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Department of Administrative Services (DAS) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	3,193,409	1,525,112	1,525,112	8,012,086
Lottery Funds	275,805	1,622,874	1,622,874	1,622,118
Other Funds	210,074,939	481,671,464	493,697,042	634,638,694
Federal Funds	877,272	100,000	380,000	59,000
Other Funds (NL)	318,775,306	255,814,481	257,832,855	279,470,012
Total Funds	\$533,196,731	\$740,733,931	\$755,057,883	\$923,801,910
Positions	955	906	907	885
FTE	925.38	897.23	898.23	875.03

Note: Totals are different from those in the Governor's budget document due to separate treatment by the Legislative Fiscal Office of Lottery Funds for County Fairs and debt service payments for Oregon Opportunity Bonds issued on behalf of the Oregon Health and Science University.

Agency Overview

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

Revenue Sources and Relationships

The Department's operating revenue comes primarily from fees charged for services provided to state agencies and from the statewide assessment. The Department establishes rates for these direct services and bills agencies based on how much of the service they use. It also provides indirect services to state agencies, such as the services provided by the Director's Office, Budget and Management Division, and Human Resource Services Division. Because a unit rate and usage volume cannot be determined directly, DAS recovers the cost of these services through a "statewide assessment," which is included in all state agencies' budgets as part of the line item expense titled "State Government Service Charges." Although services that are supported by the assessment cannot be directly measured and identified to each agency receiving the service, the Department makes an effort to allocate the assessment equitably. Revenue for Nonlimited Other Funds expenditures comes from agency reimbursements for various costs that are demand driven and not discretionary to the Department of Administrative Services (e.g., telecommunications services, gas and oil for motor pool vehicles, insurance claims, building utilities, and payments related to health care benefits). Expenditures by individual state agencies are controlled through the budget review and approval process.

DAS – Office of the Director

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	212,282	207,033	207,033	227,625
Other Funds	3,192,207	4,291,785	4,291,785	4,567,525
Total Funds	\$3,404,489	\$4,498,818	\$4,498,818	\$4,795,150
Positions	19	17	17	18
FTE	17.69	17.00	17.00	18.00

Program Description

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

- **Agency Administration** includes the Director, Deputy Director, Director for Operations, and support staff.
- **Office of Economic Analysis** produces the Oregon Economic and Revenue Forecast and Criminal Justice Population Forecast. It also contracts for the Highway Cost Allocation Study.
- **Internal Audits** is responsible for conducting internal audits of the Department's public funds.

- **Government Affairs and External Relations** is responsible for legislative coordination and communications with agencies and the public.

Revenue Sources and Relationships

The General Fund supports the Prison Population Forecast. Otherwise, the Office is supported through an assessment of state agencies and reimbursement from the Department of Transportation for the cost of the Highway Cost Allocation Study.

Budget Environment

The Office of the Director is essentially an administrative office within an administrative agency. Its budget is based upon the amount of support needed within the Department and within state government.

Governor’s Budget

The Governor’s budget reflects the internal transfer of one communications staff position to the Office from the Information Resources Management Division. The budget has no program enhancements or reductions and provides for the continuation of the Office’s existing services.

DAS – Budget and Management Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor’s Recommended
Other Funds	6,666,790	8,349,313	8,349,313	7,735,548
Other Funds (NL)	1,475,305	2,020,195	2,020,195	3,293,093
Total Funds	\$8,142,095	\$10,369,508	\$10,369,508	\$11,028,641
Positions	36	34	34	34
FTE	35.50	33.50	33.50	33.50

Program Description

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

Revenue Sources and Relationships

The Budget and Management Division is funded through assessments of state agencies (\$9.3 million). The balance of the Division’s planned expenditures will be funded with carry-forward cash balance from COPs previously issued for the ORBITS project.

Budget Environment

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

Governor’s Budget

The Governor’s budget recognizes the increase of one position in the Division that was offset by a position reduction in what was known as the Procurement, Fleet, and Surplus Services Division toward the end of the 2001-03 biennium. The budget also includes eight limited duration positions to continue work on the ORBITS project, down from nine positions in 2003-05. This next phase of the project will bring additional functional capabilities to the system that will enhance budget oversight by the Division and Legislative Fiscal Office.

DAS – State Controllers Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	7,098,291	8,329,433	8,329,433	9,050,407
Other Funds (NL)	16,418,798	15,986,282	15,986,282	13,460,746
Total Funds	\$23,517,089	\$24,315,715	\$24,315,715	\$22,511,153
Positions	53	48	48	49
FTE	52.32	48.00	48.00	48.50

Program Description

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

Revenue Sources and Relationships

The Division receives its revenue from an assessment of state agencies (\$15.6 million) and from direct charges for processing warrants and payroll checks/stubs (\$7 million). Assessments are based on analyses of services provided. Direct charge rates have increased due to additional system maintenance and internal control functions recommended by the Secretary of State Audits Division.

Budget Environment

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

Governor's Budget

The Governor's budget provides for the continuation of existing services of the Division. It includes one additional position to be phased in during the biennium to address workload increases, providing accounting and financial services to various licensing boards. The \$65,000 cost of the position will be paid from service charges to the licensing boards.

DAS – Information Resources Management Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	62,742,161	66,610,608	71,610,608	53,295,431
Other Funds (NL)	107,820,191	101,355,039	101,355,039	91,524,275
Total Funds	\$170,562,352	\$167,965,647	\$172,965,647	\$144,819,706
Positions	314	300	300	282
FTE	304.98	294.92	294.92	279.92

Program Description

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

The Division has five separate units for budgetary purposes:

- **Administration** provides administrative support for the Division. It coordinates and oversees IRMD business functions.
- **Enterprise Governance Services** includes the Enterprise Planning and Policy program, State Cyber Security program, and Quality Assurance program. This unit's activities include state government-wide governance support; planning and coordination; rule/policy development; Information Technology (IT) asset and portfolio management; strategic oversight of major IT investments (Quality Assurance); analysis and review of IT-related budget and project requests; and support for state government-wide cyber security efforts.
- **Enterprise Application Services** includes the E-Government program, Systems Development and Consulting program, and Geospatial Enterprise Office program. This unit provides the program and technical

infrastructure for the state's Internet and Intranet Portal via content management, the state's secure pay electronic commerce capability and maintenance and support for the Oregon Geospatial Data Library.

- **Enterprise Infrastructure Services** includes the General Government Data Center program, Enterprise Network Services program, and Technology Support Center program. This unit provides state government-wide central hosting services, and provides voice, video, and data services. It also provides help desk services, local area network, and desktop support for the entire Department.
- **Publishing and Distribution** provides complete electronic "print-to-post" services to state agencies, provides printed and electronic document services to public agencies, and operates a secure print facility for printing checks, warrants, and negotiable documents. It also collects, processes, and distributes federal and interagency mail in the Willamette Valley.

Revenue Sources and Relationships

The Division receives a small portion of its revenues from assessments of state agencies. Agencies are assessed for the Division's role in enterprise planning and policy (\$1.8 million), E-government support (\$8.4 million), Quality Assurance (\$0.9 million), Cyber Security (\$5.9 million), maintenance and support of the Legislative Information Notification Update System (\$0.3 million) and maintenance of a centralized Geographic Information System (\$1.5 million). It also includes an assessment for inter-office mail delivery services (\$2.1 million). The balance of the Division's estimated \$145 million in revenues comes largely from various systems and services usage fees. The Division has an extensive rate schedule for the myriad services it provides to state and local agencies. Demand for services is heavily driven by the state's policy movement toward increased use of telecommunications and electronic processes in government. It is also driven by demand for printing and distribution services, not only from state agencies, but also from local government units. The Nonlimited Other Funds portion of the budget is for expenses incurred on behalf of agencies based on demand. Examples include postage and telecommunications costs that are passed on to other state agencies.

During the 2003-05 biennium, Division costs are expected to exceed resources and it will have to rely on cash advances from other divisions to sustain operations. The principal reason is that the Division's revenue estimates and structure did not align with its cost structure. Additionally, considerable new initiatives have added costs without adding revenues.

Budget Environment

A great deal of attention has been given to the state's information technology capabilities, infrastructure, and security. As state government becomes more dependent on technology for the delivery of services within and without, the role of the Division takes on additional meaning as the central information technology repository. The notion that state government information technology should be addressed on the enterprise level has now been accepted by the current administration. Initiatives such as the Central Data Center and Enterprise-wide Cyber Security should facilitate future improvements to the delivery of services to the public. The increased interconnectivity of information technology and print media, coupled with the demand for economies of scale and cost effectiveness of bulk mail and pre-sorted zip+four first class mail, has increased work levels in the publishing and distribution area.

Governor's Budget

The Governor's budget maintains the Division's existing service level while acknowledging internal operational changes. It reflects a number of personnel changes that resulted from intra-departmental transfers and staff reductions due to funding constraints and changes to business activities. Eight positions in Systems Consulting and Development, and 13 positions in Publishing and Distribution have been eliminated. These are offset by the transfer of 20 positions from the Operations Division to support the Department's desktops and local area network. Nine budget, accounting, purchasing, and payroll-related positions are transferred to the Operations Division and one position is transferred to the Director's Office. Four positions are phased out to reflect administrative actions at the end of the 2001-03 biennium and another three directory assistance positions are phased out to reflect operating reductions.

As mentioned before, the Division's revenues haven't been sufficient to recover operating costs. The 2005-07 budget attempts to bring revenues in line with costs. The Department is still reviewing this transition and adjustments to the Division's budget request are likely to be needed. Further, the state is in the process of consolidating the data centers of twelve state agencies. The Department of Administrative Services is one of the twelve agencies affected. The Governor's budget does not reflect the impact of this consolidation as detailed implementation plans are still being developed. An adjustment to the Department's budget for the Information Resources Management Division will be necessary once the implementation plan has been finalized.

DAS – Consolidated Data Center

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	0	0	0	76,600,000
Total Funds	\$0	\$0	\$0	\$76,600,000

Program Description

The Consolidated Data Center is now under construction and development. Dubbed the “Computing and Networking Infrastructure Consolidation” (CNIC) project, twelve state agencies will have core computer needs provided at one central facility. The Center will be within the Department of Administrative Services for operational and budgetary purposes. A Governing Board, consisting of representatives of the participating/affected state agencies, will establish operating policies and revenue structure.

Revenue Sources and Relationships

The Center’s revenues will come from the state agencies that it serves. The revenue structure (assessments and/or fee for service) is still under development. One-time facility construction and start up costs will be financed by the sale of Certificates of Participation. Debt service requirements will be included in the revenue structure.

Budget Environment

The initial biennium of the Center will see the movement of staff and resources from twelve agencies into the new Center. The Center’s budget is still under development. Movement of data center activities of the first three agencies is expected to begin in the fourth quarter of calendar year 2005. All twelve agencies operations are expected to be moved into the center by the end of the 2005-07 biennium. Overall savings to state government is expected to be at least \$10 million per biennium. Savings recognized over the first two to three biennia will pay back the initial investment.

Governor’s Budget

The Governor’s budget anticipates one-time investment costs of \$25.5 million and operating costs of \$51.1 million. The budget is expected to be finalized after the implementation plan has been completed.

DAS – Public Employees Benefit Board

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	2,332,617	3,863,506	3,863,506	4,126,413
Other Funds (NL)	10,003,837	28,448,793	28,448,793	25,360,288
Total Funds	\$12,336,454	\$32,312,299	\$32,312,299	\$29,486,701
Positions	17	17	17	17
FTE	15.30	16.68	16.68	16.83

Program Description

The Public Employees Benefit Board contracts for and administers medical and dental insurance for state employees and their dependents, representing over 110,000 Oregonians. The Board also selects and administers life and disability insurance coverage for eligible state employees. A major part of the Board’s responsibility is developing benefit packages to meet the needs of state government and its employees, and preparing benefits information and answering inquiries from employees and their dependents about coverage.

Revenue Sources and Relationships

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

ruled in PEBB's favor, however the plaintiffs appealed and the funds are still held apart, pending outcome of the appeals. The Nonlimited Other Funds portion of the budget is for expenses incurred on behalf of customers served based on demand. Examples include open enrollment costs, and health and wellness program costs paid out of the stabilization fund.

Budget Environment

Demand for the Board's services has been increasing because of issues surrounding health insurance costs. Increased dealings with current and prospective providers also have placed additional demands on staff. Also, employee benefit packages that may be mandated by statute or arrived at through collective bargaining agreements can impact workload.

Governor's Budget

The Governor's Other Funds expenditure limitation request maintains the Board's operations. The overall budget, however, reflects the newly implemented health care flexible spending accounts for state employees. The impact is in the Nonlimited Other Funds portion of the budget. The significant increase in Nonlimited Other Funds expenditures in 2003-05 was due to a payment from the stabilization reserve to help pay state agencies increased costs of health care benefits for the 2003-05 biennium. The Nonlimited budget for 2005-07 reflects the estimate of costs to subsidize premiums, wellness and health activities, open enrollment expenses, and administrative costs of the health care and dependent care flexible spending accounts.

DAS – Human Resource Services Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	8,798,226	10,303,783	10,303,783	11,664,137
Other Funds (NL)	379,563	1,997,359	1,997,359	2,323,803
Total Funds	\$9,177,789	\$12,301,142	\$12,301,142	\$13,987,940
Positions	53	55	55	59
FTE	52.50	54.50	54.50	58.50

Program Description

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

Revenue Sources and Relationships

The Division's principal revenue source is from an assessment (\$11.8 million) of Executive Branch state government agencies excluding the Department of Higher Education. Legislative and Judicial Branch agencies and the Lottery Commission pay a reduced assessment to use the centralized employee database. Approximately \$2.3 million of revenue comes from specialized training sessions and executive recruitment services.

