

MINUTES OF THE EMERGENCY BOARD

November 7, 2003

State Capitol

Salem, Oregon

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

Member Excused: Representative Miller

Pursuant to the provisions of ORS 291.328 and acting under the authority of ORS 291.326(1)(a), (b), (c), and (d), ORS 291.371, and ORS 291.375, we hereby certify that the Emergency Board, meeting on November 7, 2003, took the following actions:

The meeting was called to order by Representative Minnis at 8:40 a.m. in Hearing Room F of the State Capitol.

Minutes

Senator Courtney moved that the Emergency Board approve the minutes of the August 27, 2003 meeting, as mailed, and upon hearing no objections the minutes were approved.

Federal Grants

Representative Hansen moved that the Emergency Board approve, en bloc, the following requests for approval to apply for federal grants: Item 5, Department of Community Colleges and Workforce Development; Item 21, Department of Housing and Community Services; Item 22, Department of Agriculture; Items 24 and 25, Department of Environmental Quality; Item 30, Oregon Watershed Enhancement Board; Item 40, Department of Administrative Services; and one additional item for the Department of Human 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 (Education) action:

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

Item #	Agency	Grant Application
5	Department of Community Colleges and Workforce Development	To the U.S. Department of Labor for National Emergency Grants as the need arises to assist dislocated workers.
21	Department of Housing and Community Services	To the U.S. Department of Energy not to exceed \$30,000 for weatherization services for low income individuals.
22	Department of Agriculture	Retroactive – To the U.S. Department of Agriculture for \$111,270 to support animal disease surveillance and animal emergency management activities.
24	Department of Environmental Quality	To the U.S. Environmental Protection Agency for \$520,000 to expand existing air toxics monitoring in the Portland area.

25	Department of Environmental Quality	To the U.S. Environmental Protection Agency for \$100,000 to establish air toxics monitoring at an existing air quality monitoring site in La Grande.
30	Oregon Watershed Enhancement Board	To the Bonneville Power Administration for a maximum of \$85,000 for monitoring activities in the John Day River Basin.
40	Department of Administrative Services	To the U.S. Department of Commerce for a maximum of \$65,000 to develop recommendations for state government and other stakeholders in rural development.
	Department of Human Services	Retroactive – To the U.S. Centers for Disease Control and Prevention (CDC) for a five-year physical activity and nutrition grant to address chronic disease in Oregon. CDC has notified the Department it has been selected to receive \$449,471 for the first fiscal year of the project.

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

Representative Hansen’s motion carried with no objections voiced. Representatives Miller and Doyle excused.

1. Secretary of State

Senator Harper moved that the Emergency Board allocate \$373,000 from the Emergency Fund established by section 1(1), chapter 710, Oregon Laws 2003, to supplement the appropriation made to the Secretary of State by section 76, chapter 710, Oregon Laws 2003, for production and mailing of the state voters’ pamphlet for the 2004 primary election, with instructions to implement any efficiencies that can be identified under current law to mitigate required voters’ pamphlet production, printing, and mailing costs.

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

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

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

Because the statute is unambiguous in directing the Secretary of State to perform certain duties regarding the voters’ pamphlet, including mailing to each post-office address, the Secretary would be vulnerable to a lawsuit if the state voters’ pamphlets were not produced and mailed. Pamphlet mailing dates are late April and early October, and preparatory contractual obligations begin in early February. Certain expenses must be paid at the time service is provided.

The Secretary requested an allocation of \$1.2 million from the general purpose Emergency Fund for publication and mailing of the state voters' pamphlets in 2004.

The Subcommittee proposed the Legislative Fiscal Office recommendation for partial funding be modified, by deleting the instructions to return to the September 2004 Emergency Board with a request for an additional allocation for the general election pamphlet. The Subcommittee did not preclude the Secretary from a future request.

The Subcommittee recommended approval of the request.

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

Agency Reports

Representative Doyle moved that the Emergency Board acknowledge, en bloc, receipt of the following reports: Item 4, Judicial Department; Items 36 and 37, Department of Administrative Services; and Item 41, Oregon Liquor Control Commission.

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

Four reports were submitted by agencies in response to statutory requirements, budget notes, or Emergency Board direction. The Committee acknowledged receipt of all of the reports.

Item #	Agency	Report
4	Judicial Department	Distribution of resources for pro-tem judgeships.
36	Department of Administrative Services	Compensation plan changes.
37	Department of Administrative Services	Reorganization of the Information Resource Management Division.
41	Oregon Liquor Control Commission	Use of six positions following evaluation of the agency's organizational structure.

Representative Doyle noted that Item 36 describes about \$3.4 million General Fund cost in compensation package increases for Executive, Management, Unclassified, and Unrepresented employees authorized by the Governor. The funding for the increase is to be found within existing resources.

The Subcommittee recommended acknowledging receipt of all the reports.

Representative Doyle's motion carried with no objections voiced. Representative Miller excused.

2. Secretary of State

Senator Harper moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Secretary of State by section 79, chapter 710, Oregon Laws 2003, by \$9,186, for development of a statewide historical records plan.

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

The Secretary of State was granted approval by the Emergency Board in April 2002 to apply for a federal grant to develop a statewide historical records plan. Completion of the plan is a prerequisite for applying for additional grants from the National Historical Publications and Records Commission (NHPRC). The Secretary received notice subsequent to the NHPRC's November 2002 meeting that \$9,186 would be awarded, and the Emergency Board increased the Secretary's Federal Funds limitation for 2001-03 by \$9,186 at its January 2003 meeting.

Because of staff resource allocation priorities and limited availability of the State Historical Records Advisory Board, the agency did not expend the funds prior to the end of the 2001-03 biennium. Through an oversight, limitation was not included in the Secretary's 2003-05 legislatively adopted budget.

The agency is now prepared to begin the work, and the Secretary requested an increase in Federal Funds limitation of \$9,186.

The Subcommittee recommended approval of the request.

Senator Harper's motion carried with no objections voiced. Representative Miller and Senator Schrader excused.

3. Judicial Department and Public Defense Services Commission

Representative Butler moved that the Emergency Board acknowledge receipt of a report from the Oregon Judicial Department and the Public Defense Services Commission on the Application Contribution Program; increase the Other Funds expenditure limitation established for the Oregon Judicial Department by section 2, chapter 717, Oregon Laws 2003, by \$274,984; authorize the establishment of four positions (3.16 FTE) for the Oregon Judicial Department; and direct the agencies to return to the April 2004 meeting of the Emergency Board, with instructions.

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

The Application (and) Contribution Program (ACP) is a two-part program that requires persons who apply for appointment of counsel to pay an application fee of \$20. The court may also order these persons to contribute to the cost of appointed counsel. These requirements can be waived by a judge if the person is unable to pay. The program is already established in 16 counties, and is generating just over \$1 million a biennium.

The 2003 Legislature directed that the program be implemented statewide, and estimated that an additional \$2 million could be generated from statewide implementation. The Legislature directed that General Fund-supported eligibility verification staff be shifted onto Other Funds revenue from the ACP. A primary goal of the fund shift was to ensure that the Oregon Judicial Department (OJD) eligibility verification staff is supported by a fund source that is not vulnerable if General Fund reductions occur. Previously, some eligibility verification positions had been eliminated as a result of budget cuts. However, the legislatively adopted Public Safety Budget Plan also assumed \$2 million of General Fund savings from this fund shift. OJD is in the process of identifying General Fund-supported verification positions, and the costs related to the verification program. OJD will provide this information to the Legislative Fiscal Office and the Department of Administrative Services when completed.

The Public Defense Services Commission (PDSC) receives the ACP revenue. Eligibility verifiers, who ensure that persons seeking court appointed counsel are eligible for such services, and who also recommend ACP contributions, are OJD staff. The Legislature directed through budget notes that the agencies provide a status report to the November 2003 meeting of the Emergency Board on progress in establishing an inter-governmental agreement on staffing and funding of the statewide program, and on the plan for statewide implementation. OJD and PDSC reported on a preliminary plan to implement ACP in nine counties. The plan to implement ACP in the remaining counties will be formalized once the inventory of General Fund eligibility verification positions is completed. OJD may seek additional eligibility verification position authority if revenue projections will support these positions.

The Subcommittee directed the agencies to return to the April 2004 meeting of the Emergency Board with a statewide ACP report. The Subcommittee reviewed the need to evaluate any request for additional staff in the context of the use of ACP revenue for positions and the revenue impact, versus the shift of staffing from the General Fund. There was concern about the level of staffing available for eligibility verification, and overall staff workload. The Subcommittee recommended that the April 2004 report detail progress made toward implementing a statewide program, provide an estimate of the revenue that will be generated, identify the existing staff that will be transferred onto this revenue, and identify the additional staff that may be required in order to ensure a functioning statewide program.

The Subcommittee recommended approval of the request.

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

6. Department of Community Colleges and Workforce Development

Representative Morgan moved that the Emergency Board acknowledge receipt of a report on a new distribution formula for the Community College Support Fund proposed by a work group of community college presidents.

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

Last session, the Legislature appropriated \$10.7 million General Fund to the Emergency Board for distribution to community colleges after the State Board of Education considered a revised Community College Support Fund distribution formula. The Department of Community Colleges and Workforce Development presented a report on a formula revision that is supported by the Council of Community College Presidents.

The proposal was developed in response to concerns from some colleges over the inclusion of local property tax revenues in the calculation of how state funds are apportioned to the colleges. The proposed formula contains a number of changes from the one currently used. The principal change, however, is the addition of a payment, known as an "District Equity Distribution", that provides additional money to colleges that have a low level of property tax revenue per student. Under the proposal, approximately \$16.5 million General Fund would be set aside from 2004-05 distribution to be distributed to colleges with lower property tax collections. This would replace a provision in the existing formula that dedicates one-half of a district's property tax collections toward meeting targeted funding levels.

The State Board of Education, which is authorized by statute to determine how state funds are distributed to community colleges, will act on the college presidents' proposal in January. The Department will return to the Emergency Board later that month to report on the State Board's actions and to request allocation of the \$10.7 million special purpose appropriation.

The Subcommittee recommended acknowledging receipt of the report.

The following Committee discussion occurred:

Senator Messerle commented that although he would support the motion, he is concerned that the proposed formula does not encourage community college districts to support their tax bases. The formula is set up so that if a district has higher taxes it will get less state support. He further added that he did not think the presidents had fixed the problems with the formula yet.

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

7. Oregon Student Assistance Commission

Senator Gordly moved that the Emergency Board acknowledge receipt of a report on the agency's participation in the Federal Family Education Loan Program, with the understanding that the Department of Administrative Services will unschedule \$402,287 of the Other Funds expenditure limitation established for the Commission.

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

A budget note, approved with the Commission's budget bill, requires two reports this interim on the status of Federal Family Education Loan Program. The Commission presented the first of those two reports. The Oregon Student Assistance Commission acts as the state's guarantor agency under this federal student loan guarantee program. Its role is to guarantee repayment of qualified students loans made by private lenders.

