

MINUTES OF THE EMERGENCY BOARD

June 25, 2004

State Capitol

Salem, Oregon

Members Present: Senator Courtney, Presiding Chair
 Senators Dukes, Harper, Messerle, Morse, Schrader, Winters
 Representatives Bates, Butler, Doyle, Hansen, Knopp, Miller, Minnis,
 Morgan, Scott

Member Excused: Senator Gordly

Pursuant to the provisions of ORS 291.328 and acting under the authority of ORS 291.326(1)(a), (b), (c), and (d), ORS 291.371, and ORS 291.375, we hereby certify that the Emergency Board, meeting on June 25, 2004, took the following actions:

The meeting was called to order by Senator Courtney at 8:30 a.m. in Hearing Room F of the State Capitol.

Economic and Revenue Forecast

Dae Baek, Deputy State Economist, and Michael Kennedy, Economist, Department of Administrative Services, Office of Economic Analysis, presented a summary of the June 2004 Economic and Revenue Forecast. Mr. Baek and Mr. Kennedy submitted two exhibits and responded to questions by members.

Minutes

Senator Courtney moved that the Emergency Board approve the minutes of the April 9, 2004 meeting, as mailed, and upon hearing no objections the minutes were approved. Senator Gordly excused.

Agency Reports

Representative Bates moved that the Emergency Board acknowledge, en bloc, receipt of the following reports: Item 12, Department of Human Services; Item 35, Department of Corrections; Item 41, Department of Forestry; Item 49, Public Employees Retirement System; and Item 54, Department of Administrative Services.

The following is a summary of the request and Subcommittee (Human Services) action:

Item #	Agency	Report
12	Department of Human Services	Claims payment system for children's psychiatric day treatment services
35	Department of Corrections	State community corrections responsibilities for Douglas County
41	Department of Forestry	Harvest and Habitat modeling project
49	Public Employees Retirement System	2003 Final Earnings Crediting
54	Department of Administrative Services	Compensation plan changes

The Subcommittee recommended acknowledging receipt of all the reports.

Representative Bates' motion carried with no objections voiced. Senator Gordly excused.

Federal Grants

Senator Schrader moved that the Emergency Board approve, en bloc, the following requests for approval to apply for federal grants: Items 14, 19, 21, 22, 23, 26 and 29, Department of Human Services; Item 37, Economic and Community Development Department; and Items 39 and 40, Department of Forestry, with the understanding that any agency receiving a grant award will return to the Emergency Board or Legislative Assembly for any necessary additional expenditure limitation and position authority.

The following is a summary of the request and Subcommittee (Human Services) action:

Item #	Agency	Grant Application
14	Department of Human Services	To the U.S. Department of Justice for \$1,049,804 for enforcement of underage drinking laws in rural areas.
19	Department of Human Services	To the U.S. Department of Housing and Urban Development for \$6 million to participate in Healthy Homes Demonstration Program and to reduce lead-based paint hazards.
21	Department of Human Services	To the U.S. Department of Health and Human Services for three grants totaling \$4,462,277 to enhance child immunization practices.
22	Department of Human Services	To the U.S. Department of Health and Human Services for a public health campaign to promote a better understanding of perinatal depression and ways it can be treated.
23	Department of Human Services	To the U.S. Department of Health and Human Services for \$500,000 to improve access and expand resources for refugee seniors.
26	Department of Human Services	To the U.S. Department of Health and Human Services for \$426,600 to improve the mental health system's data infrastructure.
29	Department of Human Services	To the U.S. Department of Health and Human Services for \$7.5 million to reduce the impact of chronic diseases.
37	Economic and Community Development Department	To the U.S. Environmental Protection Agency for \$100,000 for pollution prevention activities.
39	Department of Forestry	To the U.S. Department of Agriculture for \$45,000 for a pilot spatial analysis project.
40	Department of Forestry	To the U.S. Department of Agriculture for \$1.2 million to assist private non-industrial landowners to reduce effects of bark beetle outbreak.

The Subcommittee recommended approval of all requests, with the understanding that, if the funds are awarded, the agencies will return to the Emergency Board or Legislative Assembly for approval of any necessary additional expenditure limitation and position authority.

The following Committee discussion occurred:

Senator Schrader provided a worksheet prepared by the Legislative Fiscal Office that enumerated all of the Department of Human Services federal grant application requests submitted at this Emergency Board meeting. He reviewed the Subcommittee discussion on the number of grant requests, connection between grants applied for and the agency's policy goals, rate of grants awarded, and estimated need for additional limited duration positions to implement approved projects. He described the Department's testimony that a grant is pursued when the agency determines it links to

policy goals and would enhance capacity, and that there is no expectation that any program would be continued after the grant ends. With regard to limited duration positions, actual need will be known after grant awards are announced; the Department will identify and use existing capacity before adding limited duration positions.

Senator Schrader's motion carried with no objections voiced. Senator Gordly excused.

1. Secretary of State

Senator Dukes moved that the Emergency Board defer action on until a future meeting on the request from the Secretary of State to allocate \$893,779 from the Emergency Fund, and request that the agency seek clarification from the federal Elections Assistance Commission on the use of in-kind services and interest earnings to meet matching requirements and to refine the estimate of in-kind services from the state and from each of the counties.

The following is a summary of the request and Subcommittee (General Government) action:

The Secretary requested an allocation of \$893,779 from the Emergency Fund so that Oregon may certify to the U.S. Elections Assistance Commission (EAC) to receive the Help America Vote Act (HAVA) Federal Fiscal Year 2004 appropriation of \$17,875,589. Moneys would be deposited into the Elections Fund and begin to accrue interest. However, the Secretary does not anticipate the need to expend either the new federal appropriation or Emergency Fund allocation during the remaining months of the 2003-05 biennium.

While deferral results in the lost of some interest earnings, seeking clarification from EAC and verifying all of the counties' data may modify the amount needed to meet the matching requirement.

The Subcommittee recommended deferral of the request.

The following Committee discussion occurred:

Representative Miller commented that the use of HAVA moneys to support a recent mailing to potential new voters appears to be for political purposes.

Senator Dukes' motion carried with no objections voiced. Senator Gordly excused.

2. Secretary of State

Representative Butler moved that the Emergency Board allocate \$1,695,314 from the Emergency Fund, established by section 1(1), chapter 710, Oregon Laws 2003, to supplement the appropriation made to the Secretary of State by section 76, chapter 710, Oregon Laws 2003, for the cost of the February 3, 2004 Special Election.

The following is a summary of the request and Subcommittee (General Government) action:

HB 2825 (2003) established a statewide special election to be held February 3, 2004 in the event HB 2152 was referred to a vote of the people by petition under the Oregon Constitution. However, funding for the cost of a special election was not established within the Secretary of State's budget nor was a special purpose appropriation made to the Emergency Board.

All of the counties' required documentation has been reviewed and elections costs have been verified at \$1,457,265, or \$207 lower than the Secretary's request. Voters' pamphlet costs for the special election incurred by the Elections Division were \$238,049.

The Subcommittee recommended an allocation of \$1,695,314.

The following Committee discussion occurred:

Representative Doyle commented that recent special elections had totaled \$1 – \$1.2 million and asked if there was an explanation for the increased costs.

Representative Butler responded that the majority of costs were to reimburse counties, and the Subcommittee did not specifically compare the costs from prior elections.

Representative Doyle sought clarification from the Legislative Fiscal Office on the balance of the Emergency Fund.

Representative Butler's motion carried with no objections voiced. Senator Gordly excused.

3. Secretary of State

Senator Messerle moved that the Emergency Board increase the Other Funds expenditure limitation established for the Secretary of State by section 77, chapter 710, Oregon Laws 2003, by \$50,000 for an audit of the state's pharmacy benefit administrator.

The following is a summary of the request and Subcommittee (General Government) action:

The 2003 Legislature appropriated \$50,000 General Fund to the Secretary of State to contract for an audit of the state's pharmacy benefit administrator (PBA). In January 2004, the Secretary appeared before the Joint Legislative Audit Committee (JLAC) to outline audit objectives. JLAC discussed the potential for a more thorough and effective audit if federal matching funds were obtained, and recommended the Emergency Board approve an increase in expenditure limitation if a request came forward.

The Secretary of State and the Department of Human Services are developing a memorandum of understanding to obtain \$50,000 in federal matching funds. The Request for Proposal (RFP) for audit services is now in circulation and outlines audit objectives to determine whether the PBA has accurately priced pharmacy claims submitted to the state for payment of prescription drug expenses and associated services provided and has appropriately claimed, collected, and allocated the Medicaid rebates due from pharmaceutical manufacturers. The auditor's report is tentatively due October 1, 2004.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Representative Bates asked about the status of the RFP. Legislative Fiscal Office staff responded that it was scheduled to close today (June 25). Representative Bates expressed concern about the time being taken to initiate the audit and noted the potential for significant savings and asked that the State Auditor contact him for further discussion.

Senator Schrader commented that this audit was a good example of the state looking to outside expertise to identify savings.

Senator Messerle's motion carried with no objections voiced. Senator Gordly excused.

4. Secretary of State

Senator Harper moved that the Emergency Board allocate \$323,000 from the Emergency Fund, established by section 1(1), chapter 710, Oregon Laws 2003, to supplement the appropriation made to the Secretary of State by section 76, chapter 710, Oregon Laws 2003, and establish a reservation of \$390,000 in the Emergency Fund, established by section 1(1), chapter 710, Oregon Laws 2003, for the publication and mailing of the 2004 General Election voters' pamphlet, with instructions.

