

MINUTES OF THE EMERGENCY BOARD

June 30, 2002

State Capitol

Salem, Oregon

Members Present: Senator Derfler, Presiding Chair;
Senators Beyer, Carter, Clarno, Hannon, Messerle, Metsger and Yih;
Representatives Butler, Johnson, Minnis, Morgan, Schrader, Simmons,
Westlund, Wilson and Winters

Pursuant to the provisions of ORS 291.328 and acting under the authority of ORS 291.326(1)(b), (c), and (d), ORS 291.371, and ORS 291.375, we hereby certify that the Emergency Board, meeting on June 30, 2002, took the following actions:

The meeting was called to order by Senator Derfler at 5:15 a.m. in Hearing Room F of the State Capitol.

Minutes

Senator Derfler moved that the Emergency Board approve the minutes of the April 19, 2002 meeting, as mailed, and upon hearing no objections the minutes were approved.

Agency Reports – en bloc action

Senator Derfler requested unanimous consent that the rules be suspended so that the Emergency Board may acknowledge, en bloc, receipt of agency reports, and upon hearing no objections the rules were suspended.

Senator Derfler moved that the Emergency Board acknowledge, en bloc, receipt of the following reports: Item 4, Judicial Department; Items 6 and 10, Department of Education; Item 16, Department of Fish and Wildlife; Items 19 and 20, Department of Forestry; Item 26, Parks and Recreation Department; Item 35, Department of Transportation; Item 40, Board of Chiropractic Examiners; Item 41, Department of Consumer and Business Services; Item 43, Board of Clinical Social Workers; Item 44, Board of Licensed Professional Counselors and Therapists; Item 45, Board of Naturopathic Examiners; Item 47, Department of Administrative Services; item 50 Oregon Liquor Control Commission; Item 52, Department of Revenue; Items 53 and 54, Department of Community Colleges and Workforce Development; Item 61, Commission for the Blind; Items 62, 64, and 67, Department of Human Services; Item 66, Department of Human Services, with a directive to the Department to report at the November 2002 meeting of the Emergency Board on seeking competitive bids from private sector providers for medical services currently offered through state operated group homes for persons with developmental disabilities; Items 80 and 81, Employment Department; and Item 82, Housing and Community Services Department; and request the Department of Administrative Services re-schedule funds relating to Items 26 and 35.

Summary of the agency reports and the Committee action:

Twenty-six reports were submitted by agencies in response to statutory requirements, budget notes, or Emergency Board direction.

Item #	Agency	Report
4	Judicial Department	Collections Account established by Senate Bill 70
6	Department of Education	Status of regional education programs which provide specialized instruction to eligible children
10	Department of Education	Status of the Technology Enhanced Student Assessment project
16	Department of Fish and Wildlife	Budget execution
19	Department of Forestry	Training provided to Forest Inmate Crew Coordinators
20	Department of Forestry	Status of a review of the Public Share Fire Funding budget
26	Parks and Recreation Department	Revenues and expected ending balance
35	Department of Transportation	“Environmental and Land Use Laws Relating to Highway Projects: Policy Choices”
40	Board of Chiropractic Examiners	Status of five issues: 1) reduction in backlog of complaints and investigations, 2) practice guideline development, 3) dispute resolution, 4) continuing education, 5) license renewal
41	Department of Consumer and Business Services	Administration of the Pawnbroker law
43	Board of Clinical Social Workers	Birth-month license renewals and cash flow
44	Board of Licensed Professional Counselors and Therapists	Birth-month license renewals and cash flow
45	Board of Naturopathic Examiners	Birth-month license renewals and cash flow
47	Department of Administrative Services	Compensation plan changes
50	Oregon Liquor Control Commission	Status of strategies to generate revenues to pay bankcard fees for liquor agents
52	Department of Revenue	Tobacco Compliance Task Force
53	Department of Community Colleges and Workforce Development	Annexation of a portion of Hood River County into the Columbia River Gorge Community College District, effective June 30, 2002
54	Department of Community Colleges and Workforce Development	Programs and efforts made to coordinate workforce-related services with the Employment Department and the Department of Human Services
61	Commission for the Blind	Older Blind Services funding
62	Department of Human Services	Licensure of outdoor youth programs as child caring agencies
64	Department of Human Services – Seniors and People with Disabilities	Veterans Services pilot project in Multnomah and Washington Counties
66	Department of Human Services – Seniors and People with Disabilities	State Operated Group Homes staffing, operation costs, and level of care
67	Department of Human Services – Public Health Programs	Implementation of Emergency Medical Service protocols for children
80	Employment Department	Claimant Reemployment Pilot Program
81	Employment Department	Material changes in the Child Care and Development Fund revenues
82	Housing and Community Services Department	Affordable home ownership in certain areas unaffected by energy deregulation provided in SB 1149