The program operates on a self-support basis that the state does not subsidize with General Fund or other support. The Commission receives revenue from a number of fees and payments as allowed under Federal law. These fees are generally based on the dollar amounts of the loans the agency guarantees, and on the dollar amount it collects on defaulted loans. The agency also earns revenue when it acts to prevent a student loan from going into default, and when it consolidates defaulted loans.

The Federal government began a phased reduction in program fees that started in 1998, and that is now complete. The agency must realign its expenditures to match these reduced fee and revenue levels. To do this, it must increase revenue by increasing the size of its portfolio, further reduce costs, or change how it participates in the student loan guarantee program. The agency should be able to continue its current operations through 2004, but after that it is likely that a change in agency participation will be needed.

The agency and the Department of Administrative Services (DAS) are jointly reviewing available options. These options include requesting changes from the Federal government in the agency's responsibilities and fee structures, contracting agency functions to other entities, and even

withdrawing from the program entirely. The agency and DAS will present recommendations from this review to the Emergency Board in June 2004.

The agency has, however, already identified reduction of four positions (3.50 FTE), with associated savings of \$402,287 Other Funds. The Subcommittee recommended that the Emergency Board acknowledge receipt of the report, with the understanding that the Department of Administrative Services will unschedule this unneeded expenditure limitation.

The Subcommittee recommended approval of the Legislative Fiscal Office recommendation.

The following Committee discussion occurred:

Senator Schrader asked about loan consolidation income. Legislative Fiscal Office staff responded that increasing the amount of loan consolidations appears to be the best way for the Commission to increase revenues in the short-term, but that the long-term viability of this revenue source is of concern.

Senator Schrader then asked whether there were alternative guarantors for the state to work with. Legislative Fiscal Office staff replied that there are, and that the Commission and the Department of Administrative Services would be reviewing these options and will report back to the Emergency Board in June 2004.

Representative Morgan noted that legislators became aware of financial issues in the program very late in the session, and that this report had clarified the impact of federal program changes on the Commission's revenues. She pointed out that 80% of the agency's staff support this program, and that the Legislature will need to keep a close eye on developments.

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

8. Department of Higher Education

Representative Morgan moved that the Emergency Board establish an Other Funds Capital Construction [Other Revenues (Including Federal Funds)] expenditure limitation of \$1,660,000 for the Department of Higher Education, for the renovation of the Oregon State Public Health Laboratory located in Science Building 2 at Portland State University.

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

The Oregon State Public Health Laboratory, located on the Portland State University (PSU) campus, is the state's primary bioterrorism preparedness laboratory. The laboratory currently meets Bio-Safety Level 2 standards. The federal USA Patriot Act requires the laboratory to be upgraded to meet more-stringent Bio-Safety Level 3 standards. The upgrade would provide additional safety for the laboratory to contain the extremely hazardous agents that it may potentially be required to handle in a security-threat situation. The upgrades would also improve containment of the less-dangerous agents that the laboratory routinely handles.

The Laboratory anticipates receipt of \$1,660,000 in Federal grant monies from the Centers for Disease Control and Prevention to fully finance the necessary upgrades. The Department of Higher Education, which owns the facility, requested authority to spend the grant funds for this purpose. There is no required state match. Although the Laboratory plans to relocate to a new facility in a few

years, the federal grant will finance an upgrade of the existing space. PSU will use the laboratory, after it is vacated, for its academic and research programs. The safety upgrades will continue to benefit PSU after it assumes operation of the laboratory space.

The Subcommittee recommended approval of the request.

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

9. Department of Higher Education

Senator Gordly moved that the Emergency Board establish an Other Funds Capital Construction [Article XI-F(1) Bonds] expenditure limitation for the Department of Higher Education, for the acquisition of the Doubletree Hotel property located near the Portland State University campus, and transfer \$20,000,000 from the [Article XI-F(1) Bonds] expenditure limitation established for the Department of Higher Education by section 2(3)(f), chapter 725, Oregon Laws 2003, for a Combination Housing/Parking Structure at Portland State University, and \$5,000,000 from the [Article XI-F(1) Bonds] expenditure limitation established for the Department of Higher Education by section 2(3)(g), chapter 725, Oregon Laws 2003, for New Housing Construction, phase 1 at Portland State University, to the newly established expenditure limitation.

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

The Department of Higher Education requested permission to use \$25 million of Article XI-F(1) bond proceeds to acquire the Doubletree Hotel property at 310 SW Lincoln Street in Portland. The property, located near the Portland State University (PSU) campus, would be used by the university for student housing and as a conference center. It includes a four-acre site with 116,000 square feet of facility space and over 240 parking spaces. PSU would convert the space into student housing, while retaining a portion of the facility for use as a conference center. The university would adjust the facility usage mix to meet market demand.

The property would provide PSU with a large amount of contiguous space next to its campus, and address a shortage of campus student housing. A recent housing survey showed a need for an additional 700-900 housing units just to meet the needs of the existing student population. The university will incur debt service costs estimated at \$3.6 million per biennium, plus other operating costs of \$2.4-\$2.5 million per biennium. Debt service and operating costs will be paid with revenue generated from the facility, including housing fees, conference fees, and parking and food charges. If revenue falls short of projections, the university will be required to cover expenses from other housing auxiliary income or from its general operating revenue.

PSU intends to eventually replace the existing facility with new development on the site. This request, however, does not include any redevelopment of the site. The Department would need to request legislative approval at a future time before funds could be spent to redevelop the property. At that time, the university, Department, and Legislature will have to determine whether the proposed redevelopment will generate sufficient revenue to cover not only its own cost, but also the ongoing debt service of the bonds originally used to acquire the property.

The Subcommittee approved the transfer of expenditure limitation from two authorized capital projects that the university will not now need, with the understanding that the Department of

Administrative Services will unschedule the \$10 million of expenditure limitation that will remain for the New Housing Construction, phase 1 project at Portland State University.

The Subcommittee recommended approval of the request.

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

10. Commission for the Blind

Senator Winters moved that the Emergency Board increase the Other Funds expenditure limitation established for the Commission for the Blind by section 2, chapter 495, Oregon Laws 2003, by \$143,890, and increase the Federal Funds expenditure limitation established for the Commission for the Blind by section 3, chapter 495, Oregon Laws 2003, by \$812,322 to support case services and to fully access available federal funds.

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

The 2003-05 legislatively adopted budget for the Commission for the Blind reflects a 10.1% decrease in General Fund support. This reduction in support, when combined with the loss of federal matching funds, resulted in a reduction of seven positions. The Joint Committee on Ways and Means directed the Commission to explore the possibility of using a portion of donation funding to match Federal Funds and to provide additional support to agency operations.

The Commission requested five limited duration positions to reduce the number of clients waiting to receive case services and instruction and to provide support services. The Subcommittee discussed the efforts the Commission has made to keep costs low and recognized the unique population it serves. The five positions were not recommended, but the Commission was encouraged to provide services with existing staff, personal services contractors, or temporary employees. The Subcommittee requested that the Legislative Fiscal Office report back to the Emergency Board if, after a good faith effort is made, the Commission is unable to reduce the wait list and provide the necessary case services.

The Subcommittee recommended approval of the request.

Senator Winters' motion carried with no objections voiced. Representative Miller excused.

11. Department of Human Services

Representative Bates moved that the Emergency Board acknowledge receipt of a report on reducing the costs of administering Oregon Health Plan (OHP) contracts with managed care providers and direct the Department to return to the April 2004 and November 2004 meeting of the Emergency Board with updates on actions it plans to take to reduce the costs of managing OHP managed care contracts.

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

House Bill 3624 required the Department of Human Services, in consultation with representatives of fully capitated health plans, to "review administrative requirements for fully capitated health plan contracts and implement changes that would decrease the costs of administering

contracts.” The bill required DHS to submit a report on its activities by November 2003 to the Emergency Board.

DHS reported that it had met several times with health plan representatives and had a number of cost-saving ideas it is now considering. The target areas for improvement and streamlining include: eligibility and enrollment; contracts and rules; quality improvement and monitoring; the denial and appeals process; prior authorization and open-card clients; the number of meetings; the payment and recoupment process; and encounter data.

The Subcommittee recommended acknowledging receipt of the report. In light of the limited time the Department had to work on ways to reduce its contracting costs, the Subcommittee further recommended that the agency return to the Emergency Board with two updates – by April 2004 and November 2004. The Subcommittee also expressed its desire to hear testimony from managed care plan representatives on the cost-saving measures DHS will propose to implement.

Representative Bates’ motion carried with no objections voiced. Representative Miller excused.

12. Department of Human Services

Senator Winters moved that the Emergency Board authorize transfers of General Fund appropriations, and increase Other Funds expenditure limitation and Federal Funds expenditure limitations, per the attached schedule, for the Department of Human Services close-out plan for the 2001-03 biennium.

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

The Department of Human Services (DHS) submitted a close-out plan with a request for changes in appropriations and expenditure limitations needed to reconcile its 2001-03 budget with updated revenue and spending estimates. The close-out plan requested adjustments to shift General Fund among three line item appropriations, with no change to the General Fund appropriation for DHS overall, and to increase nine Other Funds and Federal Funds expenditure limitations by a total of \$18.8 million Other Funds and \$42.0 million Federal Funds. A net \$76.9 million in General Fund savings was identified; this amount would revert to the General Fund when the financial books are closed.

The total General Fund reversion amount included \$30.7 million from a combination of the December 2002 allotment reductions and savings from the April 2003 rebalance plan, which was used to cover temporary cash flow needs late in the biennium; \$17.3 million from higher Medicaid match rates for April through June 2003, as authorized in the federal Jobs and Growth Reconciliation Act of 2003; and \$1.2 million in delayed information systems expenditures. These reversions were part of the 2003 Legislature’s final 2003-05 budget balancing plan.

DHS reported an additional \$27.7 million in General Fund savings, including the following other major adjustments:

- Available federal Title XX Social Services Block Grant funds in Adult and Family Services (AFS) and Services to Children and Families (SCF) were used to offset \$7.8 million in General Fund costs.
- Expenditures in Developmental Disability Services (DD) for adults’ and children’s services have been lower than expected, saving \$6.9 million General Fund.

- A net additional \$9.1 million General Fund and \$5.4 million Federal Funds was required in Senior and Disabled Services to cover higher long-term care costs for persons in nursing facilities, substitute homes, and in-home services; increased costs related to reassessments of clients in survival priority levels 12 through 17; lower than expected revenues from estate and Supplemental Security Income (SSI) recoveries; and General Assistance savings that were less than projected.
- The Oregon Health Plan Standard population caseloads, and fee-for-service costs for these clients, have been lower than forecast, saving \$6.9 million General Fund and \$10.4 million Federal Funds.
- Higher than forecast tobacco tax revenues – \$12.2 million Other Funds – were used to offset General Fund in the Oregon Health Plan.
- Administrative savings in AFS, SCF, and DD totaled \$6.0 million General Fund.
- Updated cost allocation calculations required \$3.3 million General Fund in the Department-Wide Support Services budget for adjustments related to eliminating the Director's Office prorate.

The Legislative Fiscal Office identified an additional \$1.6 million General Fund in the DD budget which would be replaced with federal revenue in the final close-out. This adjustment brought the total expected General Fund reversion to \$78.4 million.