The following is a summary of the request and Subcommittee (General Government) action:

Chapter 251 of the Oregon Revised Statutes (ORS) establishes the standards and guidelines for the Secretary of State to produce, print, and mail a voters' pamphlet for each statewide primary and general election. The ORS states that the Secretary "shall cause the voters' pamphlet to be mailed to each post-office mailing address in Oregon, and shall use any additional means of distribution necessary to make the pamphlet available to electors." The Secretary's rules interpret "each post-office mailing address" to mean residential or personal addresses, not business or commercial ones. The additional means of distribution includes audio pamphlets for the vision impaired and the internet.

For 2003-05, the Secretary's proposed budget contained a package to reduce the Elections Division's resources by \$1.8 million, based on the roll-up of HB 5100 (2002 fifth special session) reductions. This reduction was understood to eliminate General Fund for the voters' pamphlet. At the same time, the Secretary pre-session filed SB 139 to provide for fee-based Other Funds to cover the Secretary's various elections functions and duties, including the voters' pamphlet. The Secretary's legislatively adopted budget incorporated the reduction package, and provided Other Funds expenditure limitation for the Elections Division for the voters' pamphlet, subject to enactment of SB 139. Although adopted by the Senate in amended form, SB 139 did not reach a floor vote in the House.

The Secretary's request for \$712,807 to fund the 2004 General Election voters' pamphlet is based on the actual costs of producing the 2002 General Election voters' pamphlet adjusted for inflation and net of the savings (approximately \$59,000) from the 2004 Primary Election voters' pamphlet. The Secretary reports that the 2004 General Election may see a smaller number of measures on the ballot than in 2002. However, fewer measures do not ensure lower costs. The actual cost for producing a voters' pamphlet would also be influenced by the number of measure arguments filed.

The Subcommittee recommended that the Emergency Board approve an allocation of \$323,000 from the Emergency Fund and establish a \$390,000 reservation in the Emergency Fund for the publication and mailing of the 2004 General Election voters' pamphlet, and direct the Secretary of State to return to a future meeting of the Emergency Board when actual production, printing, and mailing costs are known.

Senator Harper's motion carried with no objections voiced. Senator Gordly excused.

5. Department of Community Colleges and Workforce Development

Senator Morse moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Community Colleges and Workforce Development to the U.S. Department of Labor in the amount of \$645,465, to carry out the responsibilities of the Disability Program navigator agreement; approve, retroactively, the submission of a federal grant application by the Department of Community Colleges and Workforce Development to the U.S. Department of Labor for a \$750,000 Workforce Investment Act Incentive Grant, to support innovative workforce development and education activities; increase the Federal Funds expenditure limitation established for the Department of Community Colleges and Workforce Development by section 3, chapter 721, Oregon Laws 2003, by \$975,715, and approve the establishment of two limited duration full-time positions (1.00 FTE), to allow expenditure of grant funds and administration of the grant programs, with the understanding that the Department of Administrative Services will unschedule the increased Federal Funds expenditure limitation and the new position authority pending award of the federal grants; and increase the Other Funds expenditure limitation established for the Department of Community Colleges and Workforce Development by section 2(2), chapter 721, Oregon Laws 2003, Oregon Youth Conservation Corps, by \$390,531, to allow expenditure of funds for youth development grants that were not anticipated at the time the budget was approved and additional expenditures of fund balances.

The following is a summary of the request and Subcommittee (Education) action:

The Department requested approval to apply, retroactively, for two federal grants, and to spend the grant funds and hire additional personnel if the grants are awarded. For both federal grants, there was not sufficient time to request approval prior to the application deadlines.

The first of these two grants would establish a program to improve services for disabled job seekers, and would augment services at all WorkSource Oregon career and job centers. The second of the two grants would support improvements in workforce development and education services. No General Fund match would be required, now or in the future, for either of these grants.

The Department also requested authority to establish two positions, on a limited duration basis, to support its responsibilities in the two grant programs. Subcommittee members were reluctant to establish positions in the state's current budget environment. But members felt that the grants came with administrative responsibilities that did require additional staffing at the Department for the grant funds to be used effectively.

The Department also requested authority to increase expenditures in the Oregon Youth Conservation Corps (OYCC) program. The Subcommittee recommended approval of this increase to support OYCC services, but noted that this spending is dependent on the use of one-time fund sources. Absent significant new fund raising, OYCC services will need to be cut next biennium. Approval does not commit the Legislature to restore General Fund to the OYCC budget next session.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The following Committee discussion occurred:

Representative Knopp announced a potential conflict of interest, stating that he is an employee of the U.S. Department of Labor, which administers the grant programs.

Senator Morse's motion carried with no objections voiced. Representative Minnis and Senator Gordly excused.

6. Department of Higher Education

Representative Morgan moved that the Emergency Board acknowledge receipt of a report from the Department of Higher Education on substantial changes made to the Resource Allocation Model.

The following is a discussion of the request and Subcommittee (Education) action:

The 2003-05 biennial budget for the Department of Higher Education includes a budget note requiring a report to the Emergency Board if substantial changes are made in the distribution of state support dollars to campuses or to the Oregon University System's centralized operations. The Department reported on a number of such changes.

The State Board of Higher Education has shifted \$3 million of General Fund from the Chancellor's Office and the Oregon Center for Advanced Technology Education budgets to the campuses. This represents a 21% reduction in ongoing General Fund support for these programs. It also reflects a State Board of Higher Education initiative to reduce the overall size of the Chancellor's Office – and to focus its activities on policy development, reporting, and control systems – while minimizing its service and technical support functions. Chancellor's Office reductions were concentrated in the Office of Academic Affairs, but the Information Technology Services and the Finance and Administration budgets were reduced as well.

The State Board of Higher Education applied more than \$1 million of the savings from these reductions to help mitigate the cuts in campus funding required as a result of the failure of Ballot Measure 30. These funding cuts, which would have otherwise totaled \$7.5 million, were reduced. Subcommittee members noted their appreciation of the State Board's efforts to reduce the impact of funding cuts on direct student services, and its focus on finding areas where administrative costs can be streamlined. These efforts were considered especially important in the state's current budget situation. The Subcommittee also heard of the Oregon University System's commitment to protect important initiatives, such as developing programs to support Cultural Competency in Education, as these reorganizations are implemented.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation to acknowledge receipt of a report on substantial changes made to the Resource Allocation Model.

The following Committee discussion occurred:

Senator Schrader asked if the Subcommittee had discussed whether campus reserves could be used to mitigate budget cuts and tuition increases.

Representative Morgan responded there was discussion that if campuses had large reserves, that this would be an important item in the budget discussion next session.

Senator Schrader commented that he would hope that campuses would look at their excess reserves and draw them down before imposing additional tuition increases on students.

Representative Morgan's motion carried with no objections voiced. Senator Gordly excused.

8. Department of Higher Education

Representative Hansen moved that the Emergency Board increase the Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation established for the Department of Higher Education by section 3(4)(g), chapter 890, Oregon Laws 1999, as modified by section 14, chapter 725, Oregon Laws 2003, for the Portland State University Millar Library Research Center, by \$268,000, to permit expenditure of gift and Federal grant funds received for the project.

The following is a summary of the request and Subcommittee (Education) action:

In 1999, the Legislature approved a \$2.86 million capital project to construct a library research center at Portland State University. The project consisted of remodeling the Millar Library to integrate new computerized research and reference materials, and involved extensive renovations of the library's first and second floors. Financing of the project required Portland State to raise \$1.43 million of gift and grant funds.

The university has been highly successful in raising grant and gift funds for this project, and has received more funds than it originally anticipated. The 2003 Legislature increased the project's expenditure limitation to allow additional donations received on behalf of the project to be spent. It turns out, however, that total grant and gift fund collections exceed even the amount of the adjusted expenditure limitation. The Department requested that the Emergency Board increase the expenditure limitation by an additional \$268,000, to permit expenditure of all of the funds that are available and restricted to this project.

The additional gift funds, which will be used to finance further capital upgrades to the library facility, do not increase demands on the state's General Fund. The Department will not request any additional expenditure limitation increases for this project in the future.

The Subcommittee recommended approval of the request.

Representative Hansen's motion carried with no objections voiced. Senator Gordly excused.

9. Department of Higher Education

Representative Hansen moved that the Emergency Board acknowledge receipt of a report from the Department of Higher Education on the Portland State University Northwest Engineering Science Center, phase I capital construction project, prior to the issuance of Article XI-G bonds to finance the project before the total amount of other revenues has been received by the State Board of Higher Education, with the following understandings: a) that approval of the financing of this project should not be considered a precedent for application to other capital projects, b) that the Department will report to the Emergency Board or to the Joint Committee on Ways and Means if, in any month, the project's Net Cash Balance Deficit exceeds \$15 million, or if the project's revenues to date are \$2 million or more less than the levels currently projected, and c) that the Department of Administrative Services will unschedule \$6,500,000 of the Other Funds Capital Construction [Article XI-F(1) Bonds] expenditure limitation established for the Department of Higher Education by section 2(3)(h), chapter 845, Oregon Laws 2001, for the project.

The following is a summary of the request and Subcommittee (Education) action:

When the Legislature approved a new Engineering Building for Portland State University (PSU) in 2001, it required the Department to report to the Emergency Board if it intended to start construction before all of the required donation funds were in hand. The Department reported that intention here. Although the Emergency Board does not have authority to prevent the Department from going forward, it can express objections if it finds that the plan creates a significant risk that either the project will not be completed as the Legislature intended, or that additional state funds will be needed to support the project or the university.

