

MINUTES OF THE EMERGENCY BOARD

January 20, 2006

State Capitol

Salem, Oregon

Members Present: Senator Courtney, Presiding Chair
 Senators Carter, Devlin, Gordly, Morse, Schrader, Westlund, Winters
 Representatives Barker, Boone, Hanna, Kropf, Minnis, Morgan, Richardson,
 Scott, G. Smith

Pursuant to the provisions of ORS 291.328, and acting under the authority of ORS 276.390, ORS 291.326(1)(a), (b), (c), and (d), ORS 291.371, ORS 291.375, and ORS 656.612(6), we hereby certify that the Emergency Board, meeting on January 20, 2006, took the following actions:

The meeting was called to order by Senator Courtney at 8:35 a.m. in Hearing Room F of the State Capitol.

Minutes

Co-Chair Minnis moved that the Emergency Board approve the minutes of the October 28, 2005 meeting and upon hearing no objections the minutes were approved. Representative Scott, Kropf and Barker and Senators Carter, Westlund, Gordly and Devlin excused.

Agency Reports

Representative Barker moved that the Emergency Board acknowledge, en bloc, receipt of the following reports: Items 39 and 40, Department of Forestry; Items 52 and 53, Department of Consumer and Business Services; Item 54, Construction Contractors Board; and Item 58, Department of Administrative Services.

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

Item #	Agency	Report
39	Department of Forestry	Availability of federal funds for increased initial attack capability and implementation of state law related to wildland urban interface
40	Department of Forestry	Outcomes of harvest modeling projects and annual harvest volumes for the Elliot, Clatsop, and Tillamook State Forests
52	Department of Consumer and Business Services	Workers' compensation premium assessment changes for calendar year 2006, as required by statute
53	Department of Consumer and Business Services	Receipt of a federal appropriation to expand an e-permitting pilot project
54	Construction Contractors Board	Adoption of a two-year license fee
58	Department of Administrative Services	Compensation plan changes, as required by statute

The Subcommittee recommended acknowledging receipt of all the reports.

The motion carried with no objection voiced. Representatives Scott and Kropf and Senator Carter excused.

Federal Grants

Senator Winters moved that the Emergency Board approve, en bloc, the following requests for approval to apply for federal grants: Items 16 and 19, Department of Human Services, Items 23 and 24, Department of Justice; Item 34, Department of Corrections; Item 41, Parks and Recreation Department; Item 50, Department of Transportation; and Item 60, Department of Administrative Services; 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
16	Department of Human Services	To the U.S. Department of Health and Human Services in the amount of \$150,000 for electronic submission of the substance abuse treatment services data. (retroactive)
19	Department of Human Services	To the U.S. Department of Health and Human Services in the amount of \$150,000 for promoting healthy weight in women. (retroactive)
23	Department of Justice	To the U.S. Department of Justice in the amount of \$175,000 for a crime victims' compliance project. (retroactive)
24	Department of Justice	To the U.S. Department of Justice in the amount of \$450,000 for internet crimes against children taskforce. (retroactive)
34	Department of Corrections	To the U.S. Department of Justice in the amount of \$450,000 for integration of supervised and non-supervised non-violent offenders who are returning to the community.
41	Parks and Recreation Department	To the U.S. Department of Commerce in the amount of up to \$3 million per project for the purchase of coastal and estuarine properties. (retroactive)
50	Department of Transportation	To the U.S. Federal Highway Administration for a National Scenic Byway Discretionary Grant.
60	Department of Administrative Services	To the U.S. Department of Education in the amount of \$150,000 for a National Institute on Disability and Rehabilitation Development Grant.

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

The motion carried with no objection voiced. Representatives Scott and Kropf and Senator Carter excused.

1. Secretary of State

Representative Boone moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Secretary of State by section 3, chapter 724, Oregon Laws 2005, by \$2,579,576 and approve the extension of seven limited duration positions (4.38 FTE) to continue implementation of the Help America Vote Act requirements.

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

The Help America Vote Act (HAVA) of 2002 was enacted by Congress to reform the nation's voting process. The act mandates improved voting systems – including a centralized voter registration system – and improved voter access. The act also provides federal funding to develop and implement the improvements.

The Secretary of State's revised 2005-07 HAVA expenditure projections exceed the adopted budget by approximately \$4.1 million. The revised projections include: the extension of seven limited duration positions for fifteen months to continue implementation and provide ongoing support for the Oregon Central Voter Registration (OCVR) system and other HAVA initiatives; replacement of county vote tally equipment; completion of the OCVR social security validation process; and a rewrite of the Elections Business System.

The recommended increase does not include the Elections Business System rewrite. The agency expects to return to the Emergency Board at a later date – pending approval of the Joint Legislative Committee on Information Management and Technology, to request an estimated \$1.5 million Federal Funds expenditure limitation increase for this project.

The Elections Fund has a sufficient cash balance to fund the increase and no additional matching funds are required to complete the HAVA mandates.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Representative Scott and Senator Carter excused.

4. Department of Education

Senator Schrader moved that the Emergency Board acknowledge receipt of a report from the Department of Education regarding progress on the pre-Kindergarten through 16 Integrated Data Systems initiative, allocate \$1,500,000 from the special purpose appropriation made to the Emergency Board by section 11(2), chapter 789, Oregon Laws 2005, to supplement the appropriation made to the Department of Education by section 1(1), chapter 789, Oregon Laws 2005, Operations, and approve the establishment of one limited duration position (0.71 FTE), with the understanding that the Department of Administrative Services (DAS) will unschedule \$1,180,000 of the allocation pending the presentation of further information by the Department of Education to DAS and the Legislative Fiscal Office on the professional services contract.

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

The \$1.5 million request would finance Phase II of the pre-Kindergarten through 16 Integrated Data Systems (KIDS) initiative, which would establish an integrated data system to allow student records to be transferred electronically between school districts. School districts now operate a number of different student information systems that are unable to communicate with each other. It takes up to six weeks to transfer student records when a student moves from one school district to another, to the detriment of that student's education. The KIDS initiative will address this problem, and also improve the ability to compare student performance across various school districts.

Phase II will focus on integrating the student data systems of the most populous school districts. The Department plans to submit a Phase III funding request next session, to further expand the integrated data system's capabilities and to expand it to a statewide level. Phase II is, nonetheless, a free-standing request, and would be available to school districts serving the majority of pre-K to 12 students, even if Phase III funding is not approved.

The Joint Legislative Committee on Information Management and Technology reviewed the request, and recommended its approval. The budget for the project includes \$1,180,000 to hire a consultant to develop the system. The Subcommittee recommended approval of the request with the

understanding that the Department of Administrative Services would unschedule the funds designated for consultant services, pending the presentation of further information on the professional services contract to the Department of Administrative Services and the Legislative Fiscal Office.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Representative Scott and Senator Carter excused.

6. Judicial Department

Representative Hanna moved that the Emergency Board increase the Other Funds expenditure limitation established for the Judicial Department by section 2, chapter 604, Oregon Laws 2005, by \$164,299 and approve the establishment of two limited duration positions (0.84 FTE) to support the Department's participation in a domestic violence program grant received by Linn County.

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

The U.S. Department of Justice, Office on Violence Against Women has awarded Linn County a \$499,967 grant for a two-year program to prioritize and expedite domestic violence cases in the Circuit Court. The goal is that all domestic violence cases will reach resolution within 45 days of arrest and arraignment, to improve victim safety and hold the offender more quickly accountable. The grant will also be used to increase the access to, and availability of, community supports to help victims of domestic violence, and to raise community awareness of the negative impact of domestic violence on the community.

The Linn County grant application included provisions that would provide the necessary judicial resources and staffing to the Linn County Circuit Court to implement the program. Linn County will provide the Judicial Department with \$164,299 Other Funds to hire two court staff to support the program. Each position is part-time and will work 24 hours per week, starting on February 1, 2006. Any limited duration position authority and expenditure limitation required for the 2007-09 biennium will be sought during the 2007 budget process.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Scott and Senator Carter excused.

8. Judicial Department and Department of Transportation

Senator Gordly moved that the Emergency Board increase the Other Funds expenditure limitation established for the Judicial Department by section 2, chapter 604, Oregon Laws 2005, by \$150,000 and approve the establishment of one limited duration position (0.71 FTE) to establish a Driving Under the Influence of Intoxicants treatment court in Clackamas County; and increase the Federal Funds expenditure limitation established for the Department of Transportation by chapter 721, section 3(5), Oregon Laws 2005, Transportation safety, by \$150,000 for distribution of grant funds to the Judicial Department.

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

The Department of Transportation, Safety Division (ODOT) received funds from the U.S. Department of Transportation FY 2005 Impaired Driver Grant Program for distribution to programs to reduce incidences of impaired driving. The Judicial Department (OJD) applied for a grant from ODOT to establish a Driving Under the Influence of Intoxicants (DUII) treatment court in Clackamas County. The application was approved by the Transportation Safety Board on December 15, 2005.

The Clackamas County DUII Court will operate like the program in Multnomah County Circuit Court, and will address both driving behavior and substance addiction. Repeat offenders are resistant to sanctions or other interventions, including treatment. However, DUII treatment courts can break the cycle of repeat offenses with programs that focus on driving behavior and include intensive supervision. The Multnomah model requires jail sanctions and electronic supervision for offenders when out of jail. Offenders must submit to regular breath tests and polygraph examinations as a condition of the program. The program will target the approximately 225 persons who are repeat DUII offenders (approximately one-third of the DUII offenders), and will provide extensive court supervision for 50 offenders at a time. The grant funds will finance one full time limited duration DUII coordinator position, which will start on February 1, 2006. OJD will allocate existing budgeted resources for one judge and five court employees, who will contribute 2,750 hours to support the program. The estimated cost of this support is \$53,132. The county sheriff, district attorney, county corrections director, indigent defense contractors, and human services agencies will also participate in the program.

OJD may seek state funding for the program in the 2007-09 biennium if additional grant funds are not available. OJD will coordinate with community partners in making any funding request.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Scott and Senator Carter excused.

9. Judicial Department

Senator Gordly moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Judicial Department by section 4, chapter 604, Oregon Laws 2005, by \$198,254 and approve the establishment of two limited duration positions (1.42 FTE) to expend U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance grant funds to enhance the Multnomah County Circuit Court Driving Under the Influence of Intoxicants Intensive Supervision Program treatment court.

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

The Judicial Department (OJD) received approval during the 2005 legislative session to apply for a grant from the U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance to enhance the Multnomah County Circuit Court Driving Under the Influence of Intoxicants Intensive Supervision Program (DISP). OJD's application was approved in mid-October, 2005. The two year grant is for \$198,254. There is a matching fund requirement of 25%. In its application for the grant, OJD committed to meeting this match requirement through an in-kind contribution of \$114,313 from OJD's adopted General Fund budget for judges and staff.

The DISP program has been in operation since 1996 and was expanded in 2000, as its effectiveness became apparent. The program has been the subject of a five-year study by the National Institute of Health. The preliminary findings are that DISP graduates have a: 1) 48% reduction in

subsequent DUII arrests; 2) 54% reduction in driving while suspended arrests; and 3) 39% reduction in all other traffic related convictions. The program operates with General Fund support and has 3.25 full-time equivalent positions. It serves about 645 individuals annually, with about 210 new participants each year. OJD estimates that the two limited duration grant funded program case manager positions (1.42 FTE) will enable the program to add 80 new participants per year.

DISP is based on a treatment court model that includes intensive supervision to break the cycle of repeat offenses. DISP includes jail sanctions and electronic supervision for offenders when out of jail. Offenders must submit to regular breath tests and polygraph examinations as a condition of the program, and must meet regularly with case managers, for a minimum of three years of probation, to complete the program.