The close-out plan reflected the Other Funds and Federal Funds impact of the above issues, and other significant Federal Funds increases in AFS and SCF to correct previous transfers made as part of the Department's reorganization, higher federal foster care and Medicaid revenues, and higher federal revenues to be paid to county District Attorneys providing child support services.

The Subcommittee recommended approval of the requested General Fund transfers and Other Funds and Federal Funds expenditure limitation increases, with the understanding that the net \$78.4 million in expected General Fund savings would revert to the General Fund without further legislative action.

Senator Winters' motion carried with no objections voiced. Representative Miller excused.

15. Military Department

Senator Harper moved that the Emergency Board increase the Capital Construction Other Funds expenditure limitation established for the Oregon Military Department by section 3(2)(a), chapter 909, Oregon Laws 1999, by \$603,750 to expend Domestic Preparedness Grant Funds received for construction of force protection measures at the Anderson Readiness Center located in Salem.

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

In May 2003, the Oregon Military Department applied for federal Domestic Preparedness Grant funds through the Oregon State Police Criminal Justice Services Division for security equipment to be installed at the Anderson Readiness Center. In July 2003, the Department was awarded the grant.

The Legislature authorized the construction of the Anderson Readiness Center in 1995. The Department is currently in the process of completing the security elements for the new building for a total investment of \$2.4 million. Of this amount, \$1.4 million is funded by Federal Funds, \$170,000 from Certificates of Participation, \$230,000 from the Department's Construction trust account, and the balance from the Domestic Preparedness Grant. The grant funds will pay for a portion of the vehicle inspection checkpoint and access road, closed circuit television system, perimeter security fence, and bringing the building's exterior to a higher construction standard for blast resistance and increased

survivability of staff and operations in the event of an explosion at the facility. The grant will pay 100% of the lobby security station costs.

The Subcommittee recommended approval of the request.

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

16. Military Department

Senator Harper moved that the Emergency Board increase the Other Funds expenditure limitation established for the Oregon Military Department by section 2, chapter 620, Oregon Laws 2003, by \$169,803, increase the Federal Funds expenditure limitation established for the Oregon Military Department by section 3, chapter 620, Oregon Laws 2003, by \$3,093,594, and approve the establishment of 42 permanent positions (33.83 FTE) to address increased workload in several program areas.

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

The Oregon Military Department requested five program area adjustments in the 2003-05 legislatively adopted budget to address workload changes in those areas.

Equipment Refurbishment Program – The Readiness Sustainment Maintenance Site (RSMS) located at Camp Withycombe is preparing to increase production in response to the Department of Defense consolidation of production sites across the United States, coupled with requirements for circuit cards, night vision devices, chemical alarm and monitoring equipment, and power generators. To meet the increased demand, Camp Withycombe will require an additional 32 positions. The program is 100% federally funded and no state match is required. Based on information provided by the Department, the Legislative Fiscal Office (LFO) calculated the cost of these positions to be \$2,388,605 for personal services, \$111,800 for services and supplies, and 26.0 FTE.

Portland Air Base Fire Protection Program – The National Guard Bureau has directed that an additional seven fire fighter positions be assigned to the Portland Air Base as a requirement for adequately staffing the base fire protection program. The Air Force Reserve stationed at the Oregon Air Guard's Portland Air Base had a change in mission from Air Rescue to Air Refueling in October 2002. Since then, the re-designated USAF Reserve Air Refueling Unit has been experiencing changes which has involved the acquisition of tanker aircraft and modification of facilities. This has also caused an increase in Air Force-directed support requirements. As a result, the Bureau is taking action to ensure that the fire departments have sufficient personnel to support the fluctuating demand. The positions will be 100% federally funded. Because the National Guard Bureau has ordered the increase, four of the seven positions have been filled with temporary employee fire fighters. Based on information provided by the Department, LFO calculated the cost of these positions to be \$562,452 for personal services and 5.54 FTE.

Youth Challenge Program – When the Legislature approved funding for the Youth Challenge Program, the Department thought it could function with two cooks instead of three that were previously carrying out the duties and responsibilities. The Department has determined that this arrangement has left the program short-staffed requiring the two cooks to work overtime and does not allow time to cover emergencies, vacations, and illnesses. In order to effectively handle the workload that is associated with providing meals and snacks for 150 cadets, the Department requested an additional position. The Department temporarily double-filled an existing position to ensure adequate

support and coverage for the current class of cadets. The position will be funded with 40% Other Funds (\$20,491) generated from the Average Daily Membership revenue and 60% Federal Funds (\$30,737) at a total cost of \$51,228 and 0.79 FTE for 19 months.

Armory Rental and Events Marketing – The Department believes that the Portland region would increase its revenues if an Events Marketing Coordinator was placed in that region. The Portland region generated \$390,000 in the 2001-03 biennium from rental income and the Department estimates an additional \$124,800 may be generated if an additional position was devoted to marketing their facilities. The increase in revenue would more than pay for the cost of adding the position. The position would be established as a Program Representative 1 at salary range 21 for an estimated cost of \$72,530 for 20 months. Based on information provided by the Department of actual dates of hire, LFO calculated the cost of these positions to be \$68,712 Other Funds for personal services and 0.75 FTE.

Human Resources – The Human Resources Division currently has five employees supporting 418 positions. These five employees handle all affirmative action, recruitment, classifications, records, payroll, benefits, safety, and temporary appointments. A position was eliminated during 2001-03 anticipating a reduced work force from a proposal to pare down the Youth Challenge Program. The Youth Challenge Program was restored by the Legislature in the 2003-05 budget. With the continuation of the 48 Youth Challenge positions and the addition of the above-described positions, an additional Human Resource position is needed to provide adequate personnel services to the Department. The Department requested a Human Resource Analyst 2 classification, salary range 26. The funding for this position will be 100% Other Funds as a result of the Department's intra-agency personnel plan charges to the federally funded programs. Based on information provided by the Department of actual dates of hire, LFO calculated the cost of this position to be \$80,600 Other Funds for personal services and 0.75 FTE.

The Subcommittee confirmed that the agency had competed for the missions at Camp Withycombe and the Portland Air Base and that the state would not be required to continue any of the new positions if the Federal Funds or Other Funds support for them were to be reduced or discontinued.

The Subcommittee recommended an increase of \$3,093,594 Federal Funds expenditure limitation and an increase of \$169,803 Other Funds expenditure limitation to establish 42 positions (33.83 FTE).

The following Committee discussion occurred:

Representative Doyle requested additional information about the source of funds for the Events Coordinator position and whether the state was obligated to continue any of the federally funded positions once available funds are spent.

Senator Harper confirmed that Events Marketing Coordinator position costs would be covered by facility use Other Funds rental revenue and that there was no expectation or obligation to continue any of the federally funded positions if support for them is discontinued.

Senator Winters asked if the Subcommittee discussed whether or not there were any vacant positions available within the agency that could be used to offset some of the need for new positions. LFO staff responded that while this was not specifically discussed by the Subcommittee, the agency had confirmed that only about a dozen vacant positions currently existed; the vacant positions were in various stages of being filled due to existing workloads; and that the vacancies were not in the locations or classifications addressed in the Emergency Board request.

Senator Schrader asked if the Subcommittee had discussed potential reductions to the requested positions or FTE.

Senator Harper indicated that there was not a lot of discussion about reducing positions based on the nature of the requests and the information that was provided confirming the need for them.

Senator Schrader expressed his concerns with any implication that the Emergency Board shouldn't care if the positions are federally funded. He recalled that legislative members agonized over agency requests for additional positions, regardless of fund source, during the regular session and that he would not be voting to add more positions at this time.

Senator Harper's motion carried with Representative Doyle and Senator Schrader voting 'no'.
Representative Miller excused.

17. Department of State Police

Representative Butler moved that the Emergency Board authorize transfers of General Fund appropriations and Federal Funds expenditure limitation, per the attached schedule, for the Department of State Police rebalance plan for the 2001-03 biennium.

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

The Department of State Police (OSP) submitted a final department-wide rebalance plan to address differences between the amounts budgeted for 2001-03 and estimated expenditures for individual programs within the agency. This plan is based on actual and planned expenditures through June 2003 (24 months). The rebalance plan does not require any new General Fund resources or expenditure limitation department-wide, and assumes a \$350,000 General Fund reversion for 2001-03.

Issues identified in the plan include:

- The Emergency Board provided funding to OSP for the 2001-03 biennium fire costs incurred under the Conflagration Act at its January 2003 meeting. At that time, it was assumed that the federal Bureau of Indian Affairs (BIA) would pay for the entire \$493,101 cost of the 2002 Eyerly fire (Jefferson County). Since then, the BIA has refused to pay for the costs since it was not limited to the Warm Springs Reservation. The State Fire Marshal successfully applied to the Federal Emergency Management Administration (FEMA) to pay for three quarters of the costs, but must still rely on the General Fund to finance the final \$245,914, or 25%, of the costs. The Subcommittee instructed staff to review the details of this fire to determine if the Bureau of Indian Affairs is responsible for the costs.
- The agency took significant reductions during the biennium in areas where spending had to continue over the budgeted amounts to meet certain requirements. Examples include trooper training (fire arms qualifications) and communications related budgets to maintain radio tower equipment throughout the state.
- The final OSP 2001-03 budget assumed \$800,000 of revenue from the sale of the second King Air plane. The agency was unable to find a buyer by the end of the biennium, leaving a "hole" in the 2001-03 budget.
- During the 2001-03 budget development, the final amount of rent for the new C-4 building was not known. Now that the building is completed and OSP units have moved into the facility, the cost for 2001-03 is \$577,321 General Fund greater than the budgeted amount.

These and other “problems” are offset by savings, primarily in personnel costs (\$1.7 million General Fund). Factors leading to these personnel cost savings include more staff retired than expected, which generated greater vacancy savings; and positions added back during the 2003 session in Patrol and Forensics took longer to fill. One factor was the uncertainty on whether these “add-back” positions would continue into the 2003-05 biennium.

The OSP rebalance plan requests the transfer of Federal Funds expenditure limitation to match the increased High Intensity Drug Trafficking Areas (HIDTA) grant resources received in 2001-03. HIDTA grant funds are used by designated counties for equipment, law enforcement overtime, and “buy money” as well as for state staff at OSP and the Department of Justice. The current budget assumes \$3.4 million for HIDTA spending, but the final 2001-03 spending is \$5.1 million due to receipt of additional federal grants. Federal grants increased in part due to the addition of four more HIDTA counties (Clackamas, Douglas, Multnomah, and Washington) to the original three counties (Marion, Deschutes, and Jackson).

The Subcommittee recommended approval of the request.

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

18. Oregon Youth Authority

Senator Dukes moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Oregon Youth Authority by section 3, chapter 634, Oregon Laws 2003, by \$123,711 for a grant from the U.S. Department of Justice, Office of Justice Programs, to assess and improve management of sex offenders.

