commission budget is used to pay the salary and benefits of the agency's one employee, and to pay state government service charges. The Legislature has for several biennia worked to provide incentives for the Commission to raise private donations and grants. The Commission was able to raise only \$6,250 in donations during the 2001-03 biennium, however. Most of these donations are provided to cover the costs of sponsoring a one-day outdoor festival in downtown Portland in honor of Asian American Heritage Month. Some of the donations support general agency operations, however, and therefore the decline in donations affected Commission functions beyond the festival.

The viability of the Commission is being challenged by the state's General Fund revenue shortfall. During the 2003 session, the Legislature suspended General Fund support for commission expenses, effective April 1, 2003, as part of efforts to rebalance the state budget after the March 2003 Economic and Revenue Forecast projected a further decline in General Fund revenue. The Commission dismissed its Executive Director and suspended operations. The 2001-03 legislatively approved budget included \$14,800 General Fund to pay costs relating to this suspension, including unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support.

Legislatively Adopted Budget

The legislatively adopted budget suspends General Fund support for the Commission for the 2003-05 biennium. The Governor's budget had included General Fund to support ongoing Commission costs. Funding cuts made to the agency's budget in the 2002 fifth special session and by allotment reduction had been restored in his budget. The Legislature shifted the \$166,867 General Fund in the Governor's budget to Other Funds, and then applied adjustments to eliminate support for merit increases, cost of living adjustments, and inflation. The budget also includes adjustments to reflect revisions in state government service charge assessments. The budget approves one position (1.0 FTE) for the Commission to employ an Executive Director.

The source of Other Funds is to include donations, grants, contract funds, and sales income. No such fund sources have been identified by the Commission, however, and operations remain suspended. Commission

members will need to raise operating funds without the assistance of paid staff, or of funding for services and supplies costs. The Legislature appropriated \$22,000 General Fund to the Department of Administrative Services to pay ongoing costs relating to the shutdown of the advocacy commissions (i.e., Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). A portion of these funds may be used, if needed, to pay unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support for the Commission on Asian Affairs. Total shutdown related costs for the four commissions may total as much as \$75,000, and will primarily be a function of unemployment insurance benefit claims and of whether the Commission for Women suspends operations. If total shutdown-related costs exceed \$22,000, the Department of Administrative Services may request an allocation from the Emergency Board to pay them.

Commission on Black Affairs – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	121,997	129,147	160,194	0
Other Funds	29,321	39,354	21,449	171,969
Total	151,318	168,501	181,643	171,969
FTE	1.00	1.00	1.00	1.00

Program Description

The Commission on Black Affairs was established by executive order in 1980 and by statute in 1983 to work for the “implementation and establishment of economic, social, legal and political equality for Blacks in Oregon.” The Commission is comprised of 11 members, two of whom are legislators. Duties of the Commission are to:

- monitor existing programs and legislation designed to meet the needs of the African American population;
- identify and research problem areas and issues affecting the African American community and recommend actions to the Governor and Legislative Assembly;
- serve as a liaison between the African American community and government entities; and
- encourage African American representation on state boards and commissions.

Revenue Sources and Relationships

The Commission has no dedicated source of Other Funds. An Other Funds expenditure limitation is provided to encourage grants, donations, and other non-state support to fund Commission activities. During the 1999-01 biennium, the Commission received approximately \$32,000 to sponsor an exhibit on African Americans in the military. Otherwise, though, the Commission has not been successful raising donations. Only \$200 in donations were received in the 2001-03 biennium.

Budget Environment

The agency’s expenses were almost exclusively supported by the General Fund. The budget approved during the regular 2001 legislative session provided sufficient General Fund to allow the Commission to operate at its then current service level. The bulk of the Commission budget is used to pay the salary and benefits of the agency’s one employee, and to pay state government service charges. The Legislature has for several biennia worked to provide incentives for the Commission to raise private donations and grants. The Commission was able to raised only \$200 in donations during the 2001-03 biennium, however.

The viability of the Commission is being challenged by the state’s General Fund revenue shortfall. During the 2003 session, the Legislature suspended General Fund support for commission expenses, effective April 1, 2003, as part of efforts to rebalance the state budget after the March 2003 Economic and Revenue Forecast projected a further decline in General Fund revenue. The Commission dismissed its Executive Director and suspended operations. The 2001-03 legislatively approved budget included \$12,200 General Fund to pay costs relating to this suspension, including unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support.

Legislatively Adopted Budget

The legislatively adopted budget suspends General Fund support for the Commission for the 2003-05 biennium. The Governor’s budget had included General Fund to support ongoing Commission costs. Funding cuts made to the agency’s budget in the 2002 fifth special session and by allotment reduction had been restored in his budget. The Legislature shifted the \$160,194 General Fund in the Governor’s budget to Other Funds, and then applied adjustments to eliminate support for merit increases, cost of living adjustments, and inflation. The budget also includes adjustments to reflect revisions in state government service charge assessments. The budget approves one position (1.0 FTE) for the Commission to employ an Executive Director.

The source of Other Funds is to include donations, grants, contract funds, and sales income. No such fund sources have been identified by the Commission, however, and operations remain suspended. Commission members will need to raise operating funds without the assistance of paid staff, or of funding for services and supplies costs. The Legislature appropriated \$22,000 General Fund to the Department of Administrative Services to pay ongoing costs relating to the shutdown of the advocacy commissions (i.e., Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). A portion of these funds may be used, if needed, to pay unemployment insurance benefits, vacation payoff, and

other costs related to the elimination of General Fund support for the Commission on Black Affairs. Total shutdown related costs for the four commissions may total as much as \$75,000, and will primarily be a function of unemployment insurance benefit claims and of whether the Commission for Women suspends operations. If total shutdown-related costs exceed \$22,000, the Department of Administrative Services may request an allocation from the Emergency Board to pay them.

Capitol Planning Commission – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	225,701	269,403	326,439	0
Positions (FTE)	1.63	1.63	1.83	0

Program Description

The Capitol Planning Commission was created in 1949 to establish and implement a long-range development plan for state-owned properties in Marion and Polk Counties. The Commission reviews state agency capital development and facility proposals and coordinates planning to determine compatibility with area plans, local planning guidelines, and local interests. The Commission has developed a long-term master plan for the Capitol Mall area. The Commission consists of nine members; three are appointed by the Governor, and six are "ex officio" members. An executive director (0.8 FTE) and a staff support position (0.83 FTE) provide administrative support for the Commission.

Revenue Sources and Relationships

Funding is provided through an assessment against state agencies based on Full Time Equivalent (FTE) positions which are not federally funded. The basis for 2003-05 was 31,877 FTE as of November 1, 2001. The assessment is collected by the Department of Administrative Services (DAS) as part of the state government service charge. The proposed 2003-05 assessment rate, on average, was 11% higher than in 2001-03, and would have provided \$304,031 in revenue. Although received by the Commission as Other Funds, at least a third of the agency's revenue source had originated from the General Fund.

Budget Environment

The Commission's funding has supported its continuing role in comprehensive development planning and coordination in Marion and Polk Counties. The Commission believes its activities support community development, environment, and quality of life in the area. In 2003-05, Commission work was expected to include review and approval of building improvements and renovation, long-range planning, and the updating and completion of area plans. The statewide capital construction budget adopted for 2003-05 does not include funding for project work within the Commission's jurisdiction. Due to the state's revenue shortfall, legislative budget policy implemented in the 2003 session affected Other Funds agencies, as well as those directly funded with General Fund.

Legislatively Adopted Budget

The Commission was not funded for the 2003-05 biennium. HB 3597 was enacted to suspend the agency's responsibilities for the biennium, and temporarily transfer to the Department of Administrative Services the authority to manage the Executive Residence Account. The measure also provides DAS with authority to spend \$36,630 for purposes of paying unemployment claims, staff vacation payouts, and any further unanticipated expenses related to the Commission.

Employment Relations Board (ERB) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,279,129	1,280,260	1,400,508	1,299,312
Other Funds	1,290,349	1,703,446	1,639,107	1,292,046
Total	2,569,478	2,983,706	3,039,615	2,591,358
FTE	17.73	16.00	14.00	12.00

The Employment Relations Board is a three-member quasi-judicial board charged with resolving labor disputes in state agencies, local government agencies, and private employers not subject to the National Labor Relations Board jurisdiction.

ERB – State Government Labor Relations

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	1,063,200	1,278,766	1,305,258	1,034,305
Total	1,063,200	1,278,766	1,305,258	1,034,305
FTE	7.12	7.12	6.12	5.12

Program Description

This program provides labor relation adjudication and dispute resolution, determines bargaining units, and conducts representation elections for state government.

Revenue Sources and Relationships

The State Government Labor Relations program is financed through a monthly assessment on covered employees in state agencies. The 2003-05 projected revenues of \$1,085,400 are based on an assessment rate of \$1.35 per employee per month and 33,500 covered state employees. Statewide budget balancing efforts may alter the number of employees subject to the assessment and thus significantly effect the available revenue. The program's ending balance is estimated at approximately five months of operating expenditures.

Budget Environment

The state agency assessment is covering an increasing portion of the Board's total budget. During the 1993-95 biennium, the assessment funded approximately 33% of the Board's total expenditures versus 40% of the expenditures included in the 2003-05 legislatively adopted budget. Based on prior years' annual reports and aggregate case data, an estimated one-third of the total cases are associated with state government. The Board asserts that cases are not a good measurement of workload, rather state government cases can be more complex and require a higher number of hours and costs to resolve the conflict. However, a workload measure to quantify the additional hours or costs associated with state government cases has not been developed.

Although this program's budget was not reduced by special session actions during the 2001-03 interim, the Board did delay filling vacant positions in order to use Other Funds savings to backfill General Fund reductions in the Local Government Program.

Legislatively Adopted Budget

The legislatively adopted budget (LAB) continues the management actions taken during the 2001-03 biennium to address the special session reductions. These reductions total \$77,779 in 2003-05 and include eliminating one permanent position (1.0 FTE) which provided transcription services that will now be contracted out, eliminating funding for employee training, and reducing office expenses. The LAB also eliminates the inflation factor for most services and supplies line-items and projected increases for employee merit increases scheduled to occur after July 1, 2003, and reduces the Public Employees Retirement System employer contribution rates and the Attorney General hourly charges. Rather than adopting a 21% increase in the assessment rate, as proposed in the Governor's budget, the LAB eliminates a Hearing Officer position (1.0 FTE) to balance the budget.

The Board was directed to develop a method of funding that is consistent with the workload requirements of each program and to present future budget requests that ensure the assessment only covers the costs associated with the State Government Labor Relations program.

ERB – Local Government Labor Relations

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,279,129	1,280,260	1,400,508	1,299,312
Other Funds	227,149	424,680	333,849	257,741
Total	1,506,278	1,704,940	1,734,357	1,557,053
FTE	10.61	8.88	7.88	6.88

Program Description

This program provides resolution of labor relations disputes for local government and covered private employers and labor organizations through use of mediation and adjudication, determines bargaining units, and conducts representation elections.

Revenue Sources and Relationships

There are four primary sources of revenue for this program in addition to the General Fund: contract mediation fees (\$1,000); grievance and Unfair Labor Practice (ULP) fees (\$500); interest based bargaining training fees (up to \$2,500); and filing fees for ULP complaints (\$250) and answers (\$100). During 2003-05, the Board anticipated collecting fees of \$205,000 for mediation services and collecting another \$66,000 from filing fees and the sale of transcripts and tapes. This would reflect a 27% increase over the 1999-2001 collected revenues. The LAB anticipates total revenues of approximately \$224,000.

Budget Environment

Since 1991-93, General Fund support for this program has been reduced by 36%; thus increasing the dependence on fees for service. The shift to a fee supported budget began in 1993 and was intended to cover the costs associated with one mediator position. Fees for service have not increased since 1995-97, but revenues have never materialized at the original estimated level.

This program's 2001-03 budget was reduced by \$75,435 General Fund based on special session actions during the interim. The agency received an additional \$31,770 General Fund for partial funding of employee salary and benefit increases, \$11,050 less than needed to fully fund those increases. To manage the reductions, the agency took one-time actions to delay filling vacant positions, and reduce training and office expenses.

Legislatively Adopted Budget

The LAB reduces funding for rent, employee training, and office expenses; eliminates the inflation factor for most services and supplies line-items and projected increases for employee merit increases scheduled to occur after July 1, 2003; and reduces the Public Employees Retirement System employer contribution rates and Attorney General hourly charges. Based on a revised forecast of revenue available from fees for services, the LAB also eliminated two vacant positions, a Mediator and an Office Specialist (2.0 FTE).

Government Standards and Practices Commission – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	762,633	889,046	613,772	559,701
Other Funds	7,182	9,662	6,565	5,902
Total	769,815	898,708	620,337	565,603
Positions (FTE)	4.00	4.00	3.00	2.80

Program Description

The mission of the Government Standards and Practices Commission is to impartially administer the regulatory provisions of government standards and practices, lobby regulation, and certain public meeting laws. The Commission is required by law to meet specific timelines for the conduct of investigations. The Commission also educates public officials and lobbyists on the provisions of the Government Standards and Practices Law, the Public Meetings Law, and lobbying regulations. Client groups of the Commission include: all public officials who serve the state or any of its political subdivisions, whether paid or unpaid; registered lobbyists and their employers; and any citizen who requests a review of the conduct of a public official or lobbyist.

Revenue Sources and Relationships

The Commission is funded almost entirely by General Fund. The Other Funds portion, a little over 1%, is from reimbursements for the cost of printing and distributing Commission documents. Actual Other Funds revenue has declined with the increased availability of Commission documents on the Internet. Estimated for 2001-03 at approximately \$10,000, actual receipts were closer to \$6,600. The Commission also collects revenues from fines and forfeitures. These are not included in the agency budget, however, as these revenues are transferred to the General Fund and are not available for Commission operations. The Commission estimates it will collect \$60,000 in fines and forfeitures in 2003-05.