OJD may seek state support for the expanded program in the 2007-09 biennium if additional grant funds are not available. OJD will coordinate with community partners in making any funding request.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Scott and Senator Carter excused.

10. Department of Higher Education

Senator Devlin moved that the Emergency Board acknowledge receipt of a report from the Department of Higher Education on anticipated capital construction projects that are likely to require Article XI-G bond proceeds, without recommendation on the capital construction projects contained therein, with the understanding that the Department will report to the Emergency Board in September 2006 with additional information on its capital construction request, and on the criteria it used to prioritize capital construction projects.

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

In recent sessions, the Legislature has authorized gift and other university revenues to be used as the constitutionally-mandated match for Article XI-G bonds. This is done for specific projects on a case-by-case basis. Article XI-G bonds facilitate campus fundraising efforts because donations are matched on a dollar-for-dollar basis, effectively doubling the impact of a donation for a capital project. The state, however, must pay debt service on these bonds from the General Fund.

Oregon University System campuses sometimes solicit contributions for capital projects that will need Article XI-G bonds before the bonds are approved by the Legislature. Last session, the Joint Committee on Ways and Means approved a budget note that directs the Department to obtain Article XI-G bond authority from the Legislature before accepting contributions that would be used as an Article XI-G bond match. This is to allow the Legislature and Governor to prioritize and establish bond finance levels for higher education capital construction projects, without risking situations where donors would only learn, after committing funds for a project, that no state bond match will be forthcoming. The new requirement will also provide clarity to both campuses and donors as to when state bonds will be available to match gifts, and when they will not. The budget note directive becomes operative beginning with the 2009-11 biennium budget.

For the 2007-09 biennium budget, the Department was directed to report on anticipated capital projects that are likely to require Article XI-G bonds. The report identified twenty capital construction

projects for the 2007-09 biennium that propose to use Article XI-G bonds to match gifts or other university revenues. State-paid debt on all of these projects would total \$370.8 million, which would represent a large increase from historic levels, and more than double the amount of General Fund and Lottery Funds required to pay Department of Higher Education debt service costs. Debt service on the Article XI-G bonds proposed in the report for 2007-09 biennium projects would total an estimated \$55.2 million per biennium when fully phased in.

The Subcommittee recommended modifying the Legislative Fiscal Office recommendation to include a direction to the Department to report to the September 2006 meeting of the Emergency Board with additional information on its capital construction request.

The following Committee discussion occurred:

Senator Devlin noted that the \$370.8 million capital construction request had not yet gone through the normal prioritization process, and that he would not expect all of the projects to be brought forward.

Senator Schrader stated that it is important to realize that there is no chance that the state will be able to finance all of the projects on the Department's list, because funding for debt service comes out of the funds available to support program operations.

Senator Devlin remarked that there had been a lengthy discussion of funding issues in the Subcommittee, and that there had been disagreement there.

The motion carried with no objection voiced. Representative Scott excused.

11. Department of Higher Education

Representative Morgan moved that the Emergency Board establish an Other Funds Capital Construction [Article XI F(1) Bonds] expenditure limitation of \$10,000,000, and establish an Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation of \$1,200,000, for the Department of Higher Education, for the construction of Phase I of the Oregon Institute of Technology (OIT) Center for Health Professions facility, with the understanding that the State Board of Higher Education intends to limit tuition rate differentials to the minimum needed to self-finance the cost of expanding OIT health profession program enrollments.

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

The Department requested permission to spend \$11.2 million to construct Phase I of the Center for Health Professions facility on the Oregon Institute of Technology (OIT) campus in Klamath Falls. Phase I would consist of a new, 42,000-square foot building that would house laboratories, classrooms, and faculty offices for a number of OIT's academic health profession training programs. The new building would allow OIT to expand enrollments in these programs – which currently operate at capacity – by an additional 36% (or 420 students).

The project would help OIT address the shortage of health care professionals in Oregon. This shortage is expected to worsen as the state's population ages and many current health care workers retire. OIT has had to turn away approximately 200-300 qualified applicants from these programs each year, because of its limited capacity to serve them.

OIT would self-finance all costs associated with expanding health profession program enrollments, including the debt service on the Article XI-F(1) bonds, from tuition and resource fee revenues. Debt service costs on the Article XI-F(1) bonds are projected to total \$1.3 million per biennium. Facility and program expansion operating costs are projected to increase as the program is phased-in over a six-year period, from \$400,000 in the current biennium to \$4.8 million by the 2009-11 biennium. The costs to OIT's Education and General budget of the health profession program expansions, therefore, are projected to total \$6.1 million by the 2009-11 biennium.

These added costs would be financed from the additional tuition and resource fee revenue that the expanded health profession program enrollments would generate for OIT. Additional revenues would be generated from two sources: 1) from increasing enrollment in the health profession programs, and 2) by increasing tuition rates in those programs. The Department proposed that OIT institute a tuition rate differential for students who first enroll in the health profession programs beginning in the 2006-07 academic year. Students currently enrolled in these programs would not be assessed the tuition rate differential as they complete their degree programs. New students, however, would be assessed a higher tuition rate than students enrolling in other OIT programs (such as Engineering, Management, or Arts and Sciences programs).

Because of a miscalculation, the tuition rate differentials approved by the State Board of Higher Education, and presented to the Emergency Board, were higher than needed to finance the program expansions. The Subcommittee therefore recommended approving the request, with the understanding that tuition increases be kept to the minimum necessary to finance the program expansion.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The following Committee discussion occurred:

Senator Schrader stated that although he believed this to be a very good project, he was objecting because of the precedent that it would establish for using tuition rate increases to finance capital projects. He stated that although it might be possible to make a good case that this was a special circumstance, he was concerned that this could be viewed as a precedent.

The motion carried. Senators Schrader and Carter voted no; Representative Scott excused.

12. Department of Higher Education

Senator Devlin moved that the Emergency Board establish an Other Funds Capital Construction [Article XI F(1) Bonds] expenditure limitation for the Department of Higher Education of \$525,000, and transfer \$525,000 Other Funds Capital Construction [Article XI F(1) Bonds] expenditure limitation from the expenditure limitation established for the Department of Higher Education by section 2(4)(a), chapter 787, Oregon Laws 2005, for Portland State University Retail development, various locations, to the newly established expenditure limitation; and establish an Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation of \$750,000 for the Department of Higher Education; for the purchase and renovation of the Koinonia House at Portland State University.

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

The Department requested permission to purchase the Koinonia House, a three-story office building located on a 7,500-square foot lot on the Portland State University (PSU) campus at 633 S.W.

Montgomery Street. The lot is entirely surrounded by PSU properties. The property is currently owned by Portland Campus Christian Ministries. Portland State University would like to acquire the site and use approximately two-thirds of it for classrooms and academic offices. The University would rent the remaining one-third of the building to current occupants, which include a restaurant, Portland Campus Christian Ministries, and the Moslem Educational Trust.

The Department would purchase the property for \$1,150,000, and spend an additional \$125,000 for renovations. Costs would be financed by a combination of \$750,000 of gift funds earmarked for the project, and \$525,000 of Article XI-F(1) bond proceeds. Rental income from the tenants would cover the debt service costs of the bonds, estimated at \$83,000 per biennium, plus a portion of the building's operating costs. The remaining costs of operating the facility would be financed from the University's Education and General program revenues (primarily General Fund and tuition income).

The facility is located on a site surrounded by PSU property, and would help the university address its need for additional academic space.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Representative Scott excused.

**13. Department of Education
Department of Community Colleges and Workforce Development
Department of Higher Education**

Senator Schrader moved that the Emergency Board allocate \$300,000 from the special purpose appropriation made to the Emergency Board by section 11(2), chapter 789, Oregon Laws 2005, to supplement the appropriation made to the Department of Education by section 1(1), chapter 789, Oregon Laws 2005, Operations; allocate \$664,400 from the special purpose appropriation made to the Emergency Board by section 6(1), chapter 792, Oregon Laws 2005, to supplement the appropriation made to the Department of Community Colleges and Workforce Development by section 1(1), chapter 792, Oregon Laws 2005, Operations; and allocate \$2,081,250 from the special purpose appropriation made to the Emergency Board by section 6(1), chapter 781, Oregon Laws 2005, to supplement the appropriation made to the Department of Higher Education by section 1(1), chapter 781, Oregon Laws 2005, Education and general services of higher education; and approve the establishment of 8 limited duration positions (4.52 FTE) for the Department of Higher Education; for developing the Integrated Data Transfer System; with the understanding that the Department of Administrative Services (DAS) will unschedule the allocated funds and position authority increases, pending approval by the Joint Legislative Audit Committee of performance measures for the Integrated Data Transfer System, and will continue to unschedule \$400,000 of the allocation to the Department of Higher Education, pending a report by the Departments to DAS and the Legislative Fiscal Office with additional details on the proposed budget for performance feedback.

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

The Integrated Data Transfer System (IDTS) will improve student data transmission and allow Oregon University System (OUS) campuses, and community colleges, to receive student data electronically from high schools and from each other. The intent of this system is to improve student academic performance, access to higher education, and successful program completion. Electronic data transfer will support academic advising, and generate information that high schools and colleges can use to make their programs more successful. It will also reduce unnecessary course duplication for

students who attend multiple post-secondary institutions. Specific performance measures will be presented to the Joint Legislative Audit Committee for review and approval.

Funds would be used to develop capabilities for each OUS campus and community college to receive and process high school transcripts electronically via an Electronic Data Interchange (EDI) format. This will require programming to make nine community college student data systems EDI capable. The remaining eight community colleges and seven OUS campuses operate student data systems that are already EDI capable, and will be able to receive data transmissions through the EDI format. Funding will also be used to develop an extract to transfer student transcript and assessment data in the Oregon Student Record format from school district student data systems, for conversion at OUS into the EDI format. Additional components of the budget include training for high school and community college personnel, development of a web-based system for school districts without student data systems, project evaluation and oversight, and performance feedback, which refers to efforts to improve the reporting to school districts on the performance of their graduates in post-secondary education, and to identify practices that will allow the IDTS to be best used to improve academic performance.

The Subcommittee recommended approval of the request with the understanding that the Department of Administrative Services (DAS) will unschedule the funds pending approval by the Joint Legislative Audit Committee (JLAC) of performance measures for the new system. This conforms to a budget note that requires JLAC approval of the measures. Additionally, \$400,000 of the allocation will remain unscheduled until the three Departments provide additional detail on the budget for performance feedback to DAS and the Legislative Fiscal Office.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Representative Scott excused.

14. Department of Community Colleges and Workforce Development

Senator Morse moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Community Colleges and Workforce Development by section 2(1), chapter 792, Oregon Laws 2005, by \$199,999 for overseeing community college capital construction projects funded with Article XI-G bond proceeds.

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

The legislatively approved budget includes \$1 of spending authority for the Department of Community Colleges and Workforce Development (CCWD) to oversee and monitor the seven community college capital construction projects funded with state Article XI-G bonds. The Department was directed to return to the Emergency Board for additional spending authority after determining the cost of the oversight program.

The Department is requesting authority to spend \$200,000 Other Funds this biennium on project oversight, and would contract with a consultant to provide the monitoring and oversight services. CCWD and the Department of Administrative Services (DAS) have already selected a consultant for this purpose through a Request for Proposals process. The requested expenditure limitation increase would accommodate payment of up to \$190,000 to the consultant, and of up to \$10,000 for associated costs of DAS and the Department of Justice. The funds for the program would be provided by community college districts with active Article XI-G bond-financed projects.