Portland State University has raised sufficient pledges and federal grants to finance the construction of the new facility. Many of the pledges are to be received over a multi-year period, however. Portland State would like to construct the building before all of the pledges are received. To do this, the university would need to pay some construction costs out of its cash balances, and reimburse these balances with pledges, federal funds, and matching Article XI-G bond proceeds, as they are received. The Department would issue multiple Article XI-G bond sales as matching pledge funds are received. PSU expects to have to use as much as \$12 million from its cash balances to finance construction costs, before these cash balances are fully reimbursed.

The Department's proposal to finance the construction is not without risk. There is no guarantee that all of the pledges will be received. The university, however, stresses the quality of the pledges, and that the likelihood of their payment is very high. The Subcommittee believed that the level of risk involved is not sufficient to request further delay in the construction of the facility, and believed that Portland State has sufficient cash balances to address cash-flow issues.

The Subcommittee believed that this is a project of special significance to the university and to the state, and that it faces unique financing challenges. Therefore, approval of this proposal should not be viewed as a precedent to finance other projects with institutional fund balances to be reimbursed by Article XI-G bond proceeds. Any request for a capital project to be financed in this manner should be presented to the Legislature with the project description, to allow the Legislature to determine whether such financing is warranted for that particular project.

The Subcommittee also recommended that the Department be directed to report if specific funding targets are not met, and that unneeded expenditure authority be unscheduled.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The following Committee discussion occurred:

Senator Harper asked how this project is different from the way projects have always been financed in the past.

Representative Hansen replied that the pledges required to match the Article XI-G bonds are not in hand yet, and the university wants to proceed now by guaranteeing other university revenues to match the bonds. He further noted that there currently is a good building climate and a good interest rate environment, and that the facility is important.

Senator Harper stated his support for the project, but that he was very concerned about the financing and that some might consider it a precedent.

Representative Hansen replied that he did not think this would be viewed as a precedent because the project had unique qualities.

Representative Knopp noted he had concerns about the financing, but the Subcommittee discussion convinced him of the quality of the pledges. He urged legislators to not use this as a precedent, however, and to evaluate future projects on a case-by-case basis.

Representative Morgan supported Representative Knopp's comments. She noted that she too had had concerns but felt that the pledges are of high quality, and that the university has sufficient cash balances to weather cash flow issues. She also noted that project costs would rise if construction was delayed, that risks are manageable, and that the project is fiscally sound.

Representative Hansen's motion carried with no objections voiced. Senators Schrader and Gordly excused.

10. Department of Higher Education

Senator Morse moved that the Emergency Board increase the Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation established for the Department of Higher Education by section 2(2)(j), chapter 725, Oregon Laws 2003, for the Oregon State University College of Veterinary Medicine addition, by \$3,200,000, to permit expenditure of gift funds received for the project.

The following is a summary of the request and Subcommittee (Education) action:

In 2001, the Legislature approved expanding Oregon State University's Doctor of Veterinary Medicine program into a four-year independent program. The first phase of this expansion was to complete a capital project to provide needed classroom and clinical facilities. Financing for the \$8 million project included \$180,000 of gift funds.

As planning and work progressed, and the university realized that the cost of the project would exceed \$8 million, it intensified fund-raising efforts and cut back on the scope of the facility expansion. The university has been highly successful in raising funds, and has received approximately \$5.6 million for the project. In the 2003 session, the Legislature added authority for the university to spend an additional \$2.2 million of donated funds it had received, and the current request would allow it to spend \$3.2 million more – thereby permitting Oregon State to expend all of the donated funds.

Approval will allow the university to restore the elements of the project that were reduced, and to add certain new elements. Parts of the facility that now consist of "shelled" space will be completed to provide an additional operating room, research lab, and administrative offices. The completed space will allow donated equipment to be placed into service. The university will also use the donated funds to provide an enlarged surgical teaching area, lecture hall upgrades, and a pharmacy remodel, among other items.

The Subcommittee recommended approval of the request.

Senator Morse's motion carried with no objections voiced. Representative Hansen and Senator Gordly excused.

11. Department of Human Services

Senator Winters moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on changes to the children’s mental health system and direct the Department to report to the Emergency Board in November with an update on the changes, including a discussion of the plan to monitor Mental Health Organization finances, treatment, and program outcomes.

The following is a summary of the request and Subcommittee (Human Services) action:

A budget note included with HB 5030, the 2003-05 budget bill for the Department of Human Services (DHS), directed the Department to provide regular updates on changes that are being made to the children’s mental health system. The budget note is extensive, but states, in part:

In order to substantially increase the availability and quality (breadth, depth and intensity) of individualized, intensive, and culturally competent home and community based services so that children are served in the most natural environment possible and so that the use of institutional care is minimized, DHS is directed to take the following actions by June 30, 2005.

Nine actions are then listed within the budget note, including the first, which requires DHS to “[i]ntegrate inpatient hospital, psychiatric residential, psychiatric day treatment, and community care in the local or regional managed care environments.” To implement this action, as well as the other eight included in the budget note, DHS organized a stakeholder workgroup. As a result of the workgroup meetings, DHS issued a policy memo stating “that a locally or regionally managed integrated system of care for children will be achieved by contracting with the Oregon Health Plan Mental Health Organizations (MHO) as the local or regional managed care environment . . . [t]he change will be effective beginning January 1, 2005.”

In its presentation before the Subcommittee, the Department discussed the need for significant program changes, including the enhancement of its monitoring process of Mental Health Organizations. Subcommittee members thanked the Department and the stakeholders who were helping to implement the budget note. They agreed that the Department needed to refine and improve its MHO monitoring function.

The Subcommittee recommended that the Emergency Board acknowledge receipt of the report and direct the Department to provide an update to the Emergency Board in November.

Senator Winters’ motion carried with no objections voiced. Senator Gordly excused.

13. Department of Human Services

Representative Bates moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on the status of negotiations to maintain the Oregon Health Plan Standard program with Medicaid provider tax revenue.

The following is a summary of the request and Subcommittee (Human Services) action:

At its April 2004 meeting, the Emergency Board approved a Department of Human Services’ (DHS) request to rebalance the agency’s budget in light of HB 5077 General Fund disappropriations. The agency’s plan to rebalance the budget required the elimination of the Oregon Health Plan (OHP)

Standard program. At the same time, however, DHS reported that there was a possibility that part of the Standard program might be maintained, if Medicaid provider tax revenue could be used for funding. The Emergency Board directed DHS to return to its June meeting with a report on using provider tax revenue to maintain part of the OHP Standard program.

DHS reports that two Medicaid provider taxes (passed by the 2003 Legislature) are relevant: the managed care organization and the hospital provider taxes. Since the April Emergency Board meeting, both provider groups met with Executive Branch leaders and agreed to the uses of the provider tax revenue and the plan to maintain part of the OHP Standard program and to support necessary Medicaid changes before the federal Centers for Medicare and Medicaid Services (CMS). The plan assumes that provider tax revenue can be used to offer a reasonably comprehensive medical benefit for about 23,000 persons on the Standard program by the end of the biennium. To reach this caseload level will require closure of the Standard program to new entrants on July 1, as well as reducing the eligibility income level below its current level of 100% of the Federal Poverty Level.

The Subcommittee recommended acknowledging receipt of the report.

The following Committee discussion occurred:

Representative Bates noted that the managed care organization tax had been approved by CMS and this alone would allow 13,000 persons to be covered on the Standard program. Although the hospital tax had not yet been approved, it would provide revenue to cover another 12,000 persons—for a total of 25,000 persons. He observed that both provider taxes would allow Oregon to draw down another \$164 million of federal Medicaid revenue. This revenue and medical coverage would reduce the cost shift of medical care to employers and private payers.

Senator Morse asked if there was a risk of diverting these provider tax revenues to other uses within the state budget.

Representative Bates stated that he did not want the funds to be diverted, nor did he want them to be used to backfill General Fund within the Oregon Health Plan.

Senator Morse stated his hope that Emergency Board members would agree with Representative Bates' comments—that there would be no diversion of provider tax revenues.

Representative Hansen asked whether OHP Standard clients would be disenrolled, or whether normal attrition would reduce the caseload to a level which would be sustainable—about 24,000.

Representative Bates responded that DHS felt it probably would be necessary to disenroll persons by lowering the eligibility income level below 100% of Federal Poverty Level. He added that attrition would probably reduce the caseload, but not sufficiently to match available revenue.

Representative Hansen asked whether there was a certain date that disenrollment would start. He wondered who would be approving the disenrollment process. Staff replied that there was no definitive plan to begin disenrollment—no certain date at this point. Staff added it was likely that disenrollment would occur, but that it would probably take place as persons reapplied after six months of coverage. If the eligibility income level had been lowered, and a person did not meet that criterion, the person would no longer be covered.

Senator Winters stated that she did not want a diversion of provider tax revenue to occur. She said that such a diversion would not be keeping faith with the providers. She stated her agreement with Senator Morse's earlier comments.

Senator Schrader indicated that such a diversion was unlikely because DHS would probably be sued in its attempt to reduce the OHP Standard caseload. Consequently, it was likely the OHP would need not only provider tax revenue, but additional General Fund.

Representative Bates' motion carried with no objections voiced. Representative Miller and Senator Gordly excused.

15. Department of Human Services

Senator Winters moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to reduce and eventually eliminate the use of restraint and seclusion in psychiatric facilities in Oregon, and direct the Department of Human Services to report to the Emergency Board in November on the status of all federal grants submitted by the Department and approved at the June meeting of the Emergency Board.