Senator Yih expressed support for the directive to the Department of Human Services to report at the November 2002 meeting of the Emergency Board on seeking competitive bids from private sector providers for medical services currently offered through state operated group homes for persons with developmental disabilities (Item 66).

Representative Winters articulated her opposition to the directive to the Department of Human Services (Item 66).

Senator Derfler's motion carried with Representatives Westlund and Winters voicing objection to the directive to the Department of Human Services (Item 66).

Grant Requests – en bloc action

Senator Derfler requested unanimous consent that the rules be suspended so that the Emergency Board may approve, en bloc, agency requests to apply for federal grants, and upon hearing no objections the rules were suspended.

Senator Derfler moved that the Emergency Board approve, en bloc, the following requests for approval to apply for federal grants: Item 3, Judicial Department; Item 8, Department of Education; Item 11, Department of Education; Item 12, Department of Agriculture; Item 14, Department of Environmental Quality; Item 15, Department of Environmental Quality; Item 18, Department of Fish and Wildlife; Item 25, Department of State Lands; Items 36 and 37, Department of Transportation; Item 65, Department of Human Services; and Item 83, Housing and Community Services Department, with the understanding that any agency receiving a grant award will return to the Emergency Board or Legislative Assembly for expenditure limitation and any necessary position authority.

Summary of the grant requests and the Committee action:

Twelve requests for approval to apply for federal grants were submitted by agencies.

Item #	Agency	Grant Request
3	Judicial Department	Federal grant for drug court implementation in Benton (\$908,593), Clackamas (\$950,000), and Marion County (\$900,000) Circuit Courts.
8	Department of Education	Federal grant from the U.S. Department of Education for \$7.3 million to help schools establish Reading First programs for K-3 students.
11	Department of Education	Federal grant from the U.S. Department of Education for \$300,000 to improve services to talented and gifted students.
12	Department of Agriculture	Federal grant from the Environmental Protection Agency for \$90,000 to provide information on newly defined Confined Animal Feeding Operations.
14	Department of Environmental Quality	Two federal grants from the U.S. Environmental Protection Agency for water quality initiatives totaling \$220,000. One grant will fund a pilot project to work with selected municipalities to address infrastructure and management of wet weather issues in a watershed-based approach. The second grant will fund work to develop information to define the load of mercury contributed to streams from wastewater treatment plants.
15	Department of Environmental Quality	Federal grant from the U.S. Environmental Protection Agency for \$120,000 for technical assistance and business training.
18	Department of Fish and Wildlife	Two federal grants from the U.S. Fish and Wildlife Service: \$460,000 for Sandy River Basin habitat restoration efforts, and \$400,000 for continuation of the Bi-State Habitat Conservation Planning project.