Budget Environment

The Division's budget is largely affected by its ability to assess other state agencies. To that extent, it must justify its budget to its Department head and, more particularly, the Legislature. Complaints about the amount of the assessment compared to services provided can cause a more thorough review of Division activities and performance outcomes. The Division intends to meet this challenge by ensuring that it delivers good service at a reasonable cost.

Governor's Budget

The Governor's budget reflects the transfer-in of one trainer position from Operations and a transfer of one position to the Risk Management Section. It adds \$305,000 Other Funds and one limited duration position to assist with the assessment of current human resource information technology capabilities and future needs. It adds two permanent positions. One permanent position is to manage the reconciliation of contributions and

personnel and payroll data now submitted to PERS on a monthly basis (\$131,000 Other Funds). PERS' new operating system requires employer personnel and payroll data be reconciled when submitted, as opposed to the past practice of sending contributions throughout the year and then reconciling after the end of the year. The other permanent position is for workload growth related to the increased number of position actions throughout state government (\$146,000 Other Funds). Examples of this are the establishment of a consolidated data center, the downsizing of the Oregon Student Assistance Commission, and review of certain state agency requested reclassifications and administratively established positions. The budget also recognizes the increase of one position that was accomplished administratively toward the end of the 2001-03 biennium (\$136,000 Other Funds).

DAS – Facilities Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	26,287,035	31,078,002	31,078,002	33,384,111
Other Funds (NL)	94,308,944	31,087,873	31,087,873	39,051,507
Total Funds	\$120,595,979	\$62,165,875	\$62,165,875	\$72,435,618
Positions	214	207	207	210
FTE	208.59	206.50	206.50	205.53

Program Description

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

Revenue Sources and Relationships

The Division is funded from a variety of sources; its two major sources are the uniform rent assessed on all tenant agencies and parking fees. The uniform rent rate for office space in 2005-07 is \$1.40 per square foot, an increase of \$0.10 per square foot over the 2003-05 rate. Uniform rent includes a depreciation component that is deposited in a Capital Projects Account, the balances of which are used for major rehabilitation of building space, as conditions require. Newly constructed office space will pay rent at \$0.10 per square foot more than other uniform rent buildings in order to provide funds to pay debt service. The Division also receives \$2.3 million from assessments of state agencies on the Capitol Mall for landscaping, debt service, and general facilities coordination. Other revenue is generated from service agreements to perform maintenance and janitorial services for office buildings owned by other state agencies, managing specialized non-office facilities, and a number of other facilities-related services.

Budget Environment

The Division owns or manages about 3.2 million square feet of mostly office space. The Division attempts to keep office facilities adequately maintained to prolong their useful lives and keep rental rates at a reasonable level. Demand for new or improved facilities has a direct impact on Division activities. External causes such as increased utility rates and additional security needs contribute to the increased uniform rent.

Governor's Budget

The Governor's budget phases out one position and reflects reductions in FTE resulting from administrative actions taken during the current biennium. One vacant position also was eliminated. The budget includes five new positions to support the new DEQ/Health Laboratory. These positions will be phased in October 1, 2006 (total cost \$182,000 Other Funds) when the building is expected to become operational.

DAS – State Services Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	3,456	0	0	0
Other Funds	44,603,595	46,600,534	50,786,112	61,189,608
Other Funds (NL)	73,691,232	59,655,363	59,655,363	87,925,661
Total Funds	\$118,298,283	\$106,255,897	\$110,441,475	\$149,115,269
Positions	145	140	141	138
FTE	144.63	138.80	139.80	137.92

Program Description

The State Services Division is newly formed from the merger of the Risk Management Division and the Procurement, Fleet, and Surplus Services Division. The merger came about as the result of a prior Department director's commitment to reduce overhead by reducing the number of divisions in the Department. The table above presents the combined historical budget data for the two divisions and the 2005-07 State Services Division totals included in the Governor's recommended budget. For comparative purposes, the 2001-03 and 2003-05 budget information for the two formerly separate divisions is provided in the following table.

Historical Budget Data for Combined Divisions			
	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved
Risk Management Division			
General Fund	3,456	0	0
Other Funds	14,482,060	15,134,176	15,260,895
Other Funds (NL)	60,892,524	45,813,855	45,813,855
Total Funds	\$75,378,040	\$60,948,031	\$61,074,750
Positions	26	21	22
FTE	25.63	21.00	22.00
Procurement, Fleet, and Surplus Services Division			
Other Funds	30,121,535	31,466,358	35,525,217
Other Funds (NL)	12,798,708	13,841,508	13,841,508
Total Funds	\$42,920,243	\$45,307,866	\$49,366,725
Positions	119	119	119
FTE	119.00	117.80	117.80

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

The merged Procurement, Fleet, and Surplus Services activities are provided by these sections: Purchasing Operations; Fleet Management/Motor Pool; State Surplus Property; and Federal Surplus Property. The primary role of these sections is to provide cost effective central services to state agencies and local governments.

Revenue Sources and Relationships

The revenue source for the Risk Management Section's operating expenditures is the Insurance Fund. State agencies pay into the Insurance Fund through an assessment (\$93.7 million) based on a share of forecasted statewide claims costs. Statewide needs are developed from independent actuarial forecasts for workers' compensation, property, and liability costs and estimated legal costs. Assessments are significantly higher than for the 2003-05 biennium because the Division used carryover fund balance in the Insurance Fund to support 2003-05 needs. Additionally, Workers' Compensation surplus funds were depleted and Insurance Fund reserves were transferred to the General Fund in 2001 to help balance that biennium's budget. More than 70% of the Section's budget, established to purchase insurance and pay claims from the Insurance Fund, is Nonlimited Other Funds.

Purchasing operations are supported through an assessment of \$5.9 million, which is based on volume of transactions and number of agency positions. An additional \$4.8 million is provided through other direct fees for services and purchasing, consulting, and training fees.

The Fleet Management/Motor Pool operations are supported entirely through fees for services, principally fleet rental charges. In addition, the unit charges agencies that own vehicles for fueling, service, and repair fees. State Fleet Operations revenues are budgeted at \$40.1 million for the 2005-07 biennium. Acquisition of new fleet vehicles will be financed through issuance of Certificates of Participation (COPs). The debt service will be built into vehicle usage rates.

State and Federal Surplus Property operations together generate revenue from service fees. For state surplus items, the fees (\$3.5 million) are based on the value of the items sold for state agencies disposing of the surplus property. For federal surplus property, the service fees (\$1.6 million) are charged to agencies acquiring the property through the Division based on the value of the federal surplus property acquired.

Budget Environment

The amount and types of property owned, the number of employees and their work, and the types of programs agencies have all contribute to the need for risk management services and products, principally insurance. How well agencies manage their risk elements directly impacts their risk management costs. Demand for services drives the budget of the fleet operations, purchasing, and surplus property services.

Governor's Budget

The Governor's budget transfers the operations to the newly created State Services Division. It phases out four limited duration positions and makes permanent one limited duration subrogation specialist position established by the Emergency Board. It reflects the transfer in of one position from the Human Resource Services Division. It also reflects the elimination of 8 positions that were phased out or used as part of permanent financing plans to fund positions reclassifications that were begun at the end of the 2001-03 biennium. One division head position was eliminated as a result of the combination of divisions.

The budget adds three positions for the state's Smart Buy initiative, begun during the current biennium (\$378,000 Other Funds). This initiative will be funded by fees for service and vendor collected administrative fees to cover implementation costs.

DAS – Operations Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	0	22,000	22,000	0
Other Funds	11,425,711	11,745,889	11,745,889	9,013,758
Total Funds	\$11,425,711	\$11,767,889	\$11,767,889	\$9,013,758
Positions	71	70	70	58
FTE	70.38	69.50	69.50	56.58

Program Description

A reorganization begun during the 1999-2001 biennium ultimately resulted in the transfer of a significant number of positions from the various operating divisions into a newly created Operations Division. The Operations Division provides core services that are best managed centrally. Included in the Operations Division are fiscal services such as departmental budgeting, payroll, and accounting, along with personnel and procurement services.

Revenue Sources and Relationships

The Division's revenue comes from service charges to the Department's various divisions to cover its costs.

Budget Environment

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

Governor's Budget

The Governor's budget has no program enhancements or reductions. It does reflect the transfer of 20 positions to the Information Resources Management Division (IRMD). These positions are responsible for departmental computer support and information technology management. They previously were moved from IRMD to this Division during a reorganization in the year 2000. The budget also reflects the transfer out of one trainer position to the Human Resource Services Division, and the transfer in of 9 business services positions from IRMD. These transfers consolidate activities related to invoicing, disbursements, personnel, payroll, budgeting, and rate development that previously resided separately in IRMD.

DAS – Office for Oregon Health Policy and Research

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,353,417	1,296,079	1,296,079	1,384,461
Other Funds	3,497,128	1,534,314	4,374,314	3,469,164
Federal Funds	877,272	0	280,000	59,000
Total Funds	\$5,727,817	\$2,830,393	\$5,950,393	\$4,912,625
Positions	32	15	15	17
FTE	22.49	14.83	14.83	16.75

Program Description

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

Revenue Sources and Relationships

In addition to its General Fund support, the Office has contracts with Department of Human Services agencies that provide Other Funds revenue. The Federal Funds come from federal grants to conduct research on health coverage in Oregon. The Office also pursues other private grant funding to support its research activities.

Budget Environment

General Fund revenue constraints have created opportunities for the Office to explore private grant funding and using those funds to obtain federal matching funds through arrangements with the Department of Human Services (DHS). The Office sends the funds to DHS, where matching funds are obtained, and then DHS sends the original amount plus the match back to the Office to be spent as Other Funds. The Office also has pursued federal grant fund opportunities.

Governor's Budget

The Governor's budget continues funding for positions authorized by the Legislature. It continues position authority for the Prescription Drug Program established by SB 875 (2003). It also adds one position to be the Medical Director for the Health Services Commission (\$25,000 General Fund and \$275,000 Other Funds). Another position added is staff support to the Health Policy Commission (\$66,000 General Fund and \$77,000 Other Funds).

DAS – Oregon Progress Board

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	417,731	0	0	0
Other Funds	535,174	0	0	1,054,295
Total Funds	\$952,905	\$0	\$0	\$1,054,295
Positions	1	3	3	3
FTE	1.00	3.00	3.00	3.00

Program Description

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

Revenue Sources and Relationships

In the past, the Board had been funded by a combination of General Fund and Other Funds. General Fund support was eliminated by the 2003 Legislature. The Board receives Other Funds revenue from private grants, donations, and honorariums for speaking. The budget estimates \$440,000 in revenues from these sources. The 2005-07 Governor's budget also proposes a \$730,000 assessment of state agencies to supplement the other revenues.

Budget Environment

The 2003-05 legislatively adopted budget provided no funding for the Oregon Progress Board, but did include three unfunded positions (3.00 FTE). The Legislature encouraged the Department to seek Other Funds support for the Board. The Department used existing Other Funds expenditure limitation within its own budget to fund Progress Board operations.

Governor's Budget

The Governor's budget provides Other Funds expenditure limitation to support activities of the Progress Board. It includes \$100,000 to update the *Oregon Shines* review that was last conducted during the 1995-97 biennium. Despite the 2003 Legislature's encouragement to find a source of Other Funds to finance the Progress Board in the future, nearly 70% of the Board's operations are funded in the Governor's recommended budget with an assessment on all state agencies.

DAS – Capital Improvements

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	3,014,195	4,735,189	4,735,189	4,424,262
Total Funds	\$3,014,195	\$4,735,189	\$4,735,189	\$4,424,262

Program Description

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

Revenue Sources and Relationships

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

Governor's Budget

The Governor's budget provides funding for individual capital improvement projects ranging in cost from \$100,000 to \$325,000. The budget includes a combined \$495,000 for HVAC improvements in various buildings, and \$358,000 to upgrade electrical panels and controls and improve emergency lighting in other buildings. It also includes \$500,000 for preparation of space for occupancy where unanticipated moves occur in state facilities. The budget includes \$551,000 Other Funds expenditure limitation for capital improvement projects approved but not completed in the 2003-05 biennium.

DAS – Capital Construction

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	23,789,780	24,292,002	24,292,002	28,092,003
Federal Funds	0	100,000	100,000	0
Total Funds	\$23,789,780	\$24,392,002	\$24,392,002	\$28,092,003

Program Description

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

Revenue Sources and Relationships

Other Funds for capital construction come from the depreciation component of uniform rent and service agreements (\$5.6 million), and from the issuance of Certificates of Participation (\$22.5 million).

Governor's Budget

The Governor's budget includes funding for eight specific projects, some of which are continuations of projects authorized and begun in the prior biennia. The largest project is for possible acquisition and renovation of the Transportation Building (\$20 million). The Department of Transportation has not had its space needs and plans reviewed and approved by the Legislature, and this project hinges on the outcome of that review. It also includes \$2.5 million for additional capital construction needs for the Consolidated Data Center. The seven other projects are much smaller, ranging in cost from \$475,000 to \$1.1 million. Included also is \$250,000 for general planning needs. The budget also includes three \$1 placeholders for: the Eugene State Office Building replacement; Agriculture Laboratory Improvements; and space standards management/acquisition.