The Department's oversight role is to assure that state bond funds are spent to successfully complete the capital projects, and that the facilities are used for purposes consistent with the bond finance. Some of the contractor's responsibilities will be: a) to provide a general review of the individual project designs to verify that the project in general, and the state-funded portion of the project in particular, is consistent with the approved scope, b) to provide cost estimating services to confirm that the projects as designed are within the approved budgets, c) to review bids and contract terms prior to construction contract award, to ensure the project is achievable within the combination of college- and state-allocated funds, and d) to prepare, print, and distribute monthly reports including but not limited to: program cost reports, program schedules, and procedure manuals for each district.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced.

15. Office of Private Health Partnerships (Insurance Pool Governing Board)

Senator Winters moved that the Emergency Board increase the Other Funds expenditure limitation established for the Insurance Pool Governing Board (Office of Private Health Partnerships, effective January 1, 2006) by section 3, chapter 581, Oregon Laws 2005, by \$5,256,774 to accommodate additional expenditures, and acknowledge receipt of a report concerning Family Health Insurance Assistance Program maintenance of effort requirements.

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

The budget report for the Insurance Pool Governing Board – now the Office of Private Health Partnerships – directed the agency to report on negotiations with the Centers for Medicare and Medicaid Services (CMS) concerning maintenance of effort (MOE) requirements for the Family Health Insurance Assistance Program (FHIAP). In addition, the budget established a \$4 million special purpose appropriation that could be dispersed to either the Office of Private Health Partnerships or to the Department of Human Services, depending on the progress and outcome of those negotiations. At its October 2005 meeting, the Emergency Board allocated \$2.9 million of the special purpose appropriation to FHIAP. The Legislative Fiscal Office recommendation to do this inadvertently omitted the Other Funds expenditure limitation necessary to allow the agency to spend \$5.3 million of Federal Funds that can be used to match the \$2.9 million General Fund allocation.

The Office of Private Health Partnerships reports that CMS has not yet responded to Oregon's request to meet a modest portion of the FHIAP MOE requirement with Children's Health Insurance Program (CHIP) expenditures. The report indicated that if CMS does approve the request, that the first preference for use of the \$1.1 million funds remaining in the special purpose appropriation would be in the CHIP to increase eligibility from six months to twelve months. If CMS does not approve the request, the \$1.1 million could be allocated to the FHIAP within the Office of Private Health Partnerships.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced.

17. Department of Human Services

Representative Richardson moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on the Oregon State Hospital; establish a General Fund capital construction appropriation for renovation of the Oregon State Hospital Portland facility, allocate \$2,103,716 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to the newly established appropriation, and approve the establishment of one limited duration position (0.50 FTE); allocate \$7,166,123 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of Human Services by section 1(3), chapter 713, Oregon Laws 2005, Health Services, increase the Federal Funds expenditure limitation established for the Department of Human Services by section 4(3), chapter 713, Oregon Laws 2005, Health Services, by \$2,999,210, and approve the establishment of 34 permanent positions (17.68 FTE) to improve conditions at the Oregon State Hospital; and direct the Department of Human Services to report to the Emergency Board in April 2006 with an update on the Oregon State Hospital lawsuit, conditions within the forensic wards, and progress in hiring additional clinical staff.

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

Last October, the Emergency Board heard a report about the 100 Oregon State Hospital (OSH) patients who currently reside in building 41, which is part of the OSH “J” building complex. The report indicated that the Department of Human Services (DHS) was concerned about the safety of those patients given seismic risks and believed that building 41 should be closed. To partially replace the lost OSH bed capacity, DHS proposed that one floor of the OSH Portland facility (owned by Legacy Hospital Systems) be renovated to accommodate some of the patients. The Emergency Board directed DHS to return in January with an analysis of the proposed renovation project, a timeline for placing all building 41 patients in safer quarters, and a discussion of how the OSH Portland renovation is consistent with the Master Plan.

In October, the DHS estimated cost for the OSH Portland renovation was between \$525,000 and \$950,000. The estimate was provided by an OSH staff person with limited experience in deriving architectural costs. Since October, DHS hired an architect to provide a cost estimate of the OSH Portland renovation. Their initial estimate was included in the DHS letter to the Emergency Board and was \$1.9 million. After a thorough engineering assessment, the architectural firm finalized the estimate at \$2.1 million.

In addition, the Oregon Advocacy Center filed a lawsuit on behalf of state hospital forensic patients against the state alleging that the staff-to-patient ratio in the forensic wards at OSH is inadequate and violates professional and constitutional standards. The Subcommittee discussed these matters extensively. Several members had concerns about the Portland renovation project and believed that further analysis justifying this alternative would have been good to have. Others pointed out that the urgent need to move 100 patients out of building 41 immediately is the result of years of benign neglect and that better planning might have allowed Oregon to avoid this costly option. The Subcommittee also discussed the lawsuit and believed the actions proposed by DHS to increase the staff to patient ratio are reasonable.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Representative Richardson asked Robert Joondeph, Executive Director of the Oregon Advocacy Center (OAC), if approval of the DHS request would result in a settlement of the lawsuit initiated by the OAC.

Mr. Joondeph responded that approval of the request would move the parties to a resolution of the lawsuit.

Representative Kropf indicated he would be voting “no” on the motion. He stated his appreciation for the situation at the Oregon State Hospital and the need for patient safety. Still, he felt that approving the portion of the request dealing with the renovation of the Portland OSH facility was analogous to rewarding DHS for poor behavior. DHS had, he pointed out, been leasing the sixth floor of the Portland OSH facility for years and now finally had a plan to use it.

Senator Schrader said that the Emergency Board must move ahead with the request. He added that he hoped that several performance outcomes dealing with staff and patient safety would show improvement given the Emergency Board’s investment.

Representative Barker thanked Representative Richardson for his leadership of the Subcommittee which was primarily concerned about patient and staff safety.

Senator Gordly thanked Mr. Joondeph for his role in improving the Oregon State Hospital. She asked him if he had further advice for the Emergency Board.

Mr. Joondeph stated that the proposed actions would bring OSH up to a constitutional level of care but would not make the OSH a good facility with respect to mental health treatment. He stated that the OAC had been involved in the Master Plan from the beginning and would continue to be involved. He felt that the process was moving ahead at a reasonable pace and that OSH project momentum needed to be maintained. He said that the OSH problem was not taken care of completely.

Representative Hanna said he was convinced that the proposed actions would improve patient and staff safety and that he would be voting in support of the motion. He said he was not convinced, however, that the proposal to remodel the Portland OSH facility which is owned by Legacy Health Systems was the best option. He stated his belief that other options existed which would move more patients out of the OSH more quickly.

Senator Winters stated her support of the motion. Still, she added, it was a short-term solution, a first step only. Her support was based not only on the need to improved staff and patient safety, she said, but also because of the need to protect the community.

Representative Richardson said that the Emergency Board must move forward with the request. He stated, however, that he was disappointed that DHS had not prepared or presented other alternatives to the OSH Portland facility renovation. He indicated that he supported the other aspects of the DHS request, but would be voting “no.” He said that the renovation costs were too uncertain and had increased since last October’s initial estimate. He stated that he hoped DHS would return in April with more alternatives.

Representative Smith asked staff if Legislative Counsel had reviewed the apparent lawsuit agreement.

Staff stated that Legislative Counsel had not been involved with the lawsuit, but that the Attorney General has probably been involved.

Dr. Bruce Goldberg, Director of DHS, stated that the Department of Justice had been representing DHS in the settlement negotiations and in the lawsuit.

Senator Gordly pointed out that the Legislative Fiscal Office report on this request discussed the Attorney General's role in the lawsuit.

Senator Carter stated that the Legislature had been negligent historically in funding and supporting mental health services in Oregon. She argued that the current situation was not the fault of DHS, but rather the fault of past Legislatures.

Representative Minnis pointed out that the Executive Branch also bears some of the responsibility for the current situation. She said that the concerns about the cost projections on the proposed renovation project were valid. She pointed out that the construction estimates had increased significantly. She stated that her position needed to be clear: DHS was not to come back for more funding. DHS needed to manage the project with the funds the Emergency Board was about to provide. There would be no more funding – \$86,000/bed for the renovation was, in her opinion, enough. She concluded by saying that patient safety is critical but that DHS need to manage its budget prudently.

Senator Courtney asked if Mr. Joondeph or Mr. Stephen Bushong, Attorney from the Department of Justice, had anything to add.

Mr. Joondeph said that he and Mr. Bushong had agreed to cease further discovery, to cancel a scheduled hearing, and to create a settlement agreement. Once this happened, the OAC would dismiss the lawsuit.

Mr. Bushong stated that the two parties had reached an agreement. The court needed to approve the settlement agreement, he added, but he was reasonably certain that would happen.

The motion carried. Representatives Kropf and Richardson voted no.

18. Department of Human Services

Senator Winters moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on implementing the Medicare Part D prescription drug benefit.

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

Various members of the 2005 Legislative Assembly asked that the Department of Human Services (DHS) report to the Emergency Board on a regular basis about implementing the Medicare Modernization Act (MMA). The most important provision of the MMA is the prescription drug benefit that it adds to the Medicare program ("Medicare Part D") which began on January 1, 2006. DHS delivered its first report at the last Emergency Board meeting in October 2005. At that time, DHS indicated that it had met all federal requirements and deadlines related to the enrollment of dual-eligible clients (people eligible for both Medicare and Medicaid) into the Medicare Part D benefit.

About 54,000 dual-eligible clients were transferred from the Medicaid prescription drug program to the Medicare drug benefit. DHS reports that nearly 23,000 of them were enrolled into Medicare Advantage plans. The vast majority of these clients made the transition smoothly. The remaining 31,000 dual-eligible clients were auto-enrolled randomly into other Medicare prescription

drug plans. After they were auto-enrolled, about 10,000 changed plans between November 15, 2005 and December 31, 2005. This last group is experiencing the most significant problems. Clients, for example, are being turned away without their medications because pharmacies are unable to verify their plan enrollment, or because their low-income status cannot be verified and they are being charged full Medicare Part D cost-sharing.

The Subcommittee learned that the Governor has authorized an emergency payment plan to ensure that dual-eligible persons will receive the drugs they need to sustain their lives. About 25 other states have implemented similar plans. DHS is hopeful, but cannot guarantee, that the state will receive reimbursement from the Medicare plans or perhaps, the federal government, once eligibility and low-income status can be verified. The Governor met with U.S. Department of Health and Human Services' secretary Michael Leavitt on January 19, 2006 to discuss the situation.

The Subcommittee recommended acknowledging receipt of the report.

The motion carried with no objection voiced. Representative Kropf excused.

20. Department of Human Services

Representative Richardson moved that the Emergency Board defer action on the Department of Human Services' 2005-07 biennium rebalance plan, with instructions, and not approve the transfer of General Fund appropriations for the 2003-05 biennium.

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

This is the Department of Human Services' (DHS) first rebalance plan for the 2005-07 biennium. It is atypical because DHS projects its budget will be significantly out of balance, with a net \$180.7 million General Fund shortfall after all identified problems and savings. The projected shortfall has three primary components: 1) Program caseloads and costs per case are higher than funded in the legislatively adopted budget (\$127.8 million General Fund before management actions; \$119.2 million after those actions); 2) budget adjustments, including position funding reallocations, are made to carry forward the impact of revenue and cost allocation adjustments approved by the Emergency Board in October 2005 for DHS' 2003-05 budget close-out plan (\$30 million General Fund); and 3) changes in the federal Medicaid match rate will reduce the amount of federal reimbursement Oregon expects to receive in the last 9 months of the biennium (\$23.8 million General Fund). DHS has identified a net \$1 million General Fund savings from other issues.

