

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

MEASURE: SB 5505-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Barker
Carrier – Senate: Sen. Nelson**

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

Vote: 17 – 3 – 1

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

– Nays: Garrard, Hanna

– Exc: Morgan

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

– Nays: Whitsett

– Exc:

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Reviewed By: Doug Wilson, Legislative Fiscal Office

Meeting Date: 5/18/07

Agency

Department of Corrections

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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	\$ 960,643,630	\$ 1,164,835,997	\$ 1,133,879,513	\$ -30,956,484	-2.7%
General Fund Capital Improvement	1,078,999	1,112,448	2,557,806	+1,445,358	+129.9%
General Fund Debt Service	101,640,940	133,828,118	130,202,602	-3,625,516	-2.7%
Other Funds	33,938,028	36,343,260	36,240,120	-103,140	-0.3%
Other Funds Capital Improvement	240,000	0	0	0	0.0%
Other Funds Debt Service	15,208,750	0	0	0	0.0%
Other Funds Debt Service Nonlimited	11,100,811	0	0	0	0.0%
Other Funds Nonlimited	92,145	0	0	0	0.0%
Federal Funds	5,609,146	4,473,659	9,273,659	+4,800,000	+107.3%
Total	\$ 1,129,552,449	\$ 1,340,593,482	\$ 1,312,153,700	\$ -28,439,782	-2.1%

Position Summary

Authorized Positions	4,287	4,810	4,771	-39
Full-time Equivalent (FTE) Positions	4,181.91	4,684.40	4,646.31	-38.09

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

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The agency is mainly supported by a General Fund appropriation. For 2007-09, the General Fund at \$1.3 billion is 96.5 percent of the recommended budget. Other Fund revenues come from the Inmate Welfare Fund (telephone revenues, canteen profits, fines, confiscations, and vending machines), proceeds from sales of Certificates of Participation, and grants. The budget includes just over \$36.2 million Other Funds. In addition the budget includes \$9.2 million in federal grants and reimbursements, the bulk of which is from the U.S. Department of Justice for reimbursement of the expense associated with incarcerating illegal aliens. Some of the illegal alien funds have not yet been approved by the Congress. Should they not materialize, the Department will need to find funding internally and so identify it at its Ways and Means hearing or in a rebalance action, depending on the timing.

Summary of Subcommittee Action

The Department of Corrections (DOC) manages adult and juvenile offenders sentenced to prison by the courts. DOC distributes funds to counties for management of offenders on parole, post-prison supervision, or who have been sentenced to incarceration for one year or less. The Department operates 13 institutions, with another scheduled to open in September 2007, for the incarceration of felons sentenced to prison for

more than twelve months. Based on the April 2007 forecast, the prison population is projected to grow by 589 inmates (4.3 percent) from 13,574 in July 2007 to 14,163 in July 2009. By July 2016 under current law, the prison population is expected to grow to almost 16,000 or by nearly 2,400 (17 percent).

The significant cost driver for the DOC budget is the number of incarcerated offenders in the prison system resulting in a large construction program to expand the number of beds, increasing health care costs, and a growing number of staff to supervise the inmate population. Over 80 percent of DOC's budget is for prison operations or repayment of debt related to prisons. The passage of Ballot Measure 11 (BM 11) created the need to significantly increase the size of the corrections systems in Oregon. The growth in inmates due to BM 11 was not so much due to an increased number of offenders entering the system – they would have been there anyway – but rather to the extended length of time BM 11 offenders spend in prison. Other law changes such as those related to repeat property offenders have also contributed to the growth.

During 2003-05 and 2005-07, DOC rented beds from counties that had available space in their jails until the prison capacity caught up with the demand for beds. As the minimum custody beds in the new Madras facility (Deer Ridge) come on line and after the current expansion at Coffee Creek is completed, the agency does not expect to have to rent a significant number of beds or open another facility until 2012. This assumption is based on current law. Changes in sentencing laws or significant changes in current trends would drive a different demand.

The community corrections system is based on Senate Bill 1145 (1995), which transferred management of offenders sentenced or sanctioned for incarceration 12 or fewer months, and all felony offenders under community supervision to the counties effective January 1, 1997. The DOC provides funds to counties to offset the costs of supervision these offenders. The community corrections population is expected to grow by 802 offenders (just over two percent) during 2007-09 from 35,501 in July 2007 to 36,103 in July 2009 (based on the April 2007 forecast). Over the long term, this population is expected to reach 38,000 by 2016.

The Subcommittee approved a budget of \$1,312,153,700 total funds and 4,646.31 full-time equivalent positions. This is a 1.31 percent increase from the Department's Essential Budget Level (EBL). This budget does not include \$33.6 million Other Funds expenditure limitation reviewed by the Subcommittee for Capital Construction projects, which will be included in another bill.

