

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5026-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Jenson
Carrier – Senate: Sen. Johnson**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 20 – 0 – 1

House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields

– Nays:

– Exc:

Senate – Yeas: Bates, Devlin, Gordly, Johnson, Morse, Nelson, Schrader, Verger, Westlund, Whitsett, Winters

– Nays:

– Exc: Carter

Prepared By: Linda Ames, Department of Administrative Services

Reviewed By: Dallas Weyand, Legislative Fiscal Office

Meeting Date: 6/15/07

Agency

Office of the Governor

Various Agencies

Budget Page

I-11

LFO Analysis Page

448

Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Representative Bob Jenson, General Government Subcommittee Chair

<u>Budget Summary*</u>	2005-07		2007-09			Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Governor's Budget	Change from
<u>Office of the Governor</u>						
General Fund	\$ 8,161,919	\$ 10,915,109	\$ 11,342,242	\$ +427,133		+3.9%
Lottery Funds	1,771,546	1,855,054	2,121,625	+266,571		+14.4%
Other Funds	1,182,352	1,120,460	2,423,023	+1,302,563		+116.3%
Federal Funds	140,634	0	0	0		0.0%
Total	\$ 11,256,451	\$ 13,890,623	\$ 15,886,890	\$ +1,996,267		+14.4%
<u>Department of Corrections</u>						
General Fund	\$ 0	\$ 0	\$ (266,570)	\$ -266,570		0.0%
<u>Oregon Youth Authority</u>						
General Fund	\$ 0	\$ 0	\$ (47,156)	\$ -47,156		0.0%
<u>Military Department</u>						
General Fund	\$ 0	\$ 0	\$ (47,156)	\$ -47,156		0.0%
<u>Department of Consumer and Business Services</u>						
Other Funds	\$ 0	\$ 0	\$ (245,888)	\$ -245,888		0.0%
<u>Department of Transportation</u>						
Other Funds	\$ 0	\$ 0	\$ (122,944)	\$ -122,944		0.0%
<u>Housing and Community Services Department</u>						
Other Funds	\$ 0	\$ 0	\$ (94,311)	\$ -94,311		0.0%
<u>Department of Administrative Services</u>						
Other Funds	\$ 0	\$ 0	\$ (638,629)	\$ -638,629		0.0%
<u>Employment Department</u>						
Other Funds	\$ 0	\$ 0	\$ (233,681)	\$ -233,681		0.0%

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

<u>Budget Summary*</u>	<u>2005-07</u>		<u>2007-09</u>			<u>Percentage Committee</u>
	<u>Legislatively Approved</u> <u>Budget (1)</u>	<u>Governor's Budget</u>	<u>Committee</u> <u>Recommendation</u>	<u>Difference from</u> <u>Governor's Budget</u>	<u>Change from</u> <u>Governor's Budget</u>	
<u>Department of Community Colleges and Workforce Development</u>						
Federal Funds	\$ 0	\$ 0	(233,681)	\$ -233,681		0.0%

Position Summary

Office of the Governor

Authorized Positions	46	49	64	+15
Full-time Equivalent (FTE) Positions	45.50	48.50	62.56	+14.06

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

General Fund is the primary funding source for the Office of the Governor, including the Arrest and Return Program and the Office of Rural Policy. The Affirmative Action and the Minority, Women, and Emerging Small Business advocacy functions are primarily financed with Other Funds derived from state agency assessments. Other Fund revenues in the Arrest and Return program are from restitution from offenders and indirect Federal Funds. The Economic Revitalization Team (ERT) is financed one-half from general purpose Lottery funds and one-half from the statutorily dedicated 2.5 percent Lottery Funds distributed to counties for economic development.

In order to true up staffing in the Office of the Governor, a number of agencies will now transfer revenue to the Office of the Governor to pay for positions, as follows: Department of Consumer and Business Services transfers \$245,888 Other Funds, Department of Transportation transfers \$122,944 Other Funds, Housing and Community Services Department transfers \$94,311 Other Funds, Department of Administrative Services transfers \$372,058 Other Funds, Employment Department transfers \$233,681 Other Funds, and Department of Community Colleges and Workforce Development transfers \$233,681 Federal Funds.

A revenue transfer of \$5,800 Other Funds from the Department of Energy is also included in the budget to fund the costs of the Energy Facility Siting Council. While the expenditures are already included in the budget, the revenue transfer was inadvertently left out.

Summary of Subcommittee Action

The Governor is responsible for the direction of all state agencies within the Executive Branch, ensuring compliance with statutes, responsive service to Oregonians, and efficient and sound management. He appoints most agency heads within the Executive Branch, including the membership of various boards, commissions, committees, and task forces. In addition to general policy and management staff, the Office includes specific sections for Affirmative Action; Minority, Women, and Emerging Small Business advocacy; Executive Appointments; Citizens' Representative; Arrest and Return Program; Economic Revitalization Team; and Office of Rural Policy functions.

The budget approved by the Subcommittee for the Office of the Governor is \$15,886,890 total funds, \$11,342,242 General Fund, \$2,121,625 Lottery Funds, \$2,423,023 Other Funds, and 64 positions. Both total funds and General Fund levels represent a 33 percent increase over the essential budget level. The number of positions is increased by 18 compared to the essential budget level.