The following is a summary of the request and Subcommittee (Human Services) action:

In its grant announcement, the U.S. Department of Health and Human Services stated that seclusion and restraint are often misused in the course of mental health care. Deaths resulting from seclusion and restraint are estimated at approximately 150 each year in the United States. Injuries to both clients and caregivers are also a significant concern. The grant announcement indicated that children with serious emotional disturbances are especially at high risk for deaths and serious injury from these practices.

The U.S. Department of Health and Human Services announced the grant on March 17, 2004 and the application was due on June 1, 2004. No state matching funds are required for the grant. DHS is requesting up to \$130,984 per year for up to three years, beginning September 1, 2004. DHS provided sufficient notice to legislative leadership of its intent to apply for the grant on April 28, 2004.

The Subcommittee believed this grant is consistent with the mission of the Department of Human Services and can help address a lingering problem. Although grant funding will likely end after three years, the Subcommittee concluded that this appears to be adequate time to research the best alternatives to restraining and secluding mental health clients, and to train mental health providers in the use of the best practices.

The Subcommittee recommended approval of the request.

Senator Winters' motion carried with no objections voiced. Representative Miller and Senators Gordly and Messerle excused.

16. Department of Human Services

Representative Scott moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to expand substance abuse treatment.

The following is a summary of the request and Subcommittee (Human Services) action:

In early March 2004, the federal Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, announced the availability of grant funding for states to implement voucher programs for substance abuse clinical treatment and recovery. The new program, called *Access to Recovery* (ATR) is part of a Presidential initiative that is designed to:

- provide client choice among substance abuse clinical treatment and recovery support service providers through the use of service vouchers;
- expand access to a comprehensive array of clinical treatment and recovery support options (including faith-based programmatic options); and
- increase substance abuse treatment capacity.

Oregon's Department of Human Services (DHS) submitted a request for approval to apply for this grant to the Emergency Board in April. The Emergency Board deferred action on the request in April so that it could review the grant application. DHS has returned with a grant proposal entitled "The Oregon Voucher Supported Treatment and Recovery Services," or V-STARS. This project would, in particular, target parents who are involved in Oregon's Child Welfare program—particularly those abusing methamphetamines. No state matching funds are required for the grant. DHS is requesting \$16.4 million over three years.

The Subcommittee expressed concerns about possibly duplicating the work of the State Commission on Children and Families. The Department reassured the Subcommittee that grant activities would not duplicate the work on any existing group. Subcommittee members also discussed the need for grant activities to begin as soon as possible.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Senator Messerle observed that for this grant, as well as many others the Emergency Board would be considering, the Department was seeking retroactive approval to apply. He asked staff whether the grants had been approved by legislative leadership and whether this represented a trend. Staff indicated that federal government had released a significant number of grant announcements in late March and early April—too late to be considered at the April meeting of the Emergency Board. This particular grant did come before the Emergency Board in April, but the Board had deferred action on the grant until June.

Senator Messerle acknowledged the difficulty in grant announcement timing. But he wondered whether the Department had given notice to legislative leadership of its intent to apply. Staff pointed out that the Legislative Fiscal Office did assess whether an agency had provided ten-day advance notification of its intent to apply for a grant.

Senator Winters added that in every instance of a DHS request for retroactive approval of a grant at the June meeting of the Emergency Board, the Department had complied with the ten-day notification to legislative leadership.

Representative Scott's motion carried with no objections voiced. Representative Miller and Senator Gordly excused.

17. Department of Human Services

Representative Scott moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to enhance the ability of Oregon's Tribal governments and communities to provide community-based mental health and substance abuse services to children and their families.

The following is a summary of the request and Subcommittee (Human Services) action:

The purpose of this grant, according to the U.S. Department of Health and Human Services, is to strengthen state and Native American tribal government mental health services including early intervention, treatment, and continuing supports at the local level for children, adolescents, and youth who have serious emotional disturbance and substance abuse disorders, and their families. In response to this federal grant offering, the Department of Human Services (DHS) is proposing to work with Oregon's Tribal governments to initiate a community-based, comprehensive local planning process that engages a broad array of stakeholders. DHS indicates that Oregon has already undertaken a local needs assessment and identified critical service gaps and is in the process of developing plans to redesign the service delivery system.

The U.S. Department of Health and Human Services announced the grant on March 23, 2004 and the application was due on June 3, 2004. No state matching funds are required for the grant. DHS is requesting up to \$717,504 per year for up to five years, beginning September 1, 2004. DHS provided sufficient notice to legislative leadership of its intent to apply for the grant on May 11, 2004.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Senator Harper asked staff why the tribes do not work directly with the federal government to improve substance abuse services. Staff replied that many times they do. However, this grant required state governments to apply rather than tribal governments. Staff opined that the federal government may be trying to create a better link between tribal governments and state mental health services.

Senator Messerle noted that there were four Native American casinos in his senatorial district that supported tribal health clinics. He added that those tribal health clinics were open to all members of the community—not simply to tribal members.

Representative Scott's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

18. Department of Human Services

Senator Winters moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to reduce club drug use.

The following is a summary of the request and Subcommittee (Human Services) action:

According to the U.S. Department of Health and Human Services, Ecstasy and other “club” drugs are “substances whose use can lead to serious health and behavioral problems, including memory loss, aggression, violence, psychotic behavior, and potential heart and/or neurological damage. Their use also contributes to increased transmission of infectious diseases, especially hepatitis and HIV/AIDS.” In response to the apparent increased use of club drugs, Oregon’s Department of Human Services (DHS) is seeking Emergency Board approval to apply for two grants that would be used to reduce club drug use—in the Northwest Portland Area and in Washington County. The grant for the Northwest Portland Area would build on anti-drug activities already underway at Jefferson High School.

The U.S. Department of Health and Human Services announced the availability of grant funding on April 8, 2004 and the applications were due on June 18, 2004. No state matching funds are required. DHS is requesting \$300,000 per year for each grant for up to three years. DHS provided sufficient notice to legislative leadership of its intent to apply for the grants on May 12 and 18.

The Subcommittee recommended approval of the request.

Senator Winters’ motion carried with no objections voiced. Representatives Butler and Morgan and Senators Gordly and Harper excused.

20. Department of Human Services

Representative Doyle moved that the Emergency Board approve the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to expand outreach to prevent the onset and reduce the progression of substance abuse.

The following is a summary of the request and Subcommittee (Human Services) action:

The purpose of the grant program is to prevent the onset and reduce the progression of substance abuse, including childhood underage drinking, reduce substance abuse related problems in communities, and build prevention capacity and infrastructure at the state and community levels. The Department of Human Services expects that grant activities would involve planning, implementing regional and community prevention projects, and evaluating these projects using outcome measures. The U.S. Department of Health and Human Services announced the availability of grant funding on April 29, 2004 and the grant application is due on July 2. No state matching funds are required. DHS may request up to \$3,000,000 per year for five years.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Representative Minnis asked staff what the typical timeline for federal approval of a grant application was and when funds would be available. Staff expressed uncertainty, but ventured a guess that the approval time was about one to two months. Staff added that the timeline varies because some grants are non-competitive and are likely to be approved quickly. Other grants, like most of the ones reviewed by the Emergency Board in June, are competitive and will take longer for the federal government to assess.

Representative Minnis asked if there is monitoring and oversight of the grant activities. Staff indicated that the federal government did monitor grant activities to see that they are consistent with the purpose of the grant. In addition, sometimes the federal government will conduct a formal audit of grant activities.

Senator Winters stated her belief that one of the reasons there were so many grants available was that the federal government's budget year would be ending in September. She added that she expected most grant awards to be made by the end of the federal fiscal year on September 30.

Senator Schrader observed that he was glad the federal government was now requiring the reporting of outcomes, to measure the success of a grant program.

Representative Doyle's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

24. Department of Human Services

Representative Doyle moved that the Emergency Board approve the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, to support the competitive employment of people with disabilities.

The following is a summary of the request and Subcommittee (Human Services) action:

One of the most problematic barriers for persons with severe disabilities who want to work is the possible loss of Medicaid benefits. For example, because eligibility for Supplemental Security Income (SSI) and Medicaid benefits are partially based upon income, many SSI recipients who want to work are concerned that their wages will disqualify them for these benefits. To address this barrier, Congress passed the Ticket to Work and Work Incentives Improvement Act of 1999. Section 203 of that Act directed the U.S. Department of Health and Human Services to establish a grant program supporting state efforts to better serve people with disabilities who are employed. The grant program was authorized for 11 years beginning in fiscal year 2001. Oregon was one of the states receiving a grant.

The Department of Human Services would use these new grant funds to build on what Oregon has accomplished in the prior four years using the initial Ticket to Work grant. During the past four years, Oregon has developed and implemented its Medicaid Buy-In program to allow persons with disabilities to work without losing health care services. The Department has established a statewide mentoring program, a benefits planning and outreach mechanism, and conducted research and evaluation of the policies and programs designed to support employment. The U.S. Department of Health and Human Services announced the availability of this grant on April 20, 2004. The application is due August 6. Awards of up to \$2,000,000 over four years will be made in October. No state matching funds are required.

The Subcommittee recommended approval of the request.

Representative Doyle's motion carried with no objections voiced. Representative Butler and Senators Winters and Gordly excused.

25. Department of Human Services

Representative Bates moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to expand outreach to homeless Native American adults who are experiencing severe chemical dependency problems.