Operations Division

The Operations Division is responsible for the security, and operation of the 13 existing correctional institutions and one new facility scheduled to open in Madras in early 2007-09. Functions of this division include institution operations, security, food service, health care, mental health services, administration of rental beds, inmate work, inmate intake, release counselors, and inmate transportation. The Subcommittee approved a budget of \$770.3 million total funds and 4,066.41 full-time equivalent positions, which is 1.0 percent less than the EBL. The Subcommittee discussed issues including:

- The unpredictability of State Criminal Alien Assistance Program funding (see Package 818).
- The challenge of managing overtime, employee and inmate safety, and employee morale in view of a significant, undesignated reduction (see Package 812).
- The potential impact of a proposed initiative petition, which would increase sentences for certain property crimes and which, if passed, could drive the need for over 2,000 new prison beds by the end of 2009-11.
- The sharply rising cost of medical care provided outside the institution, especially in view of an aging prison population. On the last issue the agency has proposed a new performance measure to track efforts at controlling the costs.

The Subcommittee approved Package 100: Mental Health Housing and Services. The package establishes four permanent positions (3.50 full-time equivalent) at Snake River to replace contracted services. It increases the number of beds in Snake River Correctional Institution's special management unit. In general the package maintains late 2005-07 biennium service levels at a cost of \$0.9 million General Fund.

The Subcommittee approved Package 101: Mental Health Staffing. The package establishes 30 permanent positions (30.00 full-time equivalent) that replace services provided by contractors. Four positions increase to full-time, ten positions relieve double-fills, and 16 positions replace limited duration positions. It maintains 2005-07 levels, at a cost of \$3.2 million General Fund.

The Subcommittee did not approve Package 121: OSP Groundwater Monitoring. It would have continued DEQ-required monitoring of groundwater at the Oregon State Penitentiary and provided resources for the operation and maintenance of the stripping tower. In the past this function has been funded from Capital Construction resources. A related package, also not approved, is part of the General Services Division. The Subcommittee recommends the costs be absorbed within the Division's existing budget.

The Subcommittee added package 810: April 2007 Forecast Adjustment. A reduction of \$3.4 million General Fund and \$0.4 million Other Funds expenditure limitation, this package adjusts the anticipated spending and staffing needs based on the new April 2007 forecast. The agency is able to take a reduction because it estimates it has more men's beds at minimum facilities than it will require during the 2007-09 biennium so the opening of a new unit at Shutter Creek can be delayed. The demand for women's beds at Coffee Creek, however, continues to outpace the number available. In addition, there is a need for women's single cell beds in special cases, which are not currently available. With the delayed opening of the Shutter Creek unit, the availability of men's beds could be tight at times during the biennium. The DOC believes it can manage with this capacity under the current forecast. The package also eliminates 31 positions (31.00 full-time equivalent).

The Subcommittee added Package 812: Undesignated Reduction. It reduces the Operations Division General Fund budget by \$11.3 million. This reduction continues legislative practice for the past two biennia. While it has been challenging, in both biennia, the agency has been able to manage within budgeted amounts using vacancy and other savings and expects to be able to continue to manage with the same flexibility.

The Subcommittee added Package 817: Utilities Cost Increase in the amount of \$4.5 million General Fund. After completion of the Governor's Budget, the agency became aware of significant cost increases in sewer and water rates at some institutions including those in Pendleton, Wilsonville, and Coos Bay. In addition, the agency projects that natural gas and electricity costs will be much higher than expected. Overall, the agency currently estimates the budgeted amount may be as much as \$9 million under what will be needed. This package will alleviate some of the shortfall.

The Subcommittee added Package 818: Federal Funds Shift. The agency expected to receive an estimated \$3.5 million in federal funds from the State Criminal Alien Assistance Program to offset the need for \$3.5 million General Fund to pay for incarceration costs of illegal aliens for Federal Fiscal Year 2006. Since this revenue will not be spent in 2005-07 it is assumed to be available for 2007-09.

The Subcommittee added Package 819: Technical Adjustments. This package shifts Other Funds expenditure limitation from the Operations Division to General Services Division to reflect where expenditures actually take place. The package is expense-neutral for the entire agency budget.

Transitional Services

The programs of the Transitional Services Division are generally provided inside the prison walls and are designed to reduce the risk of future criminal conduct by offenders under the supervision of the agency and counties. Through programs including workforce development (e.g., education and cognitive/life skills) and substance abuse treatment, the agency works toward preparing the incarcerated offender for a successful transition back into the community when released, which reduces recidivism. This division is also responsible for administering the community corrections program, the interstate compact, jail inspections, religious services, sentence computation, inmate classification, victim services, and offender records. The Subcommittee approved a budget of \$55.5 million total funds and 131.37 full-time equivalent positions, about 8.4 percent higher than EBL.

