

# ECONOMIC AND COMMUNITY DEVELOPMENT

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## County Fairs – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Lottery Funds	3,061,250	2,530,173	3,330,656	3,344,827
<b>Total Funds</b>	<b>3,061,250</b>	<b>2,530,173</b>	<b>3,330,656</b>	<b>3,344,827</b>

### Agency Overview

County Fairs are provided state support as a pass-through by the Department of Administrative Services for financial assistance related to county fair activities. State funding is overseen by the County Fair Commission which distributes monies each January in equal shares to county fairs.

### Revenue Sources and Relationships

For the 1997-99 and 1999-2001 biennia, the Legislature provided \$3 million General Fund for support of county fairs. The 2001 Legislature shifted County Fair funding to Lottery Funds for 2001-03 and future biennia with the passage of HB 3530 (2001). This bill allocates 1% of the net proceeds of the lottery to the County Fair Account, but not to exceed \$1.55 million per year, adjusted biennially by the change in the Consumer Price Index and directs that County Fair funds are distributed on an equal share basis to each county.

### Budget Environment

The Governor's 2003-05 budget included \$3,167,100 Lottery Funds funding for county fairs in the Department of Agriculture budget. The 2003 Legislature reduced this amount to \$2,530,173 and transferred the funding to the Department of Administrative Services (DAS) for pass through to county fairs. The Legislature determined that county fair funding would be better placed in the DAS budget since most other state Lottery pass through funding resides in the DAS budget. The statutorily required distribution of net Lottery proceeds was also reduced to reflect this lower funding.

### Legislatively Adopted Budget

The legislatively adopted budget includes \$3,344,827 Lottery Funds for county fairs in the DAS budget. The DAS budget total has been reduced by this amount to reflect the separate treatment of County Fair funding for purposes of this document.

## Economic and Community Development Department (OECD) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	2,324,751	1,168,674	1,284,569	1,268,049
Lottery Funds	64,600,459	74,198,242	104,841,115	91,009,479
Lottery Funds Limitation	8,061,414	9,094,878	4,996,782	** 12,308,780
Other Funds	39,104,753	32,135,133	38,040,477	39,971,027
Federal Funds	35,525,030	36,862,390	36,067,899	36,037,984
Other Funds (NL)	146,539,302	* 197,030,302	303,105,231	287,806,566
<b>Total Funds</b>	<b>\$296,155,709</b>	<b>\$350,489,619</b>	<b>\$488,336,073</b>	<b>468,401,885</b>
Positions	152	116	114	116.00
FTE	148.10	116.39	113.00	115.00

\* The ORBITS report includes \$36,805,382 in nonlimited Other Funds that reflects the receipt of replacement Other Funds from the refunding of lottery-backed bonds. The agency did not receive additional bond proceeds from this refunding. However, refunding resulted in a reduction in the Lottery Funds debt service on these bonds. The increase in Lottery Funds reflects a combination of this reduction and the biennialized rollup of debt service on infrastructure bonding authority.

\*\* This number includes \$3.35 million in excess limitation from an error in the budget bill. The Department of Administrative Services has been requested to unschedule this excess limitation.

### Agency Overview

The Oregon Economic and Community Development Department (OECD) provides economic and community development and cultural enhancement throughout the state, and administers programs that aid businesses and communities. The Economic and Community Development Department receives General Fund, Lottery Funds, Federal Funds, and Other Funds primarily from the Oregon Bond Bank and other bonding programs, and uses the funds to provide grants, loans, and direct and contract services. Program focuses include regional and rural development, business and industry development, and ports.

The 1997 Legislative Assembly directed that Oregon's economic development system be redesigned to meet the changing economy in Oregon, to provide flexibility in funding statewide and regional needs, and to focus on funding economic and community development services for rural and distressed communities. The Economic and Community Development Commission was provided with the authority to distribute funds within the Community Development Fund, subject to performance-based contracts. The 2005 Legislature removed the Small Business Development Center Network and Minority, Women and Small Business development services from the oversight of Commission, increased funding for these programs, and directed the agency to work with the Joint Legislative Audit Committee on establishing performance outcomes for these programs.

The Department has six budgetary divisions:

- The *Operations* program provides overall policy direction, service delivery, and program support, including ports and international trade staff support.
- The *Community Development Fund* includes state and federal funds that support the Department's grants, loans, and contracted services for communities, businesses, ports, and regional economic development boards.
- *Lottery Funds Debt Service* is used exclusively for debt service on lottery bonds.
- The *Tourism Commission* promotes Oregon and helps create jobs in tourism-related industries. The 2003 Legislature shifted Tourism Commission expenses from state funding to the transient occupancy tax. Budgetary oversight by OECD will occur only if the state allocates resources to the Commission.
- The *Film and Video Office* develops the film and video industry in Oregon.
- The *Oregon Arts Commission* fosters the arts and cultural development in Oregon.

### Budget Environment

OECD provides administrative support to the Arts Commission and distributes funds to the semi-privatized Oregon Film and Video Office.

The workload of the agency is driven by the economic and community development needs of Oregon's communities. This includes assisting communities to meet needs for clean water and wastewater disposal and for other public infrastructure, including community facilities and ports, and provides support for community-identified economic and community development programs. The 1999 Legislature approved \$45 million in

lottery bonds for infrastructure for this effort and the 2001 Legislature approved lottery-backed bonding authority of \$181.1 million for various community infrastructure development projects, Columbia River channel deepening, and the Joseph Branch Railroad. A portion of the \$181.1 million in bonds was scheduled for sale in early May 2003. This sale was deferred by the 2003 Legislature, and \$64.7 million of this infrastructure and Columbia Channel deepening bonding authority from the 2001-03 biennium was issued in the 2003-05 biennium. The 2003 Legislature also authorized \$4 million in bonding authority for small ports. The 2005 Legislature added \$45 million in lottery-bond authority to develop industrial land sites.

The 2003 Legislature directed the agency to focus its efforts on the primary goal of assisting business to create new jobs and retain existing jobs. The agency was directed by budget note to report to the Emergency Board on the use of the Strategic Reserve fund, including planned and actual outcomes. The 2005 Legislature added \$7 million in Lottery Funds for an Innovation Economy initiative and added staff to support this initiative.

The 2003-05 budget reflected actions taken by the Economic and Community Development Department to streamline its operations and to refocus its efforts towards the primary goal of assisting businesses to create new jobs and retain existing jobs. The total reduction resulting from this effort was \$27 million and 10.62 FTE. The Department has committed to a level of job creation and retention for its core programs based on this internal restructuring, and reported on the outcome of this plan to the 2005 Legislature. The 2005 Legislature maintained agency staffing at the 2003-05 level.

### **Legislatively Adopted Budget**

The 2005-07 legislatively adopted budget provides \$468.4 million total funds and 115.00 FTE. This represents an increase of \$117.9 million (34%) above the 2003-05 legislatively approved budget. Most of this increase (\$90.8 million) is in Nonlimited Other Funds, from increased bond activity and from \$45 million in lottery-bond authority for industrial land sites that was approved by the 2005 Legislature.

The budget reflects a 3% reduction to services and supplies and statewide adjustments to state government service charges, the Attorney General rate, and the Public Employees Retirement System (PERS) rate. Adjustments to Other and Federal Funds include standard adjustments for inflation, salary and benefit costs, and state government service charges, and \$824,406 in reduced Federal Funds revenues. Adjustments to Nonlimited Other Funds reflect increased bonding and loan repayments in the various revolving loan programs.

The 2005 Legislature made specific adjustments to the programs, services, Economic Development Commission responsibility, and program funding levels, as outlined below:

- Reduced the Strategic Reserve Fund by \$2.75 million and eliminated \$600,000 in funding for Community Assistance Grants. This left the Commission with a net Strategic Reserve Fund allocation plan of \$5.6 million, as compared to a \$10.2 million allocation for the 2003-05 biennium. The Legislature increased the Lottery Funds expenditure limitation by \$3.35 million for allocation for the Strategic Reserve Fund based on a revenue "trigger". This funding will be "triggered" in Fiscal Year 2006 if the net Department of Administrative Services Economic Development Fund (Lottery Funds) revenue exceeds the end of session forecast. If this allocation is made, the total funding available for the Strategic Reserve Fund will be \$8.99 million.
- Established dedicated line item funding of \$3.3 million for the Small Business Development Center Network (SBDC). This action transferred SBDC from the contractual oversight of the Economic Development Commission, and was an increase of \$1.1 million to the funding planned by the Commission. A budget note directed the Economic Development Commission to establish a performance contract with the SBDC that defines the job creation and retention outcomes that will be achieved based on the funding level provided in the line item allocation. The Commission will report to the Joint Legislative Audit Committee on the outcomes.
- Established dedicated line item funding of \$1.5 million for business development services for minority, women and small businesses development services. This action transferred these services from the contractual oversight of the Economic Development Commission, and was an increase of \$600,000 to the funding planned by the Commission. A budget note directed the Economic Development Commission to

establish a performance contract for minority, women and small businesses development services that defines the job creation and retention outcomes that will be achieved based on the funding level provided in the line item allocation. The Commission will report to the Joint Legislative Audit Committee on the outcomes.

- Reduced the corpus of the Oregon Development Fund to reflect the establishment of separate line items for small business services, including SBDC and minority and women business services. This reduction included an unspecified reduction of \$1.7 million to reflect the increased funding for the line item allocations, which will require reductions to industry sector outreach and business recruitment and retention services.

Specific budget details are discussed under each program unit.

## OECD – Operations

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Lottery Funds	14,971,959	14,898,191	15,538,578	15,560,783
Lottery Funds Limitation	35,000	289,001	464,534	464,534
Other Funds	7,678,876	7,915,833	8,612,053	8,465,100
Federal Funds	1,180,429	1,531,746	1,462,948	1,435,304
<b>Total Funds</b>	<b>\$23,866,264</b>	<b>\$24,634,771</b>	<b>\$26,078,113</b>	<b>\$25,925,721</b>
Positions	136	108	106	107
FTE	133.10	107.38	106.00	107.00

### Program Description

The Director of the Economic and Community Development Department is appointed by the Governor and confirmed by the Senate. Operations includes the Office of the Director; Program Support that includes fiscal services, employee services, and information services; and Program Delivery that includes Business and Industry Services, Community Development, International Services, and Finance Services.