The rebalance plan as submitted reflects offsetting reductions of \$8.6 million General Fund from various management actions, and \$4 million General Fund from administrative reductions. This brings the projected shortfall to \$168 million General Fund. This is 6.6% of DHS' General Fund budget for the 2005-07 biennium. The rebalance plan did not identify options for addressing the projected \$168 million General Fund need.

The largest part of the projected shortfall is due to updated program caseload and cost estimates, with the most significant changes in the Oregon Health Plan. The Subcommittee discussed various issues that can affect the forecasts, including the timeliness and consistency of the underlying data, the process through which the forecasts are developed, and programmatic changes that are not anticipated in the forecast methodology. Dr. Bruce Goldberg, DHS Director, discussed the forecasting improvements DHS is undertaking. These include an independent review by the Department of Administrative Services of the forecasts, and a monthly review of actuals compared to forecast to

identify major trends and analyze forecast changes. He indicated the next forecasts would be available in February (the Spring 2006 forecast release).

Dr. Goldberg also reviewed the Governor's proposal for rebalancing the DHS budget by June 30, 2007. Under this plan, DHS would reduce administrative costs by \$4 million General Fund; continue work on the revenue, forecast, and program management issues which underlie much of the budget shortfall; and work with Oregon's federal delegation to identify additional federal support and assistance. DHS would report at each Emergency Board meeting during the interim, but budget adjustments and any additional appropriations would be deferred until the Legislature meets in January 2007. Dr. Goldberg stated the agency's cash flow would be adequate through February or March 2007 to meet the projected expenditures without additional appropriations.

Subcommittee members discussed a number of issues raised in the rebalance and in the Legislative Fiscal Office's recommendations for Emergency Board action, most notably an upcoming change in reimbursement for outpatient fee-for-service hospital services; proposed management actions and administrative savings that affect staffing in the Children, Adults and Families cluster; and higher forecast demand for vocational rehabilitation services.

The Subcommittee recommended that the Emergency Board defer action on DHS' 2005-07 rebalance plan, with the following instructions to the agency:

- Implement the agency's identified management actions to save \$8.6 million General Fund, and achieve administrative savings totaling \$4 million General Fund.
- Manage the Vocational Rehabilitation services program within current budget.
- Report to the Emergency Board in April 2006 on the status of the state's Maintenance of Effort for federal Temporary Assistance to Needy Families, Child Care Development Block Grant, and Vocational Rehabilitation funds.
- Defer the proposed change in reimbursement for outpatient fee-for-service hospital services until an overall solution to the DHS budget shortfall can be developed.
- Continue work to assess what expenses of the home care worker training fund could be matched with federal Medicaid revenue.
- Return to the Emergency Board in April 2006 with an updated 2005-07 rebalance plan.

The Subcommittee also recommended that the Emergency Board not approve the transfer of General Fund appropriations requested by the Department for the 2003-05 biennium. After DHS submitted the request, it advised the Legislative Fiscal Office that these transfers were not needed.

The following Committee discussion occurred:

Representative Richardson moved to amend the Subcommittee's recommendation to eliminate the instruction to defer the proposed change in reimbursement for outpatient fee-for-service hospital services, which would allow that adjustment to take place as planned.

Committee members discussed the proposal.

Senator Westlund said he would vote "no" on the motion because he did not have a full understanding of the agreement that had been made on the issue.

Senator Winters clarified that the change in the reimbursement process as included in the rebalance plan is needed to bring reimbursement up to 80% of estimated Medicare costs, which was part of the broader hospital provider tax agreement in the 2003 Legislature.

Senator Schrader stated that there was a need for a thoughtful work plan to address the DHS rebalance issues before the 2007 legislative session.

Representative Morgan indicated this is an opportunity to look at the agency's business functions to develop long-term solutions for the root causes as well as dealing with the immediate budget need.

Representative Scott concurred with the need to rebalance the budget before January 2007.

The amended motion carried. Senator Westlund vote no.

21. Department of Human Services

Representative Hanna moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on Other Funds and Federal Funds and direct the Department to present a report on possible technological improvements to its automated financial systems and the results of a State Controller's assessment of Department of Human Services' financial processes at the April 2006 meeting of the Emergency Board.

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

The 2005 Legislative Assembly passed House Bill 5077, which implemented the Department of Human Services' (DHS) spring 2005 rebalance plan. Although the Department's plan did not require additional General Fund to finance net program costs, the plan did identify several Other Funds and Federal Funds revenue shortfalls. Some of them were the result of poor Other Funds and Federal Funds revenue tracking. As a result, the budget report for House Bill 5077 included a budget note requiring DHS to report on the procedures it uses to forecast, budget, and account for Other Funds and Federal Funds revenue.

The DHS report outlines the difficulties its financial managers have encountered in adequately tracking Other Funds and Federal Funds revenue. It discusses the steps departmental staff have already taken to improve revenue tracking. Finally, the report explains how DHS will sustain its efforts to improve revenue tracking in the future. In particular, DHS discussed two strategies that should be helpful. The first involves investigating technological enhancements that could improve agency fiscal systems. The second is the creation of teams by the State Controller, John Radford, at the invitation of DHS Director Bruce Goldberg. These teams have begun to assess DHS financial processes to identify strengths and weaknesses and to make recommendations for improvement.

The Subcommittee recommended acknowledging receipt of the report and directing the agency to update the Emergency Board in April 2006 on its work to improve its financial processes.

The following Committee discussion occurred:

Senator Schrader pointed out that the budget note requiring DHS to report on its Other Funds and Federal Funds revenue came from the 2005 legislative session – well before the current rebalance problems had been identified. This, he said, was indicative of an endemic problem. He stated his hope that the Legislative Fiscal Office would be involved in helping DHS find solutions. He expressed his appreciation to DHS for the report.

The motion carried with no objection voiced.

22. Department of Human Services

Senator Gordly moved that the Emergency Board acknowledge receipt of a report from the Department of Human Services on Phase I and Phase II of the staffing study.

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

The Department of Human Services (DHS), as directed by the 2005 Legislature, submitted a report on the staffing study that it began during the 2003-05 biennium. Phase I of this study looked at line workers, supervisors, administrative support staff, and other program support positions in the areas of Food Stamps, Medicaid eligibility, and Adult Protective Services (APS). The contractor, Public Knowledge Inc., completed that part of the study and submitted a final report on July 25, 2005. The Phase I report included more than 20 recommendations on staffing standards and process improvements for the Food Stamps, Medicaid, and APS programs. DHS has prepared an implementation plan for those recommendations, and reported on its accomplishments and planned activities to address those recommendations. To date, the agency has streamlined the Oregon Food Stamps Employment and Training (OFSET) process; synchronized recertifications for some Food Stamps and Medicaid cases; and made changes to some positions to bring staffing more in line with the recommended standards. DHS is also working on collecting data and determining a process for calculating the recommended workload-based staffing standards.

Phase II of the study, to be completed this interim, will cover Temporary Assistance to Needy Families (TANF), Employment Related Day Care (ERDC), Vocational Rehabilitation, and Long Term Care Case Management staffing. Public Knowledge Inc. will be the contractor for Phase II of the study, using the same approach to the Phase II work as in Phase I. The contract was signed December 7, 2005, and the contractor began initial field interviews in mid-December.

The Subcommittee recommended acknowledging receipt of the report.

The following Committee discussion occurred:

Senator Schrader expressed his belief that it is important for members to pay attention to the staffing study report, to help in their ongoing efforts to ensure resources are used effectively.

The motion carried with no objection voiced. Representative Kropf excused.

25. Department of Justice

Senator Morse moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Justice by section 2, chapter 694, Oregon Laws 2005, by \$217,862 and approve the establishment of one permanent full-time position (0.83 FTE) for the Cooperative Disability Investigation Program.

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

The Department of Justice (DOJ) is part of a cooperative effort with the Department of Human Services and the federal Social Security Administration to prevent fraud and abuse in federal disability programs. DOJ is responsible for investigating evidence of material facts to resolve and determine eligibility.

The federal government has already approved the funding for a third investigator position for the program. It is expected that this position will assist in eliminating the current backlog and keep pace with the growing workload. The estimated savings from this joint program in 2005 was \$11.4 million in federal spending and \$8.2 million in state spending.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Senator Winters excused.

26. Department of Justice

Representative Kropf moved that the Emergency Board approve the reclassification of a permanent full-time Assistant Chief Criminal Investigator position to a Chief Criminal Investigator position, and increase the Other Funds expenditure limitation established for the Department of Justice by section 2, chapter 694, Oregon Laws 2005, by \$12,168 to cover the costs related to the reclassification.

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

The Department of Justice (DOJ) has found that it requires two chief criminal investigator positions to manage and oversee the 40 investigators in the Criminal Justice Division. The agency is requesting the reclassification of the Intelligence Operations Manager (working title) position from an Assistant Chief Criminal Investigator to a Chief Criminal Investigator. Based on a Position Classification Review performed by DOJ personnel staff, this position was recommended to be reclassified to the Chief Criminal Investigator classification given its scope and supervision responsibilities. Without this proposed reclassification, some present duties of this position would likely have to be transferred or terminated. One of the positions will manage the 23 investigators and other staff in the Division's three intelligence programs while the other position will be responsible for the 17 investigators in the other programs of the Division including financial fraud, tobacco tax compliance, and the cooperative disability investigation program.

The \$12,168 of funding required for this position reclassification will come from the High Intensity Drug Trafficking Area (HIDTA) program. The agencies participating in the HIDTA program are supportive of this action.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Senator Winters excused.

27. Department of Justice

Senator Morse moved that the Emergency Board allocate \$75,666 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of Justice by section 1, chapter 694, Oregon Laws 2005, and approve the establishment of one limited duration position (0.46 FTE) for the Oregon Address Confidentiality Program, with the understanding that the Department of Administrative Services will unschedule \$37,833 of the allocated amount pending better information on the actual costs of the program and potential other revenues contributed to the program.

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

The 2005 Legislature passed Senate Bill 850, which established the Address Confidentiality Program to provide a substitute address to victims of domestic violence, sexual assault, and stalking. Victims often relocate because of threats to their safety and wish to keep their new address confidential. Under this program first class, registered, and certified mail would be delivered to a substitute address maintained by the Department of Justice, and then forwarded to the actual confidential address. The program is to become operative July 1, 2006. It is anticipated the program could have up to 225 participants by the end of the 2007-09 biennium.

The Subcommittee encouraged the agency to examine the program's costs carefully as it is developed and continue to seek alternative funding. To that end, the Subcommittee recommended that half of the expenditure limitation be unclassified so the Department of Administrative Services and the Department of Justice may continue to monitor costs. In addition, a limited duration, rather than permanent, position was recommended so the 2007 Legislature will have the opportunity to review this program as part of the 2007-09 budget process.

The following Committee discussion occurred:

Several Committee members commented on the importance of the program and acknowledged the work done by legislative staff, domestic violence related organizations, and others in moving Senate Bill 850 to passage.

The motion carried with no objection voiced. Representative Richardson and Senator Winters excused.

28. Military Department

Senator Devlin moved that the Emergency Board increase the Federal Funds Capital Construction expenditure limitation established for the Military Department by section 3(1)(b), chapter 409, Oregon Laws 1995, and extended by section 4(1)(a), chapter 767, Oregon Laws 2005, Ontario Readiness Center, by \$340,155 for design of the Ontario Readiness Center.