The following is a summary of the request and Subcommittee (Human Services) action:

The grant will support outreach activities and target treatment and recovery for addicted, homeless, adult Native Americans residing in the Portland metropolitan area. (Nearly 60% of Oregon's Native Americans live in the Portland area.) If it receives the funds, the Department of Human Services (DHS) would contract with the Native American Rehabilitation Association (NARA) to provide the outreach and care. NARA Northwest is a Native-American-owned and operated, private non-profit agency offering addiction treatment services. NARA operates a residential family treatment center, an outpatient treatment center, a youth treatment center, a family resource program, and a primary health care clinic. DHS expects the grant to serve approximately 225 additional clients over the three years. Grant activities would begin this fall.

The U.S. Department of Health and Human Services announced the availability of grant funding on March 25, 2004. DHS became aware of the grant opportunity through NARA in April. The application was due on May 25. No state matching funds are required. DHS is requesting \$498,928 per year for up to three years. DHS provided sufficient notice to legislative leadership of its intent to apply for the grant on May 11.

The Subcommittee heard testimony from representatives of the Native American Rehabilitation Association. These representatives were pleased the Department was applying for the grant and urged the Emergency Board to support these efforts.

The Subcommittee recommended approval of the request.

Representative Bates' motion carried with no objections voiced. Representative Butler and Senators Winters and Gordly excused.

28. Department of Human Services

Senator Schrader moved that the Emergency Board approve, retroactively, the submission of a federal grant application by the Department of Human Services to the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, to enhance School-Based Health Clinic services.

The following is a summary of the request and Subcommittee (Human Services) action:

The Department of Human Services (DHS) proposes to use grant funds to improve access to alcohol and other drug treatment services for children using School Based Health Clinics. Funds would be used in eight to ten School Based Health Clinic sites in four communities that are rural or small urban to increase access to a full range of services and practices. Objectives include increasing the skill level and training of primary care and alcohol and drug treatment providers to perform screenings and assessments to increase rates of early identification and intervention.

The U.S. Department of Health and Human Services announced the availability of grant funding on March 25, 2004 and the application was due on May 25. No state matching funds are required. Oregon's Department of Human Services is requesting \$470,308 per year for up to three years. DHS provided sufficient notice to legislative leadership of its intent to apply for the grant on May 12.

The Subcommittee recommended approval of the request.

Senator Schrader's motion carried with no objections voiced. Representative Butler and Senators Winters and Gordly excused.

30. Disabilities Commission

Representative Doyle moved that the Emergency Board increase the Other Funds expenditure limitation established for the Oregon Disabilities Commission by section 1, chapter 628, Oregon Laws 2003, by \$25,000, for the Youth Leadership Forum, and increase the Federal Funds expenditure limitation established for the Oregon Disabilities Commission by section 2, chapter 628, Oregon Laws 2003, by \$351,498, for the Technology Access for Life Needs grant.

The following is a summary of the request and Subcommittee (Human Services) action:

The U.S. Department of Education extended the Technology Access for Life Needs (TALN) grant through March 31, 2005. The original grant was awarded in 1994 for three years and has been extended in one-year increments. Given the uncertainty of continued funding, the 2003-05 legislatively adopted budget did not include expenditure limitation for funding beyond March 2004. The agency requested an increase in Other Funds expenditure limitation of \$350,498.

The agency will also receive \$25,000 from the Department of Human Services to support the Youth Leadership Forum which provides career leadership-training for high school students with disabilities.

The Subcommittee recommended approval of an increase in Other Funds expenditure limitation by \$25,000 for the Youth Leadership Forum, and an increase in Federal Funds expenditure limitation by \$351,498 for the TALN grant. The recommendation reflects a minor technical adjustment to the TALN grant to permit the agency to spend the full amount of federal resources.

Representative Doyle's motion carried with no objections voiced. Representative Butler and Senators Winters and Gordly excused.

31. Public Defense Services Commission

Senator Harper moved that the Emergency Board allocate \$4,127,000 from the special purpose appropriation made to the Emergency Board by section 3(1), chapter 635, Oregon Laws 2003, to supplement the appropriation made to the Public Defense Services Commission by section 1(2), chapter 635, Oregon Laws 2003, Public Defense Contract Services, for cases above the budgeted base; allocate \$2,873,000 from the Emergency Fund, established by section 1(1), chapter 710, Oregon Laws 2003, to supplement the appropriation made to the Public Defense Services Commission by section 1(2), chapter 635, Oregon Laws 2003, Public Defense Contract Services, for partial restoration of Ballot Measure 30 reductions; and direct the Commission to return to the January 2005 meeting of the Emergency Board to report on caseload and funding needs for the last quarter of the 2005 fiscal year, with instructions.

The following is a summary of the request and Subcommittee (Education) action:

The Public Defense Services Commission (PDSC) presented a report on contract services funding to the April 2004 meeting of the Emergency Board. Contract services fund most of the trial level and some appellate level representation for financially eligible persons. The report was in preparation for a request that PDSC would make to the Emergency Board at its June 2004 meeting for release of a \$7 million special purpose appropriation to the Emergency Board for caseload deferred into the 2003-05 biennium as a result of budget cuts in the prior biennium. The Commission also reported on the impact of the failure of Ballot Measure 30 on contract caseload funding. This failure triggered cuts of \$9.9 million to contract services funding effective May 1, 2004.

The Judicial Branch had managed budget reductions in the five 2002 special sessions through an order of the Chief Justice that allowed for the deferral of criminal and misdemeanor cases that were ranked at a lower priority. The special purpose appropriation was intended to fund caseload above the base from cases deferred into the current biennium as a result of the cuts during the 2001-03 biennium, and from other caseload growth. PDSC identified a total projected 2003-05 caseload of 338,395, which includes 8,630 cases that were deferred from the 2001-03 biennium. The net cost of cases above the base is \$4,127,174.

The failure of Ballot Measure 30 triggered cuts of \$9.9 million to contract services funding on May 1, 2005. The Commission reported on its efforts to manage costs, but noted the legal restrictions on those efforts. The Commission also reported that, assuming the recommended allocation of the special purpose appropriation, all contract services funding will be exhausted in May 2005. This could result in disruptions to the public safety system, including the dismissal of cases for lack of counsel during the last quarter of the 2005 fiscal year.

PDSC projects a total resource gap of approximately \$14 million for the 2003-05 biennium. This includes the combined impact of funding needs based on deferred caseload and the effect of the Ballot Measure 30 reductions. Of the \$7 million allocated for deferred caseload, a total cost of \$4.1 million has been identified. The remaining \$2.9 million will revert to the general purpose Emergency Fund on December 1, 2004. Allocation of \$2.9 million from the general purpose Emergency Fund at this time will partially restore Ballot Measure 30 reductions. These actions will leave a resource gap of \$7 million for the last quarter of the 2005 fiscal year.

The Subcommittee discussed the actions taken by the PDSC to control costs, including work with District Attorneys on early disposition programs and its review of extraordinary costs. This includes sharing best practices and less expensive expert witnesses with local public service providers. The PDSC also discussed its work on developing performance measures that will track its cost

avoidance efforts. The PDSC has also undertaken a review of all service providers to ensure that these local contractors are providing services as cost effectively as possible, and will provide the Legislature with reports on these reviews.

The Subcommittee discussed the disruptions that occurred within the public safety system as a result of the deferral of cases in the past biennium, and the concerns that judges and defense lawyers had with the constitutionality of the deferral of services to persons charged with a crime. A federal appeal was filed that was dismissed as moot only because the Legislature restored funding in the 2003-05 biennium. The Subcommittee also discussed the problems being encountered in Washington, Minnesota, and Michigan as a result of funding shortfalls in public defense programs.

The Subcommittee discussed the complexity of public defense and related public safety issues, and recommended that the Joint Committee on Ways and Means, in conjunction with Senate and House Judiciary Committees, provide in-depth training on the Public Safety system to the 2005 Legislative Assembly. This training will assist members to deal with the complexity of public safety programs and issues.

The following Committee discussion occurred:

Representative Minnis asked if there was a process for screening eligibility. Staff explained that there is a process for verifying eligibility based on the federal poverty level. Representative Minnis also questioned whether Oregon provides coverage for a broader type of cases than other states, and staff noted that this is a complex question because of variability in how states identify crimes. Staff noted that these questions will be researched in preparation for the presentation by PDSC in January 2005.

Senator Harper questioned what actions were taken to control expenses.

Representative Hansen discussed the actions that have been taken, including working with local District Attorneys on early disposition programs.

Senator Schrader noted the need to work with local District Attorneys on how lower level offenses are handled, and whether other sanctions could be applied that would save indigent defense costs.

Representative Bates asked about the type of cases that were deferred and concerns about “revolving doors” for lower level cases that then escalate.

Representative Hansen noted that the cases were not prosecuted during the last three months of the last biennium and were deferred into the next biennium. This became the basis for the \$7 million special purpose appropriation. Representative Hansen discussed the problems that deferral created within the public safety system, including concerns about a “revolving door” policy, and noted that the Subcommittee discussed that this strategy will not be pursued again because of these problems. Represented Hansen also discussed the recommendation for in-depth training for Ways and Means and Judiciary Committee members on the public safety system.

Representative Morgan noted the recommendation for training next biennium, and that it will be a major issue for the next Legislature. The issues are complex and there is a need to train members on this issue. She also discussed the plans for PDSC to develop performance measures, which will enable the Legislature to monitor performance.

Senator Winters asked about how Oregon compares with other states in indigent defense representation. Staff indicated that research will be conducted on this issue, but it is complex because of the variability in how states define and approach crime.

Senator Courtney noted the number of criminal laws on the books in Oregon, and how that varies within Oregon, let alone other states. This has been a long-term issue that has been explored repeatedly by prior legislatures. Senator Courtney requested Judiciary staff administrator Bill Taylor to discuss reviews of criminal laws.