25	Division of State Lands	Federal grant from the U.S. Department of the Interior, Fish and Wildlife Service in an amount of up to \$200,000 for developing a Habitat Conservation Plan for vernal pool wetlands in Jackson County's Agate Desert.
36	Department of Transportation	Federal grant from the U.S. Federal Highway Administration National Scenic Byways Program for \$2,750,000 to provide grant funds for eligible projects within the state's eight national byways.
37	Department of Transportation	Federal grant from the U.S. Federal Highway Administration for \$2,150,000 to participate in an Intelligent Transportation Systems Deployment Program.
65	Department of Human Services – Health Services Program	Four federal grants with one from the U.S. Environmental Protection Agency, one from the Health Resources and Services Administration, and two from the Centers for Disease Control and Prevention.
83	Housing and Community Services Department	Federal grant from the U.S. Department of Housing and Urban Development for \$1,370,000 to provide Housing Opportunities for Persons with AIDS.

Senator Derfler's motion carried with no objections voiced.

Agency Request Items – en bloc action

Senator Derfler requested unanimous consent that the rules be suspended so that the Emergency Board may consider, en bloc, several agency request items, and upon hearing no objections the rules were suspended.

Senator Derfler moved that the Emergency Board approve, en bloc, the following motions:

5. Judicial Department and Public Defense Services Commission

To establish an Other Funds expenditure limitation of \$143,000 for the Public Defense Services Commission, Office of Public Defense Services for appellate representation, and acknowledge receipt of a progress report on the transfer of the Indigent Defense Program from the Judicial Department to the Public Defense Services Commission.

Summary of the agency request and the Committee action:

The Judicial Department and the Public Defense Services Commission were directed by budget note to enter into an intergovernmental agreement “to provide staff support, services and information...to plan for the transfer, effective October 1, 2003, of responsibility for the Indigent Defense Program...to the Commission.” The Commission (PDSC) and the Judicial Department (OJD) reported as directed on their progress.

As part of the program review process, OJD and PDSC identified efficiencies that could be gained by using the expertise of Office of Public Defense (OPDS) attorneys to handle post conviction relief appeals. The parties estimate that these attorneys can dispose of these cases more efficiently, resulting in cost savings to the indigent defense program. This will also address the difficulty that OJD has experienced in locating an adequate number of private attorneys that are willing and qualified to handle these appeals. The parties will enter into an intergovernmental agreement that will transfer half of the post-conviction appeals workload to PDSC. The intergovernmental agreement will include

obtaining contract counsel for OPDS in conflict cases and some criminal appeals. PDSC will also use the resources to contract for some of its appeals caseload. These actions should help to reduce the PDSC pending case backlog. The OPDS needs an Other Funds expenditure limitation of \$143,000 to receive and expend the funds transferred by OJD.

The Committee established an Other Funds expenditure limitation for the Office of Public Defense Services and acknowledged receipt of the progress report from the Oregon Judicial Department and the Public Defense Services Commission.

7. Department of Education

To increase the Federal Funds expenditure limitation established for the Department of Education by section 3(1), chapter 799, Oregon Laws 2001, Operations, by \$5,454,426, and deny the request for allocation of \$2,500,000 from the Emergency Fund, for student assessment activities.

Summary of the agency request and the Committee action:

During the 2002 second special legislative session to rebalance the statewide budget, the Legislature reduced funding for the Department of Education's assessment activities by \$5.5 million, including \$1 million for expenditures related to the Technology Enhanced Student Assessment (TESA) project. The Legislature made the reduction in anticipation of \$5.5 million in federal assessment funds to be allocated to Oregon under the reauthorized Elementary and Secondary Education Act (ESEA), also known as the No Child Left Behind Act of 2001. The Legislature noted that if federal funds could not offset the reduction, the Department could request an allocation of General Fund from the Emergency Board. The Department reported that it will receive the \$5.5 million in assessment funds, which it will use in the budget for its Office of Assessment and Evaluation. This office also received \$600,000 in federal funds under the Individuals with Disabilities Education Act for extended assessments for students with disabilities.