*Program Support* provides administrative support to the agency and its allied boards and commissions in the areas of fiscal and personnel management, information processing, research and communications, staff support, and policy development.

*Program Delivery* provides assistance to Oregon businesses and industry sectors and focuses on job creation and retention. Services also include infrastructure and business development planning and financial assistance for Oregon's communities and 23 ports, as well as the distribution of federal block grants, other Federal Funds, and lottery-backed loans and grants for infrastructure (e.g., water, sewer, telecommunications, and roads), public works, and business and industry development activities. The Department participates in the Economic Revitalization Team effort (formerly the Community Solutions Team) to coordinate the delivery of state services. The Program Delivery section also includes International Services, which provides staff and services in foreign markets including offices in Japan and Taiwan, and contracted services in other countries, including Korea, the United Kingdom, China, and Mexico.

### Revenue Sources and Relationships

Estimated revenues for 2005-07 include: \$15.6 million in Lottery Funds, \$1.4 million in Federal Funds for administration of federal programs and the Community Development Block Grant program, and \$8.5 million in Other Funds from interest earnings and loan repayments, and from the Safe Drinking Water Revolving Loan Fund that is administered by the Department.

### Budget Environment

Community and regional needs and the needs of businesses and industry drive the workload. External forces, including changes in Oregon's economy, have a direct impact on the workload. Workload is also affected by changes in organization and staffing. The revisions to the budget structure and the change in direction and responsibility of the Economic and Community Development Commission have a major impact on staff workload, as does the additional workload generated by the Safe Drinking Water Revolving Loan program and the expanded infrastructure program. The 2001 Legislature added 4.26 FTE above the 1999-2001 estimated

staffing level to handle the workload generated by the additional Lottery bonds for infrastructure that was approved by the 1999 Legislature. The 2003 Legislature deferred \$64.7 million of infrastructure and Columbia Channel deepening bonding authority from the 2001-03 biennium into the 2003-05 biennium, and authorized \$4 million in bonding authority for small ports.

The 2003 Legislature approved a budget of \$24.5 million total funds and 107.38 FTE for Operations, which was a reduction of \$4.6 million and 8.87 FTE from the Governor’s budget. The budget was reduced by \$660,876 Lottery Funds, \$1,980,451 Other Funds, and \$1,279,521 Federal Funds, of which \$3.6 million reflected reductions from streamlining service delivery based on the internal refocus of activities.

The 2005 Legislature authorized \$45 million in Lottery backed bonds for industrial lands infrastructure but did not add staff for this activity. The Legislature added 1 position to support the Innovation Economy program.

### Legislatively Adopted Budget

The 2005 Legislature approved a budget of \$25.9 million total funds and 107.00 FTE for Operations, which is an increase of \$1.3 million (5.2%) above the 2003-05 legislatively approved budget. The budget reflects a 3% reduction to services and supplies and statewide adjustments to state government service charges, the Attorney General rate, and the Public Employees Retirement System (PERS) rate. Adjustments to Other and Federal Funds reflect standard adjustments and a slight reduction in Federal Funds revenues. One position (1.0) FTE and \$280,000 Lottery Funds was added to provide support for the Innovation Economy.

### OECD – Community Development Fund

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
General Fund	316,315			0
Lottery Funds	26,168,235	18,720,154	34,884,473	26,184,473
Lottery Funds Limitation	7,269,187	8,117,964	4,500,143	* 11,200,143
Other Funds	31,071,772	23,389,811	23,951,166	23,951,166
Federal Funds	33,108,570	33,675,944	32,910,538	32,910,538
Other Funds (NL)	146,539,302	197,337,459	303,105,231	287,806,566
<b>Total Funds</b>	<b>\$244,473,381</b>	<b>\$281,241,332</b>	<b>\$399,351,551</b>	<b>\$382,052,886</b>

\* This number includes \$3.35 million in excess limitation from an error in the budget bill. The Department of Administrative Services has been requested to unschedule this excess limitation.

### Program Description

The Community Development Program contains the funding that is allocated by the Economic and Community Development Commission for business and industry opportunities, regional development, community assistance, small business assistance, and ports programs. The program also includes federal resources used to finance local programs and projects. Each federal resource retains its identity for purposes of eligibility and federal reporting, but is considered as part of the Community Development Fund for statewide resource prioritization and allocation. It also includes Other Funds resources used to finance local programs and projects, either through a loan or a grant, and includes Other Funds resources for business finance. Each Other Funds resource retains its identity for purposes of eligibility and reporting, but is considered as part of the Community Development Fund for statewide resource prioritization and allocation.

The 2005 Legislature removed the Small Business Development Center Network and Minority, Women and Small Business development services from the oversight of Commission, increased funding for these programs, and directed the agency to work with the Joint Legislative Audit Committee on establishing performance outcomes for these programs.

### Revenue Sources and Relationships

Oregon Development Program revenues include fees and service charges, interest earnings, loan repayments, federal grant funds, and Nonlimited Other Funds from the sale of program specific revenue bonds and lottery-backed bonds. Nonlimited Other Funds revenue includes \$33.4 million in interest income and \$40.3 million in loan repayments from community and port infrastructure projects and business finance loans. Programs include the Special Public Works Fund, Water/Wastewater Funds, Brownfields Redevelopment Fund, and Port Revolving Fund for the investment of proceeds from lottery-backed bond sales. Other Funds revenues include \$21.8 million for the Safe Drinking Water Revolving Loan Fund. These are Federal Funds that are transferred to

the department from the Department of Human Services. Lottery Funds carryover represents unspent lottery allocations from prior biennia, generally for projects begun but not yet completed in the current biennium, which are carried forward for expenditure.

**Budget Environment**

The 1999 Legislature approved a total lottery funded bond limit of \$45 million. The 2001 Legislature approved \$181.1 million in bonding authority. A portion of the \$181.1 million in bonds was scheduled for sale in early May 2003. This sale was deferred by the 2003 Legislature, and \$64.7 million of this infrastructure and Columbia Channel deepening bonding authority from the 2001-03 biennium was issued in the 2003-05 biennium. The 2003 Legislature also authorized \$4 million in bonding authority for small ports.

The 2001 Legislature increased bonding authority levels to \$200 million for the Oregon Bond Bank and \$250 million for Industrial Development Revenue Bonds. This bonding authority finances capital projects to benefit businesses and counties through the Special Public Works Fund, the Water/Wastewater Fund, and the Industrial Development Revenue Bond program. The mixture of bond, loan, and grant funds increases OECCDD’s capacity for financing projects. This results in more flexibility in the use of funds for financing activities across programs. The Safe Drinking Water Revolving Loan Fund brings federal resources to this mix.

The 2005 Legislature approved \$45 million in lottery-bonds for industrial lands infrastructure development.

**Legislatively Adopted Budget**

The 2005-07 legislatively adopted budget provides \$382.1 million total funds. This represents an increase of \$100.8 million (35.8%), of which \$90.5 million is in Nonlimited Other Funds, reflecting increased bonding and loan repayments in the various revolving loan programs. The increase includes \$45 million in lottery-backed bond proceeds for brownfields redevelopment and industrial land infrastructure development. The budget also includes \$7 million Lottery Funds for the Innovation Economy and \$150,000 Lottery Funds for the Oregon Science and Technology Partnership. Debt service on lottery-bonds is discussed in the Lottery Debt Service budget unit.

As detailed in the agency summary, the legislatively adopted budget includes line item funding for the Small Business Development Center Network (SBDC) and minority, women, and small business development services. The Economic Development Commission will report to the Joint Legislative Audit Committee on the outcome of performance contracts based on this line item funding. The budget also includes an unspecified \$1.7 million reduction to the remaining programs and services in the Community Development Fund, and a reduction of \$3.35 million to the Strategic Reserve Fund and Community Assistance programs. A revenue trigger will restore these funds in Fiscal Year 2006 if the lottery revenue exceeds the close of session forecast.

Federal Funds are reduced by \$765,406 since several old growth diversification grants are closing out, and Other Funds are increased by \$561,355, which represents the standard inflation adjustment.

**OECCDD – Oregon Tourism Commission**

	<b>2001-03 Actual</b>	<b>2003-05 Legislatively Approved</b>	<b>2005-07 Governor’s Recommended</b>	<b>2005-07 Legislatively Adopted</b>
Lottery Funds	6,059,994	1,261,206	0	0
Other Funds	2,441	0	0	0
<b>Total Funds</b>	<b>\$6,062,435</b>	<b>\$1,261,206</b>	<b>\$0</b>	<b>\$0</b>
Positions	10	0	0	0
FTE	10.00	2.10	0	0.00

**Program Description**

The 2003 Legislature shifted Tourism Commission expenses from state funding to the transient occupancy tax. Budgetary oversight by OECCDD will occur only if the state allocates resources to the Commission. The Tourism Commission is a marketing agency for Oregon’s statewide visitor industry. Tourism produces advertising campaigns, and publishes literature on campgrounds, hotels/motels, and restaurants that are available around the state. The 1995 Legislative Assembly replaced the statutory advisory committee, the Oregon Tourism Council, with the Oregon Tourism Commission. The Commission, which is appointed by the Governor, has policy authority over the tourism function.

## Revenue Sources and Relationships

The primary source of revenue for Tourism is now the transient occupancy tax. Prior to the action by the 2003 Legislature to shift the program onto this tax, the Commission was supported by Lottery Funds. The Commission also receives revenue from publication sales and anticipates increased revenue from its public/private partnership initiative. The program received \$80,000 in Federal Funds from a U. S. Forest Service matching grant to promote tourism.