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

The 1995 Legislature approved a capital construction expenditure limitation for design of the Ontario Readiness Center. The Military Department (OMD) received \$330,500 Federal Funds and \$165,275 Other Funds. The project is a 21,000-square foot joint project with Treasure Valley Community College as a partner and possibly local emergency management and police, which could require enlarging the facility. The total project cost is estimated at \$7 million. Of that amount, Federal Military Construction funds will pay for approximately 75% of the cost. The remaining amount will require a state match with either General Fund or Certificates of Participation. The 2005 Legislature extended the original limitation to June 30, 2008. OMD spent approximately half the original limitation on design, but shelved the project until recently. In October 2004, OMD was notified that an additional \$523,000 Federal Funds to complete the design have been approved. The Ontario Readiness Center is in position to receive Federal Military Construction funds in 2008. In order to ensure federal funds are programmed in the federal budget for the project, design of the facility must be complete by June 1, 2006.

OMD has \$182,845 Federal Funds expenditure limitation remaining for the project, leaving a need for \$340,155 in additional Federal Funds expenditure limitation.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Richardson and Senator Winters excused.

29. Military Department

Senator Devlin moved that the Emergency Board establish an Other Funds Capital Construction expenditure limitation of \$120,000 and establish a Federal Funds Capital Construction expenditure limitation of \$160,000 for the Military Department for completion of security components at the Anderson Readiness Center.

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

The Legislature authorized the construction of the Anderson Readiness Center in 1995. The building houses core functions for managing emergencies. The \$21 million building was occupied in December 2003 with all but the final security measures completed.

Security elements for the new building total over \$6 million. Of that amount, \$1.1 million comes from multiple State Homeland Security Program Grants. The Military Department (OMD) believed that the security elements of the project would be completed by December 2005 and requested an extension of the expenditure limitation to that date. The Legislature approved the extension during the 2005 legislative session. Recently, OMD learned that additional Federal Military Construction funds and the Critical Facility Grant funds were approved. While some of the security components will be completed and expended before December 31, 2005, the agency will not be able to complete approximately \$280,000 worth of projects.

OMD is requesting the establishment of a \$120,000 Other Funds Capital Construction expenditure limitation and a \$160,000 Federal Funds Capital Construction expenditure limitation to expend the remaining State Homeland Security Grant Funds at the Anderson Readiness Center.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Richardson and Senator Winters excused.

30. Military Department

Senator Devlin moved that the Emergency Board increase the Other Funds Capital Construction expenditure limitation established for the Military Department by section 1(4), chapter 623, Oregon Laws 2003, by \$6,094,000 for construction of the Bureau of Land Management portion of the Lane County Armed Forces Reserve Center, Phase II.

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

The Legislature approved the design and construction of the Lane County Armed Forces Reserve Center Complex in 1993. Construction was authorized in 2003. The facility provides space for several governmental agencies including the Navy Reserve, Marine Corps Reserve, and U.S. Forest Service.

This past summer, the Bureau of Land Management (BLM) contacted the Military Department (OMD) expressing their desire to partner in the project. OMD worked with BLM to develop the scope of work and cost. OMD requires an increase in the 2003 Other Funds Capital Construction expenditure limitation to include BLM in the project. BLM will pay the costs associated with their portion of the development in exchange for a 25-year no-cost lease with an option for one 25-year extension at market rates. Operation and maintenance costs would be paid by BLM. The estimated cost for construction is \$6,094,000.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representative Richardson excused.

31. Military Department

Senator Schrader moved that the Emergency Board allocate \$426,926 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Military Department by section 1(3), chapter 673, Oregon Laws 2005, Community Support; increase the Other Funds expenditure limitation established for the Military Department by section 2(3), chapter 673, Oregon Laws 2005, Community Support, by \$95,400; and increase the Federal Funds expenditure limitation established for the Military Department by section 3(2), chapter 673, Oregon Laws 2005, Community Support, by \$231,550; for operation of the Oregon Youth Challenge Program.

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

The Oregon Youth Challenge Program provides an opportunity for at-risk high school students who have dropped out, are failing, or not attending school an opportunity for credit recovery, high school diploma, or a GED. In addition, students participate in extensive service learning opportunities, as an extension of the classroom, gaining life and work skills.

The 2005-07 legislatively adopted budget maintained the reduced operating model first implemented in 2003-05. The Legislature directed the Military Department (OMD) to return to the Emergency Board if Average Daily Membership (ADM) rates were not sufficient to maintain the program. OMD has learned that the ADM rate for the 2005-06 academic year will provide \$62,065 less revenue than projected in the 2005-07 budget.

In addition to the reduction in ADM rates, unforeseen expenses have increased costs beyond available revenues necessary to maintain academic accreditation, health, and safety of students and staff. This included increased personnel costs for cost of living adjustments and benefits, overtime, shift differential, and temporary costs and increased contractual costs for teachers and a nurse, facility repair and maintenance, vehicle costs, septic drain field improvement, and other miscellaneous services and supplies.

The National Guard Bureau (NGB) provides a maximum of \$3.4 million. In keeping with the NGB 60/40 funding split, the amount of state funds required to match the National Guard Bureau

maximum amount of \$3.4 million is \$2.2 million. Of that amount \$1.3 million is available from the ADM Other Funds and \$552,566 from General Fund, totaling \$1.8 million. This leaves a deficit of \$426,926 required to operate the program. Facility repair and maintenance and vehicle costs for student travel were identified by OMD to be paid for by Other Funds. However, after reviewing the agency's available Other Funds cash, there is insufficient revenue available to pay for these items. The Subcommittee recommended that only the Other Funds component of overtime, shift differential, and temporary costs be approved along with the septic drain field improvement, totaling \$95,400 and \$191,550 Federal Funds. In addition, the Subcommittee recommended \$40,000 Federal Funds for NGB mandatory training costs. These two items are more critical to maintaining health, safety, and program operations. By approving these two items, the ending balance will be drawn down to just over \$95,710 Other Funds. Drawing the Other Funds balance down to this level will require additional General Fund to maintain operation of the program in the next biennium.

The Subcommittee recommended allocating \$426,926 from the Emergency Fund, increasing the Other Funds expenditure limitation by \$95,400, and increasing the Federal Funds expenditure limitation by \$231,550.

The motion carried with no objection voiced.

32. Criminal Justice Commission

Senator Schrader moved that the Emergency Board allocate \$2,500,000 from the special purpose appropriation made to the Emergency Board by section 1(1), chapter 707, Oregon Laws 2005, to supplement the appropriation made to the Criminal Justice Commission by section 2, chapter 707, Oregon Laws 2005, for a grant program to create or expand drug courts.

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

The 2005 Legislature passed a package of bills designed to address the problems due to the production, sale, and use of methamphetamine. One part of this package was a \$2.5 million General Fund special purpose appropriation for a grant program to create new drug courts or expand existing drug court programs. Drug courts are special courts which take a more intense approach with the offender using a combination of hands-on supervision by the court, substance abuse treatment, mandatory drug testing, and sanctions to ensure the goals of reducing recidivism and substance abuse are met.

The Criminal Justice Commission has developed grant eligibility requirements, selection criteria, and preliminary performance measures. This information was presented to a joint meeting of the interim Judiciary Committees who recommended the allocation of these funds.

An additional \$3 million in federal Byrne grant funds has been identified which will be distributed in a joint application process with the requested \$2.5 million. These funds had been set aside if the state was found not to be in compliance with the federal Jacob Wetterling Crimes Against Children and Sexually Violent Offender Registration Act. It should be noted that these are one-time funds and drug court programs receiving these funds will need to find alternative funding in the future.

The Commission plans to publish its Request for Proposals (RFP) during January, require applications to be submitted in early April, and make grant funds available by July 1, 2006. The criteria (weight) used in awarding the grants include program description and evidence-based practices (25%), program need (15%), collaboration in planning and implementation (15%), staff competency

(5%), evaluation methods (10%), budget (15%), and ability to leverage other funds and cost effectiveness (15%).

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced.

33. Oregon Youth Authority

Senator Morse moved that the Emergency Board allocate \$214,607 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Oregon Youth Authority by section 1(1), chapter 554, Oregon Laws 2005, Operations; increase the Federal Funds expenditure limitation established by section 3, chapter 554, Oregon Laws 2005, by \$7,439, and approve the establishment of two permanent positions (1.26 FTE) for the Oregon Youth Authority to implement recommendations of the Youth Safety and Abuse Prevention Review Committee.

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

The Oregon Youth Authority (OYA) appointed the Youth Safety and Abuse Prevention Review Committee to look at its policies and procedures after allegations that a former youth probation officer (Michael Boyles) abused youth in OYA's custody while he was an employee of the agency. In October 2005, OYA asked the Emergency Board to allocate funding for five separate elements to carry out the review committee's recommendations. The Emergency Board approved a total of \$334,066 General Fund and \$20,124 Federal Funds for three of those elements: improved hiring practices, added training, and review and improvement of written policies and procedures. The Emergency Board deferred action on the requests for an internal complaint investigation office and an external complaint investigation office, with a request that the interim Judiciary Committees review the proposals.

The Judiciary Committees met in December 2005. At that time, OYA told the Committees it would seek funding from the Emergency Board for only the internal complaint investigation office, not the external complaint office. The Committees supported funding the internal complaint investigation office with a toll-free telephone line and two staff positions. OYA is to report to the Judiciary Committees on the office's implementation and operations, as well as the Department of Justice's review of the personnel issues related to the Boyles case.

The current request includes \$195,277 General Fund and \$6,769 Federal Funds to fund an internal complaint investigation office, with two staff positions and a toll-free phone line. It also includes \$19,330 General Fund and \$670 Federal Funds to contract out pre-employment background investigations for new Juvenile Parole and Probation Officers. OYA is not asking to fund an external complaint investigation office at this time.

Representative Kropf discussed the need for additional resources to do investigations, but expressed his concern that this should be done by an external entity. Bob Jester, OYA Director, cited changes the agency is making because of the review committee's recommendations. He also noted existing external review mechanisms already in place, such as the Governor's Ombudsman, attorneys for individual youths, and Juvenile Rights Project advocates. The Legislative Fiscal Office noted that a request for an external complaint investigation entity might be made at some later date.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

Representative Barker stated that the internal complaint investigation office was a step in the right direction but he was concerned that the resources being allocated might be inadequate to the task. Senator Schrader noted that the agency was continuing work to review the personnel issues in the Boyles case. Several Committee members indicated they believed there needed to be an external complaint investigation entity in addition to the internal complaint investigation office, and expressed interest in pursuing that.

The motion carried with no objection voiced.

35. Department of State Police

Representative Smith moved that the Emergency Board allocate \$40,790 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of State Police by section 1(4), chapter 718, Oregon Laws 2005, Administrative services and information management; approve the establishment of one permanent part-time position (0.33 FTE); approve the submission of a federal grant application to the U.S. Department of Justice; and increase the Federal Funds expenditure limitation established for the Department of State Police by section 3(1), chapter 718, Oregon Laws 2005, Patrol services, criminal investigations and gaming enforcement, by \$58,260 for developing and maintaining a website for the Oregon State Sex Offender Registry.

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

House Bill 3486 (2005) requires the Department of State Police (OSP) to create a website and post information regarding certain predatory sex offenders (ORS 181.585) and sexually violent dangerous sex offenders (ORS 144.635) by July 1, 2006. The information is to include the sex offender's name, address, conditions or restrictions of supervision, current photograph, and information relating to the crime. House Bill 3486 instructs OSP to consider contracting with a private vendor in developing this website and adding links to local and national sex offender websites. No funding was provided in the OSP budget to develop and maintain this website. The agency may also use these requested additional resources to meet requirements of House Bill 2299, the Campus Sex Crimes Act, which requires sex offenders to register their information relating to attending a post secondary institution.