Of the total \$6.1 million increase in federal funds, the Department reported that a minimum of \$2.0 million is needed to cover the costs of federally mandated activities not currently in place in Oregon. These include reading and math assessments at grades 4, 6, and 7. (Oregon currently tests students at grades 3, 5, 8, and 10.) Additionally, there are new report card requirements and other federal reporting requirements to be met. This leaves approximately \$4.0 million of federal funds available to offset the \$5.5 million General Fund reduction in the budget of the Office of Assessment and Evaluation. In addition, decisions made by the Department prior to actions taken by the Legislature in the second special session resulted in the Department's redirection of approximately \$1.0 million General Fund from the Office's budget, bringing its total shortfall to \$2.5 million. The \$1.0 million funded the following priorities: \$457,000 for the development of assessment of secondary education programs; \$250,000 for project management for TESA and other assessment projects; \$200,000 for the Department's Reading Initiative project to improve reading programs in grades 4-12; and \$85,000 for diversity issues related to the achievement gap.

Under the ESEA, states are required to test all students annually in grades 3 through 8 in mathematics and reading (or language arts) beginning with the 2005-06 school year. Annual science assessments must be in place by 2007-08 for grade spans 3-5, 6-9, and 10-12. In addition, assessment programs must be composed of multiple measures of achievement. The Department reported that, without the \$2.5 million General Fund allocation, 1) tests in math problem-solving and writing will not occur in grades 5 and 8; 2) the science assessment for grades 8 and 10 will be eliminated; and 3) development work on social science assessments for grades 5, 8, and 10 will not occur. If the

Department were to use federal funding to continue these activities in 2002-03 and delay the activities for the 4th, 5th and 7th grade tests until 2003-04 and beyond, there is the risk that not all federal requirements will be implemented on time and the U.S. Department of Education may withhold ESEA funding if the state does not administer the required assessments.

The Legislative Fiscal Office (LFO) recommended a \$5,454,426 increase in the Federal Funds expenditure limitation for the Department's Operations program to expend the additional federal assessment funds to be received in 2002-03. Because of the uncertainty surrounding the remaining balance in the general purpose Emergency Fund at the time LFO prepared its analysis, it did not make a recommendation regarding the agency's request for a \$2.5 million General Fund allocation. LFO recommended waiting until the balance in the Emergency Fund was known and the risks associated with not funding the Department's request could be weighed against the risks of not funding potential competing demands on the remaining Emergency Fund balance.

The Committee increased the Federal Funds expenditure limitation, but denied allocation of the \$2.5 million from the Emergency Fund.

21. Department of Forestry

To establish a Federal Funds Capital Construction expenditure limitation of \$490,000 for the Department of Forestry for the Tillamook State Forest Interpretive Center.

Summary of the agency request and the Committee action:

In April 2002, the Emergency Board approved application for a \$490,000 federal grant from the United States Forest Service to assist in funding final planning and design for the Tillamook Forest Interpretive Center. The Forest Service has now approved the grant application and the Department is requesting that a Federal Funds Capital Construction expenditure limitation be established to allow expenditure of the funds.

The Committee approved the request.

29. Parks and Recreation Department

To increase the Other Funds expenditure limitation established for the Parks and Recreation Department by section 1(2), chapter 210, Oregon Laws 2001, Grant Programs, by \$1,291,368 for the All Terrain Vehicle program.

Summary of the agency request and the Committee action:

The All Terrain Vehicle (ATV) program includes acquisition, development, and maintenance of ATV recreation areas; education and safety training for ATV trainers and operators; provision of first aid and police services in ATV designated use recreation areas; and administration of the all-terrain vehicle programs. The program is funded through a combination of ATV off-road permit fees and non-motor fuel taxes attributable to off-road ATV use. The Parks and Recreation Department is requesting an Other Funds expenditure limitation to allow the Department to award law enforcement grants for this summer's recreation activity. Award of the enforcement grants were placed on hold so that the ATV program could take advantage of two local land acquisition opportunities for

development of ATV riding areas. The ATV Account is sufficient to meet current obligations and accommodate this request.

