

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

MEASURE: HB 5037-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Hanna
Carrier – Senate: Sen. Winters**

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

Vote: 21 – 0 – 0

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

– Nays:

– Exc:

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

– Nays:

– Exc:

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Reviewed By: John F. Borden, Legislative Fiscal Office

Meeting Date: 6/15/07

Agency

Oregon Military Department

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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 Chip Shields, Public Safety Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget
General Fund	\$ 17,496,905	\$ 21,841,625	\$ 21,131,019	\$ -710,606	-3.3%
General Fund Debt Service	921,911	2,060,991	2,060,991	0	0.0%
Other Funds	7,248,330	78,105,853	78,187,911	+82,058	+0.1%
Other Funds Debt Service	109,260	110,935	110,935	0	0.0%
Other Funds Nonlimited	5,343	4,623,210	4,623,210	0	0.0%
Other Funds Debt Service Nonlimited	643,669	0	0	0	0.0%
Federal Funds	62,164,561	129,870,367	128,509,195	-1,361,172	-1.0%
Federal Funds Nonlimited	0	45,003,964	45,003,964	0	0.0%
Total	\$ 88,589,979	\$ 281,616,945	\$ 279,627,225	\$ -1,989,720	-0.7%

Position Summary

Authorized Positions	474	525	513	-12
Full-time Equivalent (FTE) Positions	432.82	485.46	472.56	-12.90

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

* Excludes Capital Construction expenditures

Summary of Revenue Changes

General Fund is used to pay wages and salaries of state employees, state matching funds for various facility management activities, and matching funds for various Oregon National Guard activities. Other Funds include revenues from federal contributions to the payment of facilities' operating costs; facility rental fees; proceeds from real property sales; interest on funds in the Military Construction Account; the Average Daily Membership (ADM) revenue received from Bend-LaPine School District for the Youth Challenge Program; miscellaneous funds from vending machines, pay telephones, and other miscellaneous sources; and an intra-agency transfer of federal revenues to support central administrative costs. Federal Fund revenues pay wages and salaries of federal employees assigned to Oregon National Guard duties; provide construction funds for a variety of maintenance, armory, training, and reserve center facilities; fund several programs for at-risk youth, and contribute to central administrative costs through an intra-agency transfer.

The Department receives direct federal support of approximately \$425 million (2,132 full time equivalent positions) from the National Guard Bureau. These federal funds are received outside of the state budget process and are used to fund federal employees, guard member salaries and wages, and equipment.

The Subcommittee reduced the interagency transfer coming from the Department of Aviation to administer the Air Search and Rescue program by \$55,074 Other Funds. The Department of Aviation is collecting less in pilot registration fees, which is why the transfer is decreasing.

The Subcommittee increased the Oregon Youth Challenge Average Daily Minimum revenue received from the Bend-LaPine School District by 9.2 percent, resulting in an increase of \$138,970 Other Funds revenue.

Summary of Subcommittee Action

The Oregon Military Department provides combat-ready units and equipment to be deployed in support of national defense under the direction of the President, and trained personnel and equipment to protect life and property in Oregon during natural disasters or civil unrest under the direction of the Governor.

The Subcommittee approved a budget of \$279,627,225 total funds consisting of \$23,192,010 General Fund, \$78,298,846 Other Funds, \$4,623,210 Other Funds Non-limited, \$128,509,195 Federal Funds, and \$45,003,964 Federal Funds Non-limited, including 513 positions (472.56 full-time equivalent). The total funds budget is a 197 percent increase from the Essential Budget Level (EBL) and a 216 percent increase from the 2005-07 Legislatively Approved Budget. This increase includes the \$180,673,301 total funds (40.48 full-time equivalent positions) transfer of the state's Office of Emergency Management (OEM), and a portion of the Criminal Justice Services Division related to homeland security, from the Oregon State Police to the Military Department as well as other policy enhancements to the Department's budget.

The Subcommittee also recommended \$18,567,467 Other Funds and \$55,677,683 Federal Funds for seven Capital Construction projects for inclusion in House Bill 5006, the statewide Capital Construction bill.