DAS – COP Issuance Costs for Capital Construction Projects (Nonlimited)

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds (NL)	131,818	500,000	500,000	1,278,188
Total Funds	\$131,818	\$500,000	\$500,000	\$1,278,188

Program Description

This program accounts for the cost of issuing Certificates of Participations (COPs) for Capital Construction projects. Issuance costs normally are included as part of the principal amount borrowed, much like borrowers' "points" on a home mortgage are included in the amount borrowed. This item previously was included as part of the Capital Construction section. It has now been separated to keep financing costs separate from actual construction costs.

Governor's Budget

The Governor's budget reflects anticipated issuance costs for Certificates of Participation during the 2005-07 biennium.

DAS – Miscellaneous Distributions

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds (NL)	14,545,618	14,763,577	14,763,577	15,252,451
Total Funds	\$14,545,618	\$14,763,577	\$14,763,577	\$15,252,451

Program Description

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

Governor's Budget

The Governor's budget reflects anticipated Mass Transit Assessment collections and distribution based on budgeted employment numbers.

DAS – Special Governmental Payments

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,206,523	0	0	6,400,000
Lottery Funds	275,805	1,622,874	1,622,874	1,622,118
Other Funds	1,092,029	259,937,106	259,937,106	326,972,032
Other Funds (NL)	0	0	2,018,374	0
Total Funds	\$2,574,357	\$261,559,980	\$263,578,354	\$334,994,150

Program Description

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

Governor's Budget

The Governor's budget includes a \$6.4 million General Fund payment to the federal government. The federal government is concerned that the state's practice of using a "blended" PERS rate on positions funded with federal revenues that did not separate out the different rates for general service and police/fire created an inordinate cost on the federal government. The federal government settled with the state on the \$6.4 million payment to offset what it perceived to be the overcharge resulting from the blended rate practice. The state used a combined rate because the state's payroll system was not capable of charging separate rates without costly system enhancements. Paying this amount to the federal government provides a satisfactory resolution to a potentially contentious situation and is deemed to be in the best interest of the state.

The Lottery Funds are used to pay debt service on Lottery Bonds issued for Oregon Public Broadcasting that were used on infrastructure development.

The Other Funds are for: debt service on the Pension Obligation Bonds (\$240 million), which were approved by the voters in a special election; debt service on Appropriation Bonds issued to balance the 2001-03 budget (\$87 million); and a \$2 placeholder in the event the state would pay grants to help finance a major league stadium (see Chapter 808, Oregon Laws 2003).

Advocacy Commissions Office – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	0	0	0	375,000
Other Funds	0	0	0	84,129
Total Funds	\$0	\$0	\$0	\$459,129
Positions	0	0	0	4
FTE	0.00	0.00	0.00	2.26

Agency Overview

The Oregon Advocacy Commissions Office (ACO) would be a new state agency. The Governor will introduce legislation this session to establish the Office. The ACO would provide staff support to the four advocacy commissions, each of which would otherwise continue to function independently. The four advocacy commissions are: the Commission on Asian Affairs, the Commission on Black Affairs, the Commission on Hispanic Affairs, and the Commission for Women. Each of these commissions is charged in statute with monitoring the impact of legislation and state programs on their respective constituencies, and with working to establish economic, social, legal, and political equality.

The Commission for Women also receives funding from a federal AmeriCorps grant to administer the Communities in Partnership to Stop Violence Against Women and Children program. This program provides attorneys, paralegals, educators, and advocates to assist domestic violence victims. Because the grant monies are passed through the budget of the Oregon Housing and Community Services Department, they are received as Other Funds. The current grant, which expires in September 2005, provides approximately \$650,000 Other Funds per biennium on an ongoing basis, and will provide slightly more than \$75,000 in 2005-07 biennium.

Revenue Sources and Relationships

General Fund would finance two full-time staff, plus related expenses, to assist the four advocacy commissions in the performance of their duties. The only dedicated source of Other Funds are monies received by the Commission for Women to administer the Communities in Partnership to Stop Violence Against Women and Children AmeriCorps program. Remaining Other Funds do not come from any dedicated source, but consist of donations, grants, and receipts from publication sales.

Budget Environment

General Fund was appropriated to support the operation of the four advocacy commissions, until that support was eliminated in the 2003 legislative session. Each commission received a separate General Fund appropriation and a separate Other Funds expenditure limitation. The Legislature suspended support for the commissions' operating costs, effective on April 1, 2003. This suspension was approved as part of a rebalance of the state's General Fund budget after the March 2003 Economic and Revenue Forecast indicated that revenues would not support all approved General Fund appropriations. The 2003-05 biennium budget continued the elimination of General Fund support approved for the last four months of the 2001-03 biennium.

For several biennia, the Legislature had expressed an interest in supporting advocacy commission fund raising activities by approving Other Funds expenditure limitations that accommodated expenditure of these funds, and even, in one biennium, provided a portion of General Fund support as a dollar-for-dollar match to donations raised. Except for the Commission for Women, the commissions were not successful in raising donation funds to significantly supplement their operating budgets. Much of the funds raised were used simply to finance the fund raising activities themselves. This included a Spanish language instruction program offered by the Commission on Hispanic Affairs, and an event to honor Asian American Heritage Month offered by the Commission on Asian Affairs. The Commission for Women was more successful, and generated approximately \$36,000 per biennium from its annual Women of Achievement Dinner fundraiser – well exceeding the costs of hosting the dinner. The Commission for Women also received grants to administer healthcare and financial seminars for women, as well as the AmeriCorps grant.

General Fund support for the four advocacy commissions in the 1999-2001 biennium, the last biennium where General Fund was provided for the full 24 months, totaled \$508,984. The moneys supported a full-time executive director for each of the four commissions, along with funds for the commissions' services and supplies

costs. The cost to continue funding these expenses was projected to total approximately \$645,000 in the 2003-05 biennium.

When General Fund support was suspended, the advocacy commissions had to rely on their Other Funds revenues to continue operations. The Commissions on Asian Affairs, Black Affairs, and Hispanic Affairs did not have sufficient funds to do so, and their operations were effectively shutdown. These three commissions have not been operating during the 2003-05 biennium. The Commission for Women has been able to continue operations, although its activities are reduced and its Executive Director has been reduced to part-time status.

Governor's Budget

The budget restores state support dollars for the advocacy commissions. A General Fund appropriation of \$375,000 to the Oregon Advocacy Commissions Office would support two staff personnel and related expenses and assist the commissions in fulfilling their statutory charges. The staff would jointly administer the four commissions. The funding level includes \$238,937 for salary and benefits for the two employees, and \$136,063 for services and supplies (including \$48,911 to pay state government service charges that would be assessed to the agency). Although the recommended budget funds only half of the staffing financed prior to the suspension of General Fund support, it provides significantly more funds for services and supplies than previously granted.

The \$84,129 Other Funds expenditure limitation would support \$75,129 of expenditures, and two positions (0.26 FTE), for the administration of the AmeriCorps grant through September 2005, when the existing contract expires. If the contract is extended, either the Legislative Assembly or the Emergency Board could approve an increase in the expenditure limitation and position authority to accommodate the contract extension. The expenditure limitation also accommodates up to \$9,000 of compensation to commissioners for per diem and other allowable expenses. The expenditure limitation does not support expenditures of any other grant, donation, or activity funds (beyond the \$9,000 total) that the commissions might generate.

Capitol Planning Commission – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	250,767	0	0	0
Total Funds	\$250,767	\$0	\$0	\$0
Positions	2	0	0	0
FTE	1.63	0.00	0.00	0.00

Agency Overview

Originally created in 1949, the Capitol Planning Commission established and implemented a long-range development plan for state-owned properties in Marion and Polk Counties. The Commission reviewed state agency capital development and facility proposals and coordinated planning to determine compatibility with area plans, local planning guidelines, and local interests. The Commission developed a long-term master plan for the Capitol Mall area. The Commission consisted of nine members: three appointed by the Governor, and six "ex officio" members. The Commission typically was staffed by an executive director and one administrative support position. The Commission's functioning was temporarily suspended for the 2003-05 biennium, and certain authorities were temporarily transferred to the Department of Administrative Services and Capital Projects Advisory Committee.

Revenue Sources and Relationships

Most recently, funding was provided through an assessment against state agencies based on Full Time Equivalent (FTE), not federally funded, positions. In 2003-05, 31,877.00 FTE would have been the basis for the assessment, collected by the Department of Administrative Services as part of the state government service charge. The 2003-05 assessment rate on agencies, on average, was 11% higher than in 2001-03, and would have provided \$304,031 in revenue. Although received by the Commission as Other Funds, more than one-third of the agency's revenue source originated from the General Fund.

Budget Environment

In 2003-05, Commission work was expected to include review and approval of building improvements and renovation, long-range planning, and the updating and completion of area plans. The statewide capital construction budget adopted for 2003-05 did not include funding for project work within the Commission's jurisdiction. Due to the state's revenue shortfall, the legislative budget policy implemented in 2003 affected Other Funds agencies, as well as those directly funded with General Fund. When the Commission was not funded for 2003-05, the General Fund assessment resources were recaptured for other uses. State revenue conditions remain problematic for 2005-07.

Governor's Budget

The Governor's budget assumes passage of a measure to repeal the statutes authorizing the Commission, and to transfer Commission responsibilities to the Department of Administrative Services.

Employment Relations Board (ERB) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,280,057	1,299,312	1,299,312	1,556,444
Other Funds	1,513,208	1,292,046	1,345,626	1,347,405
Total Funds	\$2,793,265	\$2,591,358	\$2,644,938	\$2,903,849
Positions	16	12	14	14
FTE	16.00	12.00	12.50	13.33

Agency Overview

The Employment Relations Board (ERB) is a three-member quasi-judicial board appointed by the Governor with Senate confirmation. ERB administers the collective bargaining laws that cover public employees and private employers who are not covered by the National Labor Relations Act, and conducts hearings on appeals under the State Personnel Relations Law.

Revenue Sources and Relationships

Other Funds revenue is generated primarily through an assessment to state agencies based on the number of covered employees. The 2005-07 projected revenue of \$1.2 million is based on an assessment rate of \$1.35 per employee per month and an assumed 37,000 covered state employees. The Governor's budget expands the assessment to include groups not previously included (Legislative and Judicial branches and temporary employees). The projected ending balance of \$238,271 is equivalent to approximately five months of operating expenditures.

ERB also receives fees for services: contract mediation fees (\$1,000); grievance and Unfair Labor Practice (ULP) fees (\$500); interest based bargaining training fees (up to \$2,500); and filing fees for ULP complaints (\$250) and answers (\$100). Fees for services were first added in 1993 and the rates have not increased since 1995-97, but revenues have never materialized at the original estimated level. The projected ending balance of \$66,617 represents approximately six months of operating expenditures.

Budget Environment

Since 1991-93, General Fund support for ERB has been reduced by 23.5% thus increasing the reliance on the assessment to state agencies, fees for services, or expenditure reductions. Because of the significant modifications to ERB's staffing and funding structure over a decade, ERB was directed, through a budget note, to develop a funding mechanism that was consistent with the workload requirements of each program and to ensure that the assessment only covers the costs associated with the state government cases.

In cooperation with the Governor's Office, ERB held three meetings with representatives from local government employers and unions to discuss funding options for the Local Government program. While no specific recommendations from this work group are included in the Governor's budget, the workgroup seemed to conclude that General Fund should be the primary support for services. If General Fund support proved to be insufficient, the workgroup seemed to prefer the status quo rather than reconfiguring or increasing fees.

During 2003-05, the Emergency Board authorized two limited duration positions pending an audit of ERB by the Department of Administrative Services. The audit team identified several areas for improvement including the need for research tools, equipment, training, better time management, segregation of administrative duties, and classification reviews.

ERB – State Government Labor Relations

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	1,256,785	1,040,524	1,094,104	1,091,025
Total Funds	\$1,256,785	\$1,040,524	\$1,094,104	\$1,091,025
Positions	6	4	6	4
FTE	7.12	5.12	5.62	5.12

Program Description

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

Governor's Budget

The Governor's budget for this program represents a 0.3% decrease over the 2003-05 legislatively approved budget. Two limited duration positions (0.50 FTE) established by the Emergency Board during the interim were phased out, and the Governor's budget recommends adding \$6,450 Other Funds for staff training and education.

ERB – Local Government Labor Relations

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,280,057	1,299,312	1,299,312	1,556,444
Other Funds	256,423	251,522	251,522	256,380
Total Funds	\$1,536,480	\$1,550,834	\$1,550,834	\$1,812,824
Positions	10	8	8	10
FTE	8.88	6.88	6.88	8.21

Program Description

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

Governor's Budget

The Governor's budget for this program represents a 16.9% increase over the 2003-05 legislatively approved budget. The budget establishes an administrative law judge (1.00 FTE) and a part-time legal secretary (0.33 FTE), and increases funding for transcription services to address workload concerns (\$192,321 General Fund).

Government Standards and Practices Commission – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	860,622	559,701	559,701	763,527
Other Funds	6,978	5,902	5,902	3,500
Total Funds	\$867,600	\$565,603	\$565,603	\$767,027
Positions	4	3	3	4
FTE	4.00	2.80	2.80	4.00

Agency Overview

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

Revenue Sources and Relationships

The Commission is funded almost entirely by General Fund. The Other Funds portion, comprising less than 1% of the budget, is from reimbursements for the cost of printing and distributing Commission documents. Actual Other Funds revenue continues to decline with the increased availability of Commission documents on the Internet. Estimated for 2003-05 at approximately \$6,000, actual receipts will be closer to \$3,000. The Commission also collects revenues from fines and forfeitures based on its authority to impose civil penalties. These revenues are not included in the agency budget, however, but are transferred to the General Fund and are not available for Commission operations. The Commission estimates it will collect \$60,000 in fines and forfeitures in 2005-07, down from a projected \$67,000 in 2003-05 and \$83,000 in 2001-03.