Budget Environment

The total number of complaints filed with the Commission has been relatively constant, with complaint activity spiking slightly upward in election years. The Commission's executive director continues the education component of Commission responsibility with training presentations, averaging 54 per year since 1998.

A major variable in the Commission's budget is the level of Attorney General charges. These can vary greatly depending upon whether the Commission faces any contested cases. Generally, the legislatively adopted budget makes no allowance for exceptional contested case costs. During the 2001-03 biennium the agency had a series of high cost cases in court, some of which resulted in the award of attorney fees to prevailing parties. From close of the 2001 session through the November 2002 meeting of the Emergency Board, the Commission received more than \$220,000 in supplemental General Fund appropriations for extraordinary legal costs incurred in the 2001-03 biennium.

The Commission also experienced a series of budget reductions after its 2001-03 budget was adopted in May 2001. To manage a total decrease of approximately \$93,000, the agency's two staff investigators were reduced to half-time status effective November 1, 2002.

Legislatively Adopted Budget

The legislatively adopted budget reflects a decrease of 13.1% from 2001-03 adopted expenditure levels. However, compared to legislatively approved expenditures of \$678,390, excluding extraordinary Attorney General and legal costs, the decrease is 16.6%. The lower level is due chiefly to three elements. One is a phase-out of one-time expenditures of \$155,500 for prevailing party attorney fees and extraordinary Attorney General costs.

The roll-up of special session reductions totaled \$317,332. The budget restores \$160,997 in order to maintain staffing at a level that still allows for some essential functionality. A vacant Investigator position was eliminated, leaving the agency with a full-time Executive Director, one full-time Investigator, and one Executive Support Specialist at 0.8 FTE. With three positions and 2.8 FTE, in 2003-05 positions are down 25% and FTE are down 6.7% from the previous three biennia.

The last reduction includes a number of standard adjustments, including lower Department of Administrative Services assessments, a reduction in the hourly Attorney General rate, elimination of inflation adjustments for most services and supplies expenditures, an employee compensation freeze, a reduction in the expenditure limitation to reflect lower Public Employee Retirement System employer contribution rates, lower Secretary of State assessment, and elimination of the Capitol Planning Commission assessment.

Because of the impact of the state's revenue shortfall, the Commission was directed to work with state and local government agencies to examine alternative funding sources and potential complaint mitigation measures.

Acknowledging the continuing decline in Other Funds revenue, that category is reduced by \$4,295, as well as use of that revenue for Attorney General expenses. As in previous biennia, the budget does not include funding for extraordinary legal costs resulting from contested cases.

Office of the Governor – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	8,641,519	7,985,779	7,373,746	8,087,646
Lottery Funds	0	0	0	610,000
Other Funds	1,103,326	1,239,331	971,182	1,581,417
Total	9,744,845	9,225,110	8,344,928	10,279,063
FTE	47.05	46.00	36.50	44.50

Program Description

The Office of the Governor provides overall direction to state agencies within the Executive Branch to ensure compliance with statutes and efficient and effective management. The Office includes a State Affirmative Action Officer, a Citizen's Representative Office, a Minority and Women Business Advocate, and provides clerical support for appointing members to boards and commissions. The Office also includes two policy offices: the Governor's Natural Resource Office and the Office of Education and Workforce Policy.

Revenue Sources and Relationships

The Office of the Governor is supported mainly by the General Fund. Other Funds consist of revenue transfers from the Departments of Administrative Services and Consumer and Business Services to finance the Affirmative Action and Minority and Women Owned Business programs. The Affirmative Action Program is funded from a Personnel Division assessment estimated at \$463,000 for the biennium. The Minority Business Enterprises program is funded from assessments on agencies that have capital construction funded in their budgets and also receives funds from the sale of subscriptions for directories of certified firms. Revenues from these sources are estimated at \$424,000.

Budget Environment

The budget is driven by the number of staff and programs operated out of the Governor's Office. No new programs have been placed in the Governor's Office in recent biennia. The transfer of budgetary accountability for the two policy offices was done to reflect actual programmatic responsibility and did not add new programs. The 2001-03 budget of the Office of the Governor was reduced by \$1,432,974 based on special session actions during the interim. Included in this reduction was \$418,000 for support for the State Board of Education and the Post-Secondary Education Opportunity Commission. The budget was also reduced for suspension of the second year salary increases for all elected officials. The Office received an additional \$202,224 General Fund for partial funding of employee salary and benefit increases. One position left vacant to help address the reductions was eliminated. To manage the balance of the reductions, the Office left other positions vacant and reduced services and supplies expenditures.

Legislatively Adopted Budget

The legislatively adopted budget reflects permanent reductions made during the special sessions. The Legislature reduced the budget for the statewide salary freeze, reduced employer PERS contribution rates, and reduced costs of goods and services and government service charges. These accounted for General Fund savings of \$0.4 million. Additionally, the budget was reduced by \$200,000 General Fund as an unspecified reduction to help balance the overall budget.

Two activities previously budgeted in the Department of Administrative Services were transferred to the Office of the Governor to better align budgetary accountability. The Arrest and Return Program (1.0 FTE and \$0.9 million General Fund) is a gubernatorial function and is now included in the budget of the Office of the Governor. The activities of the former Community Solutions Team were statutorily defined in HB 2011 and also placed in the Office of the Governor under the new name of Economic Revitalization Team. This resulted in the transfer of 7.0 FTE and an increase in the budget by \$1.6 million (\$0.4 million General Fund, \$0.6 million Lottery Funds, and \$0.6 million Other Funds). A stable funding source for the Economic Revitalization Team was not identified and the Legislature expects the 2005-07 budget request to include one.

Commission on Hispanic Affairs – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	128,153	108,455	146,892	0
Other Funds	93,150	109,741	81,690	224,441
Total	221,303	218,196	228,582	224,441
FTE	1.50	1.00	1.00	1.00

Program Description

The Commission on Hispanic Affairs was established by executive order in 1980 and by statute in 1983 to work for the “implementation and establishment of economic, social, legal and political equality for Hispanics in Oregon.” The Commission is comprised of 11 members, two of whom are legislators. Commission responsibilities are to:

- monitor existing programs and legislation designed to meet the needs of the Hispanic population;
- identify and research problem areas and issues affecting the Hispanic community and recommend actions to the Governor and Legislative Assembly;
- serve as a liaison between the Hispanic community and government entities; and
- encourage Hispanic representation on state boards and commissions.

Revenue Sources and Relationships

The Commission has no dedicated source of Other Funds, and generates Other Funds revenue from donations and grants. These funds help the Commission carry out its mandated functions and support the annual Latino Youth Summit. The Commission had operated a program offering Spanish language instruction to State employees, which brought the agency most of its Other Funds. This program was discontinued early in the 2001-03 biennium.

Budget Environment

The agency’s expenses were almost exclusively supported by the General Fund. The budget approved during the regular 2001 legislative session provided sufficient General Fund to allow the Commission to operate at its then current service level. The bulk of the Commission budget is used to pay the salary and benefits of the agency’s one employee, and to pay state government service charges. The Legislature has for several biennia worked to provide incentives for the Commission to raise private donations and grants. The Commission was successful raising funds through its Spanish language instruction program.

In the 2001 Session, the Legislature approved funding for the first year of the biennium only, and appropriated second-year funding to the Emergency Board. This was done because of an ongoing audit by the Secretary of State into financial irregularities at the Commission. The Emergency Board released the second-year funding to the Commission after the agency reported on how it had addressed the audit concerns.

The viability of the Commission is being challenged by the state’s General Fund revenue shortfall. During the 2003 session, the Legislature suspended General Fund support for commission expenses, effective April 1, 2003, as part of efforts to rebalance the state budget after the March 2003 Economic and Revenue Forecast projected a further decline in General Fund revenue. The Commission dismissed its Executive Director and suspended operations. The 2001-03 legislatively approved budget included \$6,500 General Fund to pay costs relating to this suspension, including unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support.

Legislatively Adopted Budget

The legislatively adopted budget suspends General Fund support for the Commission for the 2003-05 biennium. The Governor’s budget had included General Fund to support ongoing Commission costs. Funding cuts made to the agency’s budget in the 2002 fifth special session and by allotment reduction had been restored in his budget. The Legislature shifted the \$146,892 General Fund in the Governor’s budget to Other Funds, and then applied adjustments to eliminate support for merit increases, cost of living adjustments, and inflation. The budget also includes adjustments to reflect revisions in state government service charge assessments. The budget approves one position (1.0 FTE) for the Commission to employ an Executive Director.

The source of Other Funds is to include donations, grants, contract funds, and sales income. No such fund sources have been identified by the Commission, however, and operations remain suspended. Commission members will need to raise operating funds without the assistance of paid staff, or of funding for services and supplies costs. The Legislature appropriated \$22,000 General Fund to the Department of Administrative Services to pay ongoing costs relating to the shutdown of the advocacy commissions (i.e., Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). A portion of these funds may be used, if needed, to pay unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support for the Commission on Hispanic Affairs. Total shutdown related costs for the four commissions may total as much as \$75,000, and will primarily be a function of unemployment insurance benefit claims and of whether the Commission for Women suspends operations. If total shutdown-related costs exceed \$22,000, the Department of Administrative Services may request an allocation from the Emergency Board to pay them.

Oregon State Library (OSL) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	3,125,068	3,127,377	3,279,864	2,594,626
Other Funds	4,748,557	5,102,149	5,669,289	6,112,874
Federal Funds	3,892,223	3,932,219	4,160,077	4,128,563
Total	11,765,848	12,161,745	13,109,230	12,836,063
FTE	44.38	44.38	45.38	43.63

The State Library engages in three broad functions: 1) to provide research services to state government; 2) to supply reading materials to blind and print-disabled Oregonians; and 3) to assist in improving the overall quality of library services throughout the state by consulting with local libraries, distributing federal Library Services Technology Act (LSTA) funds, and administering the Ready to Read Grant program for local libraries.

Revenue Sources and Relationships

Other Funds revenues are generated from an assessment on all state agencies, except the Department of Higher Education, for the portion of State Library expenditures that support state agencies. The assessment is based two-thirds on the state agency's percentage of full-time equivalent positions and one-third on the state agency's usage of library services. The State Library also receives Other Fund revenue from donations (primarily for the Talking Books and Braille Services program). Federal Fund resources come from a grant received from the Library Services and Technology Act (LSTA) and is used solely for Library Development Services. The grant requires a 52% match rate as well as a maintenance of effort based on the average of the last three years of non-federal library expenditures.

Budget Environment

Property tax limitation Measure 47 (1996) and Measure 50 (1997) had a dramatic impact on Oregon public libraries. Beginning in early 1997, staff were laid off in many communities, service hours were cut, and book purchases were seriously curtailed. Many of these libraries have recovered since then, mostly through the passage of local option levies, although some libraries are still struggling. A significant number of Oregonians, about 13%, remain unserved or underserved by public libraries.

The agency's 2001-03 budget was reduced by \$227,569 General Fund based on special session actions during the interim. The agency received \$49,716 General Fund for partial funding of employee salary and benefit increases.

Legislatively Adopted Budget

The Legislature approved a budget of \$12,836,063 total funds. The General Fund budget was \$2,594,626, a decrease of 21% from the Governor's budget.

OSL – Administrative Services

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	424,510	403,277	462,892	18,096
Other Funds	484,143	522,711	627,793	1,026,205
Total	908,653	925,988	1,090,685	1,044,301
FTE	5.63	5.63	5.63	5.63

Program Description

This program oversees the overall administration of the agency. Responsibilities include providing leadership, policy development and strategic planning, working with constituent groups, managing financial and personnel functions, and setting and assessing performance measures.

Budget Environment

The Library relies heavily on volunteer hours to achieve its mission. Since managing volunteer coordination is one of the functions of Administration, the Library uses the number of hours worked by volunteers as a performance measure for this program. The agency's efforts are affected by factors outside of its control, such

as fluctuating availability and willingness of volunteers. Previously, the agency expected a decline in the number of volunteer hours: from 32,450 in 1997-99 to a projected 31,300 for 1999-01. However, actual data for 1999-01 shows an increase to 34,995. The Library's goal for 2001-03 remains at 30,000 hours.

Legislatively Adopted Budget

The Legislature approved a budget of \$1,044,301 total funds, a 4.2% reduction from the Governor's budget, and 5.63 FTE. The reduction resulted primarily from the decision to use part of the agency's Other Funds ending balance, on a one-time basis, to fund the Administrative Services program. The General Fund in the Administrative Services program was then removed from the budget. The budget included a number of standard adjustments including lower Department of Administrative Services assessments, a reduction in the hourly Attorney General rate, elimination of inflation adjustments for services and supplies expenditures, an employee compensation freeze, and reductions to reflect lower Public Employee Retirement System (PERS), Capitol Planning Commission, and Secretary of State Audits Division assessments.

OSL – Library Development

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,689,562	1,611,775	1,438,185	1,390,064
Other Funds	23,425	50,756	52,590	521,192
Federal Funds	3,892,223	3,932,219	4,160,077	4,128,563
Total	5,605,210	5,594,750	5,650,852	6,039,819
FTE	4.75	4.75	4.75	5.50

Program Description

This program is responsible for assisting local libraries and improving the overall quality of library services in the state. Library Development Services assists approximately 1,600 public, academic, and school libraries. The program performs the following services:

- promotion of the establishment and consolidation of libraries;
- assistance to libraries in improving children's services, information technology, and fundraising;
- distribution of federal grants to local libraries;
- collection and distribution of statistics concerning Oregon libraries; and
- assistance to libraries to uphold the principles of intellectual freedom through the work of the Oregon Intellectual Freedom Clearinghouse.

Revenue Sources and Relationships

Federal Funds provide grants to local libraries to improve services. In the past, the majority of Federal Funds were obtained from the Library Services and Construction Act (LSCA) and Titles I, II, and III administered by the U.S. Department of Education. This funding was replaced with Library Services Technology Act (LSTA) funds from the newly formed Institute of Museum and Library Services. Under the LSTA's maintenance of effort requirements, states must maintain the average of expenditures in the past three years in state-funded programs relevant to the priorities of LSTA. Any reduction in state funding results in an identical percentage reduction in funding under the LSTA. Oregon is projected to receive a total of \$4.2 million for 2003-05.