This budget includes enhancements to fund a federal office, restoration of funding for Governor's Association dues and office technology that had been eliminated during the recession, and increased travel for the Governor. It funds the Office of Rural Policy with General Fund for a period of nine months. The budget also includes a package to formalize staffing arrangements in the Office. A number of positions that have been supported by other agencies in the past will now be formally established in the Office, with revenue transfers from those other agencies. In addition, a number of new General Fund positions have been established. This will significantly increase transparency and accountability in the budget.

Specifics of the Subcommittee adjustments include are shown below.

The Subcommittee approved Package 100: Federal Office. As modified, this package provides \$429,132 General Fund and one position to reopen and staff the Governor's Office in Washington, D.C. for the 2007-09 biennium.

The Subcommittee approved Package 101: National Governor's Association Dues. This package provides \$297,500 General Fund to cover the cost of Oregon's 2007-09 National Governor's Association dues and Western Governor's Association dues. These items were eliminated from the budget during the 2001-03 special sessions.

Package 102: Office of Rural Policy was approved as modified for \$149,226 General Fund, two positions and 0.56 full-time equivalent positions. This will provide the Office with a budget for nine months. The Office of Rural Policy was established by Executive Order in 2004 and was funded in part with a federal grant. Funding for 2005-07 was to be Federal Funds and Other Funds coming from various sources, most of which has not materialized. Additionally, the Office did not provide demonstrable outcomes or accomplishments. However, testimony provided during public hearings demonstrated a desire for continuation of the Office. Rather than provide a full biennium of funding, the Subcommittee approved nine months of funding to give the Office time to develop a business plan, performance measures, and outcomes. That will also allow for legislative review during the 2008 Special Session.

The Subcommittee approved Package 103: Technology. As modified, this package provides \$384,596 General Fund to purchase computers and technology-related services. Funding for technology in the Governor's Office had been reduced dramatically during the recession and this

package restores that funding. The package was reduced by the \$46,200 General Fund that was provided as a supplement to the Governor's 2005-07 budget earlier in the Session.

Package 105: Governor Travel was approved. As modified, this package provides \$77,519 General Fund to cover the cost of the Governor's travel budget, allowing him to fulfill his duties in areas throughout the State.

The Subcommittee approved Package 106: Governor's Market Place. This package increases Other Funds expenditure limitation by \$30,000 to allow the Governor's Office to spend donated moneys for the Minority, Women, and Emerging Small Business "Governor's Market Place." No General Fund match is needed.

The Subcommittee did not approve Package 107: Office Remodel. Given the uncertainty surrounding the State Capitol renovations, the Subcommittee believed it was better to wait and see what the final plans will include. The Subcommittee did note that there are no funds included in the budget for relocation costs, should the Governor and/or his staff need to leave their State Capitol office space due to Capitol remodel or other reasons.

The Subcommittee approved Package 806: LFO Recommended Staffing & Revenue True-up for a total of \$1,444,913 General Fund, \$266,571 Lottery Funds, \$1,302,563 Other Funds, and 17 positions. This package is expected to provide staffing for the core needs of the Governor's Office, and will significantly increase transparency and accountability in the budget. The package funds one position with Lottery Funds, eight positions with Other Funds that are transferred in from other agencies, and eight positions with General Fund. The details of this package are shown below.

- **Establish and fund one position – Director, Economic Revitalization Team (ERT)**
Increase Lottery Funds expenditure limitation by \$266,571 and establish one position (1.0 full-time equivalent) for the ERT Director position. This position has been paid for by the Department of Administrative Services (DAS), using Other Funds, through double filling an existing DAS position. Also reduce DAS Other Funds expenditure limitation by \$266,571 to recognize the reduced expenditure limitation needed for the double-filled position.
- **Establish and fund three Workforce Development positions**
Increase Other Funds expenditure limitation by \$590,306 and establish three positions (3.0 full-time equivalent) for Workforce Development issues. Currently there are two Policy Advisor positions paid for 50/50 by the Employment and Community Colleges and Workforce Development Departments (CCWD), and one administrative support position paid for by the Department of Consumer and Business Services (DCBS). This would formally establish the positions in the Governor's Office. They would be funded by revenue transfers from the three departments and the budget of Employment would be reduced by \$233,681 Other Funds, the budget of CCWD would be reduced by \$233,681 Federal Funds, and the budget of DCBS reduced by \$122,944 Other Funds.
- **Establish and fund two support positions to deal with citizen inquiries and issues**
Increase Other Funds expenditure limitation by \$222,206 and establish two positions (2.0 full-time equivalent) to deal with citizens' inquiries and issues. The Governor's Office is the main contact for Oregonians seeking information or redress for real or perceived

problems. To deal with this, two unbudgeted positions (one funded by Department of Housing and Community Services and one funded by Department of Administrative Services) have been created. This would formally establish the positions in the Office of the Governor, and fund them with revenue transfers from the two departments currently paying the positions. The increase in Other Funds expenditure limitation will be offset by corresponding decreases in Other Funds expenditure limitation in the two departments (\$127,895 in DAS and \$94,311 in Housing).