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

The Department of Justice, Office of Justice Programs has awarded a \$141,386 grant to the Oregon Youth Authority (OYA) to design, recommend, and implement a comprehensive statewide system for managing juvenile sex offenders. Juvenile sex offenders are a large, and growing, number of youth supervised in the juvenile system. As of June 2003, 1,108 sex offenders were under supervision by either OYA or county juvenile departments. This grant will allow OYA to work with community partners across the state to manage sex offenders more consistently and effectively, with an expectation that this will reduce future offenses.

Total project costs are estimated at \$199,098. To meet the required 25% match, the agency will use part of the salaries of two existing employees – a treatment coordinator and research analyst – who will be working on the project. The Federal Funds will be used to pay for one half-time limited duration Administrative Specialist 2 position, meeting and travel costs, equipment and supplies, and development and printing of training materials. The \$123,711 Federal Funds expenditure limitation request represents the estimated 2003-05 expenditures from project funds; the balance of the grant funds will be spent in the 2005-07 biennium.

There is no requirement that the project be continued after the grant period ends. However, assuming the grant achieves its goals, OYA would continue to monitor and analyze sex offender management strategies that are implemented as part of the grant, and track offender performance outcomes.

The Subcommittee recommended approval of the request.

Senator Dukes' motion carried with no objections voiced. Representative Miller excused.

19. Employment Department

Senator Winters moved that the Emergency Board acknowledge receipt of a report on the detailed plan to develop and implement Unemployment Insurance Telephone Initial Claims Call Centers, and direct the Employment Department to return to the January 2004 meeting of the Emergency Board to report in detail on the pilot Eugene call center, performance measures and expected outcomes, and project status, at which time the agency may also request that the Emergency Board request the Department of Administrative Services reschedule \$4,000,000 in existing Other Funds expenditure limitation for the Unemployment Insurance Telephone Initial Claims Call Centers.

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

In its proposed budget for 2003-05, the Oregon Employment Department (OED) included a \$4 million Other Funds package for the development and implementation of Telephone Initial Claims Call Centers in order to improve the delivery of unemployment insurance (UI) services. The Department will use Reed Act funds for this purpose. The package was approved with the understanding that the Department of Administrative Services (DAS) would unschedule the amount until OED presented a detailed plan on the development and implementation of call centers to the Joint Legislative Committee on Information Management and Technology and the Emergency Board.

OED's adopted strategic plan includes a business process re-engineering plan. Because of reduced federal funding for the administration of the UI program and the foreseeable attrition of experienced employees due to retirement, the Department expects that using technology will enable the agency to better meet federal measures for the promptness, accuracy, and quality of the UI program.

OED has operated a pilot call center in Eugene since December 2002, using the same technology and strategies that are anticipated for the proposed centers. The expanded Eugene center is expected to open July 2004, the Portland metropolitan center in December 2004, and the Bend center in July 2005. Each center will be a stand-alone configuration, with interconnecting telephone/data lines. Once all centers are functional, they will share resources and act as a networked contact center.

The report from OED provides the details of the technical infrastructure cost estimates. The initial estimate is approximately \$3.8 million, which does not include facilities costs such as space lease or work space components. Those costs, approximately \$1.5 million, are expected to be funded from administrative savings. Information Resources Management Division (IRMD) of DAS has examined the OED technology request and worked with the agency on its implementation plan. An IRMD project manager has been assigned to the Eugene pilot project. IRMD analysis concludes that the proposal would use proven technology that has had "mainstream" use. Some customization would be needed, and a vendor has been chosen. IRMD reports the proposed technical solution is appropriate to support the business objectives outlined in OED's strategic plan. Due to its size, this project must conform to the DAS Quality Assurance Review policy. The report also contains the agency's communication with the Department of Administrative Services' Real Property Services, providing justification for approval of the Eugene and Portland center space requests.

The Subcommittee modified the Legislative Fiscal Office recommendation so there can be a review of the report by the Joint Legislative Committee on Information Management and Technology,

and to receive additional information from the Employment Department, before rescheduling the \$4,000,000 Other Funds.

Senator Winters' motion carried with no objections voiced. Representative Miller excused.

20. Employment Department

Representative Doyle moved that the Emergency Board increase the Federal Funds expenditure limitation established for the Employment Department by section 4(1), chapter 584, Oregon Laws 2003, Operating budget, by \$4,594,587, authorize the establishment of 49 limited duration positions (16.34 FTE) to address increased unemployment insurance and workforce development caseload, and direct the Employment Department to return to the April 2004 meeting of the Emergency Board to report on changes in workload levels and to request any necessary further position authorization.

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

Legislation extending unemployment benefits, federal Trade Act provisions on UI and worker retraining, the continued slow pace of the economic recovery, and federal concerns over the timeliness and quality of UI determinations and hearings have led to a higher than anticipated unemployment insurance caseload. The 2003 Legislature passed SB 903 which provided for extended emergency unemployment benefits for up to 15 weeks. Due to the timing of passage of the agency's 2003-05 budget and SB 903, the fiscal impact associated with the bill was not financed, with the understanding that the agency would appear before the Emergency Board for any necessary budgetary adjustments. The federal Trade Act provides both unemployment insurance benefits and retraining opportunities to individuals adversely affected by foreign competition. The Department's Unemployment Insurance (UI) program has experienced a tripling of workload over the past three years. The reemployment assistance provisions under the Trade Act have also increased Department workload significantly over the past three budget cycles. The 2003-05 adopted budget for the Department was based on a level of unemployment experience for the biennium at the time of the June 2002 economic and revenue forecast. The latest forecast, released in September 2003, drastically scaled back the timing and pace of the economic recovery in Oregon from the June 2002 level, projecting increases of 10% in weeks claimed and 17% in initial claims. The U.S. Department of Labor (DOL) has expressed concern regarding performance in terms of the timeliness and quality of certain determinations and appeals and the late submittal of various required reports. DOL's criticism states that Oregon is "not in substantial compliance with Federal law and that the State is not providing adequate service..." and suggests that the state may need a multi-year plan to assign the necessary resources to meet the minimum criteria and sustain improved performance.

To address these caseload issues, the Employment Department requested expenditure limitation and position authority to use federal dollars provided to process claimants. The agency tried to address the caseload increases with temporary employees. State rules regarding the use of temporary employees and the resilience of the economic downturn make the use of temporaries inefficient due the loss of trained workers when the demand for their services continues.

The Subcommittee discussed the agency's use of vacant positions and temporaries and recommended authorizing the establishment of 49 limited duration positions to replace 49 temporaries scheduled to be lost by the end of 2003. The Subcommittee further recommended that the limited duration positions only be authorized through the end of June 2004 and that the Department be directed to return to the Emergency Board in April 2004 to report on caseload levels and performance in processing claims and conducting hearings. The Department testified that an additional 62 temporary

positions are scheduled to be ended in April. Depending on economic conditions and workload, the Department could at that time request continuation of the limited duration positions, if the need can be demonstrated.

The following Committee discussion occurred:

Senator Gordly asked what the current waiting period is for processing an unemployment claim. Legislative Fiscal Office (LFO) staff responded that the Department attempts to process initial claims within the first 21 days after receipt of the claim. The Department will report back on performance in meeting this timeline when they return to the Emergency Board in April. Senator Gordly asked what the expectation would be for reduced waiting times with the additional staff being recommended. LFO responded that the additional staff was merely replacing temporary positions that would be lost by the end of December, therefore the Department anticipates being able to maintain the current level of service.

Senator Winters commented that the motion would only allow the agency to replace temporary staff that would be eliminated due to rules about maintaining a temporary position for only six months. The establishment of 49 limited duration positions relieves the agency of having to recruit and train a new set of temporary employees. Senator Winters added that, technically, the motion is not adding 49 positions, but just taking the existing pool and giving them limited duration employment status.

Representative Bates remarked that his sense is that it takes three to four months to train somebody to be efficient in processing claims and then they are lost as a temporary two months later, so one of the keys is to replace existing temporaries with limited duration positions, which should eventually decrease the amount of time it takes to process claims. Representative Bates also mentioned the report from the federal government expressing concerns that Oregon is substantially not in compliance with federal regulations in getting claims processed. He added that the movement to limited duration would bring some expertise to the process.

Representative Bates also stated that the entire situation comes down to jobs. He noted that Oregon remains in a terrible situation having the highest unemployment rate in the country, and that it was the first state into the recession and there is currently no sign that the state is coming out of it. He added that this agency is key in helping deal with the situation.

Senator Winters added that the Subcommittee had considerable discussion about the need to be certain that individuals entitled to unemployment insurance benefits receive them, which means that staff is needed to process the checks, but that it is also critical that once you have trained temporaries they are gone after six months and that the decision was not to add permanent staff. Senator Winters commented that the Subcommittee worked diligently to keep the number of new FTE down.

Senator Schrader remarked that he had a slightly different perspective of the discussion. A question was raised about why something of this magnitude was not brought up during session and it was apparent that the Department had been told that they could return to the Emergency Board. The Senator opined that he would rather rely on the Ways and Means Subcommittee that spent eight months vetting these types of proposals than an Emergency Board Subcommittee that has less than a week to review. He also noted for the record that the agency's performance measures indicate that the agency has anticipated doing a better job in getting checks out in a timely fashion. Senator Schrader also pointed out that the money being discussed has nothing to do with funding for displaced workers. The Senator also noted that he was hoping for more efficiencies since it seems like the agency adds more FTE when times are good and adds more FTE when times are bad and further discussed his concerns about the additional FTE being proposed.

Representative Scott expressed his difficulty with the request in light of the number of vacant positions that currently exist based on the agency's testimony that they have 1,400 employees and were running in excess of 100 vacant positions, which is in the neighborhood of 7 to 8 percent. Representative Scott indicated that everyone wants to get unemployment checks to individuals as quickly as possible, but that he was not sure that this is being done in the most efficient manner and would like to see some information on performance.

Representative Hansen commented that in his tenure in the Legislature the discussion of dealing with FTE increases is a constant and never-ending discussion. He stated that the problem could be resolved by the Legislature if more time was spent looking at the definitions of position types, looking at streamlining some of the hiring practices required, and looking at ways for agencies to be more flexible and fluid in managing positions. Representative Hansen added that the common view is that we want the state to operate as a business, but he has never heard a successful contractor say that we are not going to be able to fulfill a contract because we don't want to hire people. Representative Hansen further commented that you must have the bodies to do the work when the work exists and when you have a revenue stream to pay for it, but, by the same token, the concept of training someone, filling a position for six months, and then letting them go because technically it doesn't fit with the parameters is a gross inefficiency that should be able to be controlled through statutory and structural changes.

Senator Harper asked whether there was a Department of Labor manpower standard for the number of claims to be handled by a certain number of staff. LFO staff responded that standards exist and that the agency would be requested to include that in the April 2004 report. Senator Harper explained that most of the federal programs come with specific workload goals linking the number of claims to a specific number of processing staff. The Senator commented that if the economy has bottomed out, in theory there will soon be decreasing claims and suggested that this type of analysis be included in the agency's report when they come back to the Emergency Board.