The Ready to Read program is supported totally by the General Fund. The 1999 Legislature authorized a 33% increase in program funding, from \$0.75 to \$1.00 per child. This provided a 1999-01 budget of \$1.4 million for formula grants to over 100 local libraries. The 2001-03 budget eliminated inflation (\$35,216) and based on revised population estimates as of September 2000 for children birth through age fourteen, the program was still funded at \$1.00 per child. In 2001-03, the 2002 fifth special session pro-rata reductions reduced the program by an additional \$112,628, resulting in a 2003-05 reduction of \$214,047, or to \$0.83 per child, per year. There is no loss of Federal Funds in 2003-05 as a result of federal Library Services and Technology Act (LSTA) match.

Budget Environment

Oregon libraries are doing more to reach out to children, their parents, and their care providers with library programs to make certain that more of Oregon's children have an opportunity to succeed in school. The Library Development Services unit supports approximately 1,600 public, academic, and school libraries throughout Oregon.

Legislatively Adopted Budget

The Legislature approved a budget of \$6,039,819 total funds, a 6.5% increase in the Governor's budget, and 5.50 full-time equivalent positions. The budget funds the Ready to Read grant programs to local libraries at about \$0.83 per child per year, the same as the Governor's budget. The budget included a number of standard adjustments including lower Department of Administrative Services assessments and telecommunication charges, a reduction in the hourly Attorney General rate, elimination of inflation adjustments for services and supplies expenditures, the employee compensation freeze, and reductions to reflect lower Public Employee Retirement System, Capitol Planning Commission, and Secretary of State Audits Division assessments.

The Legislature approved the corresponding budget implications of SB 12 in the agency's budget. SB 12 establishes a new federally funded program to provide grants and other assistance for the statewide licensing of electronic databases for libraries. There was no net change to the agency's Federal Funds budget.

Other Funds revenue of \$470,000 will be collected from local libraries as they pay their share of the estimated database licensing costs during 2003-05. The Legislature increased the agency's Other Funds expenditure limitation by \$470,000 in order to allow them to utilize this revenue to cover licensing costs.

OSL – Talking Book and Braille Services

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,010,996	1,112,325	1,378,787	1,186,466
Other Funds	84,842	173,252	140,112	183,893
Total	1,095,838	1,285,577	1,518,899	1,370,359
FTE	10.75	10.75	10.75	10.25

Program Description

Talking Book and Braille Services (TBABS) provides a wide variety of reading materials in audio-recorded or Braille formats to serve Oregonians with limited vision or other disabilities that prevent them from using conventional books and other printed materials. TBABS is a partnership between the Library of Congress and the State Library. The books, tapes, recorders and postage are provided at no cost to Oregonians through the federal program. The State Library's responsibility is to provide storage, processing, inventory and maintenance of books, tapes and recorders.

Revenue Sources and Relationships

In 2001-03 General Fund covered 86% of the TBABS budget and the remaining 14% was funded through Other Funds, which primarily represent donations generated through a fund-raising program. The State Library reported \$240,000 in donations for 1999-01, \$303,000 estimated donations in 2001-03, and projects \$303,000, for the 2003-05 biennium.

Budget Environment

An estimated 47,000 people in Oregon have impaired vision or other disabilities that limit their ability to use standard printed materials. An estimated 8,000 (17.4%) of these use the TBABS program. Approximately 6,600 individuals are registered as users and over 500 registered institutions serve another 1,400 individuals. About 1,471 books and audio books are mailed daily to customers, with an equivalent number of items received each day. Incoming books/tapes must be inspected, rewound (2 to 3 tapes per book), and inventoried before being reshipped. The total number of individual volumes and tapes handled per day is over 6,000. Full-time staff (10.75 FTE) and volunteers process and distribute materials, with volunteers accounting for approximately one-third of total hours worked. The Library also works with local public libraries to assist them in meeting the needs of the target population. The number of TBABS users is expected to continue to grow in the 2003-05 biennium.

Over time, the Talking Book and Braille Services program has expanded, requiring additional storage space, but the agency has not received additional General Fund to pay the rent on the space. In 2001, the agency requested additional General Funds for rent but subsequently was not included in the 2001-03 Governor's budget. The 2003-05 budget provides the General Fund resources to fully fund the rent which results from a fund shift. The resources come from the Library Development program where one position has been partially funded with Federal Funds and a shift in those funds will provide the additional General Fund needed.

Legislatively Adopted Budget

The Legislature approved a budget in the amount of \$1,370,359, a 9.8% decrease from the Governor's budget, and 10.25 full-time equivalent positions. The budget included a number of standard adjustments including lower Department of Administrative Services assessments and telecommunication charges, a reduction in the hourly Attorney General rate from \$109 to \$98, elimination of inflation adjustments for services and supplies expenditures, an employee compensation freeze, and reduces the expenditure limitation to reflect lower Public Employee Retirement System, Capitol Planning Commission, and Secretary of State Audits Division assessments.

OSL – Government Research and Electronic Services

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	4,156,147	4,325,430	4,848,794	4,381,584
Total	4,156,147	4,325,430	4,848,794	4,381,584
FTE	23.25	23.25	23.25	22.25

Program Description

Government Research and Electronic Services (GRES) provides research assistance and electronic and printed resource services to state government. In addition, the general public obtains special information concerning state government publications, Oregon history, and genealogy through a partnership with the Willamette Valley Genealogical Society.

GRES develops and maintains the State Library collection and SmartOR.gov, the Library's on-line information service; provides technical support and maintenance for the State Library's other automated systems; catalogs, inventories, circulates, and retrieves all library materials; and coordinates a database of periodical holdings of Oregon libraries.

Revenue Sources and Relationships

GRES is now fully financed by an assessment on all state agencies, with the exception of the Oregon University System, for their library use.

Budget Environment

During the first twelve months of 2001-03, this program distributed approximately 17,000 state government publications to designated document depository libraries throughout Oregon. Due to legislation passed in 1993 requiring fewer copies of state publications to be deposited with the Library and due to increased interest in the Internet, there has been about a 15% decrease in acquiring and distributing hard copies of state documents during 2001-03 biennium compared to 1999-01.

Over this same time period, there has been an increased demand for information through the Library's phone-in program (CALLsmart), in-person and e-mail requests, and its Intranet service (SmartORgov). In 2001-02, the Library responded to almost 13,000 requests for information from state agencies and served over 33,000 users of the LISTsmart service. SmartOR.gov allows state agencies to access digital information from numerous sources including: electronic newspapers and magazines, databases, library catalogs, and websites. There are approximately 14% of state employees who are registered users of SmartOR.gov.

Legislatively Adopted Budget

The Legislature approved a budget in the amount of \$ 4,381,584, a 9.6% decrease in the Governor's budget, and 22.25 FTE. The budget included a number of standard adjustments including lower Department of Administrative Services assessments, a reduction in the hourly Attorney General rate, elimination of inflation adjustments for services and supplies expenditures, an employee compensation freeze, reduction in the expenditure limitation to reflect lower Public Employee Retirement System, Capitol Planning Commission, and Secretary of State Audits Division assessments, and the elimination of two vacant librarian positions. In addition, the Legislature approved the funding of one position (1.0 FTE) to staff the Oregon.gov Search Engine.

Oregon Liquor Control Commission (OLCC) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	71,305,870	76,897,955	81,308,000	82,523,767
Nonlimited	0	2,087,000	2,160,045	2,160,045
Total	71,305,870	78,984,955	83,468,045	84,683,812
FTE	215.02	217.02	200.67	202.67

Program Description

The Oregon Liquor Control Commission (OLCC) regulates all individuals and businesses that manufacture, sell, import, export, or serve alcoholic beverages; educates and trains liquor licensees, the public and other groups; investigates and takes compliance action when necessary against those who violate liquor laws. The five-member Commission is appointed by the Governor and confirmed by the Senate.

Revenue Sources and Relationships

The Commission is entirely supported by Other Funds revenues generated from liquor sales (95%), privilege taxes on malt beverages (beer) and wines (4%), license fees and fines, server education fees, and miscellaneous income (1%). As required by law, 50% of the privilege tax revenues (\$12.7 million for 2003-05) are first allocated for payments to the Mental Health Alcoholism and Drug Services Account, and an additional \$366,000 is transferred to the Wine Advisory Board. The remaining privilege tax revenues, along with all other revenues (primarily from liquor sales), are first used to finance Commission operations (including liquor purchases). The excess balance (\$208 million in the 2001-03 biennium) is apportioned to the state General Fund (56%), and to city (34%) and county (10%) general funds. The 2003-05 budget projects gross sales of \$561 million, with \$116 million transferring to the General Fund.

OLCC projects that per capita consumption of distilled spirits and case sales volume will remain stable during the biennium. The combination of population growth, greater customer demand for premium, higher-priced products and rising wholesale liquor prices will cause an 8% increase in total dollar liquor sales from the 2001-03 estimated revenues. The Commission estimates that increased liquor sales will come from inflation in product cost and increasing preference for premium products. Per capita annual consumption is projected to level out for malt beverages at about 21.79 gallons per person and for wine at about 2.63 gallons per person. This will be accompanied by an annual 1.2% increase in population through 2005. Actual privilege tax collections in 2001-03 are estimated to be \$25 million.

Even though Other Funds revenues support OLCC operations, the agency's expenditures directly affect the General Fund. Each dollar spent by the Commission represents 56 cents in liquor revenues that will not go into the state's General Fund, and 44 cents that will not go to local governments. For this reason, an appropriate balance is sought between keeping operating costs as low as possible and making expenditures that are necessary to enhance the generation of revenue while maintaining a controlled distribution environment.

Budget Environment

Enforcing the state's liquor laws requires a variety of approaches to assist individual licensees, as well as the general community, in understanding the laws and regulations governing the proper and lawful operation of a licensed liquor establishment. Underage drinking, illegal alcohol, and sales to minors continue to be the highest compliance issues.

As Oregon continues to experience increases in total population and tourists, service permits, and outlets licensed to sell alcoholic beverages increases. Demand is growing for customer- convenient retail locations to serve more complex, densely populated communities. At the same time, prime retail locations price-per-square foot rent has grown more expensive.

The agency's 2001-03 budget was reduced by \$1,801,681 Other Funds based on special session actions during the interim. The Other Funds reduction resulted in an additional \$1 million distribution to the General Fund. To manage the reductions, the agency took one-time actions to delay filling vacant positions, defer computer system maintenance projects, reduce training, and delay supply and equipment purchases.

Legislatively Adopted Budget

The Legislature approved a budget of \$84.7 million total funds, a 1.5% increase from the Governor's budget for 2003-05 and 207 positions (202.27 FTE). This is \$6.1 million or 7.9% more than the 2001-03 legislatively approved level. The 2003-05 budget includes reduction packages totaling \$2.5 million Other Funds from the funding level necessary to continue current activities based on special session actions during the interim. The 2003-05 budget reduction will result in an additional \$1.4 million distribution to the General Fund. The budget incorporates a reduction of 12 positions (11.9 FTE) in the Regulatory and Administration and Support Services programs, reductions in services and supplies, and capital outlay. Reductions in these programs will slow the licensing and investigation services by approximately 30 days. The reductions will not negatively impact revenue generation. Increases in the recommended budget reflect adjustments for agents' compensation and carrying forward expenditure limitation to complete work on a documents management and workflow information systems project.

Specific details are discussed under each program unit.

OLCC – Merchandising

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	5,650,323	6,289,471	6,174,065	6,011,877
Nonlimited	0	3,187,000	2,160,045	2,160,045
Total	5,650,323	9,476,471	8,334,110	8,171,922
FTE	48.42	48.42	48.17	48.17

Program Description

Responsibilities of the Merchandising Program all relate to liquor sales and distribution. As a "control state," Oregon has granted the Commission sole authority to sell distilled spirits by the bottle. By marking up the wholesale price 106%, the Commission generates funds to finance its expenses and to produce revenue for state and local government general funds. There are two divisions within the Program:

- **Purchasing & Distribution Division** (39.42 FTE) responsibilities include analyzing trends in customer buying and new product availability; purchasing and securely warehousing the liquor; arranging for the shipment of products to the state's retail liquor stores; and settling claims for damaged or defective goods. The Division ensures adequate liquor inventories and a varied selection to satisfy consumer demand.
- **Store Operations Division** (8.75 FTE) oversees operation of the statewide retail liquor store system, which consists of 238 retail outlets run by contract agents. Funding for agents' compensation is in a separate program, although it is related to the Merchandising Program.

Budget Environment

The focus of the Commission has been on achieving internal operating efficiencies through improvements in technology, contracting out where cost effective, and inventory cost savings.

During the 1999-01 biennium, OLCC established criteria for determining the number and location of liquor stores. OLCC added four new stores in the Portland metropolitan and Bend regions. The Commission continues to consider additional stores to meet customers' growing needs during the 2003-05 biennium. The Commission's *Retail Business Plan for Year 2000 and Beyond* identifies the need to move toward modern electronic retail systems to keep pace with industry and customer needs. The plan calls for investing in capital improvements, modernizing stores, and improving the location of stores. Due to the current economic climate, the Commission postponed a funding request for electronic equipment for stores in 2001-03, hopeful that the economy would recover by 2003 to better afford the package.

Legislatively Adopted Budget

The Legislature approved a budget of \$8.2 million total funds and 49 positions (48.17 FTE). Technical adjustments were approved in support of statewide policy decisions and recommendations based on prior actions taken by the Joint Committee on Ways and Means. The adjustments include the following decreases:

- \$52,752 Other Funds to remove projected expenditures for employee merit increases scheduled to occur after July 1, 2003;
- \$9,386 Other Funds to reflect reductions in liability insurance costs and telecommunications costs;

- \$24,535 Other Funds to eliminate the inflation factor originally included in the Governor’s budget for most services and supplies and capital outlay line-items; and
- \$75,515 to reflect reductions in the PERS employer rates.