- **Establish and fund one support position for Minorities, Women, and Emerging Small Business and Affirmative Action activities.**
Increase Other Funds expenditure limitation by \$122,944 and establish one position (1.0 full-time equivalent) to support the MWESB and Affirmative Action activities. Currently two WMESB Program and two Affirmative Action Program positions are provided in the Governor’s Office. The MWESB positions are funded by Other Funds provided by the Department of Consumer and Business Services, while the Affirmative Action positions are funded by a DAS assessment. Currently two off-budget, half-time staff support positions have been provided and paid for by the Department of Transportation. Federal contracting requirements require additional effort in this area. Placing the support position in the Governor’s Office puts it on budget and funding will be provided by revenue transfers from ODOT. The increase in Other Funds will be via a revenue transfer and the expenditure limitation will be offset by a corresponding decrease in Other Funds expenditure limitation in ODOT. Also, instead of having two half-time positions, the Subcommittee approved one full-time position that provides the support to the two programs.
- **Establish and fund one Generalist Policy Advisor position**
Increase the Other Funds expenditure limitation by \$244,163 and establish one position (1.0 full-time equivalent) for a Policy Advisor position to deal with various issues as they arise. Currently one off-budget Policy Advisor position has been created to accommodate the need for an experienced “utility infielder” type of Policy Advisor to deal with a variety of issues that arise. The position has been provided and paid for by DAS. The Other Funds would be provided via a revenue transfer from DAS and the expenditure limitation offset by a corresponding decrease in expenditure limitation at DAS.
- **Establish and fund one Executive Support position.**
Increase the Other Funds expenditure limitation by \$122,944 and establish one position (1.0 full-time equivalent) for an Executive Support position in the Governor’s Office. Currently one off-budget support position has been created to assist in scheduling and other matters. The position has been provided and paid for by the Department of Consumer and Business Services (DCBS). The Other Funds would be provided via a revenue transfer from DCBS and the expenditure limitation offset by a corresponding decrease in expenditure limitation at DCBS.
- **Leave three Human Services policy positions in the Department of Human Services**
Currently two Human Services policy advisors and one support position are provided to the Governor’s Office by the Department of Human Services. The positions are included in the budget of the Department of Human Services and because of the nature of their work, are eligible for federal fund matching. For ease of administration, it is recommended that this arrangement be allowed to continue. No adjustment to either budget is needed therefore.

- **Establish an additional Deputy Chief of Staff position**

The Governor's Chief of Staff believes two deputies are needed to provide better oversight and coordination of efforts within the Governor's Office. The Governor's Office would then have clear lines of authority over various policy and program areas and manageable spans of control. The General Fund cost is \$302,496.

- **Establish three additional Policy Advisor positions**

The Governor's Office believes three Policy Advisor positions are needed to provide expertise in the areas of Economic Development, Higher Education, and Energy. The total General Fund cost for these three positions is \$721,340.

- **Establish four additional back office support positions**

Four additional back office support positions are also needed. Two are to provide additional support to track and monitor communications and support communications efforts, including the Governor's Office website. One is a support person to Policy Advisors, and the other to deal with the backlog of citizen inquiries. The total General Fund cost for these positions is \$421,077.

- **Reduce General Fund in other agencies by \$360,882**

Three agencies have provided General Fund to the Governor's Office to support off-budget positions as needed. Those agencies will no longer need to provide that support and their 2007-09 General Fund budgets can be reduced as follows:

- Department of Corrections - \$266,570
- Oregon Youth Authority - \$47,156
- Oregon Military Department - \$47,156

The Subcommittee discussed its expectation that the Office of the Governor move forward with the newly approved positions serving as the core needs of a functioning office for the Governor. The Office is expected to evaluate operations and, when necessary, make changes to staff functions and responsibilities using existing staff and financial resources. From time to time, the need for staff for special projects will arise. The Subcommittee discussed the appropriateness for the Office of the Governor to have access to subject matter experts within the various state agencies to work on the special projects. However, it also expressed its preference for those positions to remain in their respective agencies and be paid by those agencies, as the work should relate to those agencies' missions. Agencies may "loan" staff to the Governor's Office for these special projects. Additionally, the special projects should not continue indefinitely, but have a finite purpose and timeline that can be shared with the Legislature.

Summary of Performance Measure Action

The Subcommittee acknowledged that progress has been made with respect to the development of performance measures. They approved Proposed Key Performance Measures 1, 2, and 3 and asked the agency to return to the Legislative Assembly or Joint Legislative Audit Committee with targets. They also approved measures 4, 5, and 6 with the understanding that the Office will return to the Legislative Assembly

or Joint Legislative Audit Committee with proposed data and targets for the measures. Finally, the Subcommittee approved the deletion of one performance measure that is no longer necessary. The Subcommittee acknowledged that some adjustments to performance measures may be needed, and those would be discussed when the agency returned with data and targets. See attached Legislatively Adopted 2007-09 Key Performance Measures form.