Bill Taylor noted that counsel had undertaken an attempt to identify the misdemeanors on Oregon's books and could not identify the total number. However, about 30 offenses represent 99% of cases prosecuted. An Oregon law professor used the analogy that the State of Oregon provides the pitcher and others, such as District Attorneys and local law enforcement, control the filling of the pitcher. The State of Oregon does not control the input that drives these costs.

Senator Morse noted that he has received data from the Legislative Fiscal Office that correlated the growth of the prison population to population growth. Inmate growth was 262%, while population growth in this time period was 35%. This growth is what is driving costs.

Senator Harper noted that there are problems with eligibility issues that should be considered.

Senator Harper's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

32. Military Department

Senator Dukes moved that the Emergency Board increase the Other Funds Capital Construction expenditure limitation established for the Oregon Military Department by chapter 909, section 3(2)(a), Oregon Laws 1999, by \$1,013,575, for construction of enhanced security measures at the Anderson Readiness Center, with the understanding that the Department of Administrative Services will unschedule \$797,225 until grant funds are received by the Oregon Military Department; and increase the Other Funds expenditure limitation established for the Oregon Military Department by chapter 620, section 2, Oregon Laws 2003, by \$324,650, for interoperable communications equipment to be located at critical facilities throughout the state.

The following is a summary of the request and Subcommittee (General Government) action:

The Legislature authorized the construction of the Anderson Readiness Center in 1995. The building houses core functions for managing emergencies together with other functions related to emergency management dispatch. Agencies co-located in the facility include Emergency Management; Oregon Military Department; Oregon State Police and Law Enforcement Data Systems; Oregon Department of Transportation Northwest Transportation Operations Center; and a Department of Corrections weapons vault. Together, these agencies provide the central communication and command functions in responding to emergencies throughout the state.

The Oregon Military Department (OMD) is in the process of completing the security elements for the new building for a total security investment of approximately \$4.3 million. The remaining security enhancements include: building entrance security equipment, northern perimeter security fence, building mechanical system chemical/biological mitigation system, vehicle inspection camera

system, installation of controlled access to compound gates, break glass intrusion detection system, and perimeter fence intrusion detection.

In April 2004, OMD was notified of an additional \$216,350 in State Homeland Security Program Grant funds for force protection equipment to be installed at the Anderson Readiness Center, and \$324,650 to purchase interoperable communications equipment. OMD was notified verbally that the remaining amount of the grant request was placed on the Critical Facility Infrastructure list with potential funding by the end of July 2004. In order to take advantage of the additional funding, OMD must have a contract in place by August 1, 2004 in order to expend the grant funds by September 30, 2004. OMD plans to bid the project with an option to add additional elements so that the same contractor would be responsible for the total project if funding is granted.

The Subcommittee recommended approval of the request, with the understanding that the Department of Administrative Services will unschedule \$797,225 of the Other Funds Capital Construction expenditure limitation until grant funds are received.

Senator Dukes' motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

33. Department of Justice

Representative Knopp moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Department of Justice by section 3, chapter 665, Oregon Laws 2003, by \$213,920, and approve the establishment of two limited duration positions (0.92 FTE), for a federal grant to fund an Internet Crimes Against Children Task Force, with the understanding that the Department of Administrative Services will unschedule the limitation until the funds are made available to the agency.

The following is a summary of the request and Subcommittee (Education) action:

The Department of Justice (DOJ) applied for a federal grant through the U.S. Department of Justice's Office of Juvenile Justice and Delinquency Prevention to join 29 other states in creating an Internet Crimes Against Children Task Force. The growth in child and adolescent use of the Internet has increased the potential for sexual predators contacting under-age victims in unsupervised situations. The Task Force, consisting of federal, state, and local law enforcement partners, is expected to increase the prosecution of sexual predators utilizing the internet as well as exploring the means of preventing contacts between under-age youth and predators.

DOJ requested two limited duration criminal investigator positions to perform the expected responsibilities under the grant. One position will be a computer forensic specialist and will retrieve evidence from computers and other electronic devices. The other position will conduct undercover online computer investigations.

The Subcommittee recommended approval of the Federal Funds expenditure limitation increase and the establishment of the two positions. While every indication is that the agency will be awarded this grant, formal notification by the U.S. Department of Justice has yet to occur. For this reason, the Subcommittee recommended requesting the Department of Administrative Services to unschedule the limitation increase until the grant funds become available. The Subcommittee also recommended DOJ should report on the success of this program during the agency's budget presentation to the Joint Committee on Ways and Means during the 2005 legislative session.

Representative Knopp's motion carried with no objections voiced. Representative Butler and Senators Dukes and Gordly excused.

34. Department of Corrections

Representative Hansen moved that the Emergency Board authorize, within the General Fund appropriations established for the Department of Corrections by section 1, chapter 716, Oregon Laws 2003, the transfer of \$133,978 from subsection (3) Central support/operations and administration to subsection (5) Debt service, so that Certificates of Participation can be issued for the 100 bed expansion at the Shutter Creek Correctional Institution.

The following is a summary of the request and Subcommittee (Education) action:

The most recent prison forecast (April 2004) demonstrates greater growth in both the men's and women's inmate population than previously expected. The difference in projected inmate population between the current forecast and the April 2003 forecast on which the budget is based is 205 more for the 2003-05 biennium and over 400 more during 2005-07. This accelerated growth has caused the Department of Corrections (DOC) to increase their reliance on utilizing temporary or emergency beds to over 1,000, which they believe is the limit without jeopardizing staff and inmate safety. In addition, DOC must rely on another 300 rental beds in county jails during the current budget period. As a result, DOC requested authority to move forward with the construction of further prison capacity.

The latest long-term construction plan includes the 100 bed expansion at Shutter Creek at an earlier date than originally anticipated. To take advantage of good weather during the construction season, the Department of Administrative Services will need to issue Certificates of Participation (COPs) in the amount of \$4,565,571 this fall, requiring \$133,978 of General Fund debt service for 2003-05. To pay for the debt service, DOC has identified savings from the amount allocated to pay for Small Scale Energy Program projects to transfer to debt service. The issuance costs will be paid from the proceeds of the COPs.

The Department plans to seek approval early in the 2005 legislative session to move forward with the construction of the planned Madras facility and the expansion of the Coffee Creek facility to keep pace with the anticipated inmate population growth.

The Subcommittee recommended the General Fund transfer for the debt service on the Shutter Creek expansion.

The following Committee discussion occurred:

Representative Minnis asked whether the Department had explored partnerships with local governments on the rental of their empty beds. Staff responded that the Department was expected to rent 300 beds by the end this biennium and 500 during 2005-07, but is uncertain about their long-term availability.

Representative Hansen's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

36. Oregon Youth Authority and Military Department

Senator Harper moved that the Emergency Board acknowledge receipt of a report from the Oregon Youth Authority and Oregon Military Department on the transfer of the former Ochoco Youth Correctional Facility property in Prineville from the Oregon Youth Authority to the Oregon Military Department.

The following is a summary of the request and Subcommittee (General Government) action:

In Spring 2003, the Oregon Youth Authority (OYA) closed four of its five regional facilities due to General Fund budget reductions. These facilities were constructed in 1997, financed with Certificates of Participation (COPs), to expand Oregon's juvenile corrections capacity. The Burns and Warrenton facilities are being reopened this biennium; the Albany and LaGrande facilities are being used for county juvenile detention beds. OYA does not have the funds to reopen the vacant Ochoco facility this biennium, and, since these 50 beds have been more costly to operate than other beds, OYA would look to add capacity at its other facilities in the future rather than reopen this one. OYA notified the Department of Administrative Services (DAS) in March 2004 that the facility is surplus and that it will transfer ownership of the property to DAS.

The Oregon Military Department (OMD) has determined it can use the Ochoco facility to replace the Redmond Armory. The current armory does not meet the National Guard Bureau's space and infrastructure requirements. OMD's long range facility plan included replacement of the armory in five to seven years. For OMD, taking over the Ochoco facility is a quicker, less expensive alternative to building a new armory. Moving and remodeling costs are expected to be about \$200,000, and OMD could occupy the property in the fall of 2004.

The financial arrangements call for OYA to use already-budgeted General Fund to pay the debt service on the COPs for the rest of the 2003-05 biennium. OMD will pay its remodeling and operating costs with a mix of state and federal funds. For the 2005-07 biennium, OMD's budget would be increased to reflect the lease payments to DAS, which will make the debt service payment with those funds, and OYA's budget would be reduced to eliminate the General Fund debt service cost. OMD plans to ask the National Guard Bureau for federal funds to buy the facility from DAS. If that is approved, after any remaining debt service costs are paid, DAS could, in theory, have funds available in a future biennium to help pay for OYA facility construction.

The Subcommittee recommended acknowledging receipt of the report.

Senator Harper's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

38. Employment Department

Representative Scott moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Employment Department by section 4(1), chapter 584, Oregon Laws 2003, by \$7,186,781, and approve the establishment of 12 limited duration positions (6.00 FTE), for a workload increase in the unemployment insurance program, with the understanding that the Department of Administrative Services will unschedule \$6,580,615 Other Funds expenditure limitation.

The following is a summary of the request and Subcommittee (Human Services) action:

In November 2003, the Emergency Board authorized the establishment of 49 limited duration positions to address the workload associated with prolonged periods of high unemployment and slower than projected job growth. The positions were authorized through June 2004. The Employment Department was directed to report back to the Emergency Board on changes in workload levels, performance measures, and vacancies, and to request additional positions if necessary.