The Legislature restored \$66,000 Other Funds for one-time administrative reductions taken in the 2002 second special session; phased out \$832,304 Other Funds associated with one-time expenses related to the Inventory Management System; and adjusted the base budget by \$73,045 Other Funds to reflect the increased cost for processing credit card transactions.

OLCC – Regulatory

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	12,176,272	13,603,716	13,298,889	13,378,909
FTE	102.00	104.00	91.00	93.00

Program Description

The Regulatory Program is responsible for regulating the manufacture, distribution and sale of alcoholic beverages. The Program issues liquor licenses and ensures compliance with liquor laws and OLCC regulations. The Program consists of two divisions:

- **Regulatory Field Services Division** (73.0 FTE) staff conduct license investigations, respond to complaints, investigate liquor law violations, and work with local groups to resolve problems. There are 11 offices statewide.
- **Regulatory Policy and Process Division** (20.0 FTE) staff maintain records; issue and renew licenses; coordinate staff involvement in contested case hearings; develop, review, and amend administrative rules; provide technical support and training to Field Services staff, and administer the alcohol server education and minor decoy programs. The statewide Compliance Unit, which handles complex and high-risk license and enforcement cases, is included in the Regulatory Policy and Process Division.

Budget Environment

The top priorities for the Regulatory Program are preventing sales to minors and visibly intoxicated persons, preventing disorderly establishments, and minimizing problems caused by alcohol businesses and their patrons near the businesses. Alcohol continues to be a major contributor in the four leading causes of death among teens and is linked to other crimes. OLCC participates in an interagency initiative led by the Office of Alcohol and Drug Abuse Programs to address the local community risk factors contributing to underage drinking, tobacco and drug abuse. The agency intends to pursue an increase in regulatory staff to support efforts to enforce underage drinking laws and to reduce the over serving of alcohol.

Legislatively Adopted Budget

The Legislature approved a budget of \$13.3 million Other Funds and 94 positions (93.00 FTE). Technical adjustments in support of statewide policy decisions and recommendations based on prior actions taken by the Joint Committee on Ways and Means include the following decreases:

- \$365,424 Other Funds to remove projected expenditures for employee merit increases scheduled to occur after July 1, 2003;
- \$9,157 Other Funds to reflect reductions in liability insurance costs;
- \$30,194 Other Funds to eliminate the inflation factor originally included in the Governor’s budget for most services and supplies line-items; and
- \$176,786 Other Funds to reflect reduction in the PERS Employer rates.

The Legislature also:

- Increased \$394,000 Other Funds to carry-forward expenditure limitation to complete the installation of a Document Management and Workflow Information System.
- Restored one Compliance Specialist 3 and one Administrative Specialist 1 (2.0 FTE) in the Server Education program for a cost of \$267,581 Other Funds (the 2002 fifth special session eliminated \$1,460,502 Other Funds and 11.0 FTE as a result of passage of HB 5100).
- Increased \$15,352 Other Funds to fund overtime payments for sports inspection services at the University of Oregon and Oregon State University. The services assist the two universities in limiting student drinking

and ensuring adult patrons are drinking responsibly during sports events. The overtime costs will be reimbursed by the universities.

OLCC – Administration and Support Services

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	12,283,861	12,071,530	13,696,633	13,101,533
FTE	64.60	64.60	61.50	61.50

Program Description

The Support Services Program consists of three divisions:

- **Administration** (11.5 FTE) is responsible for overall administration of the agency; ensures that Commission and legislative policies are carried out; processes and refers cases to the Central Hearings Unit; develops administrative rules; and issues orders in all alcohol server education cases.
- **Administrative Services** (27.0 FTE) includes human resources management, information systems support, motor pool fleet management, non-liquor purchasing, mail delivery, and other routine support services.
- **Fiscal Services** (23.6 FTE) develops and implements systems that provide fiscal accountability for Commission operations, produces and maintains fiscal records, and develops and monitors execution of the agency's budget.

Budget Environment

The numbers of hearing requests are projected to be received at an overall rate similar to that of the current biennium. The division expects approximately 435 new requests for hearing in 2003-05; 80 that will be alcohol server education cases. The division also anticipates preparing and presenting 190 cases for contested case hearing. The impact of legislative actions during the interim special sessions will delay contested case hearings and orders, eliminate ground maintenance, increase repair and maintenance of vehicles and decrease the agency's public outreach efforts.

Legislatively Adopted Budget

The Legislature adopted a budget of \$13.1 million Other Funds and 64 positions (61.50 FTE). The adopted budget is \$0.6 million Other Funds less than the Governor's budget and eliminates four positions including an Office Specialist 1, an Office Specialist 2, an Administrative Specialist 1, and a Program Technician 2. There will also be a reduction of hours for one Program Technician 2 and one Office Specialist 2 position. Reductions in services and supplies are reflected in payments to the Employment Department for the Central Hearings Panel, basic supplies, contract ground maintenance, janitorial services, and motor pool. The Legislature restored \$192,610 for one-time administrative reductions taken in the 2002 second special session. Technical adjustments include the following decreases:

- \$96,050 Other Funds from the elimination of 1.0 full-time equivalent vacant Office Specialist 2 position;
- \$147,984 Other Funds to remove projected expenditures for employee merit increases scheduled to occur after July 1, 2003;
- \$37,026 Other Funds to reflect reductions in the Department of Administrative Services assessments and liability insurance costs;
- \$30,782 Other Funds to reflect an Attorney General rate change, which reduced the charge to agencies to \$98 from \$109 per hour;
- \$130,596 Other Funds to eliminate the inflation factor originally included in the Governor's budget for most services and supplies and capital outlay line-items;
- \$137,955 to reflect the reduction in PERS employer rates; and
- \$14,707 to reflect the reduction in fees assessed by the Secretary of State Audits Division.

The budget also reflects the elimination of the cost-of-living adjustments for positions with a salary range 38 or higher as a result of the 2002 third special session; and elimination of \$1,052,869 Other Funds and 4.50 FTE as a result of passage of HB 5100 during the 2002 fifth special session.

OLCC – Agents’ Compensation

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	40,585,457	44,734,248	47,932,458	49,832,458
FTE	0.00	0.00	0.00	0.00

Program Description

This program includes an expenditure limitation from liquor revenues to pay contract agents who operate the state’s 236 retail liquor outlets. Agents are paid monthly using a formula based primarily on store sales and on whether the store is exclusive (i.e., sells only liquor and related items) or non-exclusive (store is run in conjunction with another business, such as a drug or grocery store). Out of the compensation, agents pay liquor store rent, insurance, telephone, utilities, business taxes, employee salaries and benefits, and other operating costs. From the remainder, they pay their own salaries, benefits, and personal taxes.

Budget Environment

The rate of monthly compensation for agents was originally determined annually. In 1979, the Commission started calculating compensation monthly as a percentage of actual monthly sales. Biennial adjustments were made to this basic formula until 1980. The store formula is reviewed and adjusted by the agency every six months. The goal is to provide basic support while encouraging sound retail practices and rewarding sales performance. During the 1997 session the formula, which had been in effect since 1993, was revised to provide the following compensation:

- *Non-exclusive stores:* 13% of the first \$10,000 of monthly sales; plus 6.69% of all monthly consumer sales (up from 5.66% in 1993-95); and 5.22% of all monthly dispenser sales (up from 4.42% in 1993-95); plus up to \$118 monthly for deferred compensation if matched by the agent.
- *Exclusive stores:* based on six sales classifications – 13% of the first \$10,000 of monthly sales for annual sales up to \$210,000 and five compensation bases ranging from \$1,560 to \$2,600 per month for sales between \$210,000 to more than \$1.65 million per year; plus 6.69% of all monthly consumer sales (up from 5.66% in 1993-95); 5.22% of all monthly dispenser sales (up from 4.42% in 1993-95); plus up to \$150 monthly for deferred compensation to the extent matched by the agent.

The average compensation rate of 8.54% of forecasted liquor sales for the biennium established by the Legislature resulted in an expenditure limitation of \$44.4 million based on projected sales. Agents’ compensation increases when consumption increases or as prices increase. OLCC typically requests an increase in the expenditure limitation from the Emergency Board during the biennium if actual sales exceed forecasted amounts. The Commission expects population growth and rising prices to increase total dollar liquor sales by 8% in the 2003-05 biennium. Agents’ compensation would also increase by the same percentage. Some agents continue to incur costs (primarily store leasing and personnel) that are purported to rise at a faster rate, putting pressure on these agents’ operations. Lack of data on the Oregon agents’ actual costs and related items makes it difficult to develop a precise basis for conducting a market study to determine whether the Oregon liquor agents’ compensation is fair in comparison to “market.”

Legislatively Adopted Budget

The Legislature approved a budget of \$49.8 million Other Funds for this program, increasing the agents’ compensation to an average rate of approximately 8.88%, an increase of .34% over the Governor’s recommended budget.

OLCC – Capital Improvements

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	609,957	198,990	205,955	198,990
FTE	0.00	0.00	0.00	0.00

Program Description

The Capital Improvement Program reflects Commission costs of major deferred maintenance and improvements to Commission facilities. The Commission owns an office and warehouse complex in Milwaukie, which serves as the distribution center for all bottled distilled liquor and houses most agency personnel.

Budget Environment

In the past, the Commission and the Legislature have focused on implementing capital improvements that facilitate the generation of additional revenue or avoid the potential for lost revenue due to facilities or equipment breakdown. These improvements have included a major replacement of the warehouse conveyor system, warehouse heating system, and parking lot upgrades.

Legislatively Adopted Budget

The Legislature approved a budget of \$198,990 Other Funds. Technical adjustments in support of statewide policy decisions and recommendations include a decrease of \$6,965 Other Funds to eliminate the inflation factor originally included in the Governor's budget for capital outlay. This level of funding will allow the agency to:

- Evaluate boilers for possible replacement (\$30,000).
- Evaluate steam heat system for possible re-engineering (\$30,000).
- Replace part of the carpet in the office building (\$25,000).
- Replace windows in the warehouse repack and boiler room (\$25,000).
- Partially concrete the warehouse parking lot (\$75,000).

Public Employees Retirement System (PERS) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	48,050,621	47,868,155	50,058,843	62,723,473
Nonlimited	3,337,046,225	3,623,591,048	4,209,547,757	4,209,547,757
Total	3,385,096,846	3,671,459,203	4,259,606,600	4,272,271,230
FTE	217.62	219.12	254.00	324.22

The Public Employees Retirement System (PERS) administers the retirement system for all state and public school district employees; and most city, county, and special district employees in Oregon. PERS also administers deferred compensation programs for state employees and employees of local governmental units. It is responsible for all fiduciary activities performed on behalf of system members. This includes receipt of contributions into the retirement trust and deferred compensation trust funds, retirement counseling, retirement benefit determination, and retirement benefit payment. It is not responsible for investment of retirement system or deferred compensation plan assets. The Oregon Investment Council manages the investment of retirement system assets. Deferred compensation plan assets are managed by private fund managers. The twelve-member Public Employees Retirement Board has broad authority for operation of the programs. Day-to-day operations are carried out by the Board-appointed Executive Director and his staff.

PERS – Retirement System Programs

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	46,807,047	46,396,456	48,449,793	61,246,071
Nonlimited	3,337,046,225	3,623,591,048	4,209,547,757	4,209,547,757
Total	3,383,853,272	3,669,987,504	4,257,997,550	4,270,793,828
FTE	217.62	215.14	243.81	314.03

Program Description

The Retirement System Programs are responsible for the maintenance of employer and employee accounts, processing of retirements, determination of disability retirement benefits, and payment of retirement benefits. They also sponsor group health insurance plans for retirees. PERS also is the state administrator of the federally mandated Social Security Administration program.

Revenue Sources and Relationships

The System's Other Funds revenues come mainly from employer and employee contributions to the retirement system (2003-05 estimate \$2.9 billion) and retirement trust fund investment earnings (2003-05 estimate, \$6.1 billion). Employee contribution rates are established by law at 6% for all employees except judges (7%). Employer contribution rates are established by the Public Employees Retirement Board based upon advice from its consulting actuary. The Board also determines the level to which certain statutory reserves will be funded from earnings on plan assets. Additionally, revenues come from other administrative fees assessed participants and employers for health fund and social security administration activities, and other miscellaneous non-customary services. These other revenues are estimated to be about \$1.2 million. In prior biennia, investment earnings were estimated to be about 70-80% of total revenues. Three consecutive years of nominal and even negative investment earnings have caused employer required contributions to rise dramatically. The state contribution rate for employers is expected to be more than 8% of payroll above the contribution rate applicable to the 2001-03 biennium. By law, employee contributions cannot be used to pay for administrative costs.

Budget Environment

The demographics of Oregon public employees suggest that retirement counseling and benefit determination will continue to increase over the next decade. Uncertainty about the future of existing PERS benefits, due to public concern about the retirement system cost to taxpayers, is expected to result in significant increases in the numbers of retirements processed in the near future. PERS now provides pension services to approximately 218,000 non-retired members and 86,000 retirees and beneficiaries compared to approximately 195,000 and 79,000, respectively, in the prior biennium. Additional regulatory requirements and statutory changes affecting pensions have also made the administration of pension plans more complex. Changes to statutory benefits have caused PERS pension plan participants to be grouped as Tier One and Tier Two members. The increasing

pension cost to employers has triggered discussion of yet another statutory change that would create another tier of participants. Various legislative and executive branch committees and task forces have been reviewing the PERS statutes and impacts of changes to the system. The 2003 Legislature, with support from the Governor, enacted major statutory reform of the system. Additionally, Board actions on distribution of investment earnings and the set-aside of reserves have caused a preliminary court ruling that the Board must redo its original crediting of 1999 earnings to employer and employee accounts. The preliminary ruling also directs the Board to implement new mortality tables and change the method by which it calculates the employer's match of employee account balances. Adding to the problems were years of relative neglect of internal systems and practices. Past practices have resulted in systemic problems with data reliability and pension benefit calculations. Erroneous data and errors in benefit calculations have caused increased processing costs. Additionally, the existing Retirement Information Management System is incapable of preparing calculation of benefit options that are now statutorily required. As a result, an estimated 40% of retirement benefit calculations must be performed manually. Immediate implementation of new legislation or the final court ruling could increase the amount of manual calculations required. PERS' rapidly aging information system is being modified to optimize its usability while a new information system is developed. PERS seeks funding approval for the new system incrementally as system development needs and costs are identified.