Administration

The Administration program unit consists of the Office of the Adjutant General, the Financial Administration Division, the State Personnel Office, Public Affairs, and the Reintegration/Emergency Financial Assistance Programs. The Subcommittee approved a budget of \$6,824,375 total funds consisting of \$4,942,068 General Fund and \$1,882,307 Other Funds, including 28 positions (26.75 full-time equivalent). This includes:

- Package 104: Occupational Health and Safety Program was approved by the Subcommittee. This package provides \$5,558 Other Funds to reclassify one Human Resource Analyst 2 position to a Safety Specialist 2 based on a review of the position's duties. The position will implement the Department of Administrative Services (DAS) Safety Leadership Initiative and Occupational Health and Safety Program.
- Package 106: LD to Permanent Positions was approved by the Subcommittee. This package provides \$98,302 Other Funds to convert one limited-duration, part-time Fiscal Analyst 3 position into a permanent, part-time position (0.50 full-time equivalent) to assist with the agency's financial and budgetary workload.
- Package 107: Reintegration Program, with a modification, was approved by the Subcommittee. This package provides \$243,393 General Fund to continue two existing limited-duration full-time Administrative Specialist 2 positions (2.00 full-time equivalent) in the 2007-09

biennium. The positions will assist in the post mobilization reintegration efforts of returning forces from federal activation. The Subcommittee approved the package with the understanding that this is a one-time appropriation that should be phased-out during the 2009-11 biennium.

- Package 108: Hunting & Fishing Licenses was approved by the Subcommittee. This package provides \$60,000 General Fund to continue to reimburse veterans the cost of Oregon hunting and angling licenses. The 2005 Legislature established this reimbursement program for Oregonians who serve as members of the Armed Forces, are on active duty, are serving in the reserves, or have retired within 12 months. The Subcommittee approved the package with the understanding that this is a one-time appropriation that should be phased-out during the 2009-11 biennium.
- Package 806: Public Affairs program was approved by the Subcommittee. This package provides \$35,978 General Fund and \$35,512 Federal as Other Funds to convert an existing limited-duration part-time Public Affairs Specialist 1 position into a permanent, part-time position (0.50 full-time equivalent). The position will assist the agency to maintain critical communication with its members, communities, and the public at-large.

Operations

The Operations Program Unit includes operation and maintenance of Army National Guard facilities and operation of the Portland Air Base at the Portland International Airport, Kingsley Field in Klamath Falls, and the Camp Rilea Air Station in Warrenton. The Program also includes Capital Construction staff to oversee the Department's Capital Construction projects. Other federally funded programs include drug interdiction and education; repair of unserviceable U.S. Army equipment; installation of intrusion systems at armories and other facilities; and video teleconferencing, computer-based training, interactive audio and video services, e-mail, and electronic network systems provided to National Guard members and their communities.

The Subcommittee approved a budget of \$79,540,611 total funds consisting of \$11,595,808 General Fund, \$3,521,478 Other Funds, \$64,423,325 Federal Funds, including 398 positions (359.33 full-time equivalent). This includes:

- Package 203: Central Oregon Readiness Center O&M was approved by the Subcommittee. This package provides \$37,293 General Fund to increase basic facility operations, maintenance, and repair support for the Central Oregon Readiness Center in Prineville.
- Package 206: Operations Program Positions was approved by the Subcommittee. This package provides \$159,039 Other Funds and \$258,936 Federal Funds to establish five permanent, full-time positions (5.00 full-time equivalent) for operation and maintenance of various armories across the state. The approved positions include two Facility Maintenance Specialists, one Custodian, and two Custodial Services Coordinators.

- Package 207: LD to Permanent Positions was approved by the Subcommittee, contingent upon the passage of the statewide Capital Construction bill (House Bill 5006) and the Department’s seven proposed Capital Construction Projects. This package provides \$432,436 Federal Funds to convert three limited-duration positions into permanent positions (3.00 full-time equivalent) to assist with the agency’s major construction projects, both new and proposed. The approved positions include a Construction Project Manager 3, a Construction Project Manager 2, and a Procurement and Contracts Specialist 2.
- Package 208: Position Reclasses was approved by the Subcommittee. This package provides \$6,277 Other Funds and \$168,509 Federal Funds to reclassify twenty positions in the Operations program based on a review of their existing duties.
- Package 212: Storefront Leases was approved by the Subcommittee. This package provides \$513,590 Federal Funds to cover a five percent escalation in storefront recruiting office leases across the state.
- Package 213: Electronic Security Systems was approved by the Subcommittee. This package provides \$50,000 Federal Funds for one-time upgrade of electronic security systems at all National Guard armories throughout the state.
- Package 214: Portland Air Base and KF Civil Engineering was approved by the Subcommittee. This package provides \$73,895 General Fund and \$362,148 Federal Funds to support facilities operations and maintenance activities at the Portland Air National Guard Base and the Kingsley Field Air National Guard Base. The federal government requires the state to match 20 percent of the total funding at the Portland Air National Guard Base and 15 percent of the total funding at the Kingsley Field Air National Guard Base.
- Package 215: Maintenance Manager Reclasses was approved by the Subcommittee with a modification. This package reclassifies four maintenance manager positions at Camp Rilea, Camp Withycombe, the Portland Air Base, and Kingsley Air Base from Principal Executive Manager B to Principal Executive Manager C, based on a review of their existing duties. The Subcommittee directed the agency to fund these reclassifications by shifting funds from its existing General Fund and Federal Funds services and supplies budgets.
- Package 814: Long-Term Vacancy Reduction was approved by the Subcommittee. This package reduces \$1,194,960 Federal Funds by abolishing 12 permanent, full-time Scientific Instrument Tech positions (12.00 full-time equivalent) that have been vacant since January 2006 in the Equipment Refurbishment Program.