The Committee approved the request.

34. Department of Aviation

To increase the Other Funds Capital Construction expenditure limitation established for the Department of Aviation by section 4(2), chapter 909, and section 9, chapter 935, Oregon Laws 1999, by \$800,000, and approve submission of an application by the Department of Aviation for a Federal Aviation Administration grant for \$1,710,000 for improvements at the Siletz Bay State Airport, with the understanding that the Department of Administrative Services will unschedule the expenditure limitation until formal notice of the grant award is received.

Summary of the agency request and the Committee action:

Because the Federal Aviation Administration requires the Department to prepare plans and specifications, request bid proposals, and then complete and submit a formal grant application, the Department requires pre-approval be given for both the request to apply for the grants and their expenditure. The Siletz Bay State Airport improvement project was approved in the Department of Aviation's 1999-2001 capital construction budget at the estimated cost of \$1.1 million. Final project planning is complete and the cost is now estimated at \$1.9 million due to an expanded project scope and updated cost information.

Approval of this request will allow the Department of Aviation to shift one of the runways; rehabilitate runway and taxiways; install navigational aids; and improve safety features of the airport. The federal grant will provide 90% of the funding and the Department of Aviation's uncommitted cash reserves will provide the 10% state matching funds.

The Committee approved the request, with the understanding that the Department of Administrative Services will unschedule the expenditure limitation until formal notice of the grant award is received.

55. Department of Higher Education

To establish an Other Funds Capital Construction [Article XI-F(1) bonds] expenditure limitation of \$3,500,000 for the Department of Higher Education for a remodel of the Portland State University University Center building to house the Student Health Center and the Counseling and Psychological Services program; approve a revised scope for the existing Other Funds Capital Construction [Article XI-F(1) bonds] expenditure limitation established for the Department of Higher Education by section 2(3)(f), chapter 845, Oregon Laws 2001, for the Smith Center West, student health center project, limiting the project to a seismic upgrade of the Smith Memorial Student Center; and transfer \$3,500,000 from the existing \$9,500,000 Other Funds Capital Construction [Article XI-F(1) bonds] expenditure limitation approved for the Smith Center West project to the new expenditure limitation, with the understanding that the Department of Administrative Services will unschedule \$500,000 of the remaining Smith Center West expenditure limitation.

Summary of the agency request and the Committee action:

The 2001 Legislative Assembly approved a \$9.5 million project – financed by Article XI-F(1) bonds to be repaid with Student Building Fee revenue – to renovate the Smith Memorial Student Center at Portland State University (PSU) and to add a new story to the facility to house the Student Health and Counseling Center (SHCC).

PSU now seeks authorization to proceed with an alternative proposal. Under this proposal the original \$5.5 million seismic upgrade and renovation of the Smith Center would proceed. The \$4 million Smith Center expansion for the SHCC has been dropped, however. Instead, the university proposes to renovate a portion of the University Center Building to house the SHCC, at a cost of \$3.5 million. Debt service for the modified proposal would continue to be paid from Student Building Fee revenues.

The Committee modified the agency request to reflect that the Emergency Board does not have authority to reduce expenditure limitations. It transferred \$3.5 million of existing Article XI-F(1) bond limitation from the original Smith Center project, where it is no longer needed, to a new project to renovate the University Center to house the Student Health and Counseling Center. Because the remaining limitation for the Smith Center project is still \$500,000 more than is needed after the transfer, the Committee requested the Department of Administrative Services unschedule the unneeded \$500,000.

56. Department of Higher Education

To establish an Other Funds Capital Construction [Article XI-F(1) Bonds] expenditure limitation of \$25,000,000 for the Department of Higher Education for the purchase and renovation of the Ione Plaza apartment/retail facility on the Portland State University Campus, with the understanding that the Department of Administrative Services will unschedule the expenditure limitation pending certain conditions.