## Budget Environment

The 2003 Legislature approved funding for one year of operating expenses for the Commission, pending full implementation of HB 2267 (2003). This bill established a state transient lodging tax and dedicated the funds to tourism, including 15% that was dedicated to regional cooperative tourism marketing programs. The bill established the Tourism Commission as a semi-independent state agency, but retained legislative oversight over that portion of the budget funded with Lottery Funds.

## Legislatively Adopted Budget

The 2005-07 legislatively adopted budget represents the phase-out all state funding for the program.

## OECD – Film and Video Office

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Lottery Funds	837,119	821,880	841,605	841,605
<b>Total Funds</b>	<b>\$837,119</b>	<b>\$821,880</b>	<b>\$841,605</b>	<b>\$841,605</b>

## Program Description

The Film and Video Office is a marketing agency for Oregon's statewide promotion of film and television. The 1995 Legislative Assembly authorized the semi-privatization of the Film and Video Office, which provides the program with greater flexibility in marketing activities. The Economic and Community Development Department is responsible for the pass-through of Lottery Funds to the Office. The Office recruits film productions through its marketing efforts, and provides assistance to productions to identify film locations. Services include maintaining a photo library of potential movie and television locations statewide and assisting in film permitting. The Film and Video Office estimates the industry generated \$835 million in economic output and 11,023 jobs in 2000.

## Revenue Sources and Relationships

The Office is supported by Lottery Funds.

## Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$841,605 lottery Funds, which is the current operating level with the standard adjustment for inflation (\$19,725).

## OECD – Arts Commission

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	2,008,436	1,168,674	1,284,569	1,268,049
Other Funds	351,664	829,489	5,477,258	5,597,989
Federal Funds	1,236,031	1,654,700	1,694,413	1,692,142
<b>Total Funds</b>	<b>\$3,596,131</b>	<b>\$3,652,863</b>	<b>\$8,456,240</b>	<b>\$8,558,180</b>
Positions	6	8	8	9
FTE	5.00	6.91	7.00	8.00

## Program Description

The Arts Commission is responsible for making the arts and culture available to all Oregonians by working with other agencies on a variety of initiatives in education, arts, and tourism. The Commission is responsible for a number of activities including: evaluating the impact of arts on Oregon's economy; distributing National Endowment for the Arts (NEA) funding for programs in Oregon; working with the leadership of local arts organizations; conducting assessment and maintenance to protect existing public art and approving new public art; and supporting Oregon's Art in Education program. The Commission coordinates regional efforts and arts

education programs through a network of regional arts councils and collaborates to advance arts education for all students. The Commission became a part of OECDD in 1993.

### Revenue Sources and Relationships

The Arts Commission receives federal NEA funding, General Fund, and Other Funds from the 1% for Arts program and from donations. The 1% for Arts program is a state law which requires that 1% of appropriations to construct or alter certain state buildings must be used for the acquisition of art works. About 65% of the Commission’s funds are used for special payments, which are grants to individuals and non-profit programs that support the goals of the Arts Commission.

### Budget Environment

In addition to its other responsibilities, the Arts Commission cooperates with the Tourism Commission on cultural tourism promotions and activities that draw visitors. The 2003 Legislature transferred the Oregon Cultural Trust, which had been housed in the Secretary of State’s Office in 2001-03, to the Arts Commission effective September 1, 2003. The mission of the Oregon Cultural Trust is to build a new public-private fund to support arts, humanities, and heritage sectors.

The 2003 Legislature funded the Arts Commission at \$3.7 million total funds and 6.91 FTE. The General Fund support for the Commission was reduced to \$1.2 million, which was the minimum funding level required to meet matching funds requirements for federal arts programs. The 2003 Legislature also transferred the Oregon Cultural Trust program and 1.83 FTE support staff from the Secretary of State’s Office to the Arts Commission, with the expectation that the combined programs will result in improved efficiencies and that funds raised for the Trust will help to support the Commission. However, program revenue was not sufficient to support the staffing approved in the transfer.

### Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$8.6 million total funds and 8.00 FTE. This represents an increase of \$4.9 million (134.3%) above the 2003-05 legislatively approved budget. Most of this increase is \$4.6 million in Other Funds limitation from revised estimates of the funds available for grants and administration out of the Cultural Trust Account. The budget also includes \$140,000 and 1.00 FTE to reflect receipt of a Murdock Trust Grant, a 3% reduction to services and supplies, and statewide adjustments to state government service charges, the Attorney General rate, and the Public Employees Retirement System (PERS) rate.

### OECDD – Lottery Debt Service

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
Lottery Funds	16,563,152	38,183,681	53,576,459	48,422,618
Lottery Funds Limitation	757,227	1,001,043	32,105	644,103
Other Funds				1,956,772
<b>Total Funds</b>	<b>\$17,320,379</b>	<b>* \$39,184,724</b>	<b>\$53,608,564</b>	<b>\$51,023,493</b>

*\* The ORBITS report includes \$36,805,382 in nonlimited Other Funds that reflects the receipt of replacement Other Funds from the refunding of lottery-backed bonds. The agency did not receive additional bond proceeds from this refunding. However, refunding resulted in a reduction in the Lottery Funds debt service on these bonds. The increase in Lottery Funds reflects a combination of this reduction and the biennialized rollout of debt service on infrastructure bonding authority.*

### Program Description

This is a budgetary division that receives Lottery Funds and pays the debt service on lottery-backed bonds.

### Revenue Sources and Relationships

The division is supported with Lottery Fund allocations. The budget for this program was increased by \$16.8 million in the 2003-05 biennium to cover the increased debt service cost for the \$181 million in lottery-backed bonding authority authorized by the 2001 Legislature. However, since \$64.7 million of infrastructure and Columbia Channel deepening bonding authority from the 2001-03 biennium was deferred until late in the 2003-05 biennium, and an additional \$4 million in bonding authority was authorized for small ports, the debt service for 2005-07 is expected to increase by an additional \$14.4 million. The actual debt service cost is contingent on several factors, including fluctuations in the interest rate charged for bonds, and whether or not the taxable bonds are sold.

**Legislatively Adopted Budget**

The 2005-07 legislatively adopted budget provides \$51 million total funds. This represents an increase of \$11.8 million (30%) above the legislatively approved budget from rollup costs for debt service on previously authorized infrastructure bonds. The 2005 Legislature authorized the use of \$1.9 million in Other Funds from interest earnings on lottery-bond reserves and proceeds for the debt service on the \$45 million in bonding authority for industrial lands infrastructure.

Total debt service costs are a combination of savings from interest adjustments from refinancing \$36.8 million in existing bonds in the 2003-05 biennium, the debt service savings from the reduction in taxable bonding authority, and the rollup of debt service as current and previously authorized bonds are sold.

## Employment Department (OED) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	1,946,632	3,426,181	3,586,694	3,584,245
Other Funds	87,779,187	108,175,341	104,606,984	103,567,621
Federal Funds	260,744,308	266,335,469	251,666,439	250,290,816
Other Funds (NL)	2,318,336,696	2,117,668,224	1,328,108,136	1,328,108,136
<b>Total Funds</b>	<b>\$2,668,806,823</b>	<b>\$2,495,605,215</b>	<b>\$1,687,968,253</b>	<b>\$1,685,550,818</b>
Positions	1,516	1,525	1,431	1,431
FTE	1,432.03	1,421.51	1,368.54	1,368.12

### Agency Overview

The Employment Department (OED) offers services in five program areas:

- Unemployment Insurance (UI) provides wage replacement income to workers who are unemployed through no fault of their own.
- Business and Employment Services offers job listing and referrals services and career development resources.
- Child Care promotes and regulates the child care industry.
- Workforce and Economic Research coordinates the collection and dissemination of occupational and economic climate data for the state, workforce regions, and counties.
- Office of Administrative Hearings conducts contested cases for approximately 70 state agencies.

### Revenue Sources and Relationships

Sources of Other Funds revenues include:

- The *Oregon UI Trust Fund*, with a balance of more than \$1.1 billion, consists of employer payroll taxes collected by the Employment Department and held by the U.S. Treasury. These funds are designated for unemployment insurance compensation payments to qualified individuals.
- The *Benefit Reserve Trust Fund* was established in 1991 and funded through a temporary surcharge on state payroll taxes (\$234 million). Interest earnings are transferred to the *Supplemental Employment Department Administrative Fund (SEDAF)* to support administrative expenses throughout OED. With the passage of HB 2127 (2005), the Benefit Reserve Trust Fund will be eliminated and a portion (0.09%) of employer taxes will support SEDAF in the future.
- *Reed Act* funds, in the amount of \$98 million, were distributed to OED as Other Funds from the federal Employment Security Administration Account. These funds can be spent over multiple biennia, but only for expenditures relating to UI and Employment Services administration. The legislatively adopted budget expends \$29.7 million, leaving an estimated ending balance of \$38.5 million.
- The *Special Administrative Fund* receives revenues from penalties and interest on delinquent payment of employer taxes. These funds are designated for administrative expenses or other needs as determined by the Director of the Department. The legislatively adopted budget expends \$12.9 million (\$4.3 million from beginning balance and \$8.7 million in new revenues) leaving an estimated ending balance of less than \$5,000.
- The *Fraud Control Fund* is supported by interest earnings on delinquent repayments of UI benefit overpayments and is earmarked for costs associated with the prevention, discovery, and collection of those overpayments. The legislatively adopted budget expends \$2.6 million, leaving an estimated ending balance of \$1.7 million.
- The *JobsPlus Unemployment Fund*, authorized by HB 3441 (2001), was created through a diversion of UI taxes over a two-year period to support subsidized employment opportunities for UI clients. The amount collected through the diversion is insufficient to continue the program through the entire 2005-07 biennium. Proposed legislation to divert additional funding and extend the operations of the program failed to pass. The legislatively adopted budget transfers the estimated unobligated balance of \$2 million to the General Fund.
- The *Child Care Fund* accounts for donations received through the *Child Care Contribution Tax Credit* program. Donors receive tax credits of \$0.75 for each dollar contributed to the Child Care Division, up to \$500,000 total credits each year. The tax credit was established in 2001; however, due to technical issues that were addressed by the 2003 Legislature, OED does not expect the program to be fully implemented until the 2005-07 biennium. The legislatively adopted budget assumes 100% utilization of the tax credit (donations of

\$1.33 million), with an ending balance of approximately \$141,000. The Child Care fund also includes the licensing fees from child care providers (\$648,000).