Representative Doyle commented that vacancies concerned the Subcommittee and he was trying to figure out why the Department would have over 100 vacancies but still come to the Emergency Board with the need to fill new positions. He expressed concern that the agency felt obligated to not fill the vacancies for 30 days under the Governor's directive especially since this is an agency whose function should be to get Oregonians back to work and help them get their UI checks, so he believed the agency should have asked for some type of exception from the 30-day directive. Representative Doyle also explained that the recommended action was a compromise. The Department wanted 62 positions for the full balance of the biennium (18 months) and the Subcommittee instead focused more on what the current need is, which led to the focus on people getting their checks and extending the current employment situation for six months by turning the positions into limited duration positions. Representative Doyle added that if things start looking better in April, then these positions won't exist, but the other 60 positions that will be ending in April of 2004 will be closely looked at to see if they can be folded in or are actually needed.

Senator Winters commented that the Subcommittee also requested that the Department provide information on their vacancies currently and over time so that an analysis of whether the vacancy situation is cyclical or if the agency has a pattern of holding a 7% vacancy rate. Senator Winters added that the emphasis was to get information on vacancies and on performance measures in April, but for now to focus on making sure checks are processed and that the agency doesn't lose trained people. Senator Winters also expressed her concerns about the Department and the number of vacancies that they currently have.

Senator Morse added that the Emergency Board was being asked to make decisions on efficiency and does not even have information on what the benchmarks are and how performance is tracking. Senator Morse wondered if the Governor had lifted the 30-day vacancy freeze would the Emergency Board even be having the discussion about adding positions because of the number of vacancies that are available.

Representative Bates commented that there are other barriers to hiring quickly and efficiently such as rules about posting jobs for a certain length of time and going through a complex hiring process. These procedures are done across state government and makes hiring very inefficient. Representative Bates added that, if private businesses had to follow the regulations the state has in order to hire somebody, some businesses would not be successful. Representative Bates agreed with Senator Schrader's comments about having the issue of staffing dealt with earlier in the process so that questions such as how are other states dealing with this and their ratios of FTE for processing claims per claim could have been answered. Representative Bates noted his support for the suggestion of a temporary increase in staffing and commented that he felt the agency was floundering, but is key to helping Oregon get out of the current economic situation.

Representative Doyle's motion carried with Representative Scott and Senators Harper, Morse, and Schrader voting 'no'. Representative Miller excused.

23. Columbia River Gorge Commission

Representative Morgan moved that the Emergency Board allocate \$20,000 from the special purpose appropriation made to the Emergency Board by section 2(1), chapter 583, Oregon Laws 2003, to supplement the appropriation made to the Columbia River Gorge Commission by section 1(1), chapter 583, Oregon Laws 2003, Joint operating program, for costs associated with work plan development and implementation.

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

The Columbia River Gorge Commission was instructed by budget note to request an allocation of \$20,000 from a \$50,000 special purpose appropriation provided to the Emergency Board once the Commission had developed a work plan and schedule to implement the work plan. The plan was to address permit processing timelines, the adjudication processes, definitions of visual requirements for building in the Gorge, and implementation of a fee schedule to recover operational expenses due to Commission work resulting from Klickitat County's failure to adopt National Scenic Area Act ordinances.

The Commission provided a work plan and schedule with its request to the Emergency Board as directed by the budget note. In addition to the \$20,000 from the special purpose appropriation, the Commission requested \$13,125 from the general purpose Emergency Fund as partial payment toward the Commission's estimate of unbudgeted costs related to implementation of the proposed work plan. The Commission reported that 27% of the costs from the work plan are related to work that was already underway and built into the budget approved by the Legislature; 33% of the costs can be absorbed by delaying or deferring projects; and that 40% of the costs will require additional resources. The Commission reported that \$51,500 in additional costs to carry out the work plan cannot be absorbed by the budget approved by the Legislature and special purpose appropriation to the Emergency Board. The additional expense to perform the tasks associated with the work plan would be shared with the State of Washington for a total additional cost to the State of Oregon of \$25,750.

The Subcommittee discussed the nature of these additional costs and the effects on the work plan implementation if the additional costs are not funded. The Subcommittee recommended allocating \$20,000 of the special purpose appropriation to the Commission in light of the work plan development, denying the requested additional \$13,125, and directing the Commission to return to request the remaining \$30,000 from the special purpose appropriation after substantial progress was made in implementing the components of the work plan.

Representative Morgan's motion carried with Representative Hansen and Senators Winters, Gordly and Harper voting 'no'. Representative Miller excused.

26. Department of Environmental Quality

Representative Hansen moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Environmental Quality by section 2(4), chapter 724, Oregon Laws 2003, Cross media, by \$619,248 and approve the establishment of one limited duration position (0.83 FTE) for a chemical terrorism coordinator and the purchase of chemical analysis equipment.

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

The State of Oregon Emergency Management Plan identifies the Department of Environmental Quality (DEQ) as the agency responsible for analysis of chemical terrorism threats through its environmental laboratory. The DEQ lab has already responded to a number of requests from state and federal officials to analyze suspicious chemical substances. So far environmental labs have not been eligible for direct federal grants for antiterrorism activities involving chemical agents and there are no federal labs capable of doing this work located in the state. To fund Oregon's chemical terrorism response capacity, the Department of Human Services (DHS) and Department of State Police (OSP) will transfer a total of \$619,248 from federal grants for homeland security to DEQ for the purchase of chemical analysis equipment and to support a chemical terrorism coordinator position for the remainder of the 2003-05 biennium.

DEQ will use the monies from OSP to purchase equipment needed for the analysis of unknown chemicals and to protect those working in the lab from harm while analyzing unknown chemicals. Funding from DHS will support one limited duration position for the remaining 20 months of the biennium. This chemical terrorism coordinator position will assist with training and planning for responses to possible chemical terrorism attacks. No General Fund will be used to either support this new position or purchase analytical equipment.

The Subcommittee discussed the need for a new position to train first responders for encounters with unknown chemical substances and determined a new position was justified.

The Subcommittee recommended approval of the request.

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

27. Department of Fish and Wildlife

Senator Morse moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Fish and Wildlife by section 2(2)(b), chapter 607, Oregon Laws 2003, Fish natural production, by \$1,258,407 and add 8.62 FTE to 13 existing limited duration positions to continue the Western Oregon Stream Restoration Program from November 15, 2003 through the end of the 2003-05 biennium.

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

The Department of Fish and Wildlife (ODFW) Western Oregon Stream Restoration Program began in 1995 to assist forest landowners with planning and implementing habitat restoration projects. Since that time, the program has been supported using a variety of sources including grants from the Oregon Watershed Enhancement Board (OWEB). Funding for the program was not included in the Governor's 2003-05 budget and ODFW was directed to apply to OWEB for funding as they had in 2001-03 when OWEB funded the program. In May 2003, OWEB approved bridge funding which would allow the program to operate until November 15, 2003 pending completion by the Legislature of ODFW's 2003-05 budget.

The Legislature only included the bridge funding in the adopted budget, therefore the Department applied to OWEB at its September 2003 meeting for funding to continue the program. The OWEB Board voted to deny this request. OWEB then reconsidered the funding request at a special meeting in October and approved funding using Measure 66 Lottery Funds dedicated for capital expenditures. The grant will fund 13 positions working in the program for the remainder of the biennium. The funding will support eight field habitat biologists to assist local entities with planning and designing habitat restoration and enhancement projects throughout the Oregon coastal region. The grant will also support five positions working in ODFW's Corvallis Research Center to evaluate the effectiveness of restoration projects implemented through the program.

The Subcommittee discussed that the positions had been authorized in the Department's legislatively adopted budget and that this request only added months to the existing positions to allow the program to continue through the current biennium with funding provided by OWEB.

The Subcommittee recommended approval of the request.

The following Committee discussion occurred:

The Committee clarified that limited duration positions were already established in the legislatively adopted budget, but that program funding for only the first five months of the 2003-05 biennium was available at the time the budget was adopted. OWEB subsequently provided funding for the remainder of the biennium. The positions were not included in the Governor's 2003-05 budget.

The Committee then discussed requests to the Emergency Board for position authority in general. Speaker Minnis stressed that all agencies requesting positions should be cognizant of the financial environment in which they are making their request and be prepared to fully answer all questions concerning the need for new positions. The Speaker asked they be circumspect in future requests for positions and ensure they are vitally needed. Senator Winters agreed with the Speaker's comments and asked that all subcommittees be consistent when considering requests.

Senator Morse's motion carried with no objections voiced. Representative Miller excused.

28. Department of Forestry

Senator Morse moved that the Emergency Board allocate \$1,963,939 from the special purpose appropriation made to the Emergency Board by section 5(1), chapter 678, Oregon Laws 2003, to supplement the appropriation made to the Department of Forestry by section 1(2), chapter 678, Oregon Laws 2003, Protection from fire, for extraordinary fire protection expenses.

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

During the 2003 session, the Legislature appropriated \$5.7 million to the Emergency Board for use by the Department of Forestry to address forest fire severity issues and extraordinary fire fighting expenditures that might be encountered in the 2003 and 2004 fire seasons. The Department reported that while Oregon continued to experience below normal spring and summer precipitation, low forest fuel moistures, and unseasonably high temperatures early in the 2003 fire season, the number of fires started (1,010) was 169 more than the 10-year average of 841, but the number of acres burned (7,255) is the lowest since 1999. Total expenses to date for the 2003 fire season are \$12.5 million compared to \$53 million for the 2002 fire season. The Department developed an action plan to address the serious fire danger situation facing the state. The Department was able to keep the number of acres burned low due to contracting additional resources, pre-positioning them according to predictable threats, and attacking the fires aggressively when they occurred. The ability to accomplish this is attributed to the Legislature's appropriation of \$500,000 for severity funding and direction from the Legislature to seek reimbursement for additional severity costs from the special purpose appropriation set aside in the Emergency Fund for fire protection expenditures.

The Department requested approximately \$650,000 from this special purpose appropriation to reimburse the agency for costs associated with acquiring additional fire suppression resources as a rapid response strategy during the first quarter of fiscal year 2004 when the state was facing extreme fire danger conditions. In addition, the Department requested \$1.3 million from the general purpose Emergency Fund to pay for extraordinary fire costs for the last two months of fiscal year 2003 that could not otherwise be financed from district budgets, the Oregon Forest Land Protection Fund, or the catastrophic fire insurance policy.

The Subcommittee discussed the Department's actions during the fire season and supported the request, but recommended that the total amount requested be drawn from the special purpose appropriation for extraordinary fire costs. This action would still leave approximately \$3.8 million available for additional fire suppression and severity response activities in the next fire season.

The following Committee discussion occurred:

Senator Schrader commented that this is a good example of doing things more thoughtfully and effectively and commended the Department and its partners for adopting a better way of dealing with fire suppression.

Representative Morgan concurred that the Department has adopted a strategy of placing hardware and resources around the state to deal with fires as soon as possible and to keep the fires small that is effective and assists in keeping down the costs of fire fighting and damage. She added that the information presented by the Department on savings from aggressively attacking fires will be useful during the interim as efforts are made to review the funding mechanism for forest fire suppression.

Senator Winters added that on the B&B fire the agency not only planned ahead, but provided outstanding briefings throughout the incident and wanted to commend the agency for their provision of information and efforts to keep fires contained.