Summary of the agency request and the Committee action:

The Department of Higher Education requested authority to purchase the Ione Plaza, located at 1717 S.W. Park Avenue in Portland – a 15-story, 305-unit apartment building with retail space on the ground floor. The property also includes 182 underground parking spaces. Approximately 15% of the apartments are currently occupied by Portland State University (PSU) students. PSU would convert the entire facility to student housing and possibly faculty housing. The parking spaces would be used for tenants and other PSU students and staff.

The acquisition and renovation of the facility would be financed by \$25 million of Article XI-F(1) bonds. Debt service on the bonds would be paid with tenant rent and parking fee revenues. The property is now owned by the University of Oregon Foundation, which is currently in negotiations with another buyer. PSU would only be able to purchase the facility if these negotiations are unsuccessful and the property comes back on the market. The Department is requesting approval for an expenditure limitation in preparation for this possibility, to position PSU to negotiate a purchase in this event.

The Committee approved the request with the conditions that the Department of Administrative Services (DAS) would unschedule the expenditure limitation and that the limitation will only be rescheduled if DAS reviews and approves the following items:

- a signed purchase agreement between the University of Oregon Foundation and Portland State University;

- a thorough inspection of the premises and examination of all books, records, leases, etc., associated with the property;
- two independent property appraisal reports;
- a satisfactory Level I environmental assessment; and
- updated cash flow analyses demonstrating that revenues generated from the facility will be sufficient to cover operating and debt service costs.

If these conditions are met, DAS will reschedule an amount of the limitation to purchase the facility equal to the lesser of the two property appraisals (but not to exceed \$22 million), plus \$3 million to finance facility upgrades and renovations.

58. Department of Higher Education

To establish an Other Funds Capital Construction [Article XI-F (1) bonds] expenditure limitation of \$350,000 for the Department of Higher Education for the Many Nations Longhouse replacement at the University of Oregon, and transfer \$350,000 from the existing Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation established for the Department of Higher Education by section 2(4)(c), chapter 845, Oregon Laws 2001, for same project, to the newly established Article XI-F(1) Bonds expenditure limitation.

Summary of the agency request and the Committee action:

The 2001 Legislative Assembly approved a \$1.5 million project to construct a permanent Longhouse on the University of Oregon campus. The project includes the construction of a 3,000-sq. ft. facility to serve as a communal center for ceremonies and meetings of the Native American community, and the development of a 20,000-sq. ft. meeting area adjacent to the building. The existing Longhouse is housed in a temporary building that is slated for demolition.

The project was to have been financed by donations. This spring, however, the student government at the University of Oregon approved an allocation of \$350,000 from their Student Building Fee allotment to support the construction. This would substitute for donations that have fallen short of expectation. Total project cost would remain at \$1.5 million. The Department would allocate \$350,000 of Article XI-F(1) bonds to the project. Debt service on these bonds would be paid from student Building Fee revenues.

The Committee approved the request.

75. Department of Human Services – Medical Assistance Programs

To authorize transfers of General Fund appropriations, Other Funds and Federal Funds expenditure limitations, and approve the establishment of 25 positions (1.79 FTE) per the schedules below for the Department of Human Services to implement the Oregon Health Plan 2 waiver.