Legislatively Adopted Budget

The legislatively adopted budget includes actions taken on requests for funding and position authority contained in the Governor's budget. It also includes other funding and position authority necessary for the agency to cope with: (a) workload increases not anticipated in the Governor's budget; and (b) PERS reform legislation passed during the session.

Actions taken on the Governor's budget

The Governor's budget included funding for inflationary increases in the costs of goods and services, funding for merit and step increases, and a number of additional requests. Presented below is a summary of those additional requests, the amounts approved by the Legislature, and adjustments made for the statewide salary freeze and reduced costs for goods and services and government service charges. Further, legislation affecting the Public Employees Retirement System caused a substantial reduction in employer contribution rates for the biennium. The Legislature made adjustments to all agency budgets to reflect those savings. Also presented are additional adjustments made by the Legislature.

Description	Request		Approved	
	FTE	Amount	FTE	Amount
Adjustment to continue six additional permanent full-time Information Technology positions approved by the Emergency Board at its November 2002 meeting	6.0	\$870,858	6.0	\$870,858
Adjustments to increase budget for higher than expected costs		\$652,000		\$577,000
Additional staff and funding to improve data and calculation accuracy	12.0	\$1,288,991	0.0	none
Additional staff and funding to clear current workload backlogs	11.0	\$1,107,636	11.0	\$1,107,636
Additional staff and funding to improve productivity	1.0	\$439,414	1.0	\$431,921
Additional staff and funding to address current and future workload	4.5	\$465,550	4.5	\$465,550
Additional staff and funding to provide services under proposed legislation (Note)	3.0	\$321,474	0.0	none
Budget reduction for statewide salary freeze				(\$747,129)
Budget reduction for reduced costs of goods and services and government service charges				(\$468,554)
Savings from reduced PERS employer contribution rates				(\$1,230,324)
Add internal auditor position			1.0	\$137,727
Add positions to complete business rules documentation			3.0	\$330,496
Carryover unused limitation provided for information technology initiatives approved in 2001-03 biennium				\$3,082,947
Other technical adjustments			1.0	\$192,820

Note: Subsequent to development of the budget, the Governor decided not to introduce the proposed legislation so no additional funding and position authority was needed.

The Legislature approved an additional internal auditor position that was not included in the budget request. PERS' budget request included \$75,000 to pay for internal audit work it expected to contract to the Secretary of State Audits Division. The Legislature instead approved an internal auditor position to help strengthen the PERS internal audit function. The Legislature also approved three limited duration positions to finish documentation of PERS' business rules. It also increased the budget request by \$3.1 million of carryover expenditure limitation for information technology initiatives that had been approved, but not expended, in the 2001-03 biennium. The Legislature did not approve funding requested for improved data and calculation accuracy. The Legislature felt that agency capacity would be severely strained by the increased workload created by an unprecedented number of retirements being processed and other legislation passed. The issue of data and calculation accuracy could be addressed later.

The Legislature also approved other technical adjustments to the budget. In addition, the Legislature approved \$155,858,077 Nonlimited Other Funds expenditure limitation for special payments from the Standard Retirement Health Insurance Account. This account was established to account for the receipt and disbursement of payments received from retirees for health insurance premiums. Prior to this, these funds had been off-budget and accounted for in a suspense account. This brought the receipt and disbursement of the funds into PERS' budget. There was no additional operational cost or additional FTE associated with this change.

Actions taken due to increased workload and new legislation

Uncertainty about what legislation the Legislature would enact to modify retirement benefits created a "rush to the exits" by public employees eligible for retirement. This rush created an unforeseen workload for PERS staff that was not included in the budget request. To address this temporary workload, the Legislature approved 14 limited duration positions (6.24 FTE) and expenditure limitation of \$571,492.

In addition, the Legislature passed a number of bills to reform the Public Employees Retirement System that dramatically affected PERS workload. HB 2004 mandated the use of updated mortality tables for computation of retirement benefits effective July 1, 2003. It also required additional retirement benefit computations to ensure that retirement benefits under updated mortality tables are not less than retirement benefits earned as of June 30, 2003. The labor-intensive nature of the calculations caused the Legislature to approve 41 new positions (25.15 FTE) and additional expenditure limitation of \$5.1 million. HB 2003 made a number of other changes to administration of current pension plan benefit computations. The Legislature again approved additional positions (56 positions, 48.83 FTE) and an additional \$7.4 million Other Funds expenditure limitation to implement the changes required by the bill.

The Legislature also passed legislation for a successor retirement plan in HB 2020. PERS is required to implement a new information system to accommodate the new plan. Funding sources and budget amounts were not determined by the end of session so the Legislature approved Other Funds expenditure limitation of \$3 to establish legislative authority for implementation. The \$3 was separated as follows: \$1 for implementation, \$1 for debt issuance costs in the event the new system will be acquired using debt instruments, and \$1 to pay future debt service if debt is issued. PERS is expected to submit a financing plan and request for additional expenditure limitation to the Emergency Board.

Finally, the Legislature requested that the Department of Administrative Services remove (unschedule) \$29 million from the allotment process until the new PERS board has had the opportunity to review agency operations and priorities and report to the Emergency Board on the direction it is taking with respect to oversight of agency operations. HB 2005 created a new Board that replaced the existing Board on September 1, 2003. The Legislature wanted the new Board to report to the Emergency Board after it had time to understand the PERS budget and activities. Withholding \$29 million from the allotment process would allow the Board until the Spring of 2004 to become acquainted with PERS operations before it needed to access the funds.

PERS – Deferred Compensation Program

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	1,243,574	1,471,699	1,609,050	1,477,402
FTE	0.00*	10.50	10.19	10.19

* Positions are included in Retirement System Programs for the 1999-2001 biennium.

Program Description

The Deferred Compensation Program administers deferred compensation programs for state employees and employees of local governmental units. Most of the support is contracted to a third party service administrator. PERS staff provide services that require a local Oregon presence such as participant and employer education, processing of applications, receipt and transfer of contributions, and staff support to the Deferred Compensation Advisory Committee.

Revenue Sources and Relationships

Revenue to support the program comes from a charge of 0.09 of 1% on deferred compensation trust fund assets. Additionally, the third party administrator receives a fee of 0.175 of 1% on the assets. It also receives funding from the third party administrator to provide plan information and education to local government units.

Budget Environment

Since the last biennium, the number of participants in the Deferred Compensation Program (Oregon Savings Growth Plan) has grown from 17,000 to 19,000. Total plan assets are now about \$529 million. During the interim, the Joint Legislative Audit Committee conducted a review of the administration of the program to see if it would be advisable for the entire plan administration to be contracted out. The Committee concluded that the plan administration needed no substantive or statutory fix, but that allocation of staff costs to the program should be improved.

Legislatively Adopted Budget

The legislatively adopted budget continues the current operation of the program. It also approved a position reclassification, a new position (1.0 FTE), and additional expenditure limitation to deal with increased workload associated with growth of the program. The net reduction in FTE for this program is due to the reduction in the amount of work allocated to back office operations of the retirement system programs. The Legislature also reduced the budget for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges.

Oregon Racing Commission – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	2,887,014	4,031,076	4,763,041	4,675,855
Total	2,887,014	4,031,076	4,763,041	4,675,855
FTE	18.97	17.68	17.68	17.50

Program Description

The Oregon Racing Commission regulates all aspects of the pari-mutuel industry in Oregon. The Commission oversees racing at Portland Meadows Racetrack, Multnomah Greyhound Park, and at several county fair race sites. The Commission also regulates the off-site simulcast of races. The Commission's goals include ensuring the integrity of the sport as well as the safety of the contestants, public, and animals. Regulatory activities of the Commission include licensing, inspections, and investigations of irregularities.

Revenue Sources and Relationships

Revenues are primarily derived from the state share of wagering receipts, license fees, and licensee fines. All revenues received are used for Commission expenses. Any revenues in excess of expenses are transferred to the General Fund. The state's share of total bets made at horse racing tracks and on simulcast races is 1%. The state's share of total bets made at dog racing tracks and simulcast races is 1.6%. These revenues declined from \$8.6 million in the 1991-93 biennium to \$2.6 million in the 2001-03 biennium.

The 1997 Legislature authorized the establishment of Multi-jurisdictional Simulcasting and Interactive Wagering Totalizer Hubs (Hubs) in Oregon and provided that up to 1% of gross wagering receipts, which is the pari-mutuel tax, could be collected. The Commission, by rule, has set the state share of Hubs gross wagering receipts at 0.25%. Of this amount, one-third is transferred to the General Fund. The remaining two-thirds is retained by the Commission to be used for "the benefit of the Oregon pari-mutuel racing industry." This money has been used to support racing at county fairs by enhancing purses and providing jockey incentives. The Commission also collects a license fee of \$200 per operating day from Hubs. The Governor's budget estimated \$0.6 million in Hubs revenue would be transferred to the General Fund in the 2003-05 biennium.

Budget Environment

The Oregon racing industry has entered a period of relative stability after years of uncertainty. Live racing occurs year round, split between greyhound racing at Multnomah Greyhound Park and horse racing at Portland Meadows Racetrack. Both tracks are operated by a large company that operates numerous racing venues across the nation. This company has purchased the long-term lease for Portland Meadows, ensuring that horse racing will continue to take place in Oregon.

Commission revenue has become increasingly dependent on the five Hubs currently operating in the state. The 2003-05 budget assumes all five Hubs will continue to operate in Oregon and the Commission will continue to collect the \$200 per operating day licensing fee and 0.25% of gross wagering receipts. One other state now allows operation of Hubs, without collecting a share of wagering receipts. Other states are also considering allowing Hubs to operate. The possibility of Hubs relocating operations outside of Oregon, or the Commission being forced to lower licensing fees or the state's share of gross wagering receipts to retain a Hub, represents a risk to that portion of the Commission's revenue.

The 2001 Legislature directed the Commission to maintain not less than six months of operating funds and to transfer revenue in excess of this balance to the General Fund. During the 2002 third special session, the Legislature recognized the Commission would transfer \$750,000 more to the General Fund than anticipated in their adopted budget due to an increase in Other Fund revenue from Hubs.

Legislatively Adopted Budget

The legislatively adopted budget is 16% higher than the 2001-03 approved budget. The budget was reduced \$220,206 to reflect reductions made to implement the statewide salary freeze, lower Attorney General and Department of Administrative Services assessment rates, and elimination of the inflation allowance for most non-fixed services and supplies. The Governor's budget reduction of \$25,000 for services and supplies was increased to \$75,000 by the Legislature to more accurately reflect past expenditure history. The budget also eliminated 2 positions and 0.40 FTE (Relief Veterinarian and Relief Steward) some of the funding for which was

moved to Professional Services to better reflect the true nature of these expenditures. This action resulted in a net reduction of \$45,541. An Office Specialist 1 position (1.0 FTE) and \$68,523 was added to address workload issues in the Commission's office staffing. The budget included \$823,333 for payments to benefit the Oregon pari-mutuel racing industry due to anticipated increases in Hub revenue, which is \$278,667 more than the level assumed in the Governor's budget. These payments represent the two-thirds portion of the gross receipts tax on Hubs wagering that is dedicated to the development of Oregon's racing industry.

The Commission's ending balance was reduced to a level that would support approximately three months of operating expenses. The Commission is expected to transfer nearly \$1.1 million more to the General Fund than was assumed in the Governor's budget as a result of lowering the ending balance allowed to be retained by the Commission, expenditures reductions, and a higher forecast of revenue from multi-jurisdictional Hubs.

Department of Revenue (DOR) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	111,204,026	117,831,874	132,081,313	104,734,536
Other Funds	16,820,075	19,829,147	21,687,886	53,091,342
Nonlimited	182,667	186,544	219,100	219,100
Total	128,206,768	137,847,565	153,988,299	158,044,978
FTE	924.66	959.22	942.80	987.73

The Department of Revenue administers the State's income tax and property tax programs. In addition, the Department collects revenue from a variety of sources and transfers it to various state and local agencies. These revenue sources include taxes on: a) cigarettes and other tobacco products; b) amusement devices; c) payroll (for local mass-transit); d) timber, oil, and gas severance; and e) the harvesting of forest products. The Department also collects and distributes hazardous substance fees, court fines and assessments, and taxpayer check-off donations; serves as the collection agency for fines, forfeitures, and assessments owed to state agencies; and administers property tax relief programs for senior citizens and persons with disabilities. Altogether, the tax programs the Department administers generate 95% of General Fund revenue and 85% of local government revenue.

Revenue Sources and Relationships

The Department is mainly supported by the General Fund. Other Funds revenue is derived from charges to various Other Funds tax, fee, assessment, and other programs to cover the Department's administrative costs. Charges are based on time studies that determine the cost to each division of administering these programs. Other Funds also are received from the Assessor Funding Program. This program provides revenue to both the Department and to county governments from interest paid on delinquent property taxes and from a document-recording fee. A portion of each recording fee (\$1) is dedicated to the development of a statewide mapping system (ORMAP) to improve the administration of the property tax system. These funds are distributed to counties for projects to meet that goal.

The Legislature approved the use of Cigarette and Other Tobacco Tax receipts to replace General Fund for Tobacco Task Force efforts and other departmental operations. This funding shift is discussed in detail in the analysis of the Business and Personal Tax and Compliance Divisions.