The Employment Department also receives Other Funds revenues from other state agencies for providing job placement services and conducting contested case hearings.

Sources of Federal Funds revenue include:

- *Employer payroll taxes* collected by the Internal Revenue Service under authority of the Federal Unemployment Tax Act (FUTA). During the 2005-07 biennium, an estimated \$100 million will be distributed by the U.S. Department of Labor for administration of the Unemployment Insurance Program, and an additional \$33.7 million is expected for employment and workforce research services provided under the Wagner-Peyser Act.
- *Child Care and Development Fund (CCDF)*, authorized under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to assist low-income families, families receiving temporary public assistance, and those transitioning from public assistance in obtaining child care so they can work or attend education/training, is allocated by the U.S. Department of Health and Human Services. An estimated \$118.2 million will be received during the 2005-07 biennium. Approximately 93% of these funds are reallocated to child care related programs at other state and local agencies.

### Budget Environment

Since Oregon experienced weak economic conditions and had one of the highest unemployment rates in the nation over the last several years, OED has seen significant growth in the number and duration of claims, benefit payments, and appeals, as well as a greater demand for assistance with job search and placement services. While economic conditions are expected to improve during the 2005-07 biennium, the 73<sup>rd</sup> Legislature approved the extension of benefits for an additional 6.5 weeks to those who had exhausted benefits (HB 3305). This extension ended August 13, 2005. Further legislation was approved to prohibit the disqualification from benefits for victims or parents of minors who are victims of domestic violence, sexual assault, or stalking (HB 2662).

OED has made significant investments to improve customer service and capture efficiencies through technology enhancements such as internet filing and interactive voice response systems. During the 2003-05 biennium, the unemployment insurance programs were removed from the field offices across the state and consolidated into three call centers (Bend, Eugene, and Portland). Return on the initial investment of \$5.8 million is expected to be less than four years.

The need for an accessible, affordable, high quality child care system also remains high. OED attempts to support these demands through programs that enhance child safety and health, promote child care worker training, offer information on child care providers, and ensure compliance with state and federal child care laws. Along with the Department of Human Services and the Commission on Children and Families, OED was directed to review Oregon's child care regulation and services and to report on best practices, the need for structural changes, and funding allocations.

OED is one of the 12 agencies to take part in the Computing and Networking Infrastructure Consolidation (CNIC) initiative. OED expects to begin its transition to the consolidated data center in October 2006. The legislatively adopted budget does not assume any cost savings during the biennium, however, 0.42 FTE were eliminated.

### OED – Unemployment Insurance

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	7,132,253	19,873,851	14,258,237	14,076,286
Federal Funds	98,861,156	110,021,351	99,753,529	98,831,786
Other Funds (NL)	2,318,336,696	2,117,668,224	1,328,108,136	1,328,108,136
<b>Total Funds</b>	<b>\$2,424,330,105</b>	<b>\$ 2,247,563,426</b>	<b>\$ 1,442,119,902</b>	<b>\$ 1,441,016,208</b>
Positions	673	712	623	623
FTE	631.76	646.81	598.14	597.93

## Program Description

The UI program determines eligibility for benefits, processes benefit payments, enforces UI laws, collects employer payroll taxes, and provides support to the Employment Appeals Board (EAB). EAB, made up of three Governor-appointed members, is a separate and federally funded entity located within OED for administrative purposes and is responsible for reviewing decisions of the Office of Administrative Hearings on benefit cases.

## Legislatively Adopted Budget

The legislatively adopted budget reflects a 35.9% decrease from the 2003-05 legislatively approved budget. This substantial decline is attributable to an improved economic forecast and lower unemployment rates which will reduce payments of unemployment benefits to qualified applicants. These payments, budgeted as Nonlimited, are estimated to decline by approximately \$790 million. Excluding the Nonlimited portion of the budget, the legislatively adopted budget of \$112.9 million is 13.1% lower than the 2003-05 legislatively approved budget. Approximately one-half of this decrease is due to lower operating expenses (overtime, temporaries, and associated services and supplies) from fewer UI claims. The remaining decrease is associated with realigning workload into three call centers and transferring \$4.1 million total funds and 33 positions (24.67 FTE) to Business and Employment Services.

## OED – Business and Employment Services

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	0	0	0	54,000
Other Funds	56,379,428	66,770,006	60,274,752	59,724,766
Federal Funds	37,830,476	39,226,734	27,001,850	26,694,624
<b>Total Funds</b>	<b>\$94,209,904</b>	<b>\$105,996,740</b>	<b>\$87,276,602</b>	<b>\$86,473,390</b>
Positions	627	614	539	539
FTE	595.56	581.73	506.40	506.19

## Program Description

This program's mission supports businesses and promotes employment. Services are provided through 48 field offices which recruit and refer qualified applicants to employers by matching the skills of the job seeker with employer job openings. Job seekers and employers can access employment information via kiosks in 154 locations and through interactive job services on OED's website. OED coordinates services with other Workforce partners to help customers access training, skills assessment counseling, and employability planning.

## Legislatively Adopted Budget

The legislatively adopted budget reflects an 18.4% decrease from the 2003-05 legislatively approved budget. The budget includes:

- supplementing support to veterans by providing \$54,000 General Fund for transportation and employment services;
- establishing 25 limited duration positions (25.00 FTE), replacing 26 limited duration positions approved in the 2003-05 biennium, to respond to grants and contracts as sufficient workload and funding becomes available (\$2.9 million Other Funds);
- abolishing 21 positions (20.17 FTE) and \$15.5 million expenditure limitation (\$12.6 million Other Funds and \$2.9 million Federal Funds) due to insufficient revenue for the JobsPlus program and the discontinuation of the Groundfish Transitional Income program;
- transferring 33 positions (24.67 FTE) and \$4.1 million total funds from the Unemployment Insurance program for additional support to Oregon's business community; and
- transferring 71 positions (70.50 FTE) and \$12.7 million total to establish a separate program area for the Workforce and Economic Research Division.

## OED – Child Care

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	1,946,632	3,426,181	3,586,694	3,530,245
Other Funds	2,759,908	653,375	2,289,021	2,278,812
Federal Funds	124,052,676	117,087,384	118,180,142	118,102,804
<b>Total Funds</b>	<b>\$128,759,216</b>	<b>\$121,166,940</b>	<b>\$124,055,857</b>	<b>\$123,911,861</b>
Positions	75	75	74	74
FTE	66.46	68.88	69.50	69.50

### Program Description

The Child Care Division ensures that families have access to child care information and services; establishes basic standards for child care services; licenses and inspects child care centers, family homes, and regulated providers; enforces mandatory registration of family child care providers; and staffs the Child Care Commission (CCC). CCC advocates and advises the Governor and Legislature on affordable, quality child care in Oregon.

### Legislatively Adopted Budget

The legislatively adopted budget represents a 2.3% increase over the 2003-05 legislatively approved budget. OED anticipates the revenue from the CCDF will be insufficient to cover the standard inflationary adjustments; therefore, most of the special payments to other state agencies for child care related services will remain at the 2003-05 budget level. The budget increases Other Funds expenditure limitation by \$1.5 million for distributions to qualified community agencies from the Child Care Contribution tax credit program. This program was created in 2001, but implementation had been delayed pending technical changes recommended by the Attorney General. These changes were approved during the 2003 legislative session, but the agency's budget was not adjusted to reflect distributions in the 2003-05 biennium.

## OED – Workforce and Economic Research

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	0	0	5,913,611	5,852,448
Federal Funds	0	0	6,730,918	6,661,602
<b>Total Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,644,529</b>	<b>\$12,514,050</b>
Positions	0	0	71	71
FTE	0.00	0.00	70.50	70.50

### Program Description

This program coordinates the collection and dissemination of occupational and economic climate data for the state, workforce regions, and counties, and is Oregon's designated employment statistics agency under the federal Workforce Investment Act. Businesses and individuals can access data through monthly and annual publications such as *Labor Trends*, which outlines payroll, unemployment, and other economic related issues by workforce region, or through on-line resources such as the Oregon Labor Market Information System. The program also conducts specialized surveys requested through the U.S. Bureau of Labor Statistics or local workforce investment boards.

### Legislatively Adopted Budget

The legislatively adopted budget of \$12.5 million total funds maintains current services with no program enhancements. This program was previously budgeted as part of Business and Employment Services.

## OED – Office of Administrative Hearings

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	21,507,598	20,878,109	21,871,363	21,635,309
<b>Total Funds</b>	<b>\$21,507,598</b>	<b>\$20,878,109</b>	<b>\$21,871,363</b>	<b>\$21,635,309</b>
Positions	141	124	124	124
FTE	138.25	124.09	124.00	124.00

**Program Description**

The program's mission is to be an independent and impartial forum for citizens and businesses to adjudicate their disputes with state agencies. Approximately 70 state agencies are required to utilize the services of the Office of Administrative Hearings for their contested case proceedings.

**Legislatively Adopted Budget**

The legislatively adopted budget reflects a 3.6% increase over the 2003-05 legislatively approved budget. All services are maintained with no proposed enhancements.

## Oregon State Fair and Exposition Center (Fair) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	1,328,779	1,294,260	1,346,117	0
Lottery Funds	2,510,282	3,718,261	4,232,585	0
Lottery Funds Carryover	0	0	2,650	0
Other Funds	19,985,690	11,674,776	12,557,777	7,040,489
Other Funds (NL)	1,311,128	* 1,219,565	1,039,410	0
<b>Total Funds</b>	<b>\$25,135,879</b>	<b>\$17,906,862</b>	<b>\$19,178,539</b>	<b>\$7,040,489</b>
Positions	52	60	59	59
FTE	32.92	37.18	37.05	10.71

\* The ORBITS report includes \$4,585,024 in Nonlimited Other Funds that reflects the receipt of replacement Other Funds from the refunding of lottery-backed bonds. The agency did not receive additional bond proceeds from this refunding. However, refunding resulted in a reduction in the Lottery Funds debt service on these bonds. The increase in Lottery Funds reflects a combination of this reduction and the biennialized rollout of debt service on the \$10 million of bonding authority for the multipurpose Pavilion.