Senator Morse's motion carried with no objections voiced. Representative Miller excused.

29. Oregon Watershed Enhancement Board

Senator Dukes moved that the Emergency Board acknowledge receipt of a report on the criteria used when the Oregon Watershed Enhancement Board considered a \$750,000 federal grant to the North Coast Land Conservancy for acquisition of land along the Necanicum River.

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

The budget report for SB 5547 (2003), the budget bill for the Oregon Watershed Enhancement Board (OWEB), included a request that the Department of Administrative Services unschedule \$750,000 Federal Funds limitation added for a federal grant to purchase property along the Necanicum River. The limitation was to be uncheduled, as required by a budget note, pending a report to the Emergency Board on the criteria OWEB uses when considering land acquisition grants. This budget note states:

OWEB should consider using the following criteria when considering land acquisition funding requests:

1. Science based requirements that quantify the benefit of the acquisition to the goals of the Oregon Plan for Salmon and Watersheds;
2. The agency prioritizes land whose purchase price reflects what the appraised value of the land would be under its intended use after the purchase is complete. The appraised value of the intended use should be based on local jurisdiction property tax appraisals of comparable land in the private sector;
3. Ensure that funding for land ownership and management costs that will be incurred after the property is acquired will be met from revenue sources other than state funding;
4. A process is in place to interface with land use planning agencies that have jurisdiction over the land to be acquired.

OWEB shall report to the Emergency Board by July 1, 2004 on the policy criteria it uses to consider grant requests for land acquisitions. OWEB shall include in this report how it would implement the above criteria. If the Board decides not to adopt these criteria, the reason for such a decision should also be discussed in the report.

OWEB submitted a separate report specific to the Necanicum River grant because the grant must be finalized by OWEB before December 31, 2003. OWEB indicates it will respond to the wider programmatic issues raised in the budget note in a future report to occur before the July 2004 deadline.

OWEB had requested retroactive approval from the Emergency Board in June 2002 to submit a \$750,000 federal grant application to the U.S. Fish and Wildlife Service on behalf of the North Coast Land Conservancy to acquire 350 acres of land adjacent to the Necanicum River. This request was not heard by the Emergency Board. The Emergency Board advised OWEB that it must address various policy implications of the request with an interim substantive committee before it would hear the grant request. The U.S. Fish and Wildlife Service approved funding of \$750,000 for fiscal year 2003 from the National Coastal Wetlands Conservation Grant Fund in November 2002. Federal Funds

expenditure limitation of \$750,000 for the grant was included in OWEB's 2003-05 legislatively adopted budget. The grant requires a state match which OWEB approved at its May 2003 meeting using \$200,000 of Measure 66 capital Lottery Funds. The North Coast Land Conservancy has secured an option to purchase the property which expires on December 31, 2003. The land lies within the Urban Growth Boundary of the City of Seaside. Both the City of Seaside and the Clatsop County Board of Commissioners have expressed support for the project.

The OWEB report on the Necanicum River grant responded to all four criteria included in the budget note on land acquisition grants. The following details OWEB's response to each budget note criterion.

1) OWEB's review process includes evaluation by the appropriate regional review team of the scientific merits of the proposed acquisition. OWEB has found that a consensus of scientific reviews concludes that conserving quality fish and wildlife habitat assists in salmon and other species recovery, is less expensive than attempting to restore degraded habitat, and is a more successful approach than trying to recreate degraded habitat. Another scientific study has shown a significant decline in mature forested swamp habitats. Of the 350 acres the grant would acquire, approximately 160 acres are spruce swamp habitat. Materials reviewed by OWEB indicate the proposed acquisition area supports three species currently listed as threatened under the Endangered Species Act: coho salmon, bald eagles, and marbled murrelet.

2) OWEB administrative rules require applicants for acquisition grants submit a fair market appraisal of the property being proposed for acquisition. A fair market appraisal is based upon the highest and best economic use of the property. OWEB used a fair market appraisal for the Necanicum River property grant. The appraisal for the property to be purchased is \$1,215,000 and was completed in December 2002. When it makes its full report on land acquisition grant criteria, OWEB will need to address why property isn't purchased at a price that reflects what the appraised value of the land would be given its intended use after the purchase instead of the fair market price based on the highest and best economic use of the property.

3) OWEB does not provide money for the long-term management costs of properties purchased for conservation using OWEB funding. OWEB administrative rules require any applicant for a grant to acquire land to specify how they will meet ownership and management costs after the purchase is completed. OWEB reports the North Coast Land Conservancy, which will hold title to the Necanicum River land after the purchase, will establish a management endowment after the purchase is completed using private funding that is expected to cover all property management expenditures.

4) OWEB reports that all applicants for land acquisition grants are required to provide documentation that the acquisition project has been reviewed by local land use planning authorities and that it meets any requirements of local comprehensive plans. OWEB also asks any relevant local governments if they are supportive of the acquisition project. The Necanicum River project would implement the City of Seaside's Comprehensive Plan by preserving the property as open space and wildlife habitat.

The Subcommittee recommended acknowledging receipt of the report.

The following Committee discussion occurred:

Senator Messerle stated he wouldn't support the motion to receive the report and urged the Department of Administrative Services not to reschedule the limitation. The Senator stated he

believed the price of the land proposed for acquisition is too high and was set using the wrong appraisal methodology. The Senator expressed his regret that the local community has gone through so much work on the acquisition project, but that it would not be a prudent state investment.

Representative Morgan agreed with Senator Messerle's comments and indicated she would also not support the motion.

Representative Doyle asked staff if acknowledging receipt of the report would allow the funds to be rescheduled and was told that rescheduling was an executive branch function and they could decide to reschedule regardless of what the Emergency Board did with the report. The Representative then made a motion that the Emergency Board acknowledge receipt of the report, but ask DAS not to reschedule the funds.

Senator Schrader stated that it was his understanding that as part of the final agreements on budgets during session this grant was to move forward and stated it was disturbing that the substitute motion would undo what was agreed to during session.

Senator Dukes stated this acquisition has been going on for a number of years and that the budget note simply required a report on the criteria used for this purchase. The grant followed all the rules and criteria as they existed and still exist today. The Senator stated this grant is a significant opportunity to preserve valuable habitat that was ranked third highest by the federal granting authority. The Senator continued that holding state purchases of land to an amount that is based on what the proposed use of the land would be after the purchase would prohibit the state from ever building another road.

Senator Messerle stressed that OWEB knew they needed to report on the proposed criteria and that the report still did not adequately respond to the criteria.

Senator Harper stated the grant parcel was comprised of three parts. The first part is the critical habitat which he supports preserving, the second is a transition zone, and the third is residential zoned land called the elk viewing meadow. He opposes purchase of the residentially zoned property at the appraised value and would rather break up the purchase and leave this land out.

Senator Dukes stated all the parcels are very important and the residentially zoned property helps absorb water during flooding. The Senator stated the owner will only sell the property as a whole and not pieces of it.

Senator Gordly asked Senator Dukes for clarification on the federal ranking of the grant project and what would happen if the project didn't go forward.

Senator Dukes answered that of all the grant requests received by the federal agency this grant was ranked third highest and the state could lose the federal funds if the project did not go forward.

Both Senator Messerle and Representative Doyle clarified that ultimately the decision to reschedule the grant funds would be made by the executive branch.

Representative Butler asked if the motion could be changed to allow the Governor to purchase only some of the property.

Representative Doyle moved to acknowledge receipt of the report and request DAS not to reschedule the funds until a counter offer is made, with the understanding that rescheduling is solely an executive branch function.

Representative Doyle's amended motion carried with Representatives Bates and Hansen and Senators Schrader, Dukes, Gordly and Courtney and voting 'no'. Representative Miller excused.

31. Department of Aviation

Representative Scott moved that the Emergency Board acknowledge receipt of a report on the status of the development of a pilot and aircraft registration application and cash management system for the Oregon Department of Aviation and request the Department of Administrative Services re-schedule \$65,000 to complete the project.

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

The Oregon Department of Aviation (ODA) registers all pilots, aircraft, and aircraft dealers in Oregon on an annual basis. The Legislature approved a policy package in the ODA 2003-05 budget to rewrite the registration database and cash management system after ODA justified the need to replace the existing system, but requested the Department of Administrative Services (DAS) un-schedule \$65,000 of the \$100,000 expenditure limitation. Because details of the project were not known at the time the budget was developed, the Legislature directed ODA, through a budget note, to report to the interim Joint Legislative Committee on Information Management and Technology and the Emergency Board on the hardware and software platform, required resources/skill-sets, a schedule and the cost of completing the development of a solution.

The ODA has continued to work with the Information Resource Management Division (IRMD) of the Department of Administrative Services to refine costs and design an application to meet ODA's system requirements to include revenue capture, financial auditing, online registration, automated renewals, and electronic payment of fees. The Department plans to use a Microsoft SQL Server for the database. Microsoft Access XP software will be used to develop and operate the application. The database, application, and web servers will be hosted in the DAS General Government Data Center and accessed through the Internet. The Department will be able to utilize its existing hardware with the exception of purchasing bar code readers or scanners and hand held PC devices for field inspections.

To date, IRMD has completed the analysis and worked on designing a new database structure and screen prototypes at a cost of \$20,814. The next five months will include coding the business rules, screen functions, reports, check validation, payment processing, electronic bill payment, system security, and deposit reconciliation. The balance of the project is estimated to cost an additional \$78,231, including the online registration renewal and payments. The project is expected to be completed by the end of May 2004.

The Subcommittee recommended the Emergency Board acknowledge receipt of the report and request the Department of Administrative Services reschedule \$65,000 Other Funds expenditure limitation for completion of the project.

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

32. Oregon Department of Transportation

Representative Bates moved that the Emergency Board acknowledge receipt of a report related to the selection of a project management firm for the Oregon Transportation Investment Act (OTIA) of 2003 Bridge Delivery Program, with direction to report to the Emergency Board in June 2004 on the implementation of strategies developed by the Department and project management firm in meeting the expectations of the Legislature.

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

The Legislature adopted a plan to provide new revenue to finance \$1.9 billion in highway user tax bonds for bridge repair and modernization projects over the next eight years. In conjunction with that plan, the 2003-05 legislatively adopted budget included a budget note directing the Department to ensure the ability of Oregon construction firms to compete for the packages. The Department was directed to ensure opportunities for private sector stakeholder input on project delivery methods and package sizes are continued. In order to stimulate the economy for Oregon businesses, the Legislature documented its expectation that the firm selected by the Department to manage the bridge repair and replacement program provide design-engineering services, but not engage in construction projects that are part of the bridge repair and replacement program. The Department was directed to report to the appropriate interim legislative policy committees and the Emergency Board the contract language that implemented this budget note prior to advertising for bids or no later than January 2005 whichever occurred first.

The Department provided the report to the Emergency Board in order to move forward with issuing a Request for Proposal (RFP) in November 2003 for a program management firm to oversee the OTIA IID Bridge Delivery program. A similar report will be provided to the appropriate interim legislative policy committees when the committees are organized. While contract language will not be completed until after the program management firm is selected, the RFP includes specific requirements consistent with the direction provided in the budget note.