Budget Environment

The most significant factor affecting the Commission over the past two biennia has been the reduced level of funding. Although the total number of complaints filed with the Commission has been relatively constant, with complaint activity spiking slightly upward in election years, the Commission's 2003-05 adopted budget was 25% below 1999-2001 levels. Budget reductions during the 2003 legislative session left the agency with three positions, the executive director, one investigator, and a 0.80 FTE support specialist. With only one investigator position, any unexpected major investigation, such as the review of the State Accident Insurance Fund (SAIF) Corporation during 2004, results in a restricted ability to address other complaints filed with the Commission. Through August 2004, the Commission had turned down 14 requests for complaint investigation due to the lack of investigative resources. The Commission's executive director continues the education component of Commission responsibility with training presentations, but at a declining level due to the need to complete higher priority work. Training presentations totaled 55 in 2001, but declined to 34 in 2003.

A major variable in the Commission's budget is the level of Attorney General charges. These can vary greatly depending upon whether the Commission faces any contested cases. Generally, the legislatively adopted budget makes no allowance for exceptional contested case costs. Due to the unpredictable nature of such legal costs, including the award of attorney fees to prevailing parties, the Commission usually seeks supplemental funding from the Emergency Board during the interim or from the Legislature during session.

The Commission has also investigated alternative funding sources with little success. Currently, as an agency funded entirely by the General Fund, the Commission must seek funding approval from the same legislators that are subject to its review of conduct. There are an estimated 185,000 public officials subject to Commission jurisdiction, with the vast majority serving at the local government level.

Governor's Budget

The Governor's recommended budget invests in Commission activities by basically restoring the staffing reductions made during the 2002 special sessions and 2003 regular session. The General Fund budget of \$763,527 is a 36.4% increase from the 2003-05 legislatively approved budget level, but remains approximately 11% below the 2001-03 actual expenditures of the agency. The agency encountered extraordinary expenses in

the 2001-03 biennium from contested cases which caused a spike in both prevailing party attorney fees and Attorney General costs.

The recommended budget includes an additional \$120,843 General Fund to restore an investigator position that was eliminated in the 2003-05 biennium. The additional investigator position is anticipated to assist the agency in avoiding the need to turn down citizen complaints regarding conduct by government officials. The agency was forced to reject 14 complaints in the current biennium through August 2004 due to a lack of investigative staff and the time involved with the SAIF Corporation investigation. The recommended budget also includes the restoration of the agency's only clerical support position from 0.80 FTE to full-time status at a cost of \$18,647 General Fund. In addition to general office support, the Executive Support position performs all functions related to lobbyist registration and expenditure reporting as well as the processing of the required Annual Verified Statement of Economic Interest filings by government officials.

Acknowledging the continuing decline in Other Funds revenue, that category is reduced by \$2,400 from the 2003-05 approved levels, as well as the use of that revenue for Attorney General expenses. As in previous biennia, the budget does not include funding for extraordinary legal costs resulting from contested cases.

Office of the Governor – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	9,952,667	8,087,646	8,087,646	8,465,814
Lottery Funds	0	610,000	610,000	663,456
Other Funds	1,020,701	1,581,417	1,581,417	1,775,434
Federal Funds	0	0	65,000	129,996
Total Funds	\$10,973,368	\$10,279,063	\$10,344,063	\$11,034,700
Positions	54	45	45	46
FTE	53.00	44.50	44.50	45.50

Agency Overview

The Office of the Governor provides overall direction to state agencies within the Executive Branch to ensure compliance with statutes and efficient and effective management. The Office includes a State Affirmative Action Officer, a Citizen's Representative Office, a Minority and Women Business Advocate, and provides clerical support for appointing members to boards and commissions. The Office includes three policy offices: the Governor's Natural Resource Office, the Office of Education and Workforce Policy, and the recently established Office of Rural Policy. Two activities with statewide impact also are located in the Office of the Governor, the state's Economic Revitalization Team and the Arrest and Return program.

Revenue Sources and Relationships

The Office of the Governor is supported mainly by the General Fund. The Lottery Funds are for the Economic Revitalization Team (ERT). The cost of ERT is also paid from Other Funds transferred from state agencies involved with the ERT that have sufficient Other Funds cash balances to help defray its operating costs. Other Funds also include revenue transfers from the Departments of Administrative Services and Consumer and Business Services to finance the Affirmative Action and Minority and Women Owned Business programs. The Affirmative Action Program is funded from a Department of Administrative Services Human Resource Services Division assessment estimated at \$315,000 for the biennium. The Minority Business Enterprises program is funded from assessments on agencies that have capital construction funded in their budgets and also receives funds from sponsoring conferences. Revenues from these sources are estimated at \$469,000. The Federal Funds are from grants for the Office of Rural Policy. Like the Economic Revitalization Team, the cost of this office will also be paid with Other Fund transfers from involved state agencies that have sufficient cash balances to help support this activity.

Budget Environment

The budget is driven by the number of staff and programs operated out of the Governor's Office. No new programs have been placed in the Governor's Office in recent biennia. The transfer of budgetary accountability for the two policy offices was done to reflect actual programmatic responsibility and did not add new programs. The Economic Revitalization Team, formerly known as the Community Solutions Team, was transferred to the Office of the Governor from the Department of Administrative Services by the 2003 Legislature. The transfer included 7 positions (7.00 FTE) and \$1.6 million in funding. The sources of funding included \$400,000 General Fund, \$610,000 Lottery Funds that would have otherwise been distributed to regions through the Economic and Community Development Department, and \$360,000 from interest earnings on the Special Public Works Revolving Fund that would have otherwise been used for grants. The Legislature also indicated its desire for a stable funding source for this activity to be identified by the Office of the Governor in any 2005-07 budget request.

Governor's Budget

The Governor's recommended budget of \$11 million total funds is a 6.7% increase from the 2003-05 legislatively adopted level. The recommended budget includes \$8.5 million General Fund, an increase of 4.7% from 2003-05 levels. The budget continues existing programs and activities, including the Office of Rural Policy that was established by Executive Order during the 2003-05 biennium. Start-up expenditure limitation was provided by the Emergency Board from a federal grant and from Other Funds support necessary to match the Federal Funds. The 2005-07 budget establishes two permanent positions (1.50 FTE) for the Office of Rural Policy. It also eliminates one vacant part-time position (0.50 FTE). The proposed breakdown by activity is detailed in the table on the following page.

Program	Budget	Positions
Arrest and Return	\$840,779	1
Economic Revitalization Team	\$1,742,248	7
Office of Rural Policy	\$356,748	2
Natural Resources	\$1,183,779	6
Education and Workforce Policy	\$1,016,315	4
Affirmative Action	\$428,534	2
Minority, Women and Emerging Small Businesses	\$457,354	2
Administration	\$5,008,943	22
Totals	\$11,034,700	46

The Governor's budget also assumes that, in addition to the \$663,000 Lottery Funds, ERT will be funded with Other Fund transfers from the Economic and Community Development Department (\$390,000), the Department of Transportation (\$215,000), and the Housing and Community Services Department (\$65,000). The budget proposes that additional funding support for the Office of Rural Policy will be obtained from agency revenue transfers, however, those agencies have not been determined and are not identified in the Governor's recommended budget.

Oregon State Library (OSL) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	3,022,929	2,594,626	2,594,626	2,942,475
Other Funds	4,926,116	6,112,874	6,112,874	6,712,480
Federal Funds	3,945,263	4,128,563	4,128,563	4,635,649
Total Funds	\$11,894,308	\$12,836,063	\$12,836,063	\$14,290,604
Positions	45	44	44	44
FTE	44.38	43.63	43.63	42.72

Agency Overview

The Oregon State Library's (OSL) mission is to provide quality information services to state agencies, reading materials to blind and print-disabled individuals, and leadership, grants, and other assistance to improve local library service. Trustees of the State Library consist of seven members appointed by the Governor who are responsible for setting policy for OSL and adopting long-range plans for library services statewide.

Revenue Sources and Relationships

Other Funds revenues are generated from three main sources including an assessment on all state agencies, except the Department of Higher Education, for the portion expenditures that support state agencies; donations; and reimbursements from local libraries for their portion of costs associated with database licensing approved as part of SB 12 (2003). In 2005-07, OSL also anticipates receiving a grant from the Gates Foundation to provide computers and training to local libraries (\$185,120). The ending balance attributable to assessments is approximately \$885,000 or 4 months of operating expenditures.

The 2005-07 projected ending balance for the State Library Donation Fund is approximately \$740,000, including \$688,000 for the Talking Book and Braille Services (TBABS) Endowment Fund. The Trustees of the State Library were permitted to establish an endowment fund by SB 307 (2001) as a sub-account of the Donation Fund. The Trustees have a policy of spending the Donation Fund on enhancements to programs and marketing costs only rather than for operating costs of programs. The Endowment Fund is non-expandable by Trustee policy as well.

OSL receives Federal Funds from the Institute of Museum and Library Services under the Library Services and Technology Act (LSTA) per a population-based formula. The grant requires a 52% match rate as well as a maintenance of effort based on the average of the last three years of non-federal library expenditures relevant to the priorities of LSTA. Reductions in state funding result in an identical percentage reduction in LSTA funding.

Budget Environment

Either through specific legislative directive or by policy of the Trustees of the State Library, assessment funding has been used for services that do not directly benefit state agencies. The 2003-05 legislatively adopted budget eliminated most of the General Fund support for Administrative Services and opted to use one-time, cash balances available from the assessment. Since 2001, the assessment has also supported a portion of the facilities costs associated with TBABS. For the 2005-07 biennium, the Governor and Legislature will again face the decision to provide additional General Fund resources, use assessment and donation revenues for broader purposes than currently included in statute or Trustee policy, or reduce services.

OSL – Administration

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	400,613	17,675	17,675	258,133
Other Funds	518,592	1,003,980	1,003,980	771,081
Federal Funds	0	0	0	107,482
Total Funds	\$919,205	\$1,021,655	\$1,021,655	\$1,136,696
Positions	6	6	6	6
FTE	5.63	5.63	5.63	5.63

Program Description

This program coordinates the mission and goals of the agency and manages the finance, personnel, and volunteer functions of the agency.

Governor's Budget

The Governor's budget reflects an 11.3% increase over the 2003-05 legislatively approved budget. General Fund support for this program is restored rather than relying on one-time cash balances from the assessment to state agencies. The budget also reallocates expenditures to federal funds (\$107,482) from General Fund support. In prior biennia, the Trustees opted to maximize grants to local governments by not allocating administration costs to federal funds.

OSL – Library Development

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,545,354	1,392,266	1,392,266	1,405,176
Other Funds	11,932	521,192	521,192	1,021,488
Federal Funds	3,945,263	4,128,563	4,128,563	4,528,167
Total Funds	\$5,502,549	\$6,042,021	\$6,042,021	\$6,954,831
Positions	5	6	6	6
FTE	4.75	5.50	5.50	5.50

Program Description

This program is responsible for assisting approximately 1,600 local libraries and improving the overall quality of library services in the state through distribution of federal (LSTA) and state (Ready to Read) grants, coordination of statewide, electronic database licensing, and consultation and dissemination of information on youth services, library statistics, and challenges to library materials.

Governor's Budget

The Governor's budget reflects a 15.1% increase over the 2003-05 legislatively approved budget. General Fund support for Ready to Read grants is approximately \$0.84 per child ages 12 and under. While this maintains the rate per child from the 2003-05 legislatively approved budget, it is lower than the \$1.00 per child approved for the 2001-03 biennium but subsequently reduced during special sessions. The budget also reflects expenditure levels to support anticipated increases in federal revenues from LSTA (\$269,858), reimbursements from local libraries for database licensing (\$302,065), and a grant from the Gates Foundation (\$185,120).

OSL – Talking Book and Braille Services

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	1,076,962	1,184,685	1,184,685	1,279,166
Other Funds	113,185	186,466	186,466	309,620
Total Funds	\$1,190,147	\$1,371,151	\$1,371,151	\$1,588,786
Positions	11	10	10	9
FTE	10.75	10.25	10.25	9.50

Program Description

In cooperation with the Library of Congress, which provides books, tapes, recorders, and postage at no cost to Oregon, this program provides reading materials in audio-recorded or Braille formats to individuals with limited vision or other disabilities that prevent the use of books and printed materials. OSL is responsible for maintaining the inventory of materials and distribution.

Governor's Budget

The Governor's budget reflects a 15.9% increase over the 2003-05 legislatively approved budget. The staffing pattern for TBABS is reorganized in order to improve collection management, cataloging, and outreach efforts. Two library specialist positions (1.75 FTE) are abolished and replaced with a higher level librarian position (1.00 FTE). Interest earnings from the TBABS Endowment Fund will cover the incremental cost associated with the higher level position. The budget also continues to fund a portion of the facilities costs for TBABS with funds from assessments on state agencies (\$57,855 Other Funds).

OSL – Government Research and Electronic Services

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	4,282,407	4,401,236	4,401,236	4,610,291
Total Funds	\$4,282,407	\$4,401,236	\$4,401,236	\$4,610,291
Positions	23	22	22	23
FTE	23.25	22.25	22.25	22.09

Program Description

Government Research and Electronic Services (GRES) provides research assistance to state government; develops and maintains the State Library collection, the OSL's on-line information services, and the Oregon.gov search engine; and coordinates a database of periodical holdings of Oregon libraries. In addition, the general public obtains special information concerning state government publications, Oregon history, and genealogy through a partnership with the Willamette Valley Genealogical Society.