The following table displays sources and amounts of estimated Other Funds revenues for 2003-05:

SOURCE	2003-05 ESTIMATED
Cigarette and Other Tobacco Tax Collections	\$ 33,086,000
State Agency Collections	\$ 6,614,000
Assessor Funding Program	\$ 5,285,000
Employer-Employee Taxes (primarily Tri-Met and Lane Districts)	\$ 5,276,000
Senior and Disabled Citizens' Property Tax Deferral	\$ 1,463,000
ORMAP	\$ 1,415,000
Others	\$ 1,823,000
TOTAL REVENUES	\$ 54,962,000

Budget Environment

The Department projects modest population and economic growth for the 2003-05 biennium. Over the past several biennia, the Department has been successful in addressing funding constraints and increased workloads by developing and enhancing automated systems, implementing an aggressive employee training program, reorganizing, and revising operating procedures.

The Department's 2001-03 budget was reduced by \$4.4 million General Fund based on special session actions during the interim. The Department received an additional \$2.9 million General Fund for partial funding of employee salary and benefit increases, about \$1 million less than needed to fully fund those increases. To

manage a portion of these reductions, the Department took one-time actions to delay filling vacant positions and purchasing supplies and equipment. Because the most significant reduction resulted from failure of Ballot Measure 28, the Department began to lay off about 126 persons in February 2003. However, most of the reductions were restored by the Legislature during the 2003 regular session and the Department was able to bring back staff necessary to continue tax compliance and enforcement efforts for the 2001-03 biennium.

Legislatively Adopted Budget

The legislatively adopted budget generally restored budget reductions imposed after the special election. It also provides additional resources to enhance tax collection efforts. Ten vacant positions were eliminated and the savings were used to fund needed services and supplies costs. The budget actions are discussed in more detail under the various operating programs below.

DOR – Executive Section

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	3,747,732	1,808,356	3,127,235	2,936,100
Other Funds	255,451	61,082	287,097	279,536
Total	4,003,183	1,869,438	3,414,332	3,215,636
FTE	22.16	6.00	18.01	18.01

Program Description

The Executive Section is responsible for overall administration of the agency and for coordinating the agency's legislative, rulemaking, communications, and internal audit functions.

Legislatively Adopted Budget

The Legislatively Adopted budget reflects the movement of staff from a departmental reorganization and continues operations and staff at the current level. Communications staff, formerly part of the Administrative Services Section, are now incorporated in the Executive Section. Additionally, one Legislative Liaison position was established. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

DOR – Administrative Services Section

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	213,995	3,490,144	684,458	443,098
Other Funds	752,592	375,012	93,157	57,926
Total	966,587	3,865,156	777,615	501,024
FTE	0.00	31.01	0.00	0.00

Program Description

The Administrative Services Section used to provide personnel, budget, communications, research, and publication services for the agency and accounts for the receipt and distribution of all tax revenues. Those staff and activities have been transferred to other operating units as part of a departmental reorganization. For internal budgetary purposes the flow of tax revenues are accounted for here.

Legislatively Adopted Budget

For internal budgeting purposes, the Legislature approved a budget that sets aside a portion of expected central agency costs for postage, legal expenses, motor pool, and other. No personnel costs are included in this budgetary category. The budget includes adjustments for reduced costs of goods and services and reduced government service charges.

DOR – Information Processing Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	32,488,160	35,488,379	38,472,255	37,187,333
Other Funds	4,892,481	3,815,226	4,124,846	4,095,831
Total	37,380,641	39,303,605	42,597,101	41,283,164
FTE	292.88	291.34	278.50	281.99

Program Description

The Information Processing Division provides computer processing systems and support services to the agency's other divisions, processes incoming tax returns, scans returns for errors, processes and banks tax payments, enters and transfers taxpayer data to computer storage and maintains information files. This division also provides the Department's purchasing, personnel, facilities management, and accounting and other fiscal support.

Budget Environment

Historically, the Division's activities have been carried out in a high-volume, production-type environment. As the Department adds new systems and becomes more dependent on automation, well-trained and experienced information systems staff are needed to maintain computer systems. According to the agency, the rapid increase in computer-related salaries in the private sector has made it difficult to attract and retain skilled information systems staff. The Division's 2001-03 budget was reduced substantially because of reductions imposed by HB 5100. However, much of the funding was restored to allow the Division to continue its support of tax collection efforts.

Legislatively Adopted Budget

The legislatively adopted budget reflects the movement of staff from a departmental reorganization. Budget and personnel staff, formerly part of the Administrative Services Section, are now incorporated in the Division. Additionally, the Tax Help Section that provides help to taxpayers by telephone was transferred to the Personal Tax and Compliance Division. The budget generally restores reductions imposed after the special election. It also reflects positions phased out or eliminated during the interim. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges.

The Legislature eliminated one vacant position (0.64 FTE) and added five positions (4.13 FTE) to support tax compliance and collection efforts included as part of a revenue enhancement package in the Personal Tax and Compliance Division. The Legislature also provided \$0.3 million General Fund for the positions.

DOR – Property Tax Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	20,012,577	19,794,741	21,187,982	19,884,644
Other Funds	4,457,102	8,020,395	8,522,677	8,332,079
Total	24,469,679	27,815,136	29,710,659	28,216,723
FTE	141.39	142.21	139.19	136.19

Program Description

The Property Tax Division oversees the property tax system and ensures that counties comply with all property tax laws and rules. To these ends, the Division develops procedures, advises and trains county staff, and conducts reviews of county actions. Responsibilities also include conducting appraisals on all industrial manufacturing plants valued at \$1 million or more (currently valued at a total of \$17.4 billion); appraising all utility, transmission, communication, and transportation properties (currently valued at \$12.2 billion); and administering several timber tax programs.

The Division also oversees ORMAP, a project to develop the statewide base mapping system mandated by HB 2139 (1999) for improvement in the administration of the property tax system.

Budget Environment

In 1989, the Legislature created the Assessor Funding Program to supplement funding of property tax assessment and taxation functions. The Department uses its portion of the funding for appraising industrial properties valued between \$1 million and \$5 million, for training county personnel, and for conducting performance reviews of county programs. The 1999 Legislative Assembly modified the sources of funds for this program slightly: it retained the interest rate charged on delinquent property tax accounts, with a portion (generally 25%) of the interest collected transferred to the program, amended document recording fees, and expanded the base of documents subject to the fee. It also allowed the Department to receive up to 10% of the moneys in the County Assessment and Taxation Fund to pay for its appraisal of industrial properties and oversight of the property tax system. Additionally, \$1 of each document recording fee is dedicated to the statewide mapping system. This fee is expected to generate approximately \$2 million biennially.

The Department views the Assessor Funding Program as an important tool in implementing Ballot Measure 50, which requires that property values be on the assessment rolls at real market value. The focus for the 2003-05 biennium is on continuing assistance to counties in adapting to the Measure 50 system. The system is more complex than originally thought. For example, Measure 50 requires counties to carry multiple values on the tax roll and, in some cases, as many as seven different values have to be tracked for one property.

The Division's 2001-03 budget was reduced substantially because of reductions imposed by HB 5100.

Legislatively Adopted Budget

The legislatively adopted budget generally restores budget reductions imposed after the special election. It reflects positions phased out or eliminated during the interim. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. Three vacant positions (3.0 FTE) were eliminated.

DOR – Personal Tax and Compliance Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	32,382,499	34,821,720	42,103,882	20,374,177
Other Funds	1,462,580	1,620,612	2,051,481	25,979,020
Total	33,845,079	36,442,332	44,155,363	46,353,197
FTE	308.87	318.01	329.07	360.63

Program Description

The Personal Tax and Compliance Division administers the personal income tax program. Responsibilities include auditing and encouraging voluntary compliance for the personal income tax, collecting delinquent personal income taxes, and collecting local option taxes. In addition, the Division administers the Elderly Rental Assistance Program, and provides help to taxpayers by telephone (Tax Help Section) and through information publications.

Budget Environment

The Division's workload has been increasing over time as the state's population grows and more personal income tax returns are filed. Approximately 6.1% more returns were filed for 1999 than for 1996. Of this increase, traditional paper returns have decreased by 5.4% and electronic filings have increased by 191%. The Division has added and improved automated systems to help handle the growth as well as the change in filing methods. Workloads are also increasing as more taxpayer data becomes available from federal and other sources. The Department expects to address collection issues through re-engineering of existing systems and processes and through positions added by the Legislature to enhance revenue collections.

As with other divisions, this Division's 2001-03 budget was reduced substantially because of reductions imposed by HB 5100. The Legislature restored most of that funding so that the Division could effectively carry out its tax compliance and enforcement efforts through the end of the 2001-03 biennium.

Legislatively Adopted Budget

The legislatively adopted budget provides for increased revenue collection capabilities. The increase in FTE in

the Governor's budget is due to the transfer of the Tax Help Section from the Information Processing Division. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. Four vacant positions (4.0 FTE) were eliminated.

The Legislature approved a substantial revenue enhancement initiative proposed by the Department. The initiative is expected to improve General Fund tax collections by \$20.2 million at a cost of \$5.1 million. Included in the initiative are additional collection personnel, establishment of a branch office in Gresham, and positions to follow up on persons who should be filing and paying taxes but are not. The Division was provided an additional \$4.8 million General Fund and 40 positions (35.56 FTE).

The Legislature also passed legislation enabling the Department to keep \$30 million of Cigarette and Other Tobacco Taxes collected that exceed the June 30, 2003 revenue forecast. Of this, \$4.8 million would be used by the Business Division for the cost of the additional collection efforts. The balance was used to offset \$25.2 million General Fund originally approved for the Department; \$24 million of the fund shift is accounted for in the Personal Tax and Compliance Division with the balance spread throughout other divisions' budgets.

DOR – Business Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	12,289,742	13,753,723	17,235,500	14,909,183
Other Funds	4,999,869	5,936,820	6,608,628	14,346,950
Total	17,289,611	19,690,543	23,844,128	29,256,133
FTE	159.36	170.65	178.03	190.91

Program Description

The Business Division administers several tax programs, including corporate income and excise taxes, the employer withholding tax, the transit payroll and self-employment taxes, the fiduciary, inheritance, and cigarette taxes, and other agency accounts and special programs. Responsibilities include auditing tax returns and collecting delinquent taxes and other delinquent accounts. The Division also provides debt collection services for state and local agencies and for state and municipal courts in all 36 counties.

Budget Environment

Currently, the Division is collecting on 207,000 accounts owed to 218 state offices and agencies. The number of delinquent accounts is expected to increase. The Division is using more automation to help handle workload growth. Additionally, the Legislature has added positions to enhance revenue collections.

This division also collects revenues from cigarette tax stamps. In 1997-99, revenues of \$357 million were generated. That number dropped dramatically in the following biennium. The Department reports that, although there are fewer smokers in Oregon, the drop in the number of cigarette tax stamp sales appears to be in part due to noncompliance issues. The 2001 Legislative Assembly provided additional staff and funding for a Tobacco Task Force that was to include personnel from the State Police and the Attorney General. The Department reported to the Emergency Board that the task force's efforts have improved tobacco tax collections as expected.

This Division's 2001-03 budget also was reduced substantially because of reductions imposed by HB 5100. The Legislature restored most of that funding so that the Division could effectively carry out its tax compliance and enforcement efforts through the end of the 2001-03 biennium.

Legislatively Adopted Budget

The Legislature approved the movement of staff from a departmental reorganization and continues operations and staff at the current level. Research staff, formerly part of the Administrative Services Section, are now incorporated in the Division. The budget generally restores budget reductions imposed after the special election. The budget takes into account reductions imposed during the special sessions and includes adjustments for the statewide salary freeze, reduced costs of goods and services, reduced PERS employer contribution rates, and reduced government service charges. Two vacant positions (2.0 FTE) were eliminated.

The Legislature shifted \$3 million General Fund for the Tobacco Task Force to Other Funds. Improved Cigarette and Other Tobacco Tax collections have resulted from Task Force activities and the Legislature decided to fund Task Force operations from these increased collections. Additionally, the Legislature provided 17 additional task force positions (14.88 FTE) and \$4.8 million in Other Funds expenditure limitation for increased Task Force compliance activities. Many of the expected increased collections are due to new powers granted in HB 2368 to enforce tobacco tax collections on sales over the Internet and through other means.

DOR – Multistate Tax Commission

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Nonlimited	182,667	186,544	219,100	219,100
FTE	0.00	0.00	0.00	0.00

Program Description

Through the Department of Revenue, Oregon is a member of the Multistate Tax Commission, which is composed of 40 states that have joined together to promote uniformity in state taxation of corporate income. Dues to the Commission are proportional to the amount of tax revenue each state collects. The budget reflects the Nonlimited expenditures for these dues.

Budget Environment

The Commission expects to maintain its current level of services to members.

Legislatively Adopted Budget

The legislatively adopted budget is the state's expected assessment for operational expenses of the Multistate Tax Commission.

DOR – Elderly Rental Assistance

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	10,069,321	8,674,810	9,270,000	9,000,000
FTE	0.00	0.00	0.00	0.00

Program Description

The Elderly Rental Assistance program provides direct tax relief to elderly, low-income renters. Benefits are based on income levels and the amount of rent, fuel, and utilities paid. The benefits are available to renters age 58 or over with household income under \$10,000, household assets (if under age 65) that do not exceed \$25,000, and gross rent in excess of 20% of household income. Through this program, payments are also made to local governments in lieu of property taxes on certain tax-exempt housing for the elderly.

Budget Environment

The program has experienced a steady decline in payments to renters over the last several biennia. In part this was because, as the Oregon economy improved, fewer individuals met the program's eligibility criteria (which are not indexed to inflation). The Department expects that the decline has leveled off in the 2001-03 biennium. The 2001-03 budget was reduced by actions taken during special sessions.

Legislatively Adopted Budget

The legislatively adopted budget is the amount of benefits expected to be paid during the 2003-05 biennium. It is the same as originally provided for the 2001-03 biennium.