While Oregon's unemployment rate has fallen in recent months, the number of initial claims and weeks claimed are still above the legislatively adopted level, and key performance measures have declined since November. The agency anticipates receiving federal revenues of \$7,186,781 above the legislatively approved level and proposes to shift \$6,580,615 Other Funds expenditure limitation to Federal Funds, and to use the balance of new revenues to support 12 limited duration positions. The Other Funds would be unscheduled and placed in the Unemployment Insurance Trust Fund to offset tax revenues.

The Subcommittee recommended approval of the request.

Representative Scott's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

42. Department of Agriculture

Senator Dukes moved that the Emergency Board approve the submission of a federal grant application by the Department of Agriculture to the U.S. Department of Agriculture for Johne's disease detection and prevention, increase the Federal Funds expenditure limitation established for the Department of Agriculture by section 4, chapter 708, Oregon Laws 2003, by \$306,000, and approve the establishment of 1 limited duration position (0.50 FTE), to coordinate testing for Johne's disease and create disease management plans.

The following is a summary of the request and Subcommittee (General Government) action:

The Oregon Department of Agriculture (ODA) is requesting authorization to apply for a grant from the U.S. Department of Agriculture (USDA) that will fund Johne's disease prevention activities. Johne's is a potentially economically devastating disease for the dairy industry. The disease impacts a cow's milk production and shortens productive life cycles. Johne's can also affect beef cattle and has been associated with human disease as well. A similar grant from the USDA was received last year. This year's grant represents a significant increase over the amount provided last year. With this increased funding, ODA hopes to have every cow in all dairy herds tested for the disease at least once and create management plans for herds where the disease is found. There are over 300 dairy operations in Oregon with about 120,000 cows.

The grant is not competitive, rather funding levels are the product of a federal formula. The \$306,000 represents Oregon's share. No matching funds are required. A limited duration Microbiologist 2 position will be used to assist with grant funded work and coordinate with private veterinarians to perform herd evaluations and develop herd management plans. ODA field staff will help collect samples from dairy operations and the Department laboratory will process the samples and report results into a national database. Grants should be awarded in July 2004 after submission of a work plan by the Department and work should be completed by July 2005.

The Subcommittee recommended approval of the request.

Senator Dukes' motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

43. Department of Environmental Quality and Department of Agriculture

Senator Messerle moved that the Emergency Board acknowledge receipt of a report from the Department of Environmental Quality and Department of Agriculture on alternatives to the current methodology used to determine load allocations from agricultural nonpoint sources and clarify that a second progress report required by the budget note this fall is not necessary.

The following is a summary of the request and Subcommittee (General Government) action:

A budget note was attached to the 2003-05 budget bills for the Department of Environmental Quality (DEQ) and the Department of Agriculture (ODA) due to concern over the Departments' current methodology for determining the share of pollution from agricultural nonpoint sources when developing total maximum daily load plans (TMDLs). The budget note required the agencies to report on the development of a proposal to revise the current methodology.

DEQ and ODA worked with the Institute of Natural Resources at Oregon State University to develop a scope of work proposal to develop alternative methodologies for setting load allocations for contributions from agricultural nonpoint sources. Both Departments consulted with numerous stakeholders during this initial work. The proposed budget for this scope of work phase is \$61,095. The scope of work represents the first phase necessary to comply with the budget note. The agencies and others involved in developing the proposal believe a phased approach will ensure that all issues are clearly identified and understood by all interested parties. The Departments propose that the Institute be used to complete the scope of work which would:

- 1) describe the existing processes for development of TMDLs and Agricultural Water Quality Management Plans and how these processes comport with federal requirements;
- 2) compare and contrast other states' approaches to dealing with agricultural nonpoint sources through TMDLs;
- 3) review the status of relevant litigation relating to TMDLs and agricultural nonpoint sources of pollution;
- 4) investigate issues needing further analysis through consultation with agency staff and relevant advisory committee members; and
- 5) work with appropriate experts to develop a research design that would need to be analyzed in order to consider adoption of a revised methodology for allocation of loads from agricultural nonpoint sources.

The Subcommittee directed both agencies to continue to work with all parties on the need for moving the proposal forward. The Subcommittee clarified that a second progress report required by the budget note this fall is not necessary, but that a request for funding may come forward at a future meeting if the interested parties agree the proposal should begin this interim. If a request does not come forward this interim, funding can be considered during budget hearings next session.

The Subcommittee recommended approval of the request.

Senator Messerle's motion carried with no objections voiced. Representatives Butler and Doyle and Senator Gordly excused.

45. Department of State Lands

Senator Messerle moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Department of State Lands by section 3(2), chapter 701, Oregon Laws 2003, South Slough Estuarine Sanctuary operations, by \$612,746, for operations and construction projects, with the understanding the Department of Administrative Services will unschedule \$391,790 of the limitation increase, with instructions.

The following is a summary of the request and Subcommittee (General Government) action:

The South Slough National Estuarine Research Reserve (SSNERR) receives federal funding from the National Oceanic and Atmospheric Administration (NOAA) for operations and special projects, including construction. At the time the 2003 Legislature adopted the 2003-05 budget for the SSNERR, federal funding for operations was expected to continue at previously authorized levels. Additionally, no limitation was provided for construction projects, since there was uncertainty as to the level of federal revenues to be received for and/or expended on projects this biennium. Instead, the Department of State Lands (DSL) was expected to request any necessary expenditure limitation from the Emergency Board.

Since the close of the 2003 regular session, DSL has received notification of an increase in the operating grant from NOAA. Total revenues now are expected to be \$213,491 above the current legislatively approved Federal Funds expenditure limitation for SSNERR operations.

The agency has identified a use for \$171,000 of the additional funds as follows: 1) travel, lodging, meals, and professional services for two conferences hosted by the SSNERR at the request of NOAA, \$59,000; 2) temporary research and summer staff, \$38,500; 3) management plan revision, \$35,000; 4) replacement of equipment, \$20,500; and 5) a tidelands restoration project, \$18,000.

The Subcommittee recommended a \$171,000 increase in the program's Federal Funds expenditure limitation for operations, with the understanding that the Department of Administrative Services (DAS) will unschedule \$73,500 until certain expenditures are actually incurred and the agency provides updated expenditure information to the DAS Budget and Management Division and the Legislative Fiscal Office (LFO) to ensure this limitation still is needed. The Subcommittee did not recommend an \$86,143 increase in the Other Funds expenditure limitation as requested by the agency, since the agency indicated it can use existing resources as the required match to the additional federal funds.

DSL also requested additional Federal Funds expenditure limitation of \$771,746 to complete various construction projects during the 2003-05 biennium. Approximately \$441,746 is available in carryover funds for projects previously approved by the Legislature and started in 2001-03. In addition, a new construction grant of \$330,000 was awarded in October 2003 and received in January 2004.

Projects underway include the following: 1) design, fabrication, and installation of exhibits at the interpretive center, \$143,344; 2) revision of the existing 1991 Physical Facilities Master Plan, \$47,369; 3) upgrades at the Spruce Ranch, \$38,638; 4) a feasibility study for co-locating the SSNERR administrative offices with the Charleston Visitors' Center, \$60,000; 5) repairs and improvements to emergency and access roads and trails, \$76,002; 6) construction of a storage unit, \$25,000; 7) design of two canoe launches and construction of one launch to improve access into water trails, \$34,008; and 8) purchase of furnishings, \$17,385.

The new construction award of \$330,000 will be used for the construction or renovation of administrative office space for the SSNERR. However, this project will not be started until completion of the feasibility study (item #4 above), which is expected to be no sooner than September 2004. SSNERR staff indicated most of the construction project likely will be completed after June 30, 2005.

The Subcommittee recommended an increase of \$441,746 for projects currently underway, with the understanding that DAS will unschedule \$318,290 until the contracts for certain projects are submitted to the DAS Budget and Management Division and LFO for their review and until the actual expenditures are incurred. The agency was instructed to return to a subsequent meeting of the Emergency Board for the limitation needed for the new construction award after completion of the feasibility study and development of construction cost estimates for the administrative office space project.

Senator Messerle's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

46. Department of State Lands

Representative Miller moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of State Lands by section 2(4), chapter 701, Oregon Laws 2003, Capital improvements, by \$130,305, for cleaning and sealing the exterior of the agency's Salem office building, with the understanding the Department of Administrative Services will unschedule \$121,805 until the Department of State Lands provides a signed construction contract to the Legislative Fiscal Office and the Department of Administrative Services, Budget and Management Division and until the actual costs of construction and project management are incurred.

The following is a summary of the request and Subcommittee (General Government) action:

The Department of State Lands (DSL) requested an increase of \$131,805 in Other Funds expenditure limitation for cleaning and sealing the exterior of its Salem headquarters building. This project initially was proposed in 1999 but has been postponed for a number of reasons, including construction of the North Mall office building. The agency reported that, due to cracks and other defects in the exterior, water has been leaking into the building's interior. The project, which is intended to extend the life of the building and to protect the interior from further damage, includes washing the exterior surfaces, repairing any crumbling masonry mortar and structural defects, and resealing caulking joints and masonry surfaces as needed. In an effort to minimize costs, the Department of Administrative Services (DAS) has proposed that the work on the DSL building be included in a construction contract for similar work on five DAS-owned buildings in Salem.

The cleaning, sealing, and repair work will likely start in late July or early August. The estimate of \$116,655 for this work is based on a bid received in 2000, which has been adjusted for inflation using a construction cost index of approximately 3% annually. It is possible the actual cost will be higher than the current estimate due to changes in the building's condition since the original assessment in 1999.