The Subcommittee discussed issues pertinent to Transitional Services including:

- The portion of the inmate population with access to the full range of programs and services that have been shown to result in reductions in future incarceration, such as workforce development, substance abuse treatment, and cognitive programs.
- House Bill 2329, which increases the sentences for some property crimes while making changes to the Alternative Incarceration Program. The measure results from discussions among the Governor's office, the agency, district attorneys and other interested parties. Currently in Ways and Means, the bill has a potential fiscal impact in 2007-09 up to \$7.5 million.
- Additional funding for evidence-based cognitive programming (Package 807).

The Subcommittee approved Package 112: Transition/Re-entry Coordinators. As approved, the package adds \$0.6 million General Fund for four limited duration transitional coordinator positions (3.49 full-time equivalent) to be added to the existing one coordinator position at Oregon State Correctional Institution. The new positions will be located in the facilities that are designated as release facilities. The coordinators develop and deliver curriculum for assisting inmates who are to be released in the near future. The Subcommittee directed that the agency develop outcome

measures to justify continuing the new positions after 2007-09 biennium and that one of the four be located at the Coffee Creek Correctional Facility and be available to work with the Women in Community Services program.

The Subcommittee approved Package 113: Sex Offender Pre-release Program. As approved, \$150,000 General Fund is provided for a pilot project for treatment and monitoring sex offenders utilizing Depo-Provera. The funds will be used to treat approximately 20 sex offenders per month after their release. Expected monthly cost per offender is \$300, which includes the cost of the drug and monitoring.

The Subcommittee approved Package 116: Alcohol & Drug Provider Compensation. As approved, \$2.3 million General Fund is provided to increase the standard case rate to \$33.68 per day, which is comparable to the Department of Human Services rate. The agency is expected to begin paying the new rate January 1, 2008 and is instructed to report to the 2009 Legislature on the impact of this package on the turnover rates of provider staff.

The Subcommittee added Package 806: Staff Reductions. The package eliminates two positions (2.25 full-time equivalent) that would have been added to support mandated caseload. The General Fund reduction is \$0.3 million. The eliminated positions are a Program Analyst 2 (0.50 full-time equivalent) and a Chaplain (0.75 full-time equivalent). In addition, hiring delays in the Sentence Calculation unit of two Administrative Support 2's (90 days each) and one Office Support 2 (one year) as well as delays in Religious Services positions of 90 days each for a Principle Executive/Manager C and an Office Support 2 position total a reduction of 1.00 full-time equivalent.

The Subcommittee added Package 807: Program Enhancement. The package provides \$1 million additional General Fund to be directed to the cognitive programs. This amount will provide sufficient resources to provide treatment to the final 200 inmates with the highest risk to re-offend related to anti-social attitudes and conduct. It also provides a significant number of slots for those at the next highest level of criminogenic need or who are at risk to re-offend. Pertinent to this funding the Subcommittee added the following budget note:

Budget Note

The Department is instructed to consider contracting a portion of this \$1 million additional funding to community-based organizations that use evidence-based cognitive programming, and that provide services both in prison and after offenders are released into the community through transitional aftercare. The Department is to report enrollment and outcome data to the 2009 Legislature as part of its Joint Committee on Ways and Means budget presentation.

The Subcommittee added Package 816: Federal Grants. The package increases Other and Federal Funds expenditure limitations for two grants not anticipated in the Governor's Recommended Budget. The federal Prison Rape Elimination Act (PREA) grant period began in 2005-07 and continues through June 2008. The amount to be used in 2007-09 is \$395,000. The \$144,036 Other Funds increase is for a Perkins grant and comes from the Oregon Department of Education.

Community Corrections

The Community Corrections grant program provides Grant-in-Aid funding to counties except where DOC has assumed responsibility for community corrections. Under SB 1145 (1995), the community corrections program was restructured to establish state/local partnerships and shift resources and control for community corrections to the counties. The Grant-in-Aid is based on the number and risk levels of offenders to be managed. Three general groups are funded through this program:

- ***Felony Probation*** are those individuals who have been sentenced for a felony to probationary supervision instead of incarceration in a local or state correctional facility.
- ***Parole and Post-Prison Supervision*** are those individuals who have been incarcerated in a state correctional facility, are released, and then supervised in the community corrections system.
- ***Local control*** are those individuals convicted for a felony and sentenced to incarceration of 12 months or less, revoked from felony community supervision and sentenced to 12 months or less incarceration, or sanctioned to less than 30 days for violating the terms of community supervision.

The positions included in this program unit are the community corrections supervision staff for two counties (Douglas and Linn) where DOC has assumed responsibility for community corrections.