Governor's Budget

The Governor's budget reflects a 4.7% increase over the 2003-05 legislatively approved budget. Current services are maintained with no program enhancements.

Oregon Liquor Control Commission (OLCC) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	75,810,800	82,523,767	82,523,767	92,762,679
Other Funds (NL)	3,135,148	2,160,045	2,160,045	4,506,960
Total Funds	\$78,945,948	\$84,683,812	\$84,683,812	\$97,269,639
Positions	221	207	207	221
FTE	216.77	202.27	202.27	214.27

Agency Overview

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

Revenue Sources and Relationships

The Commission is entirely supported by Other Funds revenues generated from liquor sales (95%), privilege taxes on malt beverages (beer) and wines (4%), license fees and fines, server education fees, and miscellaneous income (1%). As required by law, 50% of the privilege tax revenues (\$13 million for 2005-07) are first allocated for payments to the Mental Health Alcoholism and Drug Services Account, and an additional \$382,442 is transferred to the Wine Advisory Board. The remaining privilege tax revenues, along with all other revenues (primarily from liquor sales), are first used to finance Commission operations (including liquor purchases). The excess balance (\$194 million in the 2005-07 biennium) is apportioned to the state General Fund (56%), and to city (34%) and county (10%) general funds. The 2005-07 budget projects gross sales of \$620 million, with \$126 million transferring to the General Fund.

OLCC projects that per capita consumption of distilled spirits and case sales volume will remain stable during the biennium. The combination of population growth, greater customer demand for premium, higher-priced products, and rising wholesale liquor prices will cause a 9% increase in total dollar liquor sales from the 2003-05 estimated revenues. The Commission estimates that increased liquor sales will come from inflation in product cost and increasing preference for premium products. Per capita annual consumption is projected for malt beverages at about 22.8 gallons per person and for wine at about 2.83 gallons per person. This will be accompanied by an annual 1.1% increase in population through 2007. Actual privilege tax collections in 2003-05 are estimated to be \$25 million.

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

Budget Environment

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

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

Governor's Budget

The Governor's budget of \$97.3 million total funds, is a 6.4% increase from the estimated expenditure level for 2003-05, and includes 221 positions (214.27 FTE). This is \$12 million, or 15%, more than the 2003-05 legislatively approved level. The 2005-07 recommended budget includes enhancement packages totaling \$6.1 million Other Funds, from the funding level necessary to continue current activities, primarily for increases in bank card

usage, agents compensation, and agency business operation needs. The 2005-07 recommended budget will result in an additional \$6.2 million distribution to the General Fund. The recommended budget includes 14 new positions (12.00 FTE) for the agency's distribution center, license investigations, and modernizing the agency's technology systems.

Specific details are discussed under each program unit.

OLCC – Merchandising

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	6,569,787	5,992,160	5,992,160	6,730,506
Other Funds (NL)	3,135,148	2,160,045	2,160,045	4,506,960
Total Funds	\$9,704,935	\$8,152,205	\$8,152,205	\$11,237,466
Positions	50	50	50	58
FTE	49.17	48.17	48.17	54.42

Program Description

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

- **Purchasing and Distribution Division** (45.42 FTE) responsibilities include analyzing trends in customer buying and new product availability; purchasing and securely warehousing the liquor; arranging for the shipment of products to the state's retail liquor stores; and settling claims for damaged or defective goods. The Division ensures adequate liquor inventories and a varied selection to satisfy consumer demand.
- **Store Operations Division** (9.00 FTE) oversees operation of the statewide retail liquor store system, which consists of 243 retail outlets run by contract agents. Funding for agents' compensation is in a separate program, although it is related to the Merchandising program.

Budget Environment

The focus of the Commission has been on achieving internal operating efficiencies through improvements in technology, contracting out where cost effective, and inventory cost savings. During the 1999-2001 biennium, OLCC established criteria for determining the number and location of liquor stores. OLCC added five new stores in the Portland metropolitan and Bend regions. Up to six new pilot program stores will open in 2003-05 as part of a Governor-endorsed experiment locating liquor stores within retail grocery stores in urban and suburban areas with large population or tourist growth. The Commission continues to consider additional stores to meet customers' growing needs during the 2005-07 biennium. The Commission's *Retail Business Plan for Year 2000 and Beyond* identifies the need to move toward modern electronic retail systems to keep pace with industry and customer needs. The plan calls for investing in capital improvements, modernizing stores, and improving the location of stores.

Governor's Budget

The Governor's budget of \$11.2 million total funds and 58 positions (54.42 FTE) is 41.12% more than the estimated expenditure level budget for 2003-05. This is \$3 million or 3.7% more than the 2003-05 legislatively approved level. The 2005-07 recommended budget reflects an increase in the use of bank cards with an increase in the Nonlimited Other Funds budget of \$2.3 million or 109%. In addition, the recommended budget includes an enhancement package to establish four permanent, full-time Liquor Distribution Equipment Operator positions (4.00 FTE) and four seasonal Liquor Distribution Worker 1 positions (2.00 FTE) to keep pace with increases in shipping and handling of distilled spirits being sold in the state and to assure timely handling and shipping of liquor store orders.

OLCC – Regulatory

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	12,358,070	13,374,556	13,374,556	13,513,705
Total Funds	\$12,358,070	\$13,374,556	\$13,374,556	\$13,513,705
Positions	106	95	95	96
FTE	104.00	93.00	93.00	94.00

Program Description

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

- **Regulatory Field Services Division** (75.00 FTE) staff conduct license investigations, respond to complaints, investigate liquor law violations, and work with local groups to resolve problems. There are 10 offices statewide. The statewide Compliance Unit, which handles complex and high-risk license and enforcement cases, is also included.
- **Regulatory Policy and Process Division** (19.00 FTE) staff maintain records; issue and renew licenses; coordinate staff involvement in contested case hearings; develop, review, and amend administrative rules; provide technical support and training to Field Services staff; and administer the alcohol server education and minor decoy programs.

Budget Environment

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

Governor's Budget

The Governor's recommended budget of \$13.5 million Other Funds and 96 positions (94.00 FTE) is 13.8% higher than the 2003-05 estimated budget level and \$139,149 higher than the 2003-05 legislatively approved budget level. The budget was reduced by 2.00 FTE and \$538,418 to reflect a transfer of functions to the Administration program. The recommended budget includes the following enhancement packages:

- \$333,982 Other Funds expenditure limitation to establish three permanent full-time Liquor License Investigator positions (3.00 FTE) to enable the agency to meet increasing demand of licensing from the private sector in a timely manner. The positions are proposed to be funded with a \$400 initial licensing fee that is part of a legislative concept.
- \$19,092 Other Funds expenditure limitation for overtime payments to provide services to the University of Oregon and Oregon State University sports programs. The overtime will be funded by the two universities.

OLCC – Administration and Support Services

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	11,880,899	13,125,603	13,125,603	17,277,364
Total Funds	\$11,880,899	\$13,125,603	\$13,125,603	\$17,277,364
Positions	65	62	62	67
FTE	63.60	61.10	61.10	65.85

Program Description

The Administration and Support Services program consists of three divisions:

- **Administration** (13.50 FTE) is responsible for overall administration of the agency; ensures that Commission and legislative policies are carried out; processes and refers cases to the Central Hearings Unit; develops administrative rules; and issues orders in all alcohol server education cases.

- **Administrative Services** (29.75 FTE) includes human resources management, information systems support, motor pool fleet management, non-liquor purchasing, mail delivery, and other routine support services.
- **Financial Services** (22.60 FTE) develops and implements systems that provide fiscal accountability for Commission operations, produces and maintains fiscal records, and develops and monitors execution of the agency's budget.

Budget Environment

Administration's focus in 2005-07 will be on continued development of interactive partnerships with groups affected by the OLCC's activities and decisions and leading the agency in modernizing and streamlining both merchandising and regulatory functions through technological improvements. The numbers of hearing requests are projected to be received at an overall rate similar to that of the current biennium. The division expects approximately 350 new requests for hearings in 2005-07; 75 that will be alcohol server education cases. The division also anticipates preparing and presenting 275 cases for contested case hearings.

Governor's Budget

The Governor's recommended budget of \$17.3 million Other Funds and 67 positions (65.85 FTE) is 45% higher than the 2003-05 estimated budget level and \$4.1 million or 31.6% higher than the 2003-05 legislatively approved budget level. The budget reflects an increase of \$3.6 million to establish 3 full-time permanent positions to modernize the OLCC technology infrastructure. The balance of the increase (\$546,722 and 2.00 FTE) from the 2003-05 legislatively approved budget level is due to the transfer of functions from the Regulatory Program to Administration and inflation and price list increases for statewide services.

OLCC – Store Operating Expenses

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	44,809,260	49,832,458	49,832,458	55,037,338
Total Funds	\$44,809,260	\$49,832,458	\$49,832,458	\$55,037,338

Program Description

This program includes an expenditure limitation from liquor revenues to pay contract agents who operate the state's 243 retail liquor outlets. Agents are paid monthly using a formula based primarily on store sales and on whether the store is exclusive (i.e., sells only liquor and related items) or non-exclusive (store is run in conjunction with another business, such as a drug or grocery store). Out of the compensation, agents pay liquor store rent, insurance, telephone, utilities, business taxes, employee salaries and benefits, and other operating costs. From the remainder, they pay their own salaries, benefits, and personal taxes.

Budget Environment

The rate of monthly compensation for agents was originally determined annually. In 1979, the Commission started calculating compensation monthly as a percentage of actual monthly sales. Biennial adjustments were made to this basic formula until 1980. The store formula is reviewed and adjusted by the agency every six months. The goal is to provide basic support, while encouraging sound retail practices and rewarding sales performance. During the 1997 session the formula, which had been in effect since 1993, was revised to provide the following compensation for the 2005-07 biennium:

- **Non-exclusive stores:** 14.25% of the first \$10,000 of monthly sales; plus 7.75% of all monthly consumer sales (up from 7.15% in 2001-03); and 5.89% of all monthly dispenser sales (up from 5.58% in 2001-03); plus up to \$118 monthly for deferred compensation if matched by the agent.
- **Exclusive stores:** based on six sales classifications – 14.25% of the first \$10,000 of monthly sales for annual sales up to \$210,000 and five compensation bases ranging from \$1,660 to \$2,700 per month for sales between \$210,000 to more than \$1.65 million per year; plus 7.55% of all monthly consumer sales (up from 7.15% in 2001-03); 5.89% of all monthly dispenser sales (up from 5.58% in 2001-03); plus up to \$150 monthly for deferred compensation to the extent matched by the agent.

The average compensation rate of 8.88% of forecasted liquor sales for the biennium established by the Legislature resulted in an expenditure limitation of \$53.4 million based on projected sales. Agents' compensation increases when consumption increases or as prices increase. OLCC typically requests an increase in the expenditure limitation from the Emergency Board during the biennium if actual sales exceed forecasted amounts. The Commission expects population growth and rising prices to increase total dollar liquor sales by 10.43% in the 2005-07 biennium. Agents' compensation would also increase by the same percentage. Some

agents continue to incur costs (primarily store leasing and personnel) that are purported to rise at a faster rate, putting pressure on these agents' operations. Lack of data on the Oregon agents' actual costs and related items makes it difficult to develop a precise basis for conducting a market study to determine whether the Oregon liquor agents' compensation is fair in comparison to "market."

Governor's Budget

The Governor's recommended budget of \$55 million Other Funds for this program maintains the average compensation rate of 8.88% of forecasted liquor sales for the biennium. This is \$5,207,880, or 10.4%, higher than the 2003-05 legislatively approved budget level.

OLCC – Capital Improvements

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	192,784	198,990	198,990	203,766
Total Funds	\$192,784	\$198,990	\$198,990	\$203,766

Program Description

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

Budget Environment

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

Governor's Budget

The Governor's recommended budget of \$203,766 Other Funds is increased by 2.4% over the 2003-05 legislatively approved budget level. This level of funding will allow the agency to:

- replace rooftop heaters, estimated at \$75,000;
- bring the warehouse and office complex building into compliance with current earthquake safety codes, estimated at \$100,000 to \$150,000;
- replace carpet in the office building, estimated at \$60,000;
- complete roof repairs, estimated at \$80,000;
- replace steam coils, estimated at \$40,000; and
- evaluate the heating and cooling system, estimated at \$30,000 to \$40,000.

Public Employees Retirement System (PERS) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	44,124,815	62,723,473	87,915,406	80,401,865
Other Funds (NL)	3,877,977,560	4,209,547,757	5,709,547,757	5,646,765,074
Total Funds	\$3,922,102,375	\$4,272,271,230	\$5,797,463,163	\$5,727,166,939
Positions	273	356	401	369
FTE	226.33	324.22	356.09	368.00

Agency Overview

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

PERS – Tiers 1 and 2 Plan

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds (NL)	3,877,977,560	4,209,547,757	5,709,547,757	5,641,669,074
Total Funds	\$3,877,977,560	\$4,209,547,757	\$5,709,547,757	\$5,641,669,074

Program Description

The Tiers 1 and 2 Plan program accounts for retirement benefit and health insurance premium subsidy payments attributable to Tier 1 and Tier 2 members. This program is now a closed program (no new members can be added to the Tiers 1 and 2 plans) because of PERS reform legislation passed during the 2003 legislative session. Tier 1 plan members are employees that were hired before January 1, 1996. The 1995 Legislature established a different level of benefits for employees hired on or after January 1, 1996. These employees are known as Tier 2 plan members. Administrative costs of this program are budgeted under PERS-Operations below. The administrative costs are funded by revenue transfers from this program to the Operations program where legislative oversight and control is provided through the budget process.