Emergency Management Program

The Subcommittee’s approved budget includes the transfer of the state’s Office of Emergency Management (OEM), and a portion of the Criminal Justice Services Division related to homeland security, from the Oregon State Police to the Military Department. This is established in a new program entitled the “Emergency Management Program.”

The Emergency Management Program manages and maintains an emergency services system that coordinates local and state resources to prepare for, respond to, and recover from disaster conditions. The Division distributes 9-1-1 and Federal Emergency Management Agency (FEMA) revenues to local governments. FEMA funds transferred to local governments are budgeted as Nonlimited expenditures. The Program also manages the Chemical Stockpile Emergency Preparedness Program (CSEPP) that coordinates federal, state, and local preparation for destruction of chemical weapons at the Umatilla Army Depot.

The Subcommittee approved a budget of \$180,673,301 total funds consisting of \$2,052,485 General Fund, \$70,264,517 Other Funds, \$58,729,125 Federal Funds, \$4,623,210 Other Funds Non-limited, and \$45,003,964 Federal Funds Nonlimited including 41 positions (40.48 full-time equivalent). The Subcommittee's approval of the OEM transfer includes the following:

- Package 500: Homeland Security to Military. This package provides \$1,993,699 General Fund, \$28,814,948 Other Funds, \$58,245,610 Federal Funds, \$4,623,210 Other Funds Nonlimited, \$45,003,964 Federal Funds Nonlimited and 39 positions (34.78 full-time equivalent) to transfer substantial portions of the Office of Emergency Management and the Criminal Justice Services Division from the Oregon State Police to the Oregon Military Department, contingent upon passage of House Bill 2370. The Subcommittee approved the package with directions that the funds be unscheduled pending enactment of House Bill 2370.
- Package 500-A: Oregon Wireless Interoperability Network (OWIN). This package makes reductions of \$168,592 General Fund, and two permanent, full-time positions (2.00 full-time equivalent) to redirect OEM administrative resources, formerly approved for the Office of Homeland Security for the OWIN program, back to the Oregon State Police. The Subcommittee approved the package with directions that the funds be unscheduled pending enactment of House Bill 2370.
- Package 500-B: Re-authorization of 9-1-1. This package provides \$41,757,278 Other Funds and 4.22 full-time equivalent positions. This package is the re-authorization of the 9-1-1 system surcharge for emergency telephone service within Oregon. The funding is provided to local jurisdictions to provide 9-1-1 services for all types of telephone services such as: land line, wireless, voice over internet protocol, and deal telephone. The agency believes that if this program is not funded, it would impose an unfunded mandate on local governments and could adversely impact local public safety funding by diverting funds currently used by other services to 9-1-1 answering. The Subcommittee approved the package with a request that the funds be unscheduled pending enactment of House Bill 2370.
- Package 500-C: Public Affairs and Outreach. This package provides \$164,769 General Fund, \$164,172 Federal Funds and establishes two permanent, full-time positions (2.00 full-time equivalent) for crisis communication and public outreach. The Subcommittee approved the package with a request that the funds be unscheduled pending enactment of House Bill 2370.
- Package 500-D: Additional Program Support. This package provides \$62,609 General Fund and \$270,242 Federal Funds to establish two permanent positions (1.88 full-time equivalent). The positions consist of one Accountant 3 position to assist with federal grant administration and one Information System Specialist 7 position to assist with various information technology needs. The Subcommittee approved the package with a request that the funds be unscheduled pending enactment of House Bill 2370.