Other costs include \$7,000 for the services of an architectural firm to ensure the project will be properly focused, specified, and executed; \$5,000 for project management services to be provided by DAS Facilities Management; \$1,500 for a structural engineer to help determine the extent of any necessary structural repairs, assist in establishing the scope of work, and determine the best types of

materials and products to be specified in the bidding documents; and \$150 for permits and miscellaneous fees.

The Subcommittee recommended approval of an increase of \$130,305 in the agency's Other Funds expenditure limitation. This amount reflects a decrease of \$1,500 from the agency's request based on a recently signed contract for architectural services. The Subcommittee also recommended that DAS be requested to unschedule \$121,805 pending DSL's delivery of a signed construction contract to the DAS Budget and Management Division and the Legislative Fiscal Office and until the actual costs of construction and project management are incurred.

Representative Miller's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

48. Department of Transportation

Senator Morse moved that the Emergency Board acknowledge receipt of a report from the Department of Transportation on the selection of a project management firm for the Oregon Transportation Investment Act of 2003 Bridge Delivery Program.

The following is a summary of the request and Subcommittee (Education) action:

The Legislature adopted a plan to provide new revenue to finance \$1.9 billion in highway user tax bonds for bridge repair and modernization projects over the next eight years. In conjunction with that plan, the 2003-05 legislatively adopted budget for the Department of Transportation (ODOT) included a budget note directing the Department to report on the selection of a project management firm for the Oregon Transportation Investment Act (OTIA) of 2003 Bridge Delivery Program. ODOT reported in November 2003 of its plan to issue a Request for Proposal (RFP) that included specific requirements consistent with the direction provided by the Legislature in the budget note, for a program management firm to oversee the OTIA III Bridge Delivery program. The Emergency Board directed ODOT to report in April 2004 on the implementation strategies developed by the Department and the selected project management firm in meeting the expectations of the Legislature.

The budget note directed ODOT and the private-sector program management firm to develop a strategy to complete the bridge repair and replacement program that maximizes ease of traffic movement, expedient delivery, and involvement of Oregon construction firms and employees.

ODOT reports that in April 2004 a contract was awarded to Oregon Bridge Delivery Partners (OBDP), a private-sector firm that will manage the \$1.3 billion state bridge replacement program. OBDP is a joint venture formed by HDR Engineering Inc. and Flour Enterprises Inc. The selection of OBDP was in large part due to their plan to meet the legislative objectives for ease of traffic movement, expedient delivery, and use of Oregon firms. Approximately \$200 million in bridge work is already under contract.

ODOT has established an OTIA III Bridge Delivery Unit responsible for oversight and management of the program management firm. A monthly status report on their deliverables is provided to ODOT for review against the contract. ODOT is in the process of developing an execution plan and procedures manual that will be the guiding document for program delivery. In addition, performance measures for the OTIA III bridge program and the consultant contract are being developed.

The Subcommittee recommended acknowledging receipt of the report.

Senator Morse's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

50. Public Employees Retirement System

Senator Harper moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 1(3), chapter 439, Oregon Laws 2003, by \$1,005,000, for settlement costs related to the City of Eugene v. PERS lawsuit.

The following is a summary of the request and Subcommittee (General Government) action:

In February 2004, the Public Employees Retirement System (PERS) Board signed a settlement agreement with representatives of employers who had brought the City of Eugene lawsuit, a case heard and decided by Judge Lipscomb. The Lipscomb decision had been appealed to the Oregon Supreme Court, and the settlement led to a dismissal of the employers' claims against the Board. The settlement also provides the resolution that was set out in HB 2003 (2003 session). The resolution provided in HB 2003 requires the recalculation of retirement benefits for about 12,000 retirees who benefited from crediting of 1999 fund earnings that caused higher retirement benefits and employer contribution rates. Certain employer contribution rates will also be recalculated. PERS 2003-05 legislatively adopted budget already includes expenditure limitation for the recalculation of the retirement benefits. Employer contribution rate recalculations will be included as part of future employer rate adjustments.

As part of the settlement, the Board agreed to pay a portion of the legal costs incurred by plaintiff groups. The agreed upon legal costs amount to \$1,005,000 and were not anticipated in the PERS 2003-05 legislatively adopted budget. Of the agreed upon costs, \$925,000 has been paid to employers, but PERS has not yet been invoiced for \$80,000 owed to the attorney for the PERS coalition representing employee groups who prevailed in a portion of the Lipscomb decision. PERS intends to charge these payments against the recently funded Contingency Reserve. ORS 238.670(1) (b) specifically allows payment of this type of expense from the Contingency Reserve.

PERS reviewed its legal costs with the Subcommittee. While those costs are exceeding original budget estimates, PERS is trying to pay them using administrative savings. It cannot absorb both its legal costs and the settlement cost within its existing budget without seriously affecting services to employers and employee members. The Subcommittee understood that all or a portion of the Lipscomb decision could ultimately be overturned by the Supreme Court. That, however, does not invalidate the liabilities incurred under the settlement agreement.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Senator Courtney asked what would happen if the Lipscomb decision were overturned by the Supreme Court; specifically, would PERS try to get the money back.

Senator Harper responded that that was not discussed in Subcommittee.

Senator Courtney then asked about PERS' current legal fees. Staff explained that current legal fees were not being paid from this request and that this request was for past litigation.

Representative Knopp clarified that these settlement costs had nothing to do with the legal costs associated with PERS reform legislation passed in 2003.

Senator Harper's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

51. Department of Administrative Services

Representative Miller moved that the Emergency Board acknowledge receipt of a report from the Department of Administrative Services on an audit of the Employment Relations Board.

The following is a summary of the request and Subcommittee (General Government) action:

In January, the Employment Relations Board (ERB) requested authorization from the Emergency Board to establish two positions to address an increase in cases and complexity of workload, and to fund the related expenditures through an increase in assessments to state agencies. The Emergency Board approved the establishment of two limited duration positions through July 2004, with the understanding that ERB and Department of Administrative Services (DAS) would convene a work group to complete an agency audit and return to the Emergency Board with information on funding options, staffing proposals, and performance measures.

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.

DAS and ERB will develop alternatives for aligning funding with workload, long-term staffing plans, and appropriate performance measure targets to include in the 2005-07 Governor's budget.

The Subcommittee recommended acknowledging receipt of the report.

The following Committee discussion occurred:

Senator Schrader asked if there had been any discussion on changing the ERB administrator.

Representative Miller responded that this was not discussed.

Senator Schrader expressed the need for significant change in the agency's operations by next session.

Representative Miller's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

52. Department of Administrative Services

Representative Miller moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Administrative Services by section 1(3)(k), chapter 623, Oregon Laws 2003, by \$450,000, for planning for a centralized data center facility, with the understanding that the Department of Administrative Services will unschedule the funds pending project approval by the Governor.

The following is a summary of the request and Subcommittee (General Government) action:

Directors of the 12 state agencies with the largest data centers (excluding the Department of Higher Education) have formed a Computing and Networking Infrastructure Consolidation (CNIC) Governing Board to advise the Governor and the Department of Administrative Services (DAS) on the feasibility of what has been described to the Legislature as “data center consolidation.” The DAS Information Resources Management Division contracted with a private consulting firm to determine if there is a solid business case for data center consolidation.

On June 16, 2004, consultants presented the results of their analysis of the state’s data centers and impact of potentially consolidating the twelve largest. The results are still being vetted by representatives of those 12 agencies. However, the analysis indicates data center consolidation will result in annual operating savings of \$8.5 million to \$10 million. The directors of the 12 agencies are expected to make a recommendation to the Governor early- to mid-July and the Governor’s decision is expected shortly thereafter. If the decision is to move forward, DAS will need expenditure limitation to develop plans for a single data center. DAS is requesting \$450,000 Other Funds expenditure limitation for those planning efforts. More detailed plans and cost estimates will be presented to the Emergency Board if the project is approved by the Governor. The Joint Legislative Committee on Information Management and Technology reviewed this in detail at its meeting on June 22, 2004 and recommended approval of the request, with the understanding that the funds be uncommitted pending a decision by the Governor.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

Representative Miller’s motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

53. Department of Administrative Services

Senator Messerle moved that the Emergency Board approve, retroactively, the submission of two federal grant applications by the Department of Administrative Services, Office for Oregon Health Policy and Research to the U.S. Department of Housing and Human Services totaling \$306,000, to address healthcare access and safety net issues.

The following is a summary of the request and Subcommittee (General Government) action:

The Office for Oregon Health Policy and Research has applied for two federal grants that, if awarded, would provide funds to address healthcare access and safety net issues across Oregon.

The first grant, for \$150,000, would be used to work with the Oregon and Washington State Offices of Rural Health to assess the stability of safety net clinics in rural areas. The second grant, for \$156,000, would allow for continued review of healthcare access and safety net issues statewide, including a more formal assessment of the current safety net system in Oregon. The work under the two grants would be complementary. There are no matching requirements and, if the grants are awarded, the Department will return to the Emergency Board to request Federal Funds expenditure limitation.

The Subcommittee recommended approval of the request.

Senator Messerle's motion carried with no objections voiced. Representative Butler and Senator Gordly excused.

The meeting was adjourned at 11:00 a.m.

EMERGENCY BOARD:

/s/ Peter Courtney

Senator Peter Courtney, Chair

/s/ Kurt Schrader

Senator Kurt Schrader, Secretary

ATTEST:

/s/ Ken Rocco

Ken Rocco, Legislative Fiscal Officer