### Agency Overview

The Oregon State Fair and Exposition Center conducts an annual state fair that lasts up to 17 days and provides services for ongoing exposition activities including recreational vehicle and organization meetings, concerts, and consumer products and services shows. The Fair responds to the needs and interests of visitors, participants, exhibitors, concessionaires, vendors, and facility users.

### Budget Environment

The Fair is not generating sufficient revenue to fund operations and maintain its facilities. A 1998 performance audit by the Joint Legislative Audit Committee found that: the Fair was failing financially and risked default on its bonded indebtedness; attendance at the Fair had declined; and facilities had not been adequately maintained and improved. The 1999 Legislature responded to these issues by directing that an interim legislative committee develop a long-range strategic plan for the agency that addressed functions, funding, capital construction and maintenance needs, and ongoing operations. In response to the findings of the interim committee, the 1999 Legislature approved \$11.6 million in bonding authority for renovations. In 1999-2001, the Joint Interim Task Force on the Oregon State Fair adopted the Modernization Master Plan and incorporated Master Plan recommendations into the Strategic Plan for the Oregon State Fair and Exposition Center. The Task Force identified the need for \$37.9 million in bonding authority to complete renovation and construction of fairgrounds facilities. Based on recommendations from the Task Force, the 2001 Legislature expanded the State Fair Commission to seven members, including two members from county fairs, and created a Community Partnership Task Force to continue the oversight begun in the 1999-2001 biennium. This Task Force was continued into the 2003-05 biennium. The 1999 and 2001 Legislatures authorized a combined total of \$21.6 million in lottery-backed bonding authority for facilities renovation and construction, including \$10 million in 2001 for the construction of a multipurpose Pavilion. The debt service on lottery-backed bonds is paid out of Lottery Funds that the Legislature allocates to the Fair each biennium.

Despite these efforts, the Fair continued to lack sufficient operating revenue from its fair and exposition events. The Fair requested authority from the Emergency Board in November 2004 to prepay the remaining debt service on its revenue bond. This action was requested because of a shortfall in operating resources. The Emergency Board authorized the Fair to use reserved Lottery Funds plus its bond reserves to pay off this debt. The action of the Emergency Board in November 2004 eliminated an average of \$500,000 a year in Nonlimited Other Funds for the debt service obligation, and these funds became available for operating needs. However, these adjustments were not sufficient to meet operating needs. At its January 2005 meeting, the Emergency Board allocated \$543,073 General Fund to meet operating expenses through the remainder of the 2003-05 biennium. The Emergency Board estimated that a total General Fund subsidy of \$4 million would be required to maintain operations in 2005-07.

The 2005 Legislature considered the options available to address the worsening fiscal situation of the Fair and determined that maintaining the status quo was not an option, since the Fair lacks sufficient operating revenue from its fair and exposition events to continue operating as an independent department.

The 2005 Legislature adopted House Bill 3502, transferring all properties, assets, and management of operations

and maintenance of the Oregon State Fair and Exposition Center to the Oregon Parks and Recreation Department, based on legislative findings that:

- The Fair and its management are isolated from state and local government partners, and needs to strengthen its ties to state and local partners in order to assure state-wide value, increase state, community and business partnerships, and optimize operational efficiency.
- The Fair is not self-sufficient and will need funding support for the foreseeable future. The current biennial estimate of General Fund operating support is \$4 million. However, a number of factors, including attendance at the Annual State Fair and net revenue from the Multipurpose Pavilion, will affect biennial support requirements.
- The Fair needs assistance with agency management, so that staff can focus on the statutory direction for the agency, which, pursuant to ORS 565.050, is to “disseminate knowledge concerning, and to encourage the growth and prosperity of all agricultural, stock raising, horticultural, mining, mechanical, artistic and industrial pursuits in this state ... (and) ...to conduct an annual state fair....” Management assistance includes developing management goals, objectives, measures and outcomes, and developing the necessary reports to track performance against these management objectives.
- The Fair needs a Commission that is directly involved in the marketing and management of the Fair.

By merging the Fair with the Oregon Parks and Recreation Department (Parks), the Legislature believes the Fair will be better managed due to Parks’ experience with managing state property, heritage programs, providing entertainment, and collecting revenue. In addition, Parks has the resources to provide operational support to the Fair. The Legislature also noted that the mission of the Oregon Parks and Recreation Department as detailed in ORS 390.010 is to promote festivals, fairs, and heritage programs, which is consistent with the functions of the Oregon State Fair. The Legislature expects that Parks will develop and implement a vision for the Fair that will make use of its unique assets, while generating sufficient resources to maintain its operations.

## Fair – Operations

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
General Fund	1,328,779	1,294,260	1,346,117	0
Other Funds	9,985,690	11,674,776	12,557,777	7,040,489
<b>Total Funds</b>	<b>\$11,314,469</b>	<b>\$12,969,036</b>	<b>\$13,903,894</b>	<b>\$13,903,894</b>
Positions	52	60	59	59
FTE	32.92	37.18	37.05	10.71

### Program Description

Fair Operations is responsible for activities related to the annual Oregon State Fair and for ongoing Exposition Center functions. This includes all permanent and temporary staff, supplies, equipment, maintenance, and related support functions.

### Revenue Sources and Relationships

The Fair receives Other Funds revenue from grounds admission, commercial exhibit fees, ride and show admissions, parking, space rental fees, and food concessions, which is not sufficient to fully cover increases in fixed operating costs or to fund essential maintenance.

The Fair has bonding authority for capital construction and renovation projects. To date, the Fair has met all of its debt service payment obligations. However, in 1997, it defaulted on the provision of its bond rate covenant that required the agency to maintain a fund balance of at least \$632,000. A financial consultant was hired as required by the covenant. The Fair implemented the rate and fee increases recommended by the financial consultant. However, these increases were not sufficient to meet the covenant requirement. During 2000, the Emergency Board approved the reservation of \$556,855 in Lottery Funds, which had been allocated for debt service, for the covenant requirement. The debt service was lower than anticipated due to a delay in issuing lottery-backed bonds.

At its November 2004 meeting, as a result of a shortfall in operating resources, the Emergency Board authorized the Fair to use the reserved Lottery Funds plus its bond reserves to pay off its revenue bond debt. This action was requested because of a shortfall in operating resources. The action of the Emergency Board eliminated an average of \$500,000 a year in Nonlimited Other Funds for the debt service obligation, and these funds became

available for operating needs. The Department of Administrative Services was also requested to unschedule \$600,000 Other Funds from interest earnings on lottery-backed bond proceeds. The Emergency Board had authorized the Fair to expend these funds for projects related to completion of the multipurpose Pavilion. Given the Fair’s financial situation, the Emergency Board recommended that decisions on the use of these funds be deferred to the 2005 Legislature.

The adjustments approved in November 2004 were not sufficient to meet operating needs. At its January 2005 meeting, the Emergency Board allocated \$543,073 General Fund to meet an additional operating shortfall, which the Fair had subsequently identified, to pay expenses through the remainder of the 2003-05 biennium.

**Budget Environment**

State Fair attendance has been declining over the past decade, although attendance stabilized between 1995-97 and 1999-2001. However, attendance at the 2002 annual State Fair was down 5.7% from the 2001 annual State Fair, primarily due to the decline in Oregon’s economy. This decline was significantly less than declines at similar events in the Pacific Northwest. State Fair attendance in 2003 increased 0.4% from the 2002 Fair and remained stable for the 2004 State Fair. However, increases in Fair expenses were greater than the revenue generated from attendance, resulting in the budget shortfall noted above.

The agency competes with convention and exposition centers in the region. Many of these convention centers receive some form of subsidy from local governments and have newer facilities. Until the 1999-2001 biennium, the Fair had not historically received an operating subsidy. In addition, the deteriorating condition of facilities affected the ability to generate additional revenues. The agency cannot significantly raise fees and remain competitive in this market. The Strategic Plan adopted by the Task Force assumes that, with facility renovation and construction, the agency will be able to expand the number of events and charge somewhat higher rates. However, ongoing state funding will be required for facility renovation and maintenance.

The 1999 Legislature approved a \$698,934 General Fund subsidy to enable the annual State Fair to continue programs, such as agricultural and floral exhibits, that are key to the mission of the agency but do not generate sufficient revenue to cover costs or meet cash flow requirements. The 2001 Legislature increased that subsidy to \$1.3 million. The 2003 Legislature also approved \$1.3 million General Fund for Fair Operations. The 2003-05 budget included startup costs and eight positions (4.31 FTE) to support the multipurpose Pavilion, which opened during the 2004 Annual State Fair. In 2005, the Emergency Board estimated that a total General Fund subsidy of \$4 million would be required to maintain operations in 2005-07.

The Legislature directed the Fair, by budget note, to continue collaborative efforts with state and community leaders, added two county fair members to the State Fair Commission, and established a Community Partnership Task Force to continue the oversight created in the 1999-2001 biennium. The Legislature established the expectation that the Fair will demonstrate progress in meeting its operating costs out of the revenue generated, but recognized that ongoing state assistance will be required to maintain Fair facilities.

**Legislatively Adopted Budget**

The Legislature adopted House Bill 3502 transferring all properties, assets, and management of operations and maintenance of the Oregon State Fair to the Oregon Parks and Recreation Department. The Fair lacks sufficient operating revenue from its fair and exposition events to continue operating as an independent department.