- Package 500-E: Technical Adjustment. This technical adjustment package removes Other Fund limitation of \$252,635 for two positions in Policy Package 204 related to the Oregon Wireless Interoperability Network (OWIN) transfer from OEM Administration to State Police. The decrease in positions and FTE was included in Policy Package 500, but the expenditure limitation was not removed.
- Package 500-F: Technical Adjustment. This package provides \$49,101 Federal Funds to switch an accountant position coming from the Oregon State Police Criminal Justice Services Division from an Accountant 2 (position #0160024) to an Accountant 3 (position #0160011). The Subcommittee approved the package with directions that the funds be unscheduled pending enactment of House Bill 2370.
- Package 808: Reduce Department of Aviation Transfer. This package reduces the interagency transfer coming from the Department of Aviation to administer the Air Search and Rescue program by \$55,074 Other Funds resulting in a reduction of \$55,074 Other Funds limitation and a 0.40 full-time equivalent position. The Department of Aviation is collecting less in pilot registration fees, which is why the transfer is decreasing.

The Subcommittee approved the following budget note:

Budget Note

The Military Department is instructed to report to the Joint Committee on Ways and Means or the Emergency Board at least twice during the interim on the status of the integration of the Office of Emergency Management into the Military Department. The Department is also required to submit a final report to the 2009 Legislature, in particular, the Joint Committee on Ways and Means.

Community Support Programs

The Community Support program unit includes the Youth Challenge Program that provides educational and other services to 16-18 year old youth who have dropped out of high school, the Science and Technology Academy Reinforcing Basic Aviation and Space Exploration (STARBASE) program that demonstrates real-world applications of math and science to students in third to eighth grades in Portland and Klamath Falls through tours of the Portland Air Base and Kingsley Field, and the Emergency Operations program that coordinates the use of National Guard resources in response to state emergencies as directed by the Governor. The Department may request Other Funds limitation from the Legislature for the Emergency Operations program as specific events occur.

The Subcommittee approved a budget of \$8,521,528 total funds consisting of \$1,127,707 General Fund, \$2,037,076 Other Funds, \$5,356,745 Federal Funds including 46 positions (46.00 full-time equivalent). This includes:

- Package 402: YCP Position Reclasses was approved by the Subcommittee with a modification. This package reclassifies nine positions in the Youth Challenge Program, based on a review of their duties. The Subcommittee directed the agency to fund these reclassifications by shifting funds from its existing General Fund and Federal Funds services and supplies budget.

- Package 403: LD to Permanent Positions was approved by the Subcommittee. This package provides \$74,568 General Fund and \$111,853 Federal Funds to establish two permanent, full-time positions (2.00 full-time equivalent) implemented through limited-duration actions in 2005-07. The positions consist of one Group Life Supervisor and one Cook 1.
- Package 405: YCP Services and Supplies was approved by the Subcommittee. This package provides \$108,932 Other Funds and \$163,397 Federal Funds to accommodate a requirement imposed by the Department of Administrative Services for the Youth Challenge Program to change its method of reporting reimbursements from the Oregon Department of Education for the National School Lunch and School Breakfast Program.
- Package 810: Revenue Adjustment – OYCP ADM was approved by the Subcommittee. This package increases the Oregon Youth Challenge Average Daily Minimum revenue received from the Bend-LaPine School District by 9.2 percent, resulting in an increase of \$138,970 Other Funds revenue. The Subcommittee approved the package with instructions to the agency to use the increased revenue to augment the Oregon Youth Challenge cash reserve.

Capital Debt Service and Related Costs

Capital Debt Service and Related Costs provides the funding to make payments on the principal, interest, and financing costs associated with the issuance of certificates of participation (COP). COPs are tax exempt government securities. The Subcommittee approved the establishment of this new Summary Cross Reference in the Oregon Budget Information Tracking System (ORBITS) and moved the Debt Service program budget to this new structure.

The Subcommittee approved a budget of \$2,654,459 total funds, consisting of \$2,060,991 General Fund and \$593,468 Other Funds. This includes:

- Package 497: New Debt Service was approved by the Subcommittee contingent upon the passage of the statewide Capital Construction bill (House Bill 5006) and the Department’s seven proposed Capital Construction Projects. This package provides \$1,172,842 General Fund for debt service, and \$482,533 Other Funds for financing costs to support the issuance of \$19.1 million in certificates of participation proceeds during the 2007-09 biennium. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and the DAS – Budget and Management Division.
- Package 811 – Technical Adjustment – DS SCR was approved by the Subcommittee. This package moves \$888,149 General Fund and \$110,935 Other Funds which is in the agency’s essential budget level for debt service from Summary Cross Reference 005 to Summary Cross Reference 087.