Revenue Sources and Relationships

The Other Funds revenue is mainly from employer contributions to the retirement system (\$2.4 billion) and retirement trust fund investment earnings (\$4.3 billion). A nominal amount of revenue comes from employee contributions by judges and retiree payments for health care insurance. Employer contribution rates are established by the Public Employees Retirement Board based upon advice from its consulting actuary. The Board also determines the level to which certain statutory reserves will be funded from earnings on plan assets.

PERS – Oregon Public Service Retirement Plan

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds (NL)	0	0	0	5,096,000
Total Funds	\$0	\$0	\$0	\$5,096,000

Program Description

The Oregon Public Service Retirement Plan (OPSRP) program accounts for anticipated payments out of members' individual accounts, predominately for third-party administrator costs to maintain the individual accounts. As part of the 2003 reform legislation, all active employee members (excluding judges) have their

contributions (currently 6% of their pay) deposited into individual member accounts under the OPSRP. Upon retirement, or separation of service if it occurs before vesting, members are eligible for payments from their individual accounts. In the future, the budget will include retiree benefit payments. Because the reform legislation became effective August 29, 2003, members who started employment with a PERS member employer after that date are generally not yet eligible to receive retirement benefits, so no employer paid retirement benefits are budgeted for 2005-07. By law, the third party administrator costs of the Individual Account Program of OPSRP are paid out of the individual accounts and, therefore, are budgeted as Nonlimited Other Funds expenditures. The other administrative costs of this program are budgeted under PERS-Operations below. Those administrative costs are funded by revenue transfers from this program to the Operations program where legislative oversight and control is provided through the budget process.

Revenue Sources and Relationships

The Other Funds revenue is mainly from employer and employee contributions to the retirement system (\$1.3 billion) and retirement trust fund investment earnings (\$20.7 million). Employer contribution rates are established by the Public Employees Retirement Board based upon advice from its consulting actuary. Investment earnings are a best-guess estimate only, as the plan is yet in its infancy.

PERS – Operations

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	42,858,915	61,256,920	84,286,124	74,680,915
Total Funds	\$42,858,915	\$61,256,920	\$84,286,124	\$74,680,915
Positions	273	356	401	369
FTE	226.33	324.22	356.09	368.00

Program Description

The Operations program is responsible for the administrative costs of maintenance of employer and employee accounts, processing of retirements, determination of disability retirement benefits, and payment of retirement benefits. It also administers group health insurance plans for retirees. PERS also is the state administrator of the federally mandated Social Security Administration program. The Operations program also administers deferred compensation programs for state employees and employees of local governmental units. Operations activities have been divided into six separate divisions.

Central Administration provides the central direction, planning, and leadership for the PERS organization. It consists of the Director, Deputy Director, Human Resources, and Internal Audits. Services, including the health insurance programs, that are not under a separate divisional head are also located in Central Administration. The budget request for this Division is 17 positions (17.00 FTE) and \$3.8 million.

Benefit Payments is primarily responsible for the maintenance of member accounts and the calculation and issuance of retiree benefits. Other responsibilities include processing divorce orders, disability claims, death benefits, and benefit adjustments. The budget request for this Division is 99 positions (99.00 FTE) and \$11.3 million.

Fiscal Services provides most business and central support services to the other agency divisions. This includes financial reporting, coordination of actuarial information, accounting, trust tax compliance, and fiscal operation functions such as procurement, cash receipts and disbursements, payroll, budget, and cost allocation. Other responsibilities include shipping and receiving, building management, and mail services. The budget request for this Division is 43 positions (43.00 FTE) and \$10.1 million.

Information Systems provides all data processing and telecommunications services for the agency. It maintains the aging Retirement Information Management System (RIMS), and newly acquired jClarety retirement system. The Division also provides systems development services, and schedules and processes agency data. It also is responsible for the management, retention, storage, and retrieval of agency records. The budget request for this Division is 94 positions (94.00 FTE) and \$33.7 million.

Policy, Planning, and Legislative Analysis is responsible for fiscal and administrative policy coordination, legal services management, contested case hearings, administrative and business rules, and legislative analysis. It is

also responsible for the Social Security Administration program for Oregon's public employers. The budget request for this Division is 15 positions (14.50 FTE) and \$3.8 million.

Customer Services provides employer and employee member counseling, education, and communications services for the Tier 1 and 2 plans, the Oregon Public Service Retirement Plan, and the Deferred Compensation Plan. The budget request for this Division is 101 positions (100.50 FTE) and \$11.9 million. The Division has three operating sections described briefly here with related budget request information.

- **Customer Services** provides employee member education, counseling, and communication services. The budget request is for 52 positions (52.10 FTE) and \$6.4 million.
- **Member/Employer Relations** provides member employers with training about the systems and obtains critical employee member information from employers. The budget request is for 41 positions (41.00 FTE) and \$4.5 million.
- **Deferred Compensation** administers deferred compensation programs for state employees and employees of local governmental units. The budget request is for 8 positions (7.40 FTE) and \$1 million.

Revenue Sources and Relationships

The Operations program revenue is mainly from revenue transfers received from the Tiers 1 and 2 and OPSRP programs (\$70.7 million). Additionally, revenue to support the deferred compensation program is from a charge of 0.09 of 1% on deferred compensation trust fund assets (\$1.1 million). Revenues also are from other administrative fees assessed participants and employers for health fund and social security administration activities, and other miscellaneous non-customary services (\$2.9 million).

Budget Environment

PERS Operations are in a state of transition. A new Board was appointed and began operating September 1, 2003. The Board replaced the former Director and new management has been brought in to direct the Information Systems and Financial Services Divisions. These operational changes occurred while record numbers of members retired, the aging RIMS capabilities continued to deteriorate, and a new jClarety system was acquired and is being installed to service the new Oregon Public Services Retirement Plan. Individual accounts had to be set up for more than 153,000 active members, and employers were required to change their PERS reporting to accommodate the new jClarety system.

All of this has put incredible stress on the agency. The Board has defined the 2005-07 biennium as the biennium of transition – from the chaos of the 2003-05 biennium to that of a stable, cost effective state agency operation.

Governor's Budget

The Governor's budget provides staff and Other Funds expenditure limitation necessary to accomplish the Board's goal of stabilized operations by the end of the biennium. The Legislature has provided a significant number of limited duration positions for PERS to address its temporary workload needs. The budget request continues along that line with more than 80 limited duration positions, throughout the agency, to clear the workload backlogs, support the RIMS replacement project, and improve customer response times. It reflects the restructuring of workload and adds key permanent positions to strengthen the agency's budget and human resources functions, and improve information systems capabilities. It includes \$15.1 million to continue the RIMS migration project. The project will be completed in the 2007-09 biennium. Essentially, it moves necessary RIMS functional capabilities (for Tiers 1 and 2 members and judges) to the new operating system acquired for the OPSRP.

The budget also is structured to provide better budgetary information to the Board, management, and other stakeholders such as the Department of Administrative Services and the Legislature. It strengthens budgetary and operational accountability within the agency.

The budget reflects a positive approach to deal with long-overdue operational issues at the agency. It is indicative of the Board's determination to understand and guide the agency while acknowledging its responsibilities to members, employers, and the public. In the past, a number of factors contributed to a disconnect between the Board and agency staff, and the public (through the Legislature). Much of the reform legislation passed in 2003 was crafted to remove those factors. One factor still remains however: proximity to Salem. While a move of agency headquarters from Tigard to Salem is not advisable during this period of transition, locating its operations in Salem in the future is worthy of initial discussion during the 2005 legislative session.

PERS – Debt Service

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	1,265,900	1,466,553	3,629,282	5,720,950
Total Funds	\$1,265,900	\$1,466,553	\$3,629,282	\$5,720,950

Program Description

Debt Service accounts for the debt service requirements of the agency. Debt service is required on Certificates of Participation (COPs) that were issued for purchase of land and construction of agency headquarters in Tigard, and for the acquisition of the jClarety pension system for the new OPSRP.

Revenue Sources and Relationships

Revenue for the payment of debt service is transfers from the Tiers 1 and 2 Plan (\$1.4 million) and the OPSRP (\$4.3 million).

Governor's Budget

The Governor's budget provides expenditure limitation necessary to pay the required debt service.

Racing Commission – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds	3,986,857	4,675,855	5,575,855	5,296,621
Total Funds	\$3,986,857	\$4,675,855	\$5,575,855	\$5,296,621
Positions	25	23	23	23
FTE	17.68	17.50	17.50	17.50

Agency Overview

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

Revenue Sources and Relationships

Revenues are primarily derived from the state share of wagering receipts, license fees, and licensee fines. All fee revenues received are used for Commission expenses. Any Commission revenues in excess of expenses and maintenance of a prudent ending balance are transferred to the General Fund. The state's share of total bets made at horse racing tracks and on simulcast races is 1%. The state's share of total bets made at dog racing tracks and simulcast races is 1.6%. These revenues have been consistently declining as other forms of gambling gain in popularity.

The 1997 Legislature authorized the establishment of Hubs in Oregon and provided that up to 1% of gross wagering receipts, which is the pari-mutuel tax, could be collected. The Commission, by rule, has set the state share of Hubs gross wagering receipts at 0.25%. Of this amount, one-third is transferred to the General Fund. The remaining two-thirds is deposited in the Racing Development Fund to be used by the Commission for "the benefit of the Oregon pari-mutuel racing industry." This money has been used in the past to enhance purses at county fairs, make safety improvements at non-profit race meet sites, provide jockey incentives, promote thoroughbred breeding, and support adoption of racing greyhounds. The Commission also collects a license fee of \$200 per operating day from Hubs. Revenue from the pari-mutuel tax on Hub wagers has been steadily increasing. This has resulted in increasing amounts being expended for the benefit of the Oregon racing industry and higher transfers to the General Fund. The increased Hub pari-mutuel tax, coupled with reduced agency expenditures, could result in \$0.4 million more being transferred to the General Fund this biennium than the \$1.7 million assumed in the 2003-05 legislatively adopted budget. The Governor's budget assumes a 2005-07 transfer to the General Fund of \$1.5 million, which is lower than the 2001-03 actual transfer of \$1.6 million and the projected 2003-05 transfer of \$2.1 million.

Budget Environment

The Oregon horse racing industry has entered a period of relative stability after years of uncertainty. Currently, live racing occurs year round, split between greyhound racing at Multnomah Greyhound Park and horse racing at Portland Meadows Racetrack. Both tracks are operated by Magna Corporation that operates numerous horse racing venues across the nation. This company has purchased the Portland Meadows property and operating rights, which should ensure that live horse racing will continue to take place in Oregon for the foreseeable future. However, there is a possibility that greyhound racing may end during the 2005-07 biennium as the lease to operate the facility ends in 2006 and there are indications that a renewal will not be sought. This would have a significant impact on the operations of the Commission.

Commission operations have become increasingly dependent on the Hubs currently operating in the state. During the 2003-05 biennium, a sixth Hub began operations. The 2005-07 budget assumes all six Hubs will continue to operate in Oregon despite the fact that other states now allow operation of Hubs. These states have become increasingly aggressive in trying to recruit Hubs to relocate to their states. The possibility of Hubs relocating their operations outside of Oregon, or the Commission being forced to lower licensing fees or the state's share of gross wagering receipts to retain a Hub, represents a risk to that portion of the Commission's revenue. The Commission is currently considering rule changes that would place a cap on the total amount of pari-mutuel taxes any one Hub would pay in a fiscal year. The impact of such a change is unknown at this time.

Governor's Budget

The Governor's budget is about 5% lower than the 2003-05 approved budget. This decrease is due largely to a November 2004 Emergency Board action which added \$900,000 Other Funds limitation to accommodate payments from the Racing Development Fund created by higher than projected revenue from the pari-mutuel tax on Hubs. While the Governor's budget added \$365,440 Other Funds for continued higher payments for racing development in the state, it appears the budget uses a very conservative estimate of the revenue the six Hubs will generate during 2005-07. This would also cause an underestimation of the amount the Commission would transfer to the General Fund during the biennium. The recommended budget also adds \$22,230 Other Funds for reclassifying two positions in the Commission's office to better reflect the duties performed.

The Commission's ending balance is maintained at a level that would support approximately three months of operating expenses. Any monies in the Commission's ending balance above the three month requirement would be transferred to the General Fund at the end of the biennium. The Commission is expected to transfer nearly \$1.5 million to the General Fund in the Governor's budget. The 2003-05 adopted budget assumed a transfer just under \$1.7 million, without including the increased Hub revenues experienced as the biennium progressed.

Department of Revenue (DOR) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	116,288,504	104,734,536	109,734,536	138,510,750
Other Funds	18,476,886	53,091,342	54,591,342	28,648,232
Other Funds (NL)	194,969	219,100	219,100	224,358
Total Funds	\$134,960,359	\$158,044,978	\$164,544,978	\$167,383,340
Positions	1,035	1,087	1,087	1,101
FTE	947.74	987.73	987.73	1,007.06

Agency Overview

The Department of Revenue administers the state's income tax and property tax programs. In addition, the Department collects revenue from a variety of sources and transfers it to various state and local agencies. These revenue sources include taxes on: a) cigarettes and other tobacco products; b) amusement devices; c) payroll (for local mass-transit); d) timber, oil, and gas severance; and e) the harvesting of forest products. The Department also collects and distributes hazardous substance fees, court fines and assessments, and taxpayer check-off donations; serves as the collection agency for fines, forfeitures, and assessments owed to state agencies; and administers property tax relief programs for senior citizens and persons with disabilities. Altogether, the tax programs the Department administers generate 95% of General Fund revenue and 88% of local government revenue.