**Fair – Debt Service**

	<b>2001-03 Actual</b>	<b>2003-05 Legislatively Approved</b>	<b>2005-07 Governor’s Recommended</b>	<b>2005-07 Legislatively Adopted</b>
Lottery Funds	2,510,282	3,718,261	4,232,585	0
Lottery Funds Carryover	0	0	2,650	0
Other Funds (NL)	1,311,128	1,219,565	1,039,410	0
<b>Total Funds</b>	<b>\$3,821,410</b>	<b>\$4,937,826</b>	<b>\$5,274,645</b>	<b>\$0</b>

**Program Description**

This program pays the principal and interest on construction bonds. The 2001 Legislature added \$10 million in lottery-backed bonding authority and increased the debt service from Lottery Funds to \$2,611,346. The debt

service cost for 2003-05 was \$3.7 million. This cost will increase to \$4.2 million in 2005-07. The increase reflects the full debt service cost for all of the Lottery-backed bonds.

**Revenue Sources and Relationships**

The program received revenue from operations and received Lottery Funds revenue to repay debt service on the capital construction and improvement bonds.

**Legislatively Adopted Budget**

The Emergency Board authorized prepayment of the revenue bond, eliminating the \$1,039,410 in Nonlimited Other Funds expenditure for that debt. These funds are now available for operating expense.

The Legislature adopted House Bill 3502 transferring all properties, assets, management and debt service to the Oregon Parks and Recreation Department. The Fair lacks sufficient operating revenue from its fair and exposition events to continue operating as an independent department.

**Fair – Capital Construction**

	<b>2001-03 Actual</b>	<b>2003-05 Legislatively Approved</b>	<b>2005-07 Governor’s Recommended</b>	<b>2005-07 Legislatively Adopted</b>
Other Funds	10,000,000	0	0	0
<b>Total Funds</b>	<b>\$10,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Program Description**

This program reflects bond proceeds for capital construction, and includes the proceeds from bond sales. The 1999 and 2001 Legislatures authorized a combined total of \$21.6 million in bonding authority for facilities renovation and construction. The 2001 authority was for \$10 million for the construction of a multipurpose Pavilion on the Oregon State Fairgrounds.

**Revenue Sources and Relationships**

The program receives bond proceeds for capital construction.

**Legislatively Adopted Budget**

The budget does not include any funding for capital construction.

## Housing and Community Services Department (HCSD) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved *	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	7,163,258	9,794,031	9,792,104	10,868,769
Lottery Funds	1,905,233	4,462,311	4,460,538	4,460,538
Other Funds	61,703,317	87,215,711	80,823,021	79,494,188
Federal Funds	99,061,323	109,904,381	104,909,464	103,372,888
Other Funds (NL)	1,177,620,640	1,858,215,287	2,194,299,456	2,194,299,456
Federal Funds (NL)	94,483,987	100,717,000	101,600,000	101,600,000
<b>Total Funds</b>	<b>\$1,441,937,758</b>	<b>\$2,170,308,721</b>	<b>\$2,495,884,583</b>	<b>\$2,494,095,839</b>
Positions	148	152	154	150
FTE	143.49	148.34	150.58	147.08

\* Prior to the 2005-07 biennium, the budget for the Housing and Community Services Department has been reviewed and approved as one program. Five programs will now be displayed to assist interested parties in better understanding the budget. While the totals for the 2003-05 Legislatively Approved column are correct, the program budgets are estimates to be used as a general guide. No effort was made to recast position and FTE counts by program.

### Agency Overview

The Housing and Community Services Department (HCSD) provides financing and program support for the development and preservation of affordable housing, and administers federal and state antipoverty, homeless, energy assistance, and community service programs. The State Housing Council, a seven-member panel appointed by the Governor, advises the Governor, Legislature, HCSD, and local governments on affordable housing issues.

### Revenue Sources and Relationships

HCSD has numerous sources of Other Funds that include proceeds from the sale of bonds, mortgage and down payment assistance repayments, loan and tax credit related fees, the energy bill payment assistance charge and a portion of the public purpose charge established as part of the electric industry restructuring legislation approved in 1999, civil penalties assessed to farm labor contractors by the Bureau of Labor and Industries, a surcharge on court cases related to residential landlord and tenant law, special assessments on manufactured dwellings, and interest earnings. Resources for bond-related activities are expended as Other Funds Nonlimited.

In addition to the direct sources of Other Funds revenues, a portion of the General Fund appropriation is transferred to the Housing (Trust) Fund and expended as Other Funds to support grants and loans for low-income housing, emergency shelter and transitional housing services, and/or emergency payments of rents, mortgages, or utilities. Approximately \$7.1 million of the General Fund appropriation in the legislatively adopted budget would be transferred to the fund.

Proceeds from the issuance of Lottery Revenue Bonds (LRBs) are used to support the Community Incentive Fund for grants and loans to revitalize downtown areas and main streets, to develop affordable housing near jobs and transportation, and to help rebuild distressed communities. Lottery Revenue allocations support the debt service requirements for these bonds, but the proceeds from the bond sales are spent as Other Funds. Up to \$25 million in LRBs may be issued; however, through the end of the 2001-03 biennium, \$20 million had been issued. The legislatively adopted budget does not anticipate issuing additional LRBs for HCSD during the 2005-07 biennium.

Federal Funds are received from a variety of federal agencies including the HOME Investment Partnership Program, Section 8 rent subsidies, Community Services Block Grants, Low-Income Energy Assistance funds, Emergency Shelter grants, Supportive Housing programs, Department of Energy weatherization assistance funds, and Food Assistance programs. Federal Funds Nonlimited expenditure authority is for the Section 8 rent subsidy payments.

### Budget Environment

- Within the Housing Finance Fund (HFF), which incorporates all of HCSD's bonding activities except for the Elderly and Disabled general obligation bonds, HCSD maintains unrestricted cash and investments to fund agency programs, protection for uninsured projects, and reserves to maintain bond ratings. Resources for

this fund include interest on mortgage and non-mortgage loans, loans fees, tax credit fees, and other miscellaneous fees. Resources to support operations are available only after short-term debt payments, legally required reserves, and bond indenture requirements have been met. As of June 2004, HFF held \$16.3 million in unrestricted cash and investments. In the most recent two biennia, the Legislature has backfilled General Fund reductions with \$3.8 million in unrestricted cash and investments. These transfers, along with other economic factors, have reduced HCSD biennial distributions for programs and administration by \$720,000. HCSD has offset the loss of resources by seeking methods in which other programs can more equitably pay for their operations as opposed to being subsidized by the HFF.

There are several risks associated with accessing the unrestricted cash and investments for general government purposes. The level of unrestricted cash and investments is one area of management and fund stability that bond rating agencies will consider when establishing a bond rating. Moody's Investors Services analyzes the potential of "raids" to housing finance agencies and may cap or downgrade ratings, assign negative outlooks, or do nothing to the agency's rating. Any negative action by the rating agencies would increase the cost of borrowing and thus threaten the stability of HCSD's programs. Unrestricted cash and investments also serve as a backstop for uninsured loans within the single-family and multi-unit programs. If loan holders default on their payments to HCSD and reserves or unrestricted cash and investments are insufficient, the agency is at risk of not being able to pay bondholders. HCSD also relies on distributions from the bond indentures to support programs and administration. As unrestricted cash reserves decline, distributions to HCSD decrease and may cause unintended program reductions.

- The Legislature initially established the Housing (Trust) Fund in 1991 and appropriated \$20 million General Fund of which \$14 million was transferred to the Housing Development and Guarantee Account (HDGA) as a "trust," \$5 million was transferred to the Emergency Housing Account, and \$1 million was to be used for the same purposes as the HDGA. In 1993, \$1.5 million lottery revenue was added to the corpus held within HDGA. As part of the statewide budget balancing efforts in 2003, \$5.5 million was transferred back to the General Fund with the intent to rebuild the corpus to \$15.5 million over several biennia using interest earnings from the Trust Fund as well as the Community Incentive Fund. During the 2003-05 biennium, HCSD transferred \$ 1.35 million back to the Trust Fund.
- HCSD is one of the 12 agencies to take part in the Computing and Networking Infrastructure Consolidation (CNIC) initiative. HCSD expects to begin its transition to the consolidated data center in April 2006. The legislatively adopted budget does not assume any cost savings during the biennium, however, 1.00 FTE was eliminated.

### Legislatively Adopted Budget

The legislatively budget of \$2.49 billion total funds is an increase of approximately \$323.8 million, or 14.9%, over the 2003-05 legislatively approved budget. Most of the overall increase is attributable to activities associated with bond programs that are budgeted as Nonlimited Other Funds. Specific proposals will be outlined in the program areas.

### HCSD – Energy/Weatherization

	2001-03 Actual	2003-05 Legislatively Approved*	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	21,521,732	40,697,440	37,348,842	37,345,600
Federal Funds	53,474,452	60,962,967	56,182,515	56,182,313
<b>Total Funds</b>	<b>\$74,996,184</b>	<b>\$101,660,407</b>	<b>\$93,531,357</b>	<b>\$93,527,913</b>
Positions	0	0	7	7
FTE	0.00	0.00	7.00	7.00

### Program Description

Energy and Weatherization programs help families meet their basic needs such as food and housing by providing assistance payments, installing energy-saving modifications on heating systems and home weatherization, and providing conservation education. HCSD administers various activities through local community action agencies.

### Legislatively Adopted Budget

The legislatively adopted budget of \$93.5 million reduces expenditure limitation to reflect lower than anticipated revenues from Energy Conservation Helping Oregonians (ECHO), Oregon Energy Assistance (OEA), and settlement funds (\$3.3 million), and implements a revised federal cost allocation plan.

### HCSD – Self-Sufficiency/Emergency Assistance

	2001-03 Actual	2003-05 Legislatively Approved*	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	6,197,708	8,739,770	9,028,343	9,866,811
Other Funds	3,100,985	9,771,747	9,254,660	9,240,795
Federal Funds	10,996,360	14,318,535	13,857,739	12,403,345
Federal Funds (NL)	94,483,987	100,717,000	101,600,000	101,600,000
<b>Total Funds</b>	<b>\$114,779,040</b>	<b>\$133,547,052</b>	<b>\$133,740,742</b>	<b>\$133,110,951</b>
Positions	0	0	28	24
FTE	0.00	0.00	26.00	23.50

### Program Description

Self-Sufficiency/Emergency Assistance services are provided to very low-income Oregonians to help meet short-term, daily needs for food and shelter.