Budget Note

The Department is instructed to return to the 2009 Legislature with a budget proposal that includes funding of a portion of its debt service schedule with Other Funds generated from statewide armory rental revenues.

Capital Improvement

The program provides for capital projects less than \$500,000, which includes deferred maintenance.

The Subcommittee approved a budget of \$1,412,951 General Fund. This includes:

- Package 812: Deferred Maintenance was approved by the Subcommittee. This package provides \$1,412,951 General Fund to address Army National Guard facilities repair and maintenance issues at seven armories and the Oregon Youth Challenge Program.

Capital Construction

Expenditure limitation for Capital Construction projects will be included in House Bill 5006, the statewide Capital Construction bill.

The Subcommittee reviewed and recommended approval of \$18,567,467 Other Funds and \$55,677,683 Federal Funds Capital Construction expenditure limitation. The source of the Other Funds is certificates of participation proceeds.

For the following armory addition/alteration projects, the Subcommittee recommended the establishment of separate Capital Construction limitations for each project:

- Package 499-A: Ontario Readiness Center was recommended for approval by the Subcommittee, with a modification. The package, as recommended for approval, provides \$2,232,267 Other Funds and \$11,789,267 Federal Funds for the construction of a Readiness Center on the Treasure Valley Community College campus in Ontario. The Subcommittee approved moving \$1,000,000 of Other Funds limitation from this proposed project to the proposed Salem Airfield Operations Facility Project detailed below. In addition, the Subcommittee increased the Ontario Project's Federal Funds limitation by \$4,111,114 to account for additional funding unanticipated in the Governor's recommended budget. The Department stated that this increase is related to material cost price increases and is not for the expansion of the scope of the Legislatively approved project.
- Package 499-B: Camp Withycombe (Clackamas) Armed Forces Reserve Center was recommended for approval by the Subcommittee, with a modification. The package provides \$3,887,200 Other Funds and \$43,888,416 Federal Funds for the construction of an Armed Forces Reserve Center. The Subcommittee requested that DAS unschedule the funds pending receipt of the Federal Funds.

- Package 499-C: Armory addition/Alterations-Woodburn Armory was recommended for approval by the Subcommittee, with a modification. The package provides \$3,434,400 Other Funds to address space, electrical, mechanical, and structural issues at the Woodburn Armory. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.
- Package 499-D: Armory Addition/Alterations-St. Helens Armory was recommended for approval by the Subcommittee, with a modification. The package provides \$2,518,560 Other Funds to address space, electrical, mechanical, and structural issues at the St. Helens Armory. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS- Budget and Management.
- Package 499-E: Armory Addition/Alterations-Newport Armory was recommended for approval by the Subcommittee, with a modification. The package provides \$2,175,120 Other Funds to address space, electrical, mechanical, and structural issues at the Newport Armory. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS- Budget and Management.
- Package 499-F: Armory Addition/Alterations-Gresham Armory was recommended for approval by the Subcommittee, with a modification. The package provides \$3,319,920 Other Funds to address space, electrical, mechanical, and structural issues at the Gresham Armory. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.
- Package 813: Salem Airfield Operations Facility Project was recommended for approval by the Subcommittee, with a modification. The package provides \$1,000,000 Other Funds for unanticipated construction costs. The Subcommittee requested that DAS unschedule the funds pending review of updated project costs by the Legislative Fiscal Office and DAS - Budget and Management.

The Subcommittee also recommended approval of the following budget note:

Budget Note

To the maximum possible extent possible, the Military Department will use Capital Construction Account funds to reduce certificate of participation issuances and/or to reduce debt service costs. The Department is to report to the interim Joint Ways and Means or the Emergency Board prior to December 2008 on the status of such reductions.

The Subcommittee recommended approval of the extension of the project expiration dates and expenditure limitations for the following projects: The Dalles Readiness Center, Ontario Readiness Center, Medford Armory and Maintenance Shop and Baker City Armory. The Subcommittee recommended deferring approval of project extensions for the Infantry Battle Course/Boardman Bombing Range and the Boardman Qualification Training Range.

The Subcommittee recommended approval of the sale of the Ontario Armory with the understanding that any sale proceeds will be used only for the purposes of reducing certificates of participation issuance for the Ontario facility or reducing debt services in the proposed budget. The Subcommittee recommended deferring approval of the following sales: Hillsboro Armory, Lake Oswego Armory, The Dalles Armory, and the Klamath Falls Armory.

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form.

The Subcommittee instructed the Department to work with the Legislative Fiscal Office during the interim to further evaluate and refine the Department's Key Performance Measures.