Adult and Family Services	Section 1(1)(a), chapter 892, Oregon Laws 2001	\$ 8,157 GF
Adult and Family Services	Section 4(1)(a), chapter 892, Oregon Laws 2001	\$ 8,157 FF
Mental Health Services	Section 1(2)(b), chapter 892, Oregon Laws 2001	\$ 9,156 GF
Mental Health Services	Section 4(2)(b), chapter 892, Oregon Laws 2001	\$ 9,156 FF
Medical Assistance Programs	Section 1(2)(c), chapter 892, Oregon Laws 2001	\$ (186,261) GF
Medical Assistance Programs	Section 3(2)(c), chapter 892, Oregon Laws 2001	\$ 355,424 OF

Medical Assistance Programs	Section 4(2)(c), chapter 892, Oregon Laws 2001	\$ 113,106 FF
Senior and Disabled Services	Section 1(3)(a), chapter 892, Oregon Laws 2001	\$ 90,579 GF
Senior and Disabled Services	Section 4(3)(a), chapter 892, Oregon Laws 2001	\$ 95,231 FF
Director's Office	Section 1(4), chapter 892, Oregon Laws 2001	\$ 78,369 GF
Director's Office, Department-wide Support Services	Section 4(4), chapter 892, Oregon Laws 2001	\$ 129,774 FF

Adult and Family Services	1 Position	.013 FTE
Mental Health Services	1 Position	.013 FTE
Director's Office	11 Positions	1.04 FTE
Medical Assistance Programs	12 Positions	.50 FTE

Summary of the agency request and the Committee action:

The Emergency Board at its May 2002 meeting endorsed the recommendations of the Leadership Commission on Health Care Costs and Trends that clarified the goals of a proposed Oregon Health Plan 2 (OHP 2) waiver. This gave the Department of Human Services (DHS) approval to submit the waiver to the Centers for Medicare and Medicaid Services (CMS). CMS is expected to approve the waiver during the summer. To prepare for waiver implementation, DHS requested General Fund transfers and position authority.

The Committee approved a modified request that would provide the Department with necessary expenditure limitation, General Fund transfers, and position authority to begin waiver implementation through September 2002. This would require the Department to return to the Emergency Board in September to request additional limitation and allow review of the outcomes of the waiver negotiations with CMS.

78. Oregon Youth Authority

To establish a General Fund capital construction authority of \$111,111 for Hillcrest Youth Correctional Facility improvements; authorize the transfers of \$102,697 from the General Fund moneys made available by the Emergency Board at its meeting in April 1998 to the Oregon Youth Authority for regional juvenile corrections facilities, and \$8,414 from the appropriation made by chapter 777, section 1(1), Oregon Laws 2001, for Oregon Youth Authority operations, to the newly established capital construction authority for Hillcrest Youth Correctional Facility improvements; and establish an Other Funds Capital Construction expenditure limitation of \$1,000,000 for Hillcrest Youth Correctional Facility improvements.

Summary of the agency request and the Committee action:

The Oregon Youth Authority (OYA) has received a \$1.0 million Violent Offender Incarceration/Truth-in-Sentencing Incentive grant from the Oregon State Police for work to renovate Scott Hall at the Hillcrest Youth Correctional Facility in Salem. The agency will use the funds to remodel several living units in Scott Hall that have been unused since 1998 because of safety issues.

The total project cost is estimated at \$1.1 million. To meet the grant's 10 percent match requirement, OYA will use General Fund remaining from a 1998 Capital Construction authority, and redirect some funding from its current capital improvement budget. The project will add 50 beds to OYA's current 1,149 close custody bed capacity, at no additional General Fund cost. Project completion is expected by the spring of 2004.

The Committee approved the request.

85. Legislative Administration Committee

To increase the Other Funds Capital Construction expenditure limitation established for the Legislative Administration Committee by section 2(7), chapter 864, Oregon Laws 2001, by \$1,712,900 to remodel hearing rooms A through F and the galleria of the Capitol Building, and increase the Other Funds expenditure limitation established for the Legislative Administration Committee by section 2, chapter 879, Oregon Laws 2001, by \$198,058 for actions taken to increase security at the Capitol Building and to cover capital project debt financing costs.

Summary of the agency request and the Committee action:

The Legislative Administration Committee (LAC) requested that the Emergency Board increase its Other Funds Capital Construction expenditure limitation by \$1,566,785 to remodel hearing rooms A through F and the galleria of the Capitol Building and to increase the Other Funds expenditure limitation by \$140,958 for actions taken to increase security at the Capitol Building.