Revenue Sources and Relationships

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

For the 2003-05 biennium, the Legislature approved the use of anticipated increased Cigarette and Other Tobacco Tax receipts to replace General Fund for Tobacco Task Force efforts and other departmental operations. The increased receipts were expected from increasing the Tobacco Tax Compliance efforts begun in the prior biennium. The \$20 million of anticipated cigarette tax receipts did not materialize. In fact, the forecast for cigarette tax receipts fell \$25 million from the original close-of-session forecast. The \$20 million shortfall in the Department's 2003-05 budget caused the Emergency Board to provide \$5 million General Fund support in November 2004, with the expectation that additional General Fund support would be needed from the Emergency Board again in January 2005, and from a supplemental appropriation early in the upcoming legislative session.

The following table displays sources and amounts of estimated Other Funds revenues for 2005-07:

SOURCE	2005-07 ESTIMATED
Cigarette and Other Tobacco Tax Collections	\$ 3,200,000
State Agency Collections	\$ 8,800,000
Assessor Funding Program	\$ 5,400,000
Employer-Employee Taxes (primarily Tri-Met and Lane Districts)	\$ 5,400,000
Senior and Disabled Citizens' Property Tax Deferral	\$ 1,500,000
ORMAP	\$ 3,400,000
Others	\$ 1,000,000
TOTAL REVENUES	\$ 28,700,000

Budget Environment

The Department projects modest population and economic growth for the 2005-07 biennium. Over the past several biennia, the Department has been successful in addressing funding constraints and increased workloads by developing and enhancing automated systems, implementing an aggressive employee training program, reorganizing, and revising operating procedures.

Governor's Budget

Because the additional compliance efforts did not produce the desired results, the Governor's budget restores the General Fund that had been reduced in anticipation of increased Cigarette and Other Tobacco Tax receipts. The budgets of all sections and divisions are affected and reflect this fund shift. The Department continued the reorganization begun in the prior biennium. As a result, 30 positions were transferred from four operating divisions to the Information Processing Division and the 2005-07 Budget reflects those personnel actions. Additionally, the Department phased out three positions, and eliminated 15 positions in order to provide permanent financing for position reclassifications. Eight of the 15 positions had to do with personnel actions begun before the 2003-05 biennium.

The budget provides additional General Fund for staff to address increased willful tax avoidance by corporations and individuals and address the increase in delinquent taxes. These two initiatives are expected to increase General Fund receipts by \$23.2 million in the Governor's budget. It also provides additional Other Funds expenditure limitation for staff needed to administer the State Lodging Tax begun in 2003, and to enhance the Department's Other Agency Accounts Collections activities. These program enhancements are discussed in detail in the following analyses.

DOR – Executive Section

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	2,949,409	2,501,864	2,580,864	3,116,900
Other Funds	1,400,939	646,307	646,307	274,969
Total Funds	\$4,350,348	\$3,148,171	\$3,227,171	\$3,391,869
Positions	19	19	19	17
FTE	18.01	18.01	18.01	16.01

Program Description

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

Governor's Budget

The Governor's budget maintains the activities of the Executive Section. It reflects the movement of staff from a departmental reorganization. The reorganization resulted in a decrease of two staff in the Section.

DOR – General Services Section

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	11,539,856	589,549	589,549	3,447,876
Other Funds	1,270,909	72,566	72,566	430,188
Total Funds	\$12,810,765	\$662,115	\$662,115	\$3,878,064

Program Description

The General Services Section (formerly called the Administrative Services Section) is used to budget for a portion of expected central agency costs for postage, legal expenses, and other expenditures that tend to vary from biennium to biennium between operating divisions. For internal budgetary purposes the flow of tax revenues are accounted for here.

Governor's Budget

The Governor's budget includes \$168,000 General Fund and \$192,000 Other Funds that are part of the enhancements to the Department's budget. The remainder of the budget merely reflects transfers from operating division budgets as a means to control and allocate costs as they are incurred by the various divisions.

DOR – Information Processing Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	31,507,851	30,304,283	32,236,283	43,711,879
Other Funds	3,770,697	12,958,517	12,958,517	4,426,673
Total Funds	\$35,278,548	\$43,262,800	\$45,194,800	\$48,138,552
Positions	338	343	343	367
FTE	278.95	281.99	281.99	306.83

Program Description

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

Budget Environment

Historically, the Division's activities have been carried out in a high-volume, production-type environment. As the Department adds new systems and becomes more dependent on automation, well-trained and experienced information systems staff are needed to maintain computer systems. However, increases in other divisions' operations necessitate some staff increases in the Information Processing Division.

Governor's Budget

The Governor's budget reflects the movement of staff from a departmental reorganization. The reorganization increased staff in the Division by 30 positions. This was offset, in part, by the elimination of 6 positions that were phased out or used as part of a permanent financing plan to fund position reclassifications. Additionally, 8 vacant positions were eliminated as a result of increased productivity and efficiency gains. The budget provides \$784,000 General Fund and \$64,000 Other Funds expenditure limitation for staff to help address increased willful tax avoidance by corporations and individuals (4 positions) and help address the increase in delinquent taxes (2 positions). It also provides \$279,000 Other Funds expenditure limitation for staff needed to support the enhanced Other Agency Accounts Collections activities (2 positions).

The state is in the process of consolidating the data centers of twelve state agencies. The Department of Revenue is one of the twelve agencies affected. The Governor's budget does not reflect the impact of this consolidation as detailed implementation plans are still being developed. An adjustment to the Department's budget will be necessary once the implementation plan has been finalized.

DOR – Property Tax Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	12,216,760	15,524,667	16,412,667	19,332,805
Other Funds	5,380,186	12,173,956	13,673,956	9,415,006
Total Funds	\$17,596,946	\$27,698,623	\$30,086,623	\$28,747,811
Positions	145	140	140	128
FTE	140.71	136.19	136.19	124.71

Program Description

The Property Tax Division oversees the property tax system and ensures that counties comply with all property tax laws and rules. To these ends, the Division develops procedures, advises and trains county staff, and conducts reviews of county actions. Responsibilities also include conducting appraisals on all industrial manufacturing plants valued at \$1 million or more (currently valued at a total of \$16.5 billion); appraising all utility, transmission, communication, and transportation properties (currently valued at \$12.4 billion); and administering several timber tax programs.

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

Budget Environment

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

The Department views the Assessor Funding Program as an important tool in implementing Ballot Measure 50, which requires that property values be on the assessment rolls at real market value. The focus for the 2005-07 biennium is on continuing assistance to counties in adapting to the Measure 50 system. The system is more complex than originally thought. For example, Measure 50 requires counties to carry multiple values on the tax roll and, in some cases, as many as seven different values have to be tracked for one property.

Governor's Budget

The Governor's budget reflects the movement of staff from a departmental reorganization. The reorganization caused a staff reduction of 9 positions. Added to the staff reduction was the elimination of 3 positions that were phased out or used as part of a permanent financing plan to fund position reclassifications. The budget has no program enhancements or reductions.

DOR – Personal Tax and Compliance Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	35,561,540	34,158,004	36,185,004	47,910,701
Other Funds	1,257,532	11,218,393	11,218,393	1,026,743
Total Funds	\$36,819,072	\$45,376,397	\$47,403,397	\$48,937,444
Positions	351	387	387	398
FTE	334.24	360.63	360.63	379.89

Program Description

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

Budget Environment

The Division's workload had been increasing over time as the state's population grew. The number of personal income tax returns filed annually has remained at 1.6 million. The Division has added and improved automated systems to help handle the workload. Workloads are also increasing as more taxpayer data becomes available from federal and other sources, and the Department pursues non-filers, and those that may have under- or not-reported income, or over-reported deductions. The Department expects to address collection issues through re-engineering of existing systems and processes and through positions added by the Legislature to enhance revenue collections.

Governor's Budget

The Governor's budget reflects the movement of staff from a departmental reorganization. The reorganization reduced staff in the Division by 4 positions. Added to the staff reduction was the elimination of 6 positions that were phased out or used as part of a permanent financing plan to fund position reclassifications. Additionally, 14 positions were eliminated as a result of increased productivity and efficiency gains. The budget also provides \$3.6 million General Fund and \$128,000 Other Funds expenditure limitation for staff to address increased willful tax avoidance by corporations and individuals (16 positions) and address the increase in delinquent taxes (19 positions). These two initiatives are expected to increase General Fund receipts by \$23.2 million: \$6.2 million from willful tax avoidance; and \$17 million increased collections of delinquent taxes.

DOR – Business Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	13,844,527	12,656,168	12,730,168	11,990,588
Other Funds	5,396,623	16,021,603	16,021,603	13,074,653
Total Funds	\$19,241,150	\$28,677,771	\$28,751,771	\$25,065,241
Positions	182	198	198	191
FTE	175.83	190.91	190.91	179.62

Program Description

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

Budget Environment

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

This Division also collects revenues from cigarette tax stamps. The 2001 Legislature provided additional staff and funding for a Tobacco Task Force that included personnel from the State Police and the Department of Justice. Increased tax collections attributable to the Task Force caused the 2003 Legislature to provide additional Task Force staff resources. The additional staff were provided with the intent that resulting increased Task Force-generated tax collections be used by the Department instead of General Fund. The anticipated increase in cigarette tax collections did not materialize, and the Department had to return to the Emergency Board for General Fund support.

Governor's Budget

The Governor's budget reflects the movement of staff from a departmental reorganization. The reorganization reduced staff in the Division by 15 positions. Added to the staff reduction was the elimination of 3 positions that were phased out or used as part of a permanent financing plan to fund position reclassifications. Additionally, 14 positions in the Tobacco Task Force were eliminated. These positions were added in 2003; the positions provided in 2001 are included in the budget to maintain compliance activities. Also, 1 position was eliminated as a result of increased productivity and efficiency gains.

The budget provides \$377,000 General Fund and \$137,000 Other Funds expenditure limitation for staff to help address increased willful tax avoidance by corporations and individuals (2 positions), help address the increase in delinquent taxes (2 positions), and administer the State Lodging Tax (1 position). It also includes an additional 21 positions and \$1.9 million Other Funds expenditure limitation for enhanced collection services for other state agencies. This program is funded entirely by collection fees.

DOR – Multistate Tax Commission

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
Other Funds (NL)	194,969	219,100	219,100	224,358
Total Funds	\$194,969	\$219,100	\$219,100	\$224,358

Program Description

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

Budget Environment

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

Governor's Budget

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

DOR – Elderly Rental Assistance

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	8,668,561	9,000,000	9,000,000	9,000,000
Total Funds	\$8,668,561	\$9,000,000	\$9,000,000	\$9,000,000

Program Description

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

Budget Environment

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

Governor's Budget

The Governor's budget is the amount of benefits expected to be paid during the 2005-07 biennium. It is the same as provided for the 2003-05 biennium.

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

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	0	1	1	1
Total Funds	\$0	\$1	\$1	\$1

Program Description

The Senior Citizens' Property Tax Deferral portion of this program allows homeowners age 62 and over who meet program income limits to defer payment of property taxes and special assessments until the owner dies, sells the property, or stops using it as a principal residence. The state pays the tax and obtains a lien on the property for the tax and for accrued interest at the rate of 6% per year. The deferred taxes and interest are collected when the property is disqualified. As properties are disqualified and their deferred taxes are paid, monies received finance the taxes the state pays under the program. The household income limit to qualify for the program is \$32,000 beginning in 2002-03 and indexed to inflation thereafter. The program also is available to disabled persons meeting household income limits.

Budget Environment

The Senior Citizens' component of the program has about 10,000 accounts, with over \$122 million deferred. The Disabled Citizens' component of the program has about 550 participants. Repayment of taxes has exceeded the amounts paid out in the recent past, and excess cash has been transferred to the General Fund. Since 1999, the Department will have transferred \$61 million to the General Fund by the end of this biennium.

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

Governor's Budget

The Governor's budget has a \$1 placeholder to highlight the potential obligation of General Fund to support the program.

Secretary of State (SOS) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended *
General Fund	14,029,181	10,276,857	10,437,295	8,161,716
Other Funds	27,526,654	31,286,191	31,286,191	41,098,227
Federal Funds	102,137	7,320,991	7,330,177	5,543,662
Other Funds (NL)	101,345	172,328	172,328	174,790
Total Funds	\$41,759,317	\$49,056,367	\$49,225,991	\$54,978,395
Positions	207	208	208	231
FTE	205.67	207.50	207.50	230.50

* The Secretary of State is exempt from the Governor's budget review, but technical adjustments have been made to the requested budget.

Agency Overview

The Office of the Secretary of State is one of three established at statehood. The Secretary is auditor of public accounts, chief elections officer, and manager of the state's records, a role that includes preserving official acts of the Legislative Assembly and the Executive Branch. The Secretary of State serves with the Governor and Treasurer of State on the State Land Board which manages state-owned lands.