Currently, OSP maintains a database with information on over 17,000 sex offenders. The use of the internet would allow for immediate access to information on those sex offenders posted on the website. House Bill 3486 authorizes the posting of only two types of sex offenders (predatory and sexually violent dangerous). OSP estimates the two groups represent approximately 600, or 3.5%, of the total 17,000 registered. While details have yet to be finalized, OSP would likely create a new database for the sex offender information authorized to be posted on the internet and update this new database on a regular basis (e.g., nightly). This would allow the larger database for all sex offenders to remain protected from potential "hackers." OSP is concerned about the potential of jeopardizing the integrity of the information given the liability issues that could arise from inaccurate information.

In Senate Special Committee on Budget discussions during the 2005 session, it was assumed OSP would either absorb the remaining costs of the project within its budget or return to the Emergency Board for funding. OSP is unable to absorb the workload associated with House Bill 3486 given its limited information systems staff. This staff was significantly reduced during the 2001-03

biennium and the current staff is unable to keep pace with the demands of existing information management needs. The agency did seek outside contractors through a Request for Information (RFI) process, but the responses either did not meet the needs of the agency or costs were greater than state costs.

The agency has received commitments for donated hardware and software; and anticipates receiving \$58,260 from the U.S. Department of Justice for the up-front programming and remaining equipment costs. The Subcommittee recommended \$40,790 be allocated from the Emergency Fund to pay the ongoing costs of operating the website including a half-time permanent position. Some Subcommittee members expressed concern about the staffing level required to develop and maintain the website. As a result, the Subcommittee instructed the agency to report back to the Emergency Board on the status of the project's development.

The motion carried with no objection voiced.

36. Department of State Police

Senator Westlund moved that the Emergency Board allocate \$231,013 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of State Police by section 1(5), chapter 718, Oregon Laws 2005, Office of Emergency Management, State Fire Marshal and criminal justice services, and increase the full-time equivalence on three existing limited duration positions (1.32 FTE) for the development of the Public Safety Wireless Infrastructure Replacement Plan.

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

The combination of aging and often unreliable state agency wireless systems, new federal narrow-band requirements for mobile radio systems, and the need for all state and local first responders to be able to communicate with each other on a reliable system led the 2005 Legislature to instruct the Department of State Police's Office of Emergency Management in House Bill 2101 to develop a Public Safety Wireless Infrastructure Replacement Plan for Oregon. At this time, the Replacement Plan is expected to be in four phases over four biennia with the planning phase being completed during 2005-07. The 2007 Legislature will need to address the funding for the final three phases. Initial rough estimates of implementing this plan range from \$300 to \$500 million over the next four biennia.

The Office of Emergency Management (OEM) originally requested \$893,660 from the Emergency Fund for the remainder of the 2005-07 biennium to develop a plan to address emergency communications and interoperability issues facing state agencies and local emergency response agencies. Due to contributions from agency budgets, the total General Fund need for 2005-07 is now \$473,267. The Emergency Board approved \$235,035 of the entire requested amount of 2005-07 funding at its October 2005 meeting but delayed action on the full biennial funding because it wanted the Joint Legislative Committee on Information Management and Technology (JLCIMT) to review the OEM and other agencies' plan. The JLCIMT heard presentations on this issue at its November meeting and generally approved of the direction being taken by the agencies. OEM presented this request and follow-up information at the January 17th JLCIMT meeting and the Committee forwarded a positive recommendation to the Emergency Board.

This project during 2005-07 depends on a combination of existing staff contributed by the Department of State Police and the Department of Transportation, financial resources from the Department of Forestry, an engineering contractor funded by federal funds, and Emergency Board

funding. The Subcommittee recommended an allocation of \$231,013 to complete the funding for the project, slightly less than the request after adjusting for phone costs and travel. The recommended FTE increase is also less (1.32 FTE instead of 1.62 FTE), reflecting the difference between the total amount required for 2005-07 and the amount approved by the Emergency Board in October. If costs for the project exceed current estimates, the Subcommittee recommended OEM look to the other agencies that are part of the effort for the additional resources.

The motion carried with no objection voiced.

37. Department of State Police

Representative Boone moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of State Police by section 2(1), chapter 718, Oregon Laws 2005, Patrol services, criminal investigations and gaming enforcement, by \$200,000 for the purchase of a mobilized impaired driving processing center and for training of public safety personnel for new breath analyzers, with the understanding the Department of Administrative Services (DAS) will unschedule the limitation increase pending DAS and Legislative Fiscal Office review of the plans and costs of the mobile processing center.

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

The National Transportation Safety Administration has made funds available to states for programs relating to driver impairment due to controlled substance or alcohol use. The Department of State Police (OSP) and the Department of Transportation proposed using a portion of this \$200,000 to purchase and equip a mobilized vehicle equipped to process drivers suspected of driving under the influence. A mobile unit would allow OSP and local law enforcement agencies to process Driving Under the Influence of Intoxicants (DUI) offenders more efficiently at large events like the Mt. Angel Oktoberfest or Seaside Spring Break. Processing time could be cut by half or more, and allow officers to return to the road in a more timely manner. While OSP's plan for the unit is still being developed, a similar vehicle purchased by the Washington State Police cost \$150,000.

The balance of the \$200,000 would be used to provide training to roughly 3,500 Oregon law enforcement officers on the operation of the 171 new breath analyzers authorized by the 2005 Legislature. No funding was provided for the training on the use of these machines during the session, and OSP estimates the cost of this training will be approximately \$85,000 as long as law enforcement agencies contribute staff who are experts on DUI issues to provide the training.

The Subcommittee recommended approval of the \$200,000 increase in Other Funds expenditure limitation for OSP, but also recommended the Department of Administrative Services (DAS) unschedule the limitation increase until a final plan on the type and cost of the mobile unit has been determined. This plan then should be reviewed by DAS and the Legislative Fiscal Office prior to rescheduling the funding to maximize the amount available for the training. OSP should look for donations to offset some costs, if possible, to maximize the amount available for training since anything over the available amount will have to be absorbed within the current OSP budget.

The following Committee discussion occurred:

Senator Gordly asked how the training for the new breath analyzers would be provided.

Legislative Fiscal Office staff responded the training would be provided regionally across the state and would depend on staff from state and local law enforcement agencies to provide the training.

The motion carried with no objection voiced.

38. Department of Veterans' Affairs

Senator Carter moved that the Emergency Board acknowledge receipt of a report from the Department of Veterans' Affairs on the temporary rule and plan for distribution of \$2.6 million appropriated for counties to enhance and expand services provided by county veterans' service officers, and instruct the Department to report to the Emergency Board at its April 2006 meeting on the result of public hearings on a permanent rule.

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

Senate Bill 1100 directed the Director of the Department of Veterans' Affairs (ODVA) to establish a program to enhance and expand the services provided by county veterans' service officers. The bill also required that the director carry out the provisions of the program in consultation with the Association of Oregon Counties. Senate Bill 5629 appropriated \$2.6 million to the director for this purpose. A budget note included in the budget report on Senate Bill 5629 required the director to report to the Emergency Board on its progress relative to adopting a rule to distribute, by formula, funds for this purpose.

The formula included in the plan is a contentious issue because the amount provided to Multnomah County is not proportional to the number of veterans residing in the county. The Subcommittee understood that the ODVA director has met the letter of the law developing the formula and issuing a temporary rule. However, the final rule still needs to have a public hearing and the Subcommittee wanted to ensure full public participation be possible at the hearing and that the director engage a work group with broad representation on this issue.

The Subcommittee recommended the ODVA director engage a workgroup that consists not only of ODVA staff and the Association of Oregon Counties, but also the County Veterans' Services Offices, a representative of the Area Agencies on Aging, staff from the Legislative Fiscal Office and Department of Administrative Services' Budget and Management Division, one or two members of the Legislature who worked on Senate Bill 1100, and representatives from National Veterans' Services Offices to analyze the perceived or real duplication of services to veterans in Multnomah County. The Department should report back to the Emergency Board at its April meeting on the public hearing, final rule, and results of efforts of the workgroup.

In addition, in expectation that this issue will again surface during the 2007-09 budget hearings, the Subcommittee recommended that work be initiated to develop an accurate, defensible methodology for evaluation of state funding of services to veterans throughout the state. This should include an analysis of the resources spent by various agencies on a per veteran, per county basis with the expressed intent that veterans located throughout the state have reasonably equivalent access to such support services. This information should be brought forward during the review of the ODVA 2007-09 budget request.

The Subcommittee recommended acknowledging receipt of the report, with instructions.

The following Committee discussion occurred:

The Committee discussed the need for improved communications between the Department and County Veterans' Services Offices.

The motion carried with no objection voiced.

42. Parks and Recreation Department

Senator Westlund moved that the Emergency Board establish an Other Funds Debt Service expenditure limitation of \$1,582,747 and increase the Lottery Funds Debt Service expenditure limitation established for the Parks and Recreation Department by section 2(7), chapter 697, Oregon Laws 2005, by \$400,000 for defeasance of lottery-backed bonds issued in 1998 for the Parks and Recreation Department.

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

The Parks and Recreation Department's 2005-07 legislatively adopted budget included an expenditure limitation to defease outstanding Lottery bonds issued in the late 1990s for facility maintenance. As the agency prepared to implement the plan they learned that the \$1.5 million held in trust until the bond is retired requires an Other Funds expenditure limitation to cover the transaction.

In addition, expenditure limitation is needed for an October 2005 interest payment and administrative costs related to defeasing the bonds which were not included in the Department's estimated costs when its budget was adopted. In order to ensure sufficient expenditure limitation is available to meet the interest payment and administrative costs, the Department is requesting an additional \$400,000 Lottery Funds expenditure limitation.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Representatives Scott and Kropf excused.

43. Parks and Recreation Department

Representative Boone moved that the Emergency Board approve the establishment of one limited duration full-time position (0.67 FTE) for the Parks and Recreation Department to address increased workload resulting from changes in state purchasing laws and preparation for the 2006 Oregon State Fair.

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

The Parks and Recreation Department is requesting a limited duration full-time Procurement and Specialist 3 position to address an increase in workload. The position would provide expertise in developing, administering, negotiating, and tracking financial contracts and agreements. In addition, the position would ensure that contracts adhere to state and federal contracting rules and regulations and that payments to contractors are appropriate and timely. The Department is experiencing increased workloads in purchasing and contracting activities primarily related to increased Lottery Funds available for facility improvement; managing the Oregon State Fair contracts and procurements; and changes to ORS 279 increasing the delegated authority to process and manage contracts previously performed by the Department of Administrative Services.

The Department expects the workload to be ongoing but is requesting a limited duration position in order to further evaluate the ongoing nature of the workload. The Department plans to shift \$99,976 from services and supplies to personal services to cover the cost of the position and, therefore, does not require an increase in expenditure limitation.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Senator Schrader excused.

44. Parks and Recreation Department

Representative Morgan moved that the Emergency Board acknowledge receipt of a report from the Parks and Recreation Department on the status of transferring and integrating the Oregon State Fair and Exposition Center to the Parks and Recreation Department.

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

The Legislature adopted House Bill 3502, which transfers the duties and functions of the Oregon State Fair and Exposition Center to the Parks and Recreation Department. The Department was directed by budget note to establish an interim work group to assist with the transfer of the Fair to Parks and report to the Emergency Board on the status of the consolidation in January, July, and December 2006.