The successful program management firm will be required to involve the agency, businesses, and local communities in decision making; provide construction documents and oversight through construction; measure and report economic impacts of projects; manage the projects' legal and environmental requirements; and involve Oregon consultants and contractors in developing the most expedient and cost effective way to complete the bridge projects throughout Oregon. The Department reported a timeline that included releasing the RFP in late November with responses due by the end of the year. The Department expects to award a contract in late February 2004.

The Subcommittee recommended the Emergency Board acknowledge receipt of the report, with direction to report again in June 2004 to the Emergency Board on the implementation of strategies developed by the Department and project management firm in meeting the expectations of the Legislature.

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

33. Department of Consumer and Business Services

Senator Messerle moved that the Emergency Board acknowledge receipt of a report on a plan to study the impact of establishing an exclusive workers' compensation re-insurer in Oregon, request legislative leadership to refer the study plan to the appropriate interim policy committee, and direct the Department to return to the January 2004 meeting of Emergency Board, with instructions.

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

The Department of Consumer and Business Services was directed by budget note to report to the Emergency Board on a plan to study the impact of establishing a non-profit organization that would be the exclusive workers' compensation re-insurer in Oregon. The Department reported on its completed study plan, and the estimated \$150,000 cost of the study. The Department requested that the Emergency Board determine if the study should occur, and if so, increase the Other Funds expenditure limitation for the cost of contracting with an independent firm to conduct the study. The Department reported that, based on discussions with stakeholders, there were policy questions on this issue.

The Subcommittee discussed the cost of the study and the components of the plan. The Subcommittee recommended that, because of the policy questions involved, legislative leadership refer the study plan to an interim policy committee for review, and to determine if the study should proceed. The Subcommittee also discussed the need to ensure that sufficient time was available in the interim to complete the study prior to the next legislative session. Policy committee appointments had not yet been made, which could cause a delay in beginning the process. Therefore, the Subcommittee recommended that the Department return to the January 2004 meeting of the Emergency Board to report on policy committee action. However, if no policy committee action had occurred, the Subcommittee recommended that the Department seek direction on the study at the January 2004 meeting of the Emergency Board. The Subcommittee recommended that the Department request an Other Funds expenditure limitation increase based on policy committee or Emergency Board recommendations.

The Subcommittee recommended approval of the request.

Senator Messerle's motion carried with no objections voiced. Representative Miller and Senator Dukes excused.

35. Board of Radiologic Technology

Representative Hansen moved that the Emergency Board increase the Other Funds expenditure limitation established for the Board of Radiologic Technology by section 8, chapter 504, Oregon Laws 2003, by \$18,275 and approve the establishment of one limited duration, part-time position (0.15 FTE) to assist in processing licenses, with instructions.

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

During the 2003 session, the Joint Committee on Ways and Means, Education Subcommittee considered the Board of Radiologic Technology's request to increase staffing to three full-time positions, to implement an expedited licensing fee, and to make investments in technology. The Subcommittee discussed its concerns with expedited fees, a licensing process that was perceived as cumbersome, and the Board's inability to track performance measures. Ultimately, the Board's

requests were not approved and direction was provided to develop a more efficient and streamlined licensing system.

The Board has continued to employ three full-time staff and, although limited progress has been made in reviewing licensing processes, requested an increase in expenditure limitation and position authority.

The Subcommittee recommended an increase in the Other Funds expenditure limitation by \$18,275 and the establishment a limited duration, part-time position (0.15 FTE). Within the increased limitation, \$5,000 was designated for consulting services to assist the Board in completing a review of licensing processes. The Subcommittee recommended that the \$5,000 be unscheduled pending the Board completing an action plan and the Department of Administrative Services (DAS) approving the plan and the selected contractor. The Subcommittee also recommended that explicit instruction be given to the Board to comply with the legislative intent to reduce staffing, to make expenditures in a manner consistent with the currently approved budget, and to present a progress report at the January 2004 meeting of the Emergency Board, and to request DAS enforce the approved budget through the allotment process.

The following Committee discussion occurred:

Representative Hansen explained that by allowing the additional staffing to continue through January, the Board has the opportunity to develop a plan for improving the licensing process so the agency can function within its budget.

In response to questions concerning the agency's staffing, Representative Morgan responded that during the last session, the Education Subcommittee was concerned about the costs incurred to license individuals. The Board was directed to review its process. She noted that the Board has not taken the initiative to follow the budget note, and that the additional half-time clerical support was needed in the short term. Representative Morgan stated that a work plan and substantial progress was needed by January.

Representative Butler expressed appreciation for Representative Hansen volunteering to work with the Board, but indicated he would be a "no" vote because of the history of problems with this agency. Senator Winters indicated she would be a "no" vote because the recommendation did not address the fundamental problems. Representative Knopp agreed there has been a history of problems and would not be in favor of the recommendation if Representative Hansen had not volunteered to assist the Board. He believed that some "no" votes were appropriate to indicate a lack of confidence in the agency and noted that the Board has the opportunity to fix the problems and needs to make significant progress by January.

Senator Gordly stated the Board and executive staff appointments are decisions of the Governor and expressed a hope that his office was watching. She recalled part of the discussion from the subcommittee meeting concerning continuing education credits and asked the work group to look at this process.

Representative Hansen's motion carried with Representative Butler and Senator Winters voting 'no'. Representative Miller excused.

38. Department of Administrative Services

Senator Schrader moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Administrative Services by section 2(1), chapter 389, Oregon Laws 2003, by \$2,840,000, establish a Federal Funds expenditure limitation of \$280,000 for the Department of Administrative Services, and approve the establishment of three permanent positions (3.0 FTE) for activities of the Office for Oregon Health Policy and Research with instructions.

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

The Legislature reduced the Office for Oregon Health Policy and Research (OHPR) General Fund budget by \$600,000 for general research and other activities not directly related to support of the Oregon Health Council, Oregon Resources Commission, or Health Services Commission. The Department was directed to determine how to manage the reduction. If the Office was able to obtain additional Other Funds to replace the General Fund reduction, it could return to the Emergency Board for necessary expenditure limitation. Position authority for three positions was subsequently eliminated administratively to manage to the General Fund reduction. The Office has obtained a federal grant and private funds and plans to use a combination of General Fund and Other Funds to obtain matching funds. It is requesting additional expenditure limitation and position authority to obtain and use the federal and matching funds.

The 2003 Legislature affirmed the Office's statutory responsibilities and added to them through the passage of legislation that affected the Oregon Health Plan. The Office has followed legislative directive in pursuit of Other Funds to continue its work. The three permanent positions requested are already included in the legislatively adopted budget (LAB). The request included position authority for seven limited duration positions that were not included in the LAB. The Subcommittee was unwilling to approve an increase in positions and directed the Department to administratively deal with this support issue.

The Subcommittee recommended approval of the request for expenditure limitation and restoration of three permanent positions, with instructions to the Department to administratively deal with the other staffing support it had requested.

The following Committee discussion occurred:

Senator Schrader explained the increased responsibilities placed upon the Office for Oregon Health Policy and Research by the Legislature and the Subcommittee's review of the request.

Senator Schrader's motion carried with Representative Doyle voting 'no'. Representative Miller excused.

39. Department of Administrative Services

Senator Dukes moved that the Emergency Board increase the Other Funds expenditure limitation established for the Department of Administrative Services by section 2(1), chapter 389, Oregon Laws 2003, by \$126,719 and approve the establishment of one limited duration position (1.0 FTE) for activities of the Risk Management Division to handle subrogation collections.

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

An August 2000 Secretary of State Audits Division report noted that the Department of Administrative Services Risk Management Division could improve its oversight and management of collections of amounts owed. The Department subsequently performed an internal review and administratively established a limited duration position to handle subrogation collections. The limited duration position was continued into this biennium using existing expenditure limitation. The Department now requests authority to make this a permanent position.

The position has enabled the Division to dramatically improve collections. The workload in this area is not expected to decrease so that claims adjusters can devote enough spare time to match the collection results achieved by this additional position. The position essentially pays for itself, but the Subcommittee felt it was premature to authorize a permanent position. Instead, the Subcommittee felt it should be a limited duration position and the continued need for the position could be reviewed during the review of the Department's 2005-07 budget request.

The Subcommittee recommended approval of the expenditure limitation and the establishment of one limited duration position.

Senator Dukes' motion carried with Senator Gordly voting 'no'. Representative Miller and Senator Courtney excused.

42. Public Employees Retirement System

Representative Butler moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 29(1), chapter 710, Oregon Laws 2003, by \$16,331,522, approve the establishment of 16 permanent positions (11.48 FTE) and 15 limited duration positions (9.99 FTE), and approve the increase of one limited duration position to full-time (0.33 FTE) and the extension of one limited duration position to the end of the biennium (0.50 FTE) for the new Oregon Public Service Retirement Plan.

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

The new Public Employees Retirement System (PERS) Board Chair testified as to the board's activities and support of the Emergency Board request. The Board is tasked, not only with maintenance of the existing retirement program, but implementation of the new plan. The new plan will require new permanent staff as well as limited duration, start-up staff. An information system for the new plan that consists of off-the-shelf software has been acquired and is being installed. Because of timing of the passage HB 2020, placeholder limitation of \$1 was all that could be provided during the session. This request should enable PERS to implement and manage the new plan during the rest of the biennium. The Legislative Fiscal Office (LFO) recommendation was less than the PERS original request. The Board Chair concurred with the recommendation.

The request and recommendation was with the understanding that the Department of Administrative Services would unschedule \$1,919,044 Other Funds limitation previously provided for the existing retirement system programs, and transfer 10 positions (7.97 FTE) to the Oregon Public Service Retirement Plan from the existing retirement system programs, and also with the understanding that PERS will submit an implementation plan that contains definable, scheduled milestones, a detailed budget that can be tracked, and mitigations for risks identified with the project. Once the Joint Legislative Committee on Information Management and Technology is formed, it can review and monitor the PERS information system implementation.

The Subcommittee recommended approval of the expenditure limitation and the establishment of permanent and limited duration positions and changes to the status of two limited duration positions as recommended by the Legislative Fiscal Office.

The following Committee discussion occurred:

Questions were raised about the cost and number of positions requested and whether they couldn't be accommodated within the existing budget.

Senator Harper stated that the Chair of the Board testified as to the Board's intentions to better manage the agency and that the Board needs the resources to implement the new plan.

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

43. Public Employees Retirement System

Senator Messerle moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 1(3), chapter 439, Oregon Laws 2003, by \$210,828, and approve the establishment of four limited duration positions (2.0 FTE) to address the workload resulting from the record number of retirements that have occurred during the past year.

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

The Public Employees Retirement System (PERS) has processed more than 12,000 retirements during the past year. This is about three times its normal workload. The Legislature provided PERS with 14 limited duration positions in its 2003-05 budget to address a workload estimated between 8,000 and 10,000 retirements. PERS now requested expenditure limitation and position authority to finish the additional workload.