The 2001 Legislative Assembly approved a \$525,000 Other Funds Capital Construction expenditure limitation for two projects. The first project is to remodel hearing rooms A through F and the galleria of the Capitol Building. The total estimated project cost is \$1,566,785. The second project would upgrade the infrastructure of the two wings of the Capitol Building at an estimated cost of \$11,762,282. Both projects are to be financed with Certificates of Participation (COPs). LAC was advised that it may return to the Emergency Board for expenditure limitation to complete the projects once the planning was finalized. The request is for expenditure authority necessary to complete the first project and to complete the planning for the second project.

The Legislative Fiscal Office analysis confirmed that the request understated the amounts necessary for mechanical, fire, electrical, data/voice, and security systems (\$28,765); the amount necessary for a 10% contingency reserve (\$117,350); and the amount necessary for COP finance costs (\$57,100). The Committee increased the Other Funds Capital Construction expenditure limitation by \$1,712,900 to remodel hearing rooms A through F and the galleria of the Capitol Building and increase the Other Funds expenditure limitation by \$198,058 for actions taken to increase security at the Capitol Building and to cover COP financing costs.

Senator Derfler's motion carried with Senator Beyer voting "no" on Item 7, Department of Education; Item 29, Parks and Recreation Department; Item 58, Department of Higher Education; and Item 75, Department of Human Services.

Agency Request Item – individual action

51. Public Employees Retirement System

Senator Derfler moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 1(4), chapter 277, Oregon Laws 2001, Other Administrative Expenses, by \$1,020,000 for legal expenses and information technology needs.

Summary of the agency request and the Committee action:

The Public Employees Retirement System (PERS) requested that the Emergency Board increase its Other Funds expenditure limitation by \$4,513,721 for increased legal expenses and information technology needs. It also requested that the Emergency Board establish three permanent, full-time positions to replace the three limited duration positions approved in April 2002.

PERS requested a \$575,000 increase in its Other Funds expenditure limitation for legal expenses. The 2001-03 PERS adopted budget provided \$490,000 for legal expenses. Subsequent events have caused PERS to spend \$382,000 during the first ten months of the biennium. PERS first requested this additional \$575,000 expenditure limitation in April 2002. The Emergency Board denied that request and directed PERS to return to the Emergency Board in June with a report that explains the issues requiring Attorney General advice, the expected benefits of the advice, and generally how the advice is used in Board deliberations and decisions. PERS provided a letter that responds to the concerns of the Emergency Board.

PERS also brought a request to the Emergency Board in April 2002 for three permanent positions and additional expenditure limitation of \$4.9 million for its information technology needs. On the recommendation of the Joint Legislative Committee on Information Management and Technology (JLCIMT), the Emergency Board approved additional expenditure limitation of \$1 million and the establishment of three limited duration positions instead of the three permanent positions requested. The JLCIMT expressed concerns about IT management and cost control issues and recommended PERS return in June with an update.

The Legislative Fiscal Office (LFO) had recommended approval of the request, subject to an affirmative recommendation by the JLCIMT. Demands of the June special session prevented a thorough review of the PERS request by the JLCIMT. The Emergency Board sought to provide sufficient additional expenditure limitation so that PERS could pay its legal expenses and maintain its information technology infrastructure until the September meeting of the Board. LFO estimated that additional Other Funds expenditure limitation of \$1,020,000 would be sufficient for that purpose.

Senator Derfler's motion carried with no objections voiced.

The meeting was adjourned at 5:30 a.m.

EMERGENCY BOARD:

/s/ Gene Derfler

Senator Gene Derfler, Chair

/s/ Ben Westlund

Representative Ben Westlund, Secretary

ATTEST:

/s/ Ken Rocco

Ken Rocco, Legislative Fiscal Officer