The Department reports significant progress on the administrative tasks that needed to be completed in time for the January 1, 2006 merger of the Fair into Parks. Among the accomplishments are: the hiring of a new State Fair manager; review of the Fair's business practices and procedures; integration of business systems; and review of past performance to develop strategies for improvement.

The Secretary of State has initiated an audit that will include an examination of internal controls, accounting procedures, financial statements, and specific accounts for calendar year 2005 and is expected to finalize the audit by March. At the end of the audit, the Department will be in a better position to estimate the additional requirements through the end of the biennium.

The Department also reports that meetings are being held with business leaders about possibilities for an annual fair that reflects the changing demographics and interests of the citizens of Oregon. The Parks Commission has approved a plan to conduct a series of meetings with community, business, and elected leaders in several locations across the state to gather ideas for the vision and future direction of the Fair and its facilities.

Considerable effort is continuing in the consolidation. The Department plans to return to the Emergency Board in April 2006 with a plan to rebalance revenues, expenditures, and positions in order to situate the Department for preparation of the 2007-09 budget request.

The Subcommittee recommended acknowledging receipt of the report.

The motion carried with no objection voiced. Senator Schrader excused.

45. Department of State Lands

Senator Carter moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of State Lands by section 2(4), chapter 776, Oregon Laws 2005, Capital improvements, by \$610,042 for facilities maintenance at the State Lands Building, with the understanding that this increase is to be considered one-time in nature and will not be included in the Department's 2007-09 base budget calculations.

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

The Department of State Lands (DSL) is requesting an increase in the Other Funds expenditure limitation to complete six maintenance projects at the State Lands Building in Salem in which the Department's headquarters is located. The State Lands Building is an asset of the Common School Fund, and as such is managed by DSL. DSL worked with the Department of Administrative Services (DAS) Facilities Division to identify the maintenance projects with the highest priority and estimate the cost for each project. The estimates were completed by DAS Facilities in March 2004 as part of DSL's 2005-07 budget development. DSL included a policy option package for \$610,042 Other Funds expenditure limitation based on these estimates in its 2005-07 agency request budget. This package was included in the 2005-07 Governor's recommended budget; however, it was not approved for inclusion by the Legislature. Instead, DSL was directed "to appear before the Emergency Board to request expenditure limitation for projects once a plan, including timelines and costs, for the necessary projects is developed."

DSL has provided a timeline and a new estimate of the cost for each project that includes a 25% inflation factor. The Department included the 25% inflation factor because nearly two years will have passed from the time the original estimates were developed and the time the work will begin if the projects are approved by the Emergency Board. This 25% inflation factor is an internal estimate based on DSL's expectations that building material costs will increase at a high rate of inflation due to a number of factors including recent spikes in some raw materials and the impact on the construction market of rebuilding New Orleans and other affected Gulf Coast areas following hurricanes Katrina and Rita.

The Subcommittee discussed this inflation factor and heard other estimates for inflation ranging from 10% to 15%, ultimately deciding to approve the projects but not to include any inflation factor. If the final costs are higher and the Department projects an Other Funds expenditure limitation total for the remainder of the 2005-07 biennium that is insufficient to absorb these additional costs, then DSL could seek the additional expenditure limitation either from the Emergency Board or from the 2007 Legislative Assembly. The Subcommittee recommended the additional expenditure limitation authority be treated as a one-time cost because of the nature of the work being done. Expenditure limitation for additional maintenance needs will have to be included in the Department's 2007-09 budget request for consideration by the 2007 Legislative Assembly.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The motion carried with no objection voiced. Senator Schrader excused.

46. Department of State Lands

Representative Boone moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of State Lands by section 2(2), chapter 776, Oregon Laws 2005, South Slough National Estuarine Research Reserve operations, by \$54,336 for a beach monitoring grant available to the South Slough National Estuarine Research Reserve, and establish one limited duration full-time position (0.54 FTE) to complete grant work.

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

The Department of State Lands (DSL) has entered into an agreement with the Curry Soil and Water Conservation District (SWCD) to conduct bacterial contaminant monitoring for one year on beach waters and coastal creeks adjacent to the South Slough National Estuarine Research Reserve, which DSL oversees. DSL is requesting an increase in Other Funds expenditure limitation of \$54,336 and authority to establish a limited duration Natural Resources Specialist 2 position for 13 months (0.54 FTE) to complete the grant-funded work. The funding being made available for this work requires a match of \$21,320, which DSL will meet using time contributions of permanent staff and through the use of laboratory equipment and workspace at the South Slough National Estuarine Research Reserve.

The Curry SWCD received a grant from the Department of Environmental Quality (DEQ) through their 319 grant program to monitor coastal waters. The 319 grant program takes its name from section 319 of the federal Clean Water Act and is funded with federal money from the Environmental Protection Agency and administered by DEQ. The 319 program makes grants available for projects involving non-point source pollution, which is pollution that cannot be traced to a single source, such as a factory. In this case, the non-point source pollution being addressed by the Curry SWCD in their grant is unhealthy bacterial coastal waters contamination. The beach waters to be monitored by DSL include Sunset Beach which DEQ reports as one that most frequently fails to meet the bacteria contamination standards set by federal government.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Senator Schrader excused.

47. Department of Fish and Wildlife

Representative Morgan moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Fish and Wildlife by section 2(3), chapter 717, Oregon Laws 2005, Administrative Division, by \$574,650 for replacement of the Point of Sale system which is used to sell hunting and fishing licenses and tags to the public.

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

Prior to 1994, the Department of Fish and Wildlife (ODFW) issued hand-written fishing and hunting licenses. Beginning in 1994, the Department issued these documents using an automated Point of Sale (POS) system. In 1998, ODFW purchased the system from the contractor and has maintained the system internally since then. The current system works by each selling agent having a special terminal that connects via a dedicated telephone line to ODFW's mainframe POS computer system. It is the Department's responsibility to provide and maintain the agents' terminals and the mainframe. ODFW reports that these terminals are aging and experiencing ever higher failure rates, and that spare

parts are becoming very difficult to find and requires cannibalizing old units. The current POS system also uses an older programming language that is no longer supported; is unable to support new functions such as Internet sales of licenses; cannot integrate with the agency's other information systems, requiring some services such as conducting controlled hunt draws to be completed outside the system; is increasingly incapable of meeting fiscal audit requirements; and is unable to share data with law enforcement agencies requiring this work to be processed off-line in a batch mode.

ODFW initiated a process to replace the current POS system in January 2004 by mapping the business needs of not just the agency, but those of the agents and public as well. The Department worked closely with the Department of Administrative Services' Information Resources Management Division and State Procurement Office to research potential options and initiate the Request for Proposal (RFP) process. Through the RFP, one company (Outdoor Central) clearly met all the requirements and received the highest scores. Outdoor Central is a national leader in license sale technology and currently operates licensing systems in 19 other states.

The new POS system is a vendor hosted solution with transaction fees paying for the implementation and maintenance of the system. The RFP with Outdoor Central calls for a \$0.72 fee per transaction. This fee covers implementation of the licensing system and an on-line licensing capability, supplying the POS devices and associated POS device supplies to ODFW staff and licensed agents as well as the ongoing hosting, maintenance, and support of the system throughout its lifecycle. ODFW will continue to be responsible for customer service licensing support for both agents and the public.

There is currently a \$1.50 surcharge on all licenses and tags sold through an agent. The agent is allowed to keep half this amount or \$0.75. The other \$0.75 goes to the Department to support operation of the POS system. The bulk of these expenses involve operation of a support hotline that agents use when they have questions or experience problems with the system. The Department will continue to operate the hotline under the new POS system. ODFW is requesting an increase in their Other Funds expenditure limitation of \$574,650 to accommodate the costs of implementing the new POS system. This represents the net cost, which includes \$684,000 for the \$0.72 charged by the vendor per transaction for the last six months of the biennium; \$103,500 for one-time startup costs including training, some programming, and disposal of the old POS equipment; and \$212,850 in savings primarily created by lower Department of Administrative Services' communications charges. Once the new POS system comes on line, ODFW indicates that the price per license will remain the same to the consumer. ODFW has stated that it does not intend to increase fees this biennium as a result of implementing a new POS system. The Department has committed to examining all expenses currently paid from the \$0.75 they retain from the surcharge once the new system has been operational for an appropriate amount of time in order to identify current activities such as customer service that can be outsourced to the vendor or discontinued.

The Subcommittee discussed the fact that the Other Funds expenditure limitation that the agency requested authority to expend would come from the projected 2005-07 ending balance. The ending balance is approximately \$13 million higher than was projected during 2005-07 budget development due primarily to efforts to reduce expenditures during 2003-05, along with savings from the headquarters move from Portland to Salem and a slight increase in license and tag revenue. The Department stated that the higher than anticipated ending balance would be large enough to accommodate the expense of implementing a new POS system while at the same time avoiding any general fee increase for the 2007-09 biennium.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Senator Schrader excused.

48. Department of Geology and Mineral Industries

Senator Carter moved that the Emergency Board allocate \$98,000 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of Geology and Mineral Industries by section 3, chapter 763, Oregon Laws 2005, statewide seismic needs assessment, to complete seismic safety assessments as required by Senate Bill 2 (2005).

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

The 2005 Legislative Assembly passed Senate Bill 2, which requires the Department of Geology and Mineral Industries (DOGAMI) to conduct a statewide seismic assessment, which is to be completed by July 1, 2007. The assessment is to include seismic safety surveys of school buildings that have a capacity of 250 or more persons; this includes kindergarten through grade 12 public schools, community colleges, higher education buildings, and education service districts. The assessment work is also to include acute in-patient hospital buildings, police stations, fire stations, and other appropriate public safety buildings used by law enforcement agencies.

Senate Bill 2 requires the assessment to include rapid visual screenings in accordance with the standards established in “Rapid Visual Screening of Buildings for Potential Seismic Hazards: A Handbook,” FEMA-154, 2002 Edition. The results of these screenings will be ranked in risk categories according to the importance of the building to the community, the risk of collapse during a seismic event, the risk of damage or collapse because of location, and the projected cost of the necessary seismic rehabilitation. Resulting information will be entered into a geographic information system (GIS) database, which will allow data sharing with interested parties.

During the 2005 session when Senate Bill 2 was being considered, the Department estimated the total number of buildings that would need seismic assessment to be approximately 3,400, and estimated the cost of the project to be \$1.3 million. Senate Bill 2 appropriated \$500,000 General Fund to DOGAMI for the statewide seismic assessment. The bill provided enough funding for the assessments to get started; DOGAMI was to report to the Emergency Board on its progress and request increased resources as necessary. By better surveying the currently available data on the potential buildings to be assessed, DOGAMI was able to reduce the estimated number of buildings requiring a rapid visual screening to 2,800. This refinement and other cost containment actions taken by DOGAMI, such as training post-secondary students to conduct the actual rapid visual assessment fieldwork, lowered the estimated total project cost to \$598,000. Since Senate Bill 2 already appropriated \$500,000 for this project, the Department estimated it will need \$98,000 more to complete the assessments, build the GIS database, and enter the data into the database, which is the amount recommended by the Subcommittee. DOGAMI rounded their request to \$100,000 due to some continued uncertainty over the final cost to complete the required assessments.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The following Committee discussion occurred:

Representative Boone commended the Department on its efforts to hold the costs of the assessments to the lowest cost possible

The motion carried with no objection voiced. Senator Schrader excused.

49. Department of Transportation

Representative Smith moved that the Emergency Board acknowledge receipt of a report from the Department of Transportation on highway program ending cash balances with direction to return in June, with instructions.