While most of the retirements have been processed, history has shown that about 15% of retirement benefit calculations must later be recalculated. Much of this workload is outside the control of PERS. After retirement, retirees change their retirement option selection. Estimated benefits have to be paid then recalculated due to late submission of required information from employers. In other cases, benefit computations are challenged or staff calculation errors require benefit recalculation and adjustment. The net result is a residual workload that will have to be dealt with. The workload is expected to be finished by November 2004.

The Subcommittee recommended approval of the expenditure limitation and the establishment of limited duration positions.

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

44. Public Employees Retirement System

Representative Butler moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 1(3), chapter 439, Oregon Laws 2003, by \$142,856, and approve the establishment of two limited duration positions (1.25 FTE) to address the workload resulting from HB 2003.

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

House Bill 2003 was one of a number of Public Employees Retirement System (PERS) reform bills passed during the 2003 legislative session. The bill added substantially to PERS workload. Among other things, it requires PERS to recalculate the retirement benefits of Tier 1 members that retire under money match between April 2000 and April 2004 for the court-determined excessive crediting of 1999 earnings to member accounts (the Judge Lipscomb decision). To the extent that the recalculated retirement benefit is less than the benefit attributed to the excess credited earnings, PERS must suspend COLAs for those retirees until the time the recalculated retirement benefit, including COLAs, reaches the originally computed retirement benefit. More than 30,000 retirees, alternate payees, or beneficiaries are expected to be affected by the law. Most, if not all, of the recalculations must be performed manually.

PERS previously received position authority and expenditure limitation to implement the provisions of the bill. Because of time constraints, PERS noted at that time that it may return with an additional request to address workload requirements that unfolded or became clearer as implementation progressed. PERS now requested position authority and expenditure limitation for two limited duration positions to finish the biennium's HB 2003 workload.

The Subcommittee recommended approval of the expenditure limitation and the establishment of limited duration positions.

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

45. Public Employees Retirement System

Representative Butler moved that the Emergency Board increase the Other Funds expenditure limitation established for the Public Employees Retirement System by section 1(3), chapter 439, Oregon Laws 2003, by \$3,142,723, and approve the establishment of seven permanent positions (5.53 FTE) and one limited duration position (0.79 FTE) to continue work on the existing Retirement Information Management System and improve information technology capabilities.

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

The Public Employees Retirement System (PERS) has been working on maintenance of its aging system while beefing up its staff capabilities and adopting modern IT replacement technologies. The request had three specific components:

- \$524,250 for contract project management and “refactoring” or documenting the programming code and functions that exist for two of RIMS subsystems;
- \$943,234 and authorization for seven permanent positions and one limited duration position to strengthen its information systems staff capabilities; and

- \$1,675,239 to continue implementation of document workflow and imaging systems that include the digital scanning of all incoming documents so that the staff have electronic access of documents received by PERS and documents can be tracked electronically through the system.

The Department of Administrative Services (DAS) Information Resources Management Division (IRMD) was only willing to recommend approval of the request contingent upon PERS submitting an additional planning document to IRMD within 30 days of funding approval. Given the pressing need for systems improvements, the Budget and Management Division of the Department of Administrative Services and Legislative Fiscal Office (LFO) recommended approval of the request with the understanding that the funds would be unscheduled.

The Subcommittee recommended approval of the request with the understanding that DAS will un-schedule the funds. The funds will be rescheduled at the request of PERS with agreement of DAS Information Resources Management and Budget and Management Divisions.

The following Committee discussion occurred:

Senator Schrader noted that the Joint Legislative Committee on Information Management and Technology (JLCIMT) should review and make recommendation on the request before the Emergency Board takes action on it.

Discussion ensued about the need for JLCIMT review, but that the Committee had not yet been appointed.

Co-Chair Minnis stated that she and Senate President Courtney were close to making the appointments. Once appointed, the JLCIMT could then review the request.

Questions were asked about the priorities of the three components of the request and affect on PERS operations of postponing action until the JLCIMT could review them. LFO staff responded that postponing action on the \$524,250 could prove to be the most detrimental to PERS operations.

Representative Bates moved adoption of Representative Butler's motion with the understanding that the funds would be unscheduled and position availability would be withheld as follows: expenditure limitation of \$524,250 for contract project management and "refactoring" or documenting the programming code and functions that exist for two of RIMS subsystems would be unscheduled until the DAS Information Resources Management and Budget and Management Divisions recommend they be rescheduled; expenditure limitation of \$943,234 and position availability for seven permanent positions and one limited duration position to strengthen its information systems staff capabilities be withheld until the JLCIMT has reviewed the request and recommends the funds be scheduled; and expenditure limitation of \$1,675,239 to continue implementation of document workflow and imaging systems that include the digital scanning of all incoming documents so that the staff have electronic access to documents received by PERS and documents can be tracked electronically through the system be withheld until the JLCIMT has reviewed the request and recommends the funds be scheduled.

Representative Bates' amended motion carried with Senator Schrader voting 'no'.
Representative Miller and Senator Winters excused.

The meeting was adjourned at 12:00 p.m.

EMERGENCY BOARD:

/s/ Karen Minnis

Representative Karen Minnis, Chair

/s/ Kurt Schrader

Senator Kurt Schrader, Secretary

ATTEST:

/s/ Ken Rocco

Ken Rocco, Legislative Fiscal Officer

**DEPARTMENT OF HUMAN SERVICES 2001-03 REBALANCE PLAN
2001-03 Close Out**

<u>Cluster/Program Area</u>	<u>2001 ORS Reference</u>	<u>Fund Type</u>	<u>Adjustments to Legislatively Approved Budget</u>	<u>No. Pos.</u>	<u>FTE Change</u>
<u>Transfers, Establishments, and Expenditure Limitation Adjustments:</u>					
Economic Independence & Family Stability Services:					
Adult & Family Services	Chpt 892, Sec 1(1)(a)	General Fund	-		
	Chpt 892, Sec 3(1)(a)	Other Funds	1,335,000		
	Chpt 892, Sec 4(1)(a)	Federal Funds	<u>21,290,272</u>		
		Total	22,625,272	-	-
Services to Children and Families	Chpt 892, Sec 1(1)(b)	General Fund	-		
	Chpt 892, Sec 3(1)(b)	Other Funds	4,095,201		
	Chpt 892, Sec 4(1)(b)	Federal Funds	<u>10,290,773</u>		
		Total	14,385,974	-	-
Alcohol and Drug Abuse Programs	Chpt 892, Sec 1(1)(c)	General Fund	-		
	Chpt 892, Sec 3(1)(c)	Other Funds	-		
	Chpt 892, Sec 4(1)(c)	Federal Funds	<u>124,861</u>		
		Total	124,861	-	-
Vocational Rehabilitation Programs	Chpt 892, Sec 1(1)(d)	General Fund	-		
	Chpt 892, Sec 3(1)(d)	Other Funds	-		
	Chpt 892, Sec 4(1)(d)	Federal Funds	<u>-</u>		
		Total	-	-	-
Total Economic Independence & Family Stability Services	Chpt 892, Sec 1(1)	General Fund	-		
	Chpt 892, Sec 3(1)	Other Funds	5,430,201		
	Chpt 892, Sec 4(1)	Federal Funds	<u>31,705,906</u>		
		Cluster Total	37,136,107	-	-
Health Services:					
Public Health Programs	Chpt 892, Sec 1(2)(a)	General Fund	-		
	Chpt 892, Sec 3(2)(a)	Other Funds	-		
	Chpt 892, Sec 4(2)(a)	Federal Funds	<u>-</u>		
		Total	-	-	-
Mental Health Services	Chpt 892, Sec 1(2)(b)	General Fund	-		
	Chpt 892, Sec 3(2)(b)	Other Funds	-		
	Chpt 892, Sec 4(2)(b)	Federal Funds	<u>1,539,370</u>		
		Total	1,539,370	-	-
Medical Assistance Programs	Chpt 892, Sec 1(2)(c)	General Fund	-		
	Chpt 892, Sec 3(2)(c)	Other Funds	12,244,995		
	Chpt 892, Sec 4(2)(c)	Federal Funds	<u>-</u>		
		Total	12,244,995	-	-
Total Health Services	Chpt 892, Sec 1(2)	General Fund	-		
	Chpt 892, Sec 3(2)	Other Funds	12,244,995		
	Chpt 892, Sec 4(2)	Federal Funds	<u>1,539,370</u>		
		Cluster Total	13,784,365	-	-
Long Term Care & Developmental Disability Services:					
Senior and Disabled Services	Chpt 892, Sec 1(3)(a)	General Fund	5,737,481		
	Chpt 892, Sec 3(3)(a)	Other Funds	-		
	Chpt 892, Sec 4(3)(a)	Federal Funds	<u>8,753,988</u>		
		Total	14,491,469	-	-
Developmental Disability Services	Chpt 892, Sec 1(3)(b)	General Fund	(8,494,049)		
	Chpt 892, Sec 3(3)(b)	Other Funds	1,083,319		
	Chpt 892, Sec 4(3)(b)	Federal Funds	<u>-</u>		
		Total	(7,410,730)	-	-

**DEPARTMENT OF HUMAN SERVICES 2001-03 REBALANCE PLAN
2001-03 Close Out**

<u>Cluster/Program Area</u>	<u>2001 ORS Reference</u>	<u>Fund Type</u>	<u>Adjustments to Legislatively Approved Budget</u>	<u>No. Pos.</u>	<u>FTE Change</u>
Total Long Term Care & Developmental Disability Services	Chpt 892, Sec 1(3)	General Fund	(2,756,568)		
	Chpt 892, Sec 3(3)	Other Funds	1,083,319		
	Chpt 892, Sec 4(3)	Federal Funds	<u>8,753,988</u>		
		Cluster Total	7,080,739	-	-
Department-wide Support Services:					
Office of the Director	Chpt 892, Sec 1(4)	General Fund	2,756,568		
	Chpt 892, Sec 3(4)	Other Funds	-		
	Chpt 892, Sec 4(4)	Federal Funds	<u>-</u>		
		Total	2,756,568	-	-
Department Totals					
	Chpt 892, Sec 1	General Fund	-		
	Chpt 892, Sec 3	Other Funds	18,758,515		
	Chpt 892, Sec 4	Federal Funds	<u>41,999,264</u>		
		Dept. Total	60,757,779	-	-

Authorize the transfer of General Fund appropriations for the Department of State Police as follows:

\$306,383 from section 1(3), chapter 776, Oregon Laws 2001, Criminal Investigations and Gaming activities and operations;

\$170,592 from section 1(4), chapter 776, Oregon Laws 2001, Forensic Services and Medical Examiner Services; and

\$476,975 to Section 1(5), chapter 776, Oregon Laws 2001, Human Resources, Training, Criminal Justice Services, Information Communications and Management, Law Enforcement Data System activities and operations, and Emergency Management activities and operations.

Authorize the transfer of Federal Funds expenditure limitations for the Department of State Police as follows:

\$780,079 from Section 3(4), chapter 776, Oregon Laws 2001, Human Resources, Training, Criminal Justice Services, Information Communications and Management, Law Enforcement Data System activities and operations, and Emergency Management activities and operations; and

\$780,079 to section 3(3), chapter 776, Oregon Laws 2001, Criminal Investigations and Gaming activities and operations.