DOR – Senior Citizens' and Disabled Citizens' Property Tax Deferral

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	1	1	1
FTE	0.00	0.00	0.00	0.00

Program Description

The Senior Citizens' Property Tax Deferral portion of this program allows homeowners age 62 and over who meet program income limits to defer payment of property taxes and special assessments until the owner dies,

sells the property, or stops using it as a principal residence. The state pays the tax and obtains a lien on the property for the tax and for accrued interest at the rate of 6% per year. The deferred taxes and interest are collected when the property is disqualified. Moneys received as properties are disqualified and their deferred taxes are paid finance the taxes the State pays under the program. The household income limit to qualify for the program is \$32,000 beginning in 2002-03 and indexed to inflation thereafter. The program also is available to disabled persons meeting household income limits.

Budget Environment

The Senior Citizens' component of the program has expanded from 834 accounts in 1978 to 10,000 in 2001, with over \$130 million deferred. The Disabled Citizens' component of the program had about 200 participants in its first year (2001-02 tax year).

The General Fund makes up any shortfall in the program. Currently it is self-supporting and no shortfall is anticipated this biennium.

Legislatively Adopted Budget

The legislatively adopted budget has a \$1 placeholder to highlight the potential obligation of General Fund to support the program.

Secretary of State (SOS) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended *	2003-05 Legislatively Adopted
General Fund	13,046,851	12,641,681	11,235,665	10,276,857
Other Funds	23,939,404	29,136,787	32,932,700	31,286,191
Federal Funds	0	1	1	7,320,991
Nonlimited	42,641	166,678	172,328	172,328
Total	37,028,896	41,945,147	44,340,694	49,056,367
FTE	201.42	208.67	212.67	202.50

* Historically, the Governor's recommended budget has accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, Treasurer of State, and Secretary of State). The 2003-05 Governor's recommended budget funded only 88.9% of the General Fund in the 2001-03 legislatively approved budget for the Secretary of State. The net effect was a \$1.9 million reduction to the Secretary of State's General Fund budget request. The Governor's budget included biennialized reductions based on the amount in HB 5100 (2002 fifth special session).

Program Description

The Office of the Secretary of State is one of three established at statehood. The Secretary is auditor of public accounts, chief elections officer, and manager of the state's records, a role that includes preserving official acts of the Legislative Assembly and the Executive Branch. The Secretary of State serves with the Governor and Treasurer of State on the State Land Board, managing state-owned lands for the benefit of the Common School Fund. With the Governor and the Treasurer of State, the Secretary of State also serves on the Prison Industries Board, which oversees prison work programs.

Revenue Sources and Relationships

Other Funds revenues are dedicated to the programs that generate them. Service charges from other state agencies fund the Audits Division, and Corporation filing fees fund the Corporation Division. The Archives Division receives Other Funds revenue from the sale of administrative rules and the Oregon Blue Book. It also charges other state agencies for storage of their records. Internal service divisions' Other Funds are revenue transfers from those divisions they support. Federal Funds have been received under the Help America Vote Act to strengthen election activities statewide.

Budget Environment

The Secretary of State is a separately elected, constitutional office. However, the Office has adopted the 2003-05 budget development guidelines established by the Department of Administrative Services. The operations (and budgets) of two of its divisions are affected by forces outside of their control. These are the Elections Division and the Corporation Division. The Elections Division's budget is almost all General Fund and is affected by ballot measures, special elections, election litigation, and the voters' pamphlet's volume and complexity. The Corporation Division is affected by services demanded by the public. The Division is responsible for processing filings of business entities, trademarks, Uniform Commercial Code (UCC) financing statements, and responding to requests for information on existing businesses, UCC filings, notaries and notary commissions, and requests for information to start a business. Operations of the other divisions and offices are less affected by outside forces and their budgets are somewhat more controllable as a result.

SOS – Executive Office

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	1,209,544	1,842,216	983,394	324,176
Other Funds	0	344,600	396,509	951,385
Total	1,209,544	2,186,816	1,379,903	1,275,561
FTE	6.00	8.00	6.00	6.00

Program Description

The Executive Office includes the Secretary and the Secretary's immediate staff. The office provides policy direction and daily management of the agency. The executive staff is responsible for strategic planning, policy development, and legislative and press relations. In addition, the office staffs the State Land Board. The 2001

Legislature established the Cultural Development Grant Program, also to be housed within the offices of the Secretary of State.

Budget Environment

The 2001 Legislature created a Trust for Cultural Development Board to oversee the activities of a newly established Trust for Cultural Development Account. By law, the Secretary of State was to provide the staff support to the Trust for Cultural Development Board. The Legislature provided \$1.1 million to the Secretary of State for these purposes: \$300,000 and 2.0 FTE for staff support to the Board, and \$800,000 for the Board to provide grants for cultural purposes.

The Trust for Cultural Development Account, within the Executive Office, was reduced by \$314,448 General Fund based on special session actions during the interim. In future budgets, including the budget for the 2003-05 biennium, administrative funding for the Trust for Cultural Development Board was intended to shift from General Fund to Other Funds.

Legislatively Adopted Budget

The legislatively adopted budget for the Executive Office phased out funding for the Oregon Cultural Trust Board and established a separate Oregon Cultural Trust Division within the agency. Subsequent legislation passed by the 2003 Legislature (SB 931) transferred the staffing and management of the Board from the Secretary of State to the Economic and Community Development Department. The adopted budget also phased out General Fund for redistricting costs, and for an audit of the Deschutes County Juvenile Justice project. The Legislature reduced the budget for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. The Legislature also approved transfer of support from General Fund to Other Funds to better reflect the Secretary of State's revenue structure.

SOS – Archives Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	3,269,087	3,351,100	3,759,808	3,416,985
Other Funds	796,752	1,561,816	1,754,522	1,809,644
Federal Funds	0	1	1	1
Nonlimited	0	99,288	102,580	102,580
Total	4,065,839	5,012,205	5,616,911	5,329,210
FTE	21.92	23.17	23.17	22.00

Program Description

The Archives Division stores public records and protects and provides public access to Oregon's documentary heritage. The Division also gives records management advice and assistance to state and local agencies and publishes the state's administrative rules. Services are provided by its Reference, Records Management, State Records Center, and Publications units.

Revenue Sources and Relationships

The Other Funds revenue is from the sale of annual Oregon Administrative Rules Compilation (\$600 each); the monthly Oregon Bulletin (\$150/year) which provides monthly updates to the Compilation; and the Oregon Blue Book (\$18 each). The Division also assesses other state agencies for records they have stored at the State Records Center. Miscellaneous receipts for document copies are expected to generate an additional \$90,000. The Federal Funds expenditure limitation is a placeholder for possible receipt of funds from the National Historical Publications and Records Commission. A small amount of Nonlimited Other Funds is received from charges for copies.

Budget Environment

Reference activities are driven by demand for services. Automation has enabled customers to do much of their own research. Staff responsibilities have shifted to help customers exchange information and structure requests for services to insure prompt, accurate responses. Records Management and State Records Center activities are driven by government demand for records retention and disposal services. The Publications Unit publishes the Oregon Blue Book biannually, and publishes updates to Oregon administrative rules as they are adopted by various agencies.

The Archives Division budget was reduced by \$238,800 General Fund based on special session actions during the interim.

Legislatively Adopted Budget

The legislatively adopted budget for the Archives Division restores the two Records Manager positions eliminated during the 2002 special sessions and shifts the funding for these positions from General Fund to Other Funds. The Legislature reduced the budget for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. Two vacant positions (1.17 FTE) were eliminated.

SOS – Audits Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	0	0	50,000
Other Funds	11,152,516	12,631,253	13,810,200	12,723,460
Total	11,152,516	12,631,253	13,810,200	12,773,460
FTE	78.00	78.00	78.00	76.00

Program Description

The Audits Division was created to carry out the Secretary's constitutional duties as auditor of public accounts to assure that public funds are properly accounted for and spent in accordance to legal requirements. The Division performs, or contracts for, financial and compliance audits and performance audits of state agencies.

Revenue Sources and Relationships

The law requires the Division to recover its costs for the audits from the agencies. Most state agencies pay for audits through a biennial assessment based on an analysis of audit risk and resources needed to audit that risk. Certain state agencies, whose operations are predominately funded with dedicated trust funds (e.g., Department of Transportation and Public Employees Retirement System), are billed directly for audit costs. The Division expects these assessments and billings to approximate \$16.4 million for the biennium. The Division estimates that it will receive \$258,500 in filing fees from about 1,700 municipal corporations for the audit reports that are statutorily required to be filed with the Secretary of State.

Budget Environment

As the constitutional auditor of public accounts, the Secretary of State does not have to compete with private sector auditors and is able to recover all of its costs through assessments and billings. Agencies may not challenge their assessments or billings, nor can they choose not to be audited by the Secretary of State. The Audits Division budget is affected only by legislative action on its budget request.

Legislatively Adopted Budget

The legislatively adopted budget reflects adjustments for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. Also, two vacant positions (2.0 FTE) were eliminated. The \$50,000 General Fund is for the Division to contract for an audit of the Pharmacy Benefit Administrator of the Oregon Health Plan.

SOS – Business Services Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	500,164	576,977	615,498	319,614
Other Funds	1,446,642	1,923,341	2,103,517	2,182,259
Total	1,946,806	2,500,318	2,719,015	2,501,873
FTE	16.00	17.00	17.00	16.00

Program Description

The Business Services Division provides administrative support services for the other divisions of the Office of the Secretary of State. Activities performed by the Division include accounting, budgeting, cashing, payroll, purchasing, contract administration, safety and risk management, fixed assets, and inventory control. The Division previously provided data processing and personnel support services which are now provided by the Information Systems Division and Personnel Resources Division, respectively.

Revenue Sources and Relationships

The Other Funds consist of revenue transfers from other agency divisions served by the Business Services Division. The transfers are based on estimates of the number of accounting entries, full-time equivalent positions, and time spent by Division staff on each of the divisions.

Budget Environment

The Business Services Division's budget reflects the activities of the other divisions. As workload demands fluctuate in other divisions, the demand for services from the Business Services Division would fluctuate in a like manner. Some examples would be the Election Division final filing days, Corporation and Business Registry filings, Archives Administrative Rule Bulletin sales, Blue Book sales, changes in statutes, and technology upgrades.

Legislatively Adopted Budget

The legislatively adopted budget includes adjustments for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. Also, one vacant position (1.0 FTE) was eliminated. Additionally, the budget was reduced by \$250,000 General Fund, which was offset by an increase in Other Funds expenditure limitation for the Division to use its Other Funds cash balance.

SOS – Corporations Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	6,440,626	6,500,162	6,983,297	6,485,172
FTE	44.50	42.50	42.50	40.50

Program Description

The Corporation Division is responsible for three major programs: 1) Business Registry - the filing of business names; 2) Uniform Commercial Code - the filing of secured transactions; and 3) Notary Public - commissioning and regulating notaries.

Revenue Sources and Relationships

The Other Funds revenue comes from business filings, secured transactions, and notary public fees. The 1999 Legislature, through HB 2212, reduced and simplified business registration fees to be more in line with the actual costs of operating the Division. The new fees became effective July 1, 2001 and, as a result, the Division will no longer transfer approximately \$10.6 million per biennium to the General Fund. The Division estimates total revenues of about \$14.8 million for the 2003-05 biennium.

Budget Environment

Business activity drives both the revenues and costs of the Division. The Division processes an average of 27,000 documents per month for its three major programs. Automation and electronic access to documents has allowed the Division to continue to process these documents and make them available to the public without increased staff. Increased use of the Internet to access documents has reduced the Division's collections for search services and document copies.

Legislatively Adopted Budget

The legislatively adopted budget reflects adjustments for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. Two vacant positions (2.0 FTE) were eliminated.

SOS – Elections Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	7,246,355	5,635,047	4,095,289	5,058,249
Federal Funds	0	0	0	7,320,990
Nonlimited	42,641	67,390	69,748	69,748
Total	7,288,996	5,702,437	4,165,037	12,448,987
FTE	15.00	15.00	16.00	15.00

Program Description

The Elections Division administers the state's elections laws, investigates election law violations, and enforces applicable laws; receives for filing all documents related to state elections; publishes statewide voter's pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions.

Revenue Sources and Relationships

The Other Funds revenue includes charges for copies of documents and special forms; providing telecommunication capabilities; and charges to County Clerks for election materials and supplies. The Division estimates these revenues at nearly \$70,000 for the biennium. Voters' pamphlet and elections filing fees are not revenues to the Division because they are deposited into the General Fund. The Division expects to transfer \$320,000 to the General Fund during the 2003-05 biennium. The Division received \$7.4 million Federal Funds to strengthen elections practices under the Help America Vote Act.

Budget Environment

The Division must deal with ballot measures, elections, election litigation, and the voters' pamphlet in an open and responsive manner. The number of ballot measures qualifying for the general election and the comments in support of or against the various measures directly affects the size and cost of the voters' pamphlet. Other external factors that affect this Division's costs include legal challenges to ballot measures and election results. The Division's 2001-03 budget was reduced by \$367,900 General Fund during the 2002 special sessions for a reduction in voter's pamphlet costs. During the interim, the Division received a General Fund allocation of \$1,368,689 for costs associated with the September 2002 special election.

Legislatively Adopted Budget

The legislatively adopted budget includes adjustments for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. The Legislature did not approve a requested position. The budget includes a \$1.5 million General Fund special purpose appropriation to the Emergency Board for the costs of a special election held in September 2003 authorizing the sale of pension bonds (HJR 18 and HB 2651). The Legislature also approved the expenditure of \$7.3 million Federal Funds received under the Help America Vote Act to strengthen elections practices statewide.

The Secretary's proposed budget for 2003-05 contained a package to reduce the Election Division's resources by \$1.8 million, based on roll-up of HB 5100 (2002 fifth special session) reductions. The reduction was understood to eliminate General Fund for the voters' pamphlet. At the same time, the Secretary pre-session filed SB 139 to provide for fee-based Other Funds to cover the Secretary's various elections functions and duties, including the voters' pamphlet. The Secretary's legislatively adopted budget incorporated the reduction package and provided Other Funds limitation for the Elections Division for the voters' pamphlet, subject to enactment of SB 139. Although adopted by the Senate in amended form, SB 139 did not reach a floor vote in the House. The net effect was no funding included in the adopted budget for costs associated with producing the state's voters' pamphlets.