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

During budget hearings, the Legislature articulated an expectation that the Department of Transportation (ODOT) aggressively manage Oregon Transportation Investment Act (OTIA) I, II, and III from the assessment of the current transportation system through the actual work being completed. The Legislature also expressed their concern that the Highway Program's ending balance was growing, indicating that despite the Legislature providing the funding, ODOT was not able to get the money spent and projects underway as rapidly as had been anticipated. This problem is clear in the 2005-07 legislatively adopted budget, which includes \$294.8 million in highway funds that were available for projects, but were ultimately not spent during 2003-05. The Legislature directed ODOT, through a budget note, to review projected ending balances and report to the Emergency Board during the interim on actions taken to ensure there is an appropriate ending balance. In its report, ODOT identified several strategies that they are using to manage ending cash balances, including adjusting state revenues based on a six month revenue forecast; reconciling projected and actual revenues annually; reprogramming funds when projects are delayed or cancelled; reducing the amount of project slippage through outsourcing, decentralization, and design-build processes; shifting delivery strategies from design/bid/build to design/build to accelerate project delivery; developing a list of "shelf-ready" projects that could be accelerated; and reporting quarterly to the Oregon Transportation Commission on costs and performance management on highway construction projects.

In its report, ODOT identified several strategies that they are using to manage ending cash balances. A key issue is the sale of bonds to finance projects. The Legislature authorized ODOT to sell bonds and raised rates to repay the bonds, but no bonds were sold in the 2003-05 biennium for highway projects. ODOT plans to sell fewer bonds during 2005-07 because of the available revenue and ending balance. This reduces the ending balance, but it does not take advantage of additional funds that could be used for projects by issuing bonds. It is also important because of the expectation of the Legislature to achieve as many projects as possible in a shorter period of time than has occurred historically.

While progress is being made, the issues identified by the Subcommittee need to be addressed as ODOT continues to evaluate its strategies to maximize resources and move as efficiently and effectively as possible to delivery of projects.

The Subcommittee recommended acknowledging receipt of the report, with direction to return in June with the following information:

- A description of how these strategies are being used in the development of the 2007-09 budget request.
- An analysis of how design-build projects are accelerating project delivery.
- A list of delayed or cancelled projects, alternatives for the use of available funding, and projects of statewide significance which could be accelerated.
- A description of how the 2008-11 development Statewide Transportation Improvement Program (STIP) differs from previously approved development STIPs.

The motion carried with no objection voiced. Senator Schrader excused.

55. Department of Administrative Services

Senator Westlund moved that the Emergency Board approve the proposed uniform rent rates submitted by the Department of Administrative Services and recommend to the 2007 Legislative Assembly that it appropriate amounts sufficient to pay rentals under the rates for agencies occupying space in uniform rent rate facilities.

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

ORS 276.390 requires the Department of Administrative Services to submit to the Emergency Board a schedule of proposed uniform rent rates for the upcoming biennium. Once it approves a proposed rental rate schedule, the statute requires the Emergency Board to “recommend to the next regular session of the Legislative Assembly that it appropriate for each agency occupying space in such a building or facility an amount sufficient to pay rentals required under the schedule.”

The proposed monthly per square foot rates for the 2007-09 biennium are: \$1.36 for Office Space – a four cent increase over the current biennium, and 47 cents for Storage Space – unchanged from the current biennium.

Rental fees finance building costs, including construction, management, insurance, operation, repair, utilities, and security. The proposed increase in the rental rate for office space covers the costs of projected inflation in direct services and supplies and debt service. The Department will not increase rates for storage space. The Department has taken steps to minimize the rate increases without sacrificing needed services and maintenance.

The Subcommittee recommended approval of the request.

The motion carried with no objection voiced. Senator Schrader excused.

56. Department of Administrative Services

Representative Smith moved that the Emergency Board acknowledge receipt of a status report from the Department of Administrative Services on the Computing and Networking Infrastructure Consolidation (CNIC) project.

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

The Legislature previously approved the consolidation of data center operations and the construction of a new State Data Center. The budget report for the budget bill that funded the transition of twelve state agency data center operation to the new State Data Center and its continued operation included a budget note requiring the Department of Administrative Services to report on progress of the consolidation effort to each meeting of the Joint Legislative Committee on Information Management and Technology and the Emergency Board.

The project is on schedule and the Department now expects to have all 12 agencies data centers transferred to the Data Center by the end of this calendar year. The State Data Center has assumed network management responsibilities. The transfer of the three largest data centers will take place

during the following months and are targeted for completion by June 30, 2006. Following the consolidation of those agencies, operations of the remaining nine agencies will be transferred to the State Data Center. All transfers are being planned to minimize disruptions during key periods and are being coordinated by, and with, agency staff.

Additional analysis of the original plan for transfer of activities and staffing responsibilities is being conducted. It is expected that this will be completed by March 2006 and reported to the Emergency Board if adjustments to original budget and cost estimates are deemed warranted.

The Department's report was also submitted to the Joint Legislative Committee on Information Management and Technology for its review on January 17th. That Committee conducted a thorough review of the report and continues to monitor the project.

The Subcommittee recommended acknowledging receipt of the report.

The motion carried with no objection voiced. Senator Schrader excused.

57. Department of Administrative Services

Senator Carter moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Administrative Services by section 2(2), chapter 601, Oregon Laws 2005, Operating expenses of the State Services Division, by \$3,300,000 to continue development of the Oregon Procurement Information Network, with instructions.

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

The Legislature approved the replacement of the older Vendor Information Program, an online vendor registration and bid request program, with a newer, more robust and enhanced system as part of the Department's 2001-03 operating budget. The Oregon Procurement Information Network (ORPIN) is a phased project that was to be implemented across several biennia. Additional funding was approved in the Department's 2003-05 budget for the second phase of system development. However, Phase 1 took longer than originally planned and Phase 2 was not begun during the 2003-05 biennium.

The Department of Administrative Services' 2005-07 budget request was developed mid-2004 and did not anticipate the need for expenditure limitation to continue Phase 2 of the project. Departmental budget resources focused on development of the budget for the new State Data Center and reworking the budget of the Information Resource and Management Division. As a result, the Department failed to surface the need to carryover the \$3,300,000 Other Funds expenditure limitation for Phase 2 of the ORPIN project.

The ORPIN project has been the subject of legislative review and approval. The Department has the funds for the project, as they were part of a sale of Certificates of Participation in early 2005. The Department needs the Other Funds expenditure limitation necessary to complete Phase 2 of the project, which is expected to be completed by June 30, 2007. To maintain legislative oversight of this project, the Subcommittee recommended that the Department be instructed to provide a project update report to the Joint Legislative Committee on Information Management and Technology in the fall of 2006, and again to the appropriate Subcommittee of the Joint Committee on Ways and Means during budget hearings in 2007.

The Subcommittee recommended approval of the request, with instructions.

The motion carried with no objection voiced. Senator Schrader excused.

59. Department of Administrative Services

Representative Kropf moved that the Emergency Board acknowledge receipt of a report from the Department of Administrative Services on the statewide applicability of the hiring practices and training issues contained in the report of the Oregon Youth Authority Youth Safety and Abuse Prevention Review Committee.

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

Issues related to sexual abuse of youth offenders by a former Oregon Youth Authority (OYA) juvenile parole and probation officer caused the OYA to form a Youth Safety and Abuse Prevention Review Committee to make recommendations for improvement. That Committee's report was submitted to the Emergency Board in October 2005. The Emergency Board then asked the Department of Administrative Services (DAS) to report to the January 2006 meeting of the Emergency Board on the statewide applicability of the hiring practices and training issues contained in the report.

The Department's Human Resources Services Division staff has identified four recommendations in the Committee report that have statewide applicability. DAS found that state agencies are currently utilizing these approaches as appropriate to their agency's needs and cited several specific examples. The agency reaffirmed its commitment to continue to coordinate and share with agencies recruiting and hiring practices that have statewide applicability.

DAS also reported that it presently offers general management training, leadership training, technical training, and other work skills training that support the Committee's recommendations and are available to state agencies. DAS will partner with agencies to expand the availability of needed training. DAS will continue to work with OYA to determine their management training needs.

The Subcommittee recommended acknowledging receipt of the report.

The motion carried with no objection voiced. Senator Schrader excused.

62. Department of State Police

Representative Morgan moved that the Emergency Board allocate \$659,254 from the Emergency Fund established by section 1, chapter 794, Oregon Laws 2005, to supplement the appropriation made to the Department of State Police by section 1(1), chapter 718, Oregon Laws 2005, Patrol services, criminal investigations and gaming enforcement; approve the establishment of ten permanent positions (6.38 FTE); and establish a reservation in the Emergency Fund in the amount of \$900,910 available through April 30, 2006, with conditions, for additional trooper positions.

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

The 2005 Legislature eliminated 20 sworn positions (troopers) in the Department of State Police's (OSP) Patrol Division, reducing the number of sworn positions available for patrol on the highways. There have not been any layoffs of troopers as a result of the elimination of these 20 positions because of the number of vacant positions and the pattern of filling sworn positions within OSP. Since OSP only adds new sworn personnel to its ranks through a recruit school, the agency often

has a number of vacancies until a new recruit school is started. It should be noted that the agency must reassign sworn positions after the current recruit school to match the available staff with the legislatively assumed number of positions in each division. With the graduation of the current recruit school, staff must be transferred from the Patrol Division to the Criminal Division.

In response to the concern over the number of troopers patrolling state highways, a two-part proposal was crafted to increase the amount of resources dedicated to providing patrol coverage. First, the evidence technician program is reestablished by creating ten new non-sworn positions which will free up time currently spent by sworn staff in processing and tracking evidence. This program was eliminated during the 2001-03 budget shortfalls. These new evidence technicians will be located across the state and will free up the equivalent of approximately 8 troopers for patrolling the highways in the near future. The cost of this part of the proposal is \$659,254.

Second, a reservation of \$900,910 in the Emergency Fund is established to create up to ten additional trooper positions for the Patrol Division. OSP will need to return to the Emergency Board at its April meeting to request the funding and position authority. The agency estimates it will have a sufficient number of candidates to begin a recruit school in May to fill any vacant sworn positions currently in the budget, as well as an additional 10 positions. The Subcommittee discussed the current status of the agency's vacant and double-filled positions and what impact they and future retirements will have on the need for additional trooper positions. As a result, the agency was instructed to update this information if it requests funding from the reservation.

Before receiving funding from the proposed reservation, the agency must have hired or have substantially completed the hiring process for the ten evidence program positions; there must be a sufficient number of eligible recruits to fill at least 20 existing vacant sworn positions; a recruit school must be scheduled to begin May 1st or soon after; there must be eligible recruits to fill any additional trooper positions authorized by the Emergency Board; and the funding for any new trooper positions as well as the evidence program positions must be used for the purposes they were designated.

The agency was instructed to continue to report on its financial status, as well as its vacant and double-filled positions (sworn and non-sworn), at each of the remaining Emergency Board meetings during 2006.

The following Committee discussion occurred:

Several Committee members expressed their support for state troopers, and commented on the importance of the State Police, specifically in the rural areas of the state, in emergency preparedness systems, and in addressing the problems relating to methamphetamine. Also mentioned was the positive signal this action would send to new recruits and the importance of examining performance measures as a result of this action.

Senator Carter and Representative Minnis exchanged comments on past legislative and executive branch decisions regarding the funding and hiring of state troopers.

The motion carried with no objection voiced.

The meeting was adjourned at 11:55 a.m.

EMERGENCY BOARD:

/s/ Peter Courtney

Senator Peter Courtney, Presiding Chair

/s/ Wayne Scott

Representative Wayne Scott, Secretary

ATTEST:

/s/ Ken Rocco

Ken Rocco, Legislative Fiscal Officer