- *Rental Assistance* includes subsidizing housing costs and in some cases developing a self-sufficiency plan to assist individuals with other support, counseling, and training to avoid on-going reliance on assistance.
- *Homeless Assistance* targets homeless or those at risk of becoming homeless to provide for the costs of emergency shelter, transitional housing, and prevention activities such as training and employment assistance and counseling services.
- *Food Programs* partner with the Oregon Food Bank to coordinate the distribution of donated foods through regional coordinating agencies and direct service agencies. HCSD also delivers food grants through the Community Action Program of Eastern Oregon (CAPECO) and the Salvation Army.

### Legislatively Adopted Budget

The legislatively adopted budget of \$133.1 million incorporates several program changes, including:

- Establishing 11 positions (11.00 FTE) to replace limited duration positions, increasing a part-time position (0.37 FTE), and reclassifying one position to support the continuation of HUD contract administration for Section 8 project-based Housing Assistance Payments, and establishing two positions (2.00 FTE) to replace limited duration positions for Emergency Assistance and Service Compliance (\$1,592,946 Other Funds, \$113,443 Federal Funds, and \$43,640,000 Federal Funds Nonlimited).
- Eliminating four positions (2.50 FTE) for the Housing Opportunities in Partnership Program (\$1,453,138 Federal Funds). The program was consolidated into the Department of Human Services, Health Services.
- Restores support to the Statewide Homeless Assistance Program, which was reduced in the Governor's budget, including emergency shelters, transitional housing, auxiliary services, and case management (\$838,027 General Fund).
- Reducing expenditure limitation to align with lower than anticipated revenue levels in the Low-income Rental Housing Fund (\$500,000 Other Funds).
- Implementing a revised federal cost allocation plan.
- Reducing General Fund support for services and supplies by 3%.

### HCSD – Community Capacity Building

	2001-03 Actual	2003-05 Legislatively Approved*	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	266,784	0	0	0
Lottery Funds	1,905,233	4,462,311	4,460,538	4,460,538
Other Funds	8,364,650	9,280,968	7,133,682	7,124,255
Federal Funds	19,350,702	17,566,568	17,132,646	17,131,130
<b>Total Funds</b>	<b>\$29,887,369</b>	<b>\$31,309,847</b>	<b>\$28,726,866</b>	<b>\$28,715,923</b>
Positions	0	0	14	14
FTE	0.00	0.00	14.00	14.00

## Program Description

Community Capacity Building includes a variety of services intended to promote alternative conflict resolution, volunteerism, and streamlined housing services, including:

- The *Manufactured Dwelling Park Community Relations Program* maintains a centralized resource referral program for tenants and landlords to encourage voluntary dispute resolution.
- The *Community Incentive Fund* is supported through Lottery Revenue Bonds as part of the Oregon Livability Initiative to revitalize downtown areas and main streets and to develop affordable housing near jobs and transportation.
- *Community Services Block Grants* provide funding for community-based organizations which administer a variety of services to low-income Oregonians.
- The *Oregon Commission on Voluntary Action and Services* promotes and supports AmeriCorps, volunteerism, and civic engagement to strengthen Oregon communities.
- *Individual Development Accounts (IDA)* for low-income individuals who enroll in a personal development plans to obtain appropriate financial counseling, career or business planning, and other services. IDAs can be used for post-secondary education, job training, purchase of a primary residence, or to capitalize a small business.
- Five *Regional Housing Centers* serving ten rural counties provide “one-stop shopping” services related to housing rehabilitation, weatherization, credit counseling, and homebuyer education.

## Legislatively Adopted Budget

The legislatively adopted budget of \$28.7 million implements a revised federal cost allocation plan, and phases out a portion of the project expenditures for the Community Incentive Fund (\$2.5 million Other Funds).

## HCSD – Homeownership/Affordable Rental Housing Development

	2001-03 Actual	2003-05 Legislatively Approved*	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
General Fund	659,591	797,855	545,977	794,880
Other Funds	14,502,244	14,548,204	15,311,896	14,449,908
Federal Funds	13,554,020	15,232,937	15,447,339	15,360,736
Other Funds (NL)	1,177,620,640	1,858,215,287	2,194,299,456	2,194,299,456
<b>Total Funds</b>	<b>\$1,206,336,495</b>	<b>\$1,888,794,283</b>	<b>\$2,225,604,668</b>	<b>\$2,224,904,980</b>
Positions	0	0	52	52
FTE	0.00	0.00	51.50	51.50

## Program Description

HCSD promotes homeownership by supporting below-market-rate loans financed through the sale of tax-exempt mortgage revenue bonds, administering federal programs for the repair and maintenance of existing low-income housing in rural Oregon, providing down-payment and closing cost assistance, and funding home ownership education. HCSD also promotes affordable housing development through a variety of activities to issue tax-exempt bonds, provide conduit financing and loan programs, and administer the low-income, affordable, and farmworker housing tax credits. Several of the grants and tax credits are allocated through the semi-annual, competitive Consolidated Funding Cycle.

## Legislatively Adopted Budget

The legislatively adopted budget of \$2.22 billion incorporates several program changes, including:

- Increasing funding for professional services to support the continued use of tax-exempt variable rate demand obligations to achieve lower interest rates and reduce the effects of negative arbitrage for homeownership and rental housing development programs (\$625,600 Other Funds).
- Establishing three positions (3.00 FTE), replacing limited duration positions, to support property management and compliance, and establishing three positions (2.50 FTE) and reclassifying one position to address workload concerns in the HOME program and for weatherization grants (\$455,605 Other Funds and \$226,939 Federal Funds).
- Restoring support for down payment assistance and the ABCs of Homebuying program which was reduced in the Governor’s budget (\$250,000 General Fund and \$250,000 Other Funds).
- Establishing one Architect position (1.00 FTE), replacing a limited duration position, to support the continuation of HUD contract administration for Section 8 project-based Housing Assistance Payments (\$157,660 Other Funds).

- Establishing one position (1.00 FTE), replacing a limited duration position, to support increased federal funding for the American Dream Down Payment Initiative that assists first-time home buyers (\$29,060 Other Fund and \$115,747 Federal Funds).
- Reducing expenditure limitation to align with lower than anticipated revenue levels in the Housing Finance Fund (\$839,000 Other Funds).
- Implementing a revised federal cost allocation plan.

## HCSD – Program Outreach and Accountability

	2001-03 Actual	2003-05 Legislatively Approved*	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	39,175	256,406	217,784	207,078
Other Funds	14,213,706	12,917,352	11,773,941	11,333,630
Federal Funds	1,685,789	1,823,374	2,289,225	2,295,364
<b>Total Funds</b>	<b>\$15,938,670</b>	<b>\$14,997,132</b>	<b>\$14,280,950</b>	<b>\$13,836,072</b>
Positions	0	0	53	53
FTE	0.00	0.00	52.08	51.08

### Program Description

The Program Outreach and Accountability budget includes:

- The *Director's Office* coordinates the mission and goals of the agency, assists community development through the efforts of six Regional Advisors and participation in the Economic Revitalization Team, and houses the director, deputy director, and the human resource function.
- The *Financial Management Division* includes accounting, financial reporting, budget, grant monitoring and reporting, field audits, loan processing, payroll, facilities management, and bond related activities.
- The *Information Services Division* provides centralized information technology services to the agency as well providing training and technical support to community action agencies and other service partners who have access to OPUS, a web-based client service system. This Division also includes the Policy, Planning, and Research section, which gathers and analyzes data on housing market dynamics and the Communications Section.

### Legislatively Adopted Budget

The legislatively adopted budget of \$13.8 million incorporates several program changes, including:

- Establishing two positions (2.00 FTE), replacing limited duration positions, to support HUD contract administration (\$331,108 Other Funds).
- Reducing expenditure limitation to align with lower than anticipated revenue levels in the Housing Finance Fund (\$227,000 Other Funds).
- Phasing out two positions (1.00 FTE) due to the transition to a statewide consolidated data center.
- Implementing a revised federal cost allocation plan.
- Reducing General Fund support for services and supplies by 3%.

## Department of Veterans' Affairs (ODVA) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-075 Legislatively Adopted
General Fund	2,059,501	2,389,793	2,416,625	6,230,178
Other Funds	29,939,285	37,488,722	37,975,996	37,781,330
Other Funds (NL)	656,134,058	805,581,377	594,687,095	594,662,095
<b>Total Funds</b>	<b>\$688,132,844</b>	<b>\$845,459,892</b>	<b>\$635,079,716</b>	<b>\$638,673,603</b>
Positions	165	139	113	113
FTE	163.14	139.00	113.00	112.50

### Agency Overview

The Oregon Department of Veterans' Affairs (ODVA) has three program areas: the Veterans' Loan Program, the Veterans' Services Program, and the Veterans' Home Program. The Veterans' Loan Program, funded entirely through Other Funds, provides loan servicing and Department administration. It is responsible for repayment of approximately 23% (\$880 million) of the State of Oregon's general obligation debt. The Veterans' Services Program provides counseling, claims assistance, conservator services, and partnerships with counties and organizations to support local veterans' programs. The Veterans' Services Program is funded with General Fund and Other Funds which includes conservatorship fees. The Veterans' Home Program operates a skilled nursing care and Alzheimer's disease facility in The Dalles, Wasco County.