SOS – Information Systems Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	755,576	1,146,090	1,679,160	1,057,112
Other Funds	3,832,960	5,842,315	6,945,733	6,226,628
Total	4,588,536	6,988,405	8,624,893	7,283,740
FTE	17.00	22.00	25.00	22.00

Program Description

The Information Systems Division provides centralized information technology services to the various divisions and offices of the Secretary of State. It is responsible for database administration, Internet development, and application development and maintenance.

Revenue Sources and Relationships

The Other Funds revenue comes from revenue transfers from other divisions within the agency. These transfers are based on estimates of FTE, Netware users, network connections, desktops, laptops, workstations, peripheral devices, and database services that it supports.

Budget Environment

The Information Systems Division's budget reflects the activities of the other divisions. The needs of these other divisions determine the priorities, projects, and services of the Information Systems Division.

Legislatively Adopted Budget

The legislatively adopted budget provides funding for a variety of technology projects and software maintenance. It includes adjustments for the statewide salary freeze, reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. The Legislature did not approve three requested positions due to budgetary constraints.

SOS – Personnel Resources Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	66,125	90,251	102,516	50,721
Other Funds	269,908	333,300	386,914	423,294
Total	336,033	423,551	489,430	474,015
FTE	3.00	3.00	3.00	3.00

Program Description

The Personnel Resources Division provides human resource services for the other divisions and offices of the Secretary of State. Operations of the Division were previously budgeted and accounted for in the Business Services Division.

Revenue Sources and Relationships

The Other Funds revenue comes from revenue transfers from other divisions within the agency. The transfers are based on the distribution of positions throughout the Office of the Secretary of State.

Budget Environment

The Personnel Resources Division's budget reflects the activities of the other divisions within the agency.

Legislatively Adopted Budget

The legislatively adopted budget reflects adjustments for reduced PERS employer contribution rates, reduced costs of goods and services, and reductions in government service charges. The Legislature reduced the General Fund by \$50,000 and approved the use of the Division's existing Other Funds cash balance to offset the General Fund reduction.

SOS – Cultural Trust Division

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	0	0	552,008	484,349
FTE	0.00	0.00	2.00	2.00

Program Description

The 2001 Legislature created the Trust for Cultural Development and placed the Trust within the responsibilities of the Secretary of State. The Cultural Trust raises funds to support culture and arts in Oregon. During the 2001-03 biennium, these responsibilities were placed within the Executive Office of the agency. The Secretary of State now proposes a separate division to conduct these responsibilities.

Revenue Sources and Relationships

HB 2923 and HB 5014 (2001) provided one-time General Fund for the start-up phase of the Cultural Trust while the program established itself. The Cultural Trust is designed to operate from a percentage of the donations received. The legislation also created a tax credit for amounts contributed to the Trust for Cultural Development Account and cultural organizations. Proceeds from the sale of some state owned property would also be deposited into the account.

Budget Environment

The Cultural Trust Division budget is determined by the amount of donations received and the funding available for distribution for cultural development, community cultural participation, and core partner agencies.

Legislatively Adopted Budget

The legislatively adopted budget shifts funding for the Cultural Trust from General Fund to Other Funds as was intended in the enabling legislation. The budget includes funding for two positions and associated services and supplies expenditures. It also includes adjustments for the statewide salary freeze, reduced costs of goods and services, and reductions in government service charges.

With the passage of SB 931, the Legislature approved the transfer of this function to the Arts Program of the Economic and Community Development Department (OECDD). The Secretary of State is to transfer personnel and funds to the Economic and Community Development Department early in the 2003-05 biennium. OECDD received Other Funds expenditure limitation and authorization to establish two permanent full-time positions.

Treasurer of State (Treasurer) – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	101,136	272,291	0	0
Other Funds	16,020,959	18,609,143	19,895,846	18,486,357
Nonlimited	3,855,786	4,500,000	5,530,000	5,530,000
Total	19,977,881	23,381,434	25,425,846	24,016,357
FTE	76.38	78.25	78.00	74.60

The Treasurer of State acts as the “banker” for all state agencies by maintaining their accounts and by investing their funds (Trust Funds, constitutional bond funds, and any funds not necessary to meet current expenditure demands). The Treasurer coordinates and approves state bond sales, acts as collateral pool manager for the state’s largest banks, and pays on bonds submitted by bondholders. Additionally, the Treasurer invests excess funds for local governments. The Treasurer is also responsible for administration of the Oregon Qualified Tuition Savings Program.

Treasurer – Treasury Operations

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	0	10,195	0	0
Other Funds	16,020,959	18,436,856	19,500,840	17,108,145
Nonlimited	3,855,786	4,500,000	5,530,000	5,530,000
Total	19,876,745	22,947,051	25,030,840	22,638,145
FTE	76.00	77.00	76.00	72.60

Program Description

Treasury Operations are organized into five operating sections: *Investment* invests the state held funds; *Oregon Short Term Fund* invests state and local funds held in the short term fund; *Finance* provides banking services for all state agencies; *Debt Management* coordinates and approves issuance of state agency bonds; and *Collateral Pool* assures that public funds held in financial institutions are properly collateralized and acts as pool manager for the four largest Oregon banks.

Revenue Sources and Relationships

Other Funds consist of revenue from a charge on investments managed (up to 0.435 of one percent), estimated to be \$14.5 million; charges to banks that use the Treasurer as a collateral pool manager, estimated at \$183,000; charges to state agencies for bond and coupon redemption on outstanding general obligation bonds and to state agencies and municipalities for bond issuance costs, estimated at \$2.7 million; and charges to state agencies for banking services and to state agencies and municipalities for bond issuance costs, estimated at \$2.3 million. The Treasurer also estimates Nonlimited revenues of \$2.7 million which are the result of direct pass-throughs of certain banking charges incurred for its customers. The Treasurer also incurs approximately \$2.8 million of Nonlimited expenditures for investment charges paid from investment earnings.

Budget Environment

The budget is driven by the number and complexity of financial transactions, the complexity and diversity of investments, the number and kinds of bond transactions, and the number of programs operated out of the Treasurer’s Office. The Oregon Public Employees Retirement Fund (OPERF), State Accident Insurance Fund (SAIF), Oregon Short Term Fund, and Common School Fund account for most of the Treasurer’s investment activity. Generally, growth of these funds has increased Treasurer investment costs and revenues. The Treasurer relies heavily on automation to service this growth without a corresponding growth in personnel.

Legislatively Adopted Budget

The legislatively adopted budget makes no significant changes in Treasury Operations. It phased out the General Fund provided in 2001 for a statutory salary adjustment for the Treasurer of State. The original budget request reflected one less position that was eliminated as part of a reallocation of workload and job classifications. During budget hearings, the Treasurer proposed to eliminate three vacant positions (3.0 FTE) and reduce another position to part time by 0.4 FTE. The Treasurer also proposed a reallocation of costs

between Treasury Operations and the Qualified Tuition Savings Program to better reflect the actual administrative costs of both programs. The Legislature adopted the Treasurer’s proposals and made additional adjustments for the statewide salary freeze, reduced employer PERS contribution rates, and reduced costs of goods and services and government agency charges. The adjustments resulted in a reduction of \$2.4 million Other Funds expenditure limitation from the original budget request and \$1.3 million from the 2001-03 legislatively approved expenditure limitation. These savings were largely offset by the expected increase in Nonlimited Other Funds costs of banking service charges and investment service charges that are passed through directly to state agencies. However, in aggregate, state agencies’ treasury costs will remain at about the same level as in the 2001-03 biennium.

Treasurer – Qualified Tuition Savings Program

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	101,136	262,096	0	0
Other Funds	0	172,287	395,006	1,378,212
Total	101,136	434,383	395,006	1,378,212
FTE	0.38	1.25	2.00	2.00

Program Description

The Oregon Qualified Tuition Savings Program administers a savings program designed to encourage persons to set aside money for future educational costs. The Oregon Qualified Tuition Savings Board, which is chaired by the Treasurer of State, establishes policies and oversees the Program. Participants have a variety of investment options to choose from. Earnings on the investments are exempt from income taxes if used for qualified educational expenses when withdrawn. Although administered by the Treasurer, participant enrollment, investment management, and participant support is provided by third party contractors.

Revenue Sources and Relationships

The Program originally was funded with advances from the General Fund. The Program receives Other Funds from an annual assessment on plan assets of 10 basis points (0.10 percent). It also will receive \$500,000 annually from contract service providers for marketing, auditing, and other board-related expenses. During the 2001-03 biennium, the Program had grown in size to the point that the annual assessment was sufficient to cover the Treasurer’s administrative costs. The Program expects to repay the General Fund advances (\$263,000) by the end of calendar year 2005.

Budget Environment

The Program was initiated during the 1999-01 biennium and has 16,000 participant accounts amounting to \$62 million. The Treasurer expects the Program to continue to grow during the 2003-05 biennium.

Legislatively Adopted Budget

The legislatively adopted budget is commensurate with the Program’s growth. It reflects reductions that were made for the statewide salary freeze, reduced employer PERS contribution rates, and reduced costs of goods and services and government agency charges. It continues actions taken by the Emergency Board to increase staffing to two full-time positions and increased expenditure authority in response to additional activities conducted by the Program’s Board. The budget also was increased in response to the Treasurer’s proposed reallocation of overhead costs and to reflect additional marketing expenses.

Commission for Women – Agency Totals

	1999-2001 Actual	2001-03 Legislatively Approved	2003-05 Governor's Recommended	2003-05 Legislatively Adopted
General Fund	127,450	125,420	171,339	0
Other Funds	60,205	822,581	149,374	1,136,003
Federal Funds	1,400	0	0	0
Total	189,055	948,001	320,713	1,136,003
FTE	1.00	2.80	1.26	3.00

Program Description

The Commission for Women was established by statute in 1983 to work toward economic, social, legal, and political equality for women in Oregon. The Commission does this by identifying, analyzing, monitoring, and evaluating legal and other issues confronting women, by sponsoring forums on women's issues, and by engaging in legislative advocacy. During the 2001-03 biennium, the Commission began administering the AmeriCorps Communities in Partnership to Stop Violence Against Women and Children program.

Revenue Sources and Relationships

The Commission has no dedicated source of Other Funds, and generates Other Funds revenue through grants, contracts, and publication sales, and from its annual Women of Achievement dinner. These funds help the Commission conduct educational forums and special studies, produce publications, and otherwise carry out its mandated functions. During the 2001-03 biennium, the agency will receive Other Funds of approximately \$10,086 from grants to sponsor seminars on menopause and related health issues, approximately \$36,000 from hosting the annual Women of Achievement Dinner (\$24,000 will cover the costs associated with the dinner and the remaining \$12,000 will be available for other agency expenses), and approximately \$18,000 from grants to publish its newsletter, Women and Finance Seminars, and its *Women and the Law* book. Starting in 2001, the Commission also received funding from a federal AmeriCorps grant to administer the Communities in Partnership to Stop Violence Against Women and Children program. This program provides attorneys, paralegals, educators, and advocates to assist domestic violence victims. Because the grant monies are passed through the budget of the Oregon Housing and Community Services Department, they are received as Other Funds. The current grant, which expires in September 2003, will provide approximately \$650,000 during the 2001-03 biennium and approximately \$63,000 in 2003-05.

Budget Environment

The agency's general operating expenses were primarily supported by the General Fund. The budget approved during the regular 2001 legislative session provided sufficient General Fund to allow the Commission to operate at its then current service level. The bulk of the Commission's General Fund is used to pay the salary and benefits of the agency's one employee, and to pay state government service charges. The Legislature has for several biennia worked to provide incentives for the Commission to raise private donations and grants. The Commission was projected to raise over \$64,000 in donations and sales income in the 2001-03 biennium.

The viability of the Commission is being challenged by the state's General Fund revenue shortfall. During the 2003 session, the Legislature suspended General Fund support for commission expenses, effective April 1, 2003, as part of efforts to rebalance the state budget after the March 2003 Economic and Revenue Forecast projected a further decline in General Fund revenue. The Commission, however, has used its Other Funds to retain its Executive Director and continue operations. The 2001-03 legislatively approved budget included \$14,200 General Fund to pay costs relating to the funding suspension, including unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support. These funds were not spent, however, because the Commission remained in operation.

Legislatively Adopted Budget

The legislatively adopted budget suspends General Fund support for the Commission for the 2003-05 biennium. The Governor's budget had included General Fund to support ongoing Commission costs. Funding cuts made to the agency's budget in the 2002 fifth special session and by allotment reduction had been restored in his budget. The Legislature shifted the \$171,339 General Fund in the Governor's budget to Other Funds, and then applied adjustments to eliminate support for merit increases, cost of living adjustments, and inflation. The budget also includes adjustments to reflect revisions in state government service charge assessments. The Other Funds expenditure limitation was increased by \$827,500, and two positions (1.74 FTE) were added, to allow for

continued administration of the AmeriCorps Communities in Partnership to Stop Violence Against Women and Children grant, which was extended by the Federal government. The budget also includes one position (1.0 FTE) for the Commission to employ an Executive Director.

The source of Other Funds is to include the AmeriCorps grant, and other donations, grants, contract funds, and sales income. The Commission is working to raise funds to continue operations. It remains uncertain whether the Commission will be able to raise enough funds to operate for the entire biennium. The Legislature appropriated \$22,000 General Fund to the Department of Administrative Services to pay ongoing costs relating to the shutdown of the advocacy commissions (i.e., Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women). A portion of these funds may be used, if needed, to pay unemployment insurance benefits, vacation payoff, and other costs related to the elimination of General Fund support for the Commission for Women. Total shutdown-related costs for the four commissions may total as much as \$75,000, and will primarily be a function of unemployment insurance benefit claims and of whether the Commission for Women suspends operations. If total shutdown-related costs exceed \$22,000, the Department of Administrative Services may request an allocation from the Emergency Board to pay them.