Revenue Sources and Relationships

Other Funds revenues are received from various sources, including:

- **Assessments** to state agencies based on a pro-rata share of four risk factors (cash, revenues, expenditures, full-time equivalent positions) are the primary funding source for the Audits Division. However, agencies whose operations are predominately funded with dedicated trust funds (e.g., Department of Transportation) are billed for actual audit costs rather than an assessment. The Secretary's request budget estimates an ending balance of \$1.9 million, which is equivalent to approximately three months of operating expenditures. The Archives Division also assesses agencies for the storage and retrieval of inactive, non-permanent records maintained by the division.
- **Fees for services** are collected from business filings, secured transactions, and notary public to support the Corporations Division; and municipal audits for the Audits Division. HB 3656 (2003) increased the business registry fees to \$50 from \$20 and directed the additional revenue be transferred to the General Fund. The Secretary of State anticipates \$16.9 million will be transferred to the General Fund in the 2005-07 biennium. The Secretary may only retain a cash balance that is equivalent to two months of operating expenditures. Voters' pamphlet and election filing fees and penalties collected by the Elections Division are also deposited into the General Fund rather than directly supporting the agency's budget.
- **Sale of publications**, including the annual Oregon Administrative Rules Compilation, the monthly Oregon Bulletin which provides updates to the Compilation, and the Oregon Blue Book, generate revenues for the Archives Division.
- **Internal transfers** are made to the Executive Office, Business Services, Information Systems, and Personnel Resources Divisions by the Audits and Corporations Divisions for a proportionate share of administrative costs.
- The **Elections Fund**, established by HB 2145 (2003), received \$270,000 from the General Fund to meet a portion of the state's 5% match requirement for the federal Help America Vote Act (HAVA). Once the matching funds are transferred to the Elections Fund, they are spent as Other Funds.
- **Miscellaneous** document and copier charges are also collected by the Archives and Elections Divisions and are spent as Nonlimited Other Funds.

Federal Funds revenues are received primarily under HAVA. Oregon has received the full allocation of approximately \$16 million for Federal Fiscal Year 2003. Additional matching funds will need to be identified prior to receiving the estimated \$17.88 million available from Federal Fiscal Year 2004.

Budget Environment

The Secretary of State is a separately elected, constitutional office, and as such, is not subject to the Governor's budget review. Since the Governor must propose a balanced budget that incorporates all agencies, several technical adjustments for Employment Relations Board assessments and pension bonds were incorporated, but no specific recommendations are made concerning the Secretary's request budget.

However, the Secretary's request budget incorporates proposals that have implications for many other state agencies that have not been addressed in the Governor's budget. For simplicity, the Secretary's request budget will be discussed in the following analysis.

Implementation of HAVA requirements will also continue to influence the Secretary of State's budget in the foreseeable future. HAVA was passed in October 2002 and contains minimum federal standards on various aspects of election administration which include developing a centralized voter registration system, replacement of punch card machines, privacy and independence in the voting process, access for people with disabilities, and voter outreach. Much of the federal funding requires a %5 state match. While the Secretary of State has proposed that the value of certain state and county-based staff activities be applied to Oregon's match requirement, additional state funds will likely be needed.

SOS – Executive Office

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	1,124,679	324,176	324,176	291,295
Other Funds	246,293	951,385	951,385	1,099,350
Total Funds	\$1,370,972	\$1,275,561	\$1,275,561	\$1,390,645
Positions	6	6	6	6
FTE	6.00	6.00	6.00	6.00

Program Description

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

Governor's Budget

The Executive Office budget represents a 9% increase over the 2003-05 legislatively approved budget. Current services are maintained and one position is reclassified (\$15,119 Other Funds).

SOS – Archives Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	3,344,252	3,416,985	3,416,985	129,965
Other Funds	1,001,700	1,809,644	1,809,644	5,711,133
Federal Funds	0	1	9,187	1
Other Funds (NL)	50,555	102,580	102,580	105,042
Total Funds	\$4,396,507	\$5,329,210	\$5,338,396	\$5,946,141
Positions	22	22	22	23
FTE	21.17	22.00	22.00	23.00

Program Description

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

Governor's Budget

The Archives Division budget represents a 11.4% increase over the 2003-05 legislatively approved budget. The budget reclassifies six positions and adds one position (1.00 FTE) to address workload (\$368,942 Other Funds), and shifts the funding for the Archives Division's budget to an assessment on state agencies from the General Fund (\$3.2 million). While the proposal to shift funding would result in a reduction of direct General Fund support for this division, reimbursements to the General Fund via the Central Government Service Charge would be reduced and a portion of the assessment to state agencies would be paid with General Fund and Lottery Fund dollars. This proposal was not incorporated into the Governor's budget for other state agencies.

SOS – Audits Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	0	50,000	50,000	0
Other Funds	11,894,881	12,723,460	12,723,460	16,733,944
Total Funds	\$11,894,881	\$12,773,460	\$12,773,460	\$16,733,944
Positions	78	76	76	96
FTE	78.00	76.00	76.00	96.00

Program Description

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

Governor's Budget

The Audits Division budget represents a 31% increase over the 2003-05 legislatively approved budget. Several policy packages are included to extend performance auditing to K-12 education, legislative requests, and fraud investigation, as well as adding independent legal representation and reclassifying positions. These proposals total \$3.3 million Other Funds and 20 positions (20.00 FTE) and include a transfer from the State School Fund (\$1.3 million) to support K-12 auditing. The Governor's budget does not incorporate this transfer.

SOS – Business Services Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	576,312	319,614	319,614	339,626
Other Funds	1,884,310	2,182,259	2,182,259	2,451,670
Total Funds	\$2,460,622	\$2,501,873	\$2,501,873	\$2,791,296
Positions	17	16	16	16
FTE	17.00	16.00	16.00	16.00

Program Description

The Business Services Division provides accounting, budgeting, cashiering, payroll, purchasing, contract administration, safety and risk management, fixed assets, and inventory control services for the agency.

Governor's Budget

The Business Services Division budget represents an 11.6% increase over the 2003-05 legislatively approved budget. Current services are maintained, with no program enhancements.

SOS – Corporation Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
Other Funds	6,144,007	6,485,172	6,485,172	6,969,029
Total Funds	\$6,144,007	\$6,485,172	\$6,485,172	\$6,969,029
Positions	42	41	41	38
FTE	41.50	40.50	40.50	37.50

Program Description

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

Governor's Budget

The Corporation Division budget represents a 7.5% increase over the 2003-05 legislatively approved budget. Current services are maintained, with two positions being reclassified and a part-time position increased to full-time (\$26,896 Other Funds, 0.08 FTE).

SOS – Elections Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	7,314,721	5,058,249	5,218,687	5,843,433
Other Funds	148,075	0	0	984,552
Federal Funds	102,137	4,372,000	4,372,000	1,398,727
Other Funds (NL)	50,790	69,748	69,748	69,748
Total Funds	\$7,615,723	\$9,499,997	\$9,660,435	\$8,296,460
Positions	15	18	18	20
FTE	15.00	18.00	18.00	20.00

Program Description

The Elections Division administers state and federal elections laws, provides training to county and city election officials, political party representatives, and candidates; publishes statewide voter's pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions.

Governor's Budget

The Elections Division budget represents a 14.1% decrease from the 2003-05 legislatively approved budget. The 2003-05 legislatively approved budget included funding for a statewide, special election (\$1.3 million General Fund), the 2004 primary voters' pamphlet (\$0.4 million General Fund), and HAVA implementation (\$3.9 million Federal Funds). These one-time resources were phased out of the 2005-07 request budget. However, the Secretary proposes to use a \$700,000 General Fund appropriation as additional matching funds for the Federal Fiscal Year 2004 HAVA allocation of approximately \$17.88 million. These resources would be used over multiple biennia. In the 2005-07 biennium, the Secretary would establish four positions (4.00 FTE) in this program area to continue HAVA implementation (\$1.4 million Federal Funds). A portion of the Federal Funds received under HAVA would be spent by the Information Systems Division as well.

The Elections Division request budget also restores funding for primary and general election voters' pamphlets with either General Fund or through a new fee schedule (\$984,552 Other Funds), and increases petition fraud investigations (\$128,510 General Fund, 1.00 FTE).

SOS – Information Systems Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	785,664	1,057,112	1,057,112	1,499,402
Other Funds	5,207,071	6,226,628	6,226,628	6,662,234
Federal Funds	0	2,948,990	2,948,990	4,144,934
Total Funds	\$5,992,735	\$10,232,730	\$10,232,730	\$12,306,570
Positions	22	24	24	29
FTE	22.00	24.00	24.00	29.00

Program Description

The Information Systems Division provides centralized information technology services including database administration, Internet development, and application development and maintenance, for the agency. The division also provides contract and project management for the Oregon Centralized Voter Registration (OCVR) system.

Governor's Budget

The Information Systems Division budget represents a 20.3% increase over the 2003-05 legislatively approved. One-time expenditures associated with the OCVR (\$2.2 million Federal Funds) and information systems projects (\$1.6 million Other Funds) are phased out. The budget reclassifies two positions (\$32,695 Other Funds), establishes three positions (3.00 FTE) to address workload concerns (\$429,737 Other Funds), continues HAVA implementation (\$314,202 General Fund, \$3,772,539 Federal Funds, 3.00 FTE), and implements e-business solutions (\$1 million Other Funds).

SOS – Personnel Resources Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	98,314	50,721	50,721	57,995
Other Funds	397,341	423,294	423,294	486,315
Total Funds	\$495,655	\$474,015	\$474,015	\$544,310
Positions	3	3	3	3
FTE	3.00	3.00	3.00	3.00

Program Description

The Personnel Resources Division provides advice on human resources policies and procedures, maintains employee records, and provides recruitment and training services for the agency.

Governor's Budget

The Personal Resources Division budget represents a 14.8% increase over the 2003-05 legislatively approved budget. Current services are maintained and one position is reclassified (\$23,402 Other Funds).

SOS – Cultural Trust Division

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Secretary's Recommended
General Fund	785,239	0	0	0
Other Funds	602,976	484,349	484,349	0
Total Funds	\$1,388,215	\$484,349	\$484,349	\$0
Positions	2	2	2	0
FTE	2.00	2.00	2.00	0.00

Program Description

The 2001 Legislature created the Trust for Cultural Development and placed the Trust within the office of the Secretary of State. With the passage of SB 931 (2003), the Legislature approved the transfer of this function to the Arts Program of the Economic and Community Development Department. The Secretary of State transferred personnel and funds to the Economic and Community Development Department early in the 2003-05 biennium.

Treasurer of State (Treasurer) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	160,973	0	0	0
Other Funds	16,704,829	18,486,357	18,486,357	20,393,914
Other Funds (NL)	5,886,245	5,530,000	5,530,000	5,675,000
Total Funds	\$22,752,047	\$24,016,357	\$24,016,357	\$26,068,914
Positions	78	75	75	75
FTE	77.25	74.60	74.60	74.60

Agency Overview

The Treasurer of State acts as the “banker” for all state agencies by maintaining their accounts and by investing their funds (Trust Funds, constitutional bond funds, and any funds not necessary to meet current expenditure demands). The Treasurer coordinates and approves state bond sales, acts as collateral pool manager for the state’s largest banks, and pays on bonds submitted by bondholders. Additionally, the Treasurer invests excess funds for local governments. The Treasurer is also responsible for administration of the Oregon 529 College Savings Network (formerly the Oregon Qualified Tuition Savings Program).

Treasurer – Treasury Services

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	6,389	0	0	0
Other Funds	16,607,895	17,108,145	17,108,145	18,231,985
Other Funds (NL)	5,886,245	5,530,000	5,530,000	5,675,000
Total Funds	\$22,500,529	\$22,638,145	\$22,638,145	\$23,906,985
Positions	76	73	73	73
FTE	76.00	72.60	72.60	72.60

Program Description

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

Revenue Sources and Relationships

Other Funds consist of revenue from a charge on investments managed (up to 0.435 of one percent), estimated to be \$16.6 million; charges to banks that use the Treasurer as a collateral pool manager, estimated at \$101,000; charges to state agencies for bond and coupon redemption on outstanding general obligation bonds and to state agencies and municipalities for bond issuance costs, estimated at \$2.6 million; and charges to state agencies for banking services, estimated at \$4.8 million. Included in the estimated revenues from investment and banking services is reimbursement of \$5.7 million for direct expenses that are pass-through funds budgeted as Nonlimited expenditures.

Budget Environment

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

Governor’s Budget

The Governor’s recommended budget makes no significant changes in Treasury Services operations. No program enhancements or reductions are included in the recommended budget.

Treasurer – Oregon 529 College Savings Network

	2001-03 Actual	2003-05 Legislatively Adopted	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	154,584	0	0	0
Other Funds	96,934	1,378,212	1,378,212	2,161,929
Total Funds	\$251,518	\$1,378,212	\$1,378,212	\$2,161,929
Positions	2	2	2	2
FTE	1.25	2.00	2.00	2.00

Program Description

The Oregon 529 College Savings Network (formerly the Oregon Qualified Tuition Savings Program) administers a savings program designed to encourage persons to set aside money for future educational costs. The Oregon 529 College Savings Board, which is chaired by the Treasurer of State, establishes policies and oversees the program. Participants can choose from a variety of investment options. Earnings on the investments are exempt from income taxes if used for qualified educational expenses when withdrawn. Although administered by the Treasurer, participant enrollment, investment management, and participant support is provided by third party contractors.

Revenue Sources and Relationships

The program originally was funded with advances from the General Fund. The program receives Other Funds from an annual assessment on plan assets of 10 basis points (0.10 percent). It also will receive \$700,000 annually from contract service providers for marketing, auditing, and other board-related expenses. The program has grown in size to the point that the annual assessment is sufficient to cover the Treasurer's administrative costs. The program expects to repay the balance of the General Fund advances (\$154,000) by June 30, 2005.

Budget Environment

The program was initiated during the 1999-2001 biennium and now has 50,000 participant accounts, totaling more than \$300 million. The Treasurer expects the program to continue to grow during the 2005-07 biennium.

Governor's Budget

The Governor's budget includes an increase of \$700,000 for professional services directly related to program education, awareness, and promotion. It also includes the reclassification of the administrative support position, in recognition of the changing responsibilities of program staff.