### ODVA – Loan Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	18,517,270	20,751,685	16,718,783	16,510,940
Other Funds (NL)	656,099,297	805,446,377	594,662,095	594,662,095
<b>Total Funds</b>	<b>\$674,616,567</b>	<b>\$826,218,062</b>	<b>\$611,380,878</b>	<b>\$611,173,035</b>
Positions	142	119	82	82
FTE	140.24	119.10	82.10	81.60

### Program Description

The Loan Program provides home acquisition and home improvement loans to veterans at favorable interest rates. Since 1945, the Department has made over 333,000 home and farm loans with a principal amount over \$7.4 billion. The program consists of:

- Director's Office – communications, program evaluation, and human resources.
- Loan Services – functions dealing with the loan program, including originating and servicing the loans.
- Financial Administration – overall financial oversight of the Department, including accounting, information services, records, and financial management.
- Administrative Services – service of loans and contracts once they are delinquent, and general support to the agency for daily operations (data entry, forms, procedures, word processing, building management, mail, motor pool, collections, etc.).

Federal and state statutory restrictions on the use of tax-exempt bonds to provide low-cost mortgage loans only to veterans of the Viet Nam and prior eras is reflected in the dramatic reductions in program and staff size. Lacking any significant relaxation of these restrictions, this program will continue to shrink. The Department closely monitors its cash flow needs to ensure that it has sufficient reserves to retire outstanding debt and maintain operations of the program.

### Revenue Sources and Relationships

The largest sources of ODVA Other Funds revenues for the 2005-07 biennium are veteran loan and contract-related repayments (\$242 million), interest earnings (\$180 million), and bonding authority (\$120 million). The balance of revenues come from insurance premiums and other service charges, licenses, fees, and miscellaneous revenues. Available revenues will not be sufficient for operations and necessary debt retirement. The Department expects to draw down \$57 million from existing cash reserves for this program during the 2005-07 biennium.

## Budget Environment

In the past, the Veterans' Loan Program was prohibited from making loans to any veteran who entered active military duty after December 31, 1976. However, state law now allows certain post-1976 veterans to become eligible for a home loan through ODVA. Although veterans have 30 years from the date of their discharge to apply for loans, an aging veterans' population, the overall reduction in armed forces, and a competitive mortgage market impact the demand for loans. The demand for home loan related services is expected to decline overall as older mortgages are paid off. Mortgage interest rates are at 40-year lows and an unprecedented number of borrowers have refinanced their home loans, thus reducing the Department's loan portfolio. As a result, the Department currently services about 10,000 loans as compared to 16,500 in 2003 and 24,800 in 2001. Cash reserves also are earning less because of the low interest rate environment. However, the Department must still pay debt service on non-callable bonds issued in 1979 and 1980. Because these bonds have a significantly higher interest rate than the Department is earning on its investments, the program is suffering losses that can only be resolved with higher interest rates on investments. A cash flow analysis prepared by an independent consultant states "the Program should be able to sustain itself despite different stresses...that may negatively affect the cash flows." The consultant's analyses project self-sufficiency for the program.

## Legislatively Adopted Budget

The legislatively adopted budget recognizes the reduction in loan demand. Twenty-six positions have been eliminated due to reduced program activity. Additionally, eleven positions have been transferred to the Veterans' Services program to more appropriately reflect the program services they provide. The budget also acknowledges the transfer of data center operations during the biennium with the reduction of 0.50 FTE. The actual positions will be eliminated when the 2007-09 budget is developed.

## ODVA – Veterans' Services

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	2,059,501	2,389,793	2,416,625	6,230,178
Other Funds	726,240	554,575	1,592,511	1,583,455
<b>Total Funds</b>	<b>\$2,785,741</b>	<b>\$2,944,368</b>	<b>\$4,009,136</b>	<b>\$7,813,633</b>
Positions	19	17	28	28
FTE	18.90	16.90	27.90	27.90

## Program Description

The Veterans' Services program includes:

- Counseling and claims (\$1.7 million in the Governor's recommended budget), which assists veterans, their dependents, and survivors to obtain service-connected and non-service related benefits. Over 13,000 active claims have required service during the past two years. This program also provides outreach and assistance to individuals in state institutions, hospitals, domiciliaries, and nursing homes, to help ensure that adequate care is being provided and that the federal VA pays its share of that care.
- The Conservatorship program (\$1.4 million in the Governor's recommended budget), which provides conservatorship services for 236 veterans and their dependents who are determined to be "protected persons" and who are recipients of U.S. Department of Veterans' Affairs' benefits. Conservatorship services are provided when no other entity or person is willing or able to act as conservator. The staff serve as trust officers, file required legal reports, apply for all benefits due the veteran, and counsel with families, hospital personnel, social workers, and protected persons to ensure their needs are met within the resources available.
- Educational assistance and service delivery partnerships, which includes the Aid Program, Aid to Counties, and Aid to Veterans' Organizations (\$900,000 in the Governor's recommended budget). Aid to Counties, which began in 1947, is a network of trained individuals operating in 34 Oregon counties to help them provide services to veterans on a local level. Up to 75% of the cost of administering each of the county offices is reimbursed, with a limit of \$12,500 per year. Aid to Veterans' Organizations was established in 1949 and consists of partnerships with other veterans' service organizations in Oregon, such as the American Legion, Disabled American Veterans, and Veterans of Foreign Wars. Educational assistance provides financial help to offset some of the educational expenses of honorably discharged Oregon veterans

whose GI educational benefits have been exhausted. The program also assists displaced and disabled veteran workers who return to school to change careers or upgrade skills.

### Revenue Sources and Relationships

The revenue source for the Claims and Counseling section, educational assistance, and service delivery partnership programs is the General Fund. The revenue sources for the conservatorship program are General Fund and Other Funds through fees. The 2005-07 estimated conservator fees are \$748,000. The balance of Other Funds comes from existing cash balances in the Veterans' Loan program. The Constitution allows that those revenues can be used for Veterans' Services.

### Budget Environment

Oregon has approximately 376,000 veterans, up from an estimated 368,000 two years ago. The aging veteran population is increasing the demand for veterans' benefits, assistance, and conservatorship services. Additional needs have been created by veterans of current and recent conflicts with claims resulting from the environment in which they served, including claims related to Agent Orange and Post Traumatic Stress Disorder. The need for services is increasing at a time when the services available remain constant or may decline, especially at the county level. The state is required to provide educational aid to eligible veterans who request it; funding for Aid to Counties and Aid to Veterans' Organizations is discretionary. Oregon counties may discontinue or reduce their level of support for local Veterans' Services' Offices, leaving veterans without local services. This further increases the demand on ODVA for services. ODVA's inability to provide service, however, could shift workload to state public assistance agencies.

There are a number of factors that affect the workload of the program, including the rapid evolution in health care programs, increasingly complex health claims, an aging war veteran population, and downsizing of the U.S. Armed Forces and resulting separation of veterans who use educational and vocational rehabilitation programs. The Department has dealt with the workload through a combination of improvements in processes and automation. However, projecting actual workload is difficult because the number of veterans who may access services is unpredictable.

### Legislatively Adopted Budget

The Governor's recommended budget reflected the increased demand for services and has reallocated positions not currently utilized in the Veterans' Loan program to this program. It continued approximately \$670,000 General Fund payments to 34 counties that provide veterans' services. The Governor's budget did not include any program enhancements. The Legislature adopted the Governor's recommended budget with some minor adjustments for reduced state service agency charges.

The Legislature also passed a number of pieces of legislation to acknowledge the contributions of Oregon's national guard and other veterans and provide additional services. It provided General Fund to the Department to fund this legislation as follows:

- \$100,000 to help fund a memorial to for Oregon military personnel killed in Afghanistan and Iraq;
- \$500,000 to provide emergency financial assistance to veterans and their immediate families;
- \$631,000 for increasing the monthly veterans' education benefit from \$50 to \$150; and
- \$2,600,000 to distribute to counties for expanding services provided by county veterans' service offices.

### ODVA – Oregon Veterans' Home Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2003-05 Legislatively Adopted
Other Funds	10,695,775	16,182,462	19,664,702	19,686,935
Other Funds (NL)	34,761	135,000	25,000	0
<b>Total Funds</b>	<b>\$10,730,536</b>	<b>\$16,317,462</b>	<b>\$19,689,702</b>	<b>\$19,686,935</b>
Positions	4	3	3	3
FTE	4.00	3.00	3.00	3.00

### Program Description

The Oregon Veterans' Home in The Dalles provides skilled nursing and Alzheimer's disease care to Oregon veterans. The Home opened in November 1997 and has a bed capacity of 151 residents. Funding for construction and equipping of the facility was from a 65% federal grant matched to a 35% state obligation

contributed by Wasco County. The Home is operated with a philosophy of maximum resident independence and encouragement for the residents to function at their highest possible level.

### **Revenue Sources and Relationships**

The Veterans' Home Program consists solely of Other Funds. Revenues are primarily moneys received from the residents of the Home, Medicare and Medicaid payments, and a per diem amount received directly from the federal Veterans Administration. Veterans who reside in the Home receive benefits not available to them if they reside elsewhere. Many veterans receive aid and attendance along with disability compensation or income-based VA pensions, which, combined with their social security benefits, provides the revenue with which to pay for their care in the Home. The total amount of revenue is based in part on the occupancy projections obtained from the Home's contractor. Expenditures of donations to the home are budgeted as Nonlimited expenditures.

### **Budget Environment**

Expenditures for the Home relate to the cost of providing residential care. Operation of the Home was contracted out to a health care service provider. Obtaining and maintaining a high occupancy rate at the Home is important to the financial condition of the Home. As of late 2004, the Home had an occupancy rate of 85%, which is higher than the 66% occupancy rate about two years ago. The Home has been able to address the issue of shortages of qualified nursing personnel by working with local post-secondary education institutions. That shortage was a contributing factor to the lower occupancy rate. Operating costs still consume all of the Home's revenues. If this situation continues, the inability to fund significant facility maintenance needs could have future negative consequences. At this point, the facility is still in good condition and can operate during the 2005-07 biennium without significant maintenance expenditures.

### **Legislatively Adopted Budget**

The legislatively adopted budget contains no program enhancements. It provides for the continuation of the existing program level of the Veterans' Home. The Legislature removed the exemption from expenditure limitation for expenditures of donations made to the home. The expenditures are at the discretion of the Director of Veterans' Affairs and the Legislature determined that they should be made subject to budgetary authority.