The Subcommittee discussed House Bill 2325, which would require the State to complete an actual cost study similar to the one completed in developing the Governor's 2007-09 budget every six years. That completed study would then be used to "rebase" the rates paid under the Community Corrections grants to counties. It should be noted that an actual cost study was only used to rebase the supervision part of the Community Corrections program while the cost-per-day for DOC was used for rebasing the local jail or incarceration component of the program.

The Subcommittee approved a budget of \$227.2 million total funds and 47.33 full-time equivalent positions, an increase over EBL of \$10.5 million and 4.8 percent.

The Subcommittee approved Package 110: Actual Cost Study by amending the amount to a level that would fund one year of the 2007-09 biennium based on the October 2006 forecast. This package "rebases" the rates used to set and distribute community corrections funding to counties. The new rates are based on an actual cost study completed in the 2005-07 interim for supervision operations, while the local jail cost component is tied to the DOC cost-per day rate for inmates. The new rates would be effective July 1, 2008 and provide the base for developing the 2009-11 budget.

The Subcommittee added Package 810: April 2007 Forecast: EBL Adjustment. This package makes an adjustment to the amount required to meet the Essential Budget Level (EBL) for community corrections grants to counties based on the April 2007 forecast. It does not include the new forecast's impact on the Actual Cost Study component of the grants. The total is a \$3.6 million General Fund reduction.

The Subcommittee added Package 811: April 2007 Forecast: Actual Cost Study Adjustment. This package adjusts the amount required for the additional amount over the EBL for grants to counties based on the April 2007 forecast. This represents the increase based on the Co-chairs' budget which implements the rate change based on the study in July 2008. Adding the first year's (July 1, 2007 – June 30, 2008) rate increase as assumed in GRB costs a net \$2.9 million General Fund. This package increases the Community Corrections grants by \$1.8 million General Fund.

General Services Division

The General Services Division includes the following units:

- **Fiscal Services** provides central accounting, inmate trust accounting, and contract related services for the entire agency. While most of its staff is located in Salem, staff is also located in eastern Oregon to oversee business operations at those facilities.
- **Information Systems and Services** provides agency-wide functions including operations and user support, applications development, systems maintenance, technical support, and research/evaluation. It is responsible for operating a number of systems, including the offender database and tracking system used to manage the state's prisons and community corrections; the Corrections Information System; fiscal systems; and automated office systems.
- **Distribution services** provides the various goods and services necessary to operate facilities across the state including food and canteen supplies. It has a central warehouse in Salem and transports supplies to facilities around the state. It is also responsible for the statewide inventory system for the agency.
- **Facility services** is responsible for the repair and maintenance program for all of the DOC owned facilities. It also manages leased facilities, wireless communications, capital improvements, deferred maintenance, and energy conservation.

The Subcommittee noted an important issue for General Services. DOC is currently involved in updating and rewriting major components of the Corrections Information System (CIS). This is a major undertaking funded primarily out of the base budget. It will improve the efficiency of the agency and also improve the potential for sharing information with other state and local public safety agencies in a much more effective manner. The agency must work with other public safety agencies in developing the changes in the CIS and any other information management system that the agency undertakes.

The Subcommittee approved a budget of \$55.9 million total funds and 241.32 full-time equivalent positions, a 13.4 percent increase over the agency EBL.

The Subcommittee approved Package 120: Staff Infrastructure. As approved, it adds \$0.7 million General Fund to increase staff to respond to changes in business practices and federal mandates. Two new positions are added in the fiscal services area and three new positions are added in the information systems areas. Another 11 related positions are added in the mandated caseload package (040), as adjusted in Package 806 below. The reduction from the Governor's Budget is \$64,043 and 0.50 full-time equivalent Accounting Technician 2 position.

The Subcommittee did not approve Package 121: OSP Groundwater Monitoring. As proposed it would have continued DEQ-required monitoring of groundwater at the Oregon State Penitentiary and provided resources for the operation and maintenance of the stripping tower. In the past this function has been funded from Capital Construction resources. A related package, also not approved, is part of the Operations Division. The Subcommittee recommends the costs be absorbed within the Division's existing budget.

The Subcommittee approved Package 122: Wireless Equipment Replacement. It replaces wireless systems equipment at Coffee Creek and Snake River at a cost of \$6.5 million Other Funds. Reasons for replacement include equipment not supported by industry anymore and issues with federal regulatory agency. The new equipment will be compatible with the Oregon Wireless Interoperability Network project; it is funded through Certificates of Participation.

The Subcommittee added Package 806: Staff Reductions, which reduces one Property Specialist 3 position (0.75 full-time equivalent) added in the mandated caseload package for Distribution Services. The reduction is \$108,470 General Fund.

The Subcommittee added Package 816: Early Purchase of Madras Equipment. The Deer Ridge facility in Madras is scheduled to open in September 2007 and the 2007-09 Governor's Budget included funding for the purchase of equipment including the wireless communication system for the facility. The agency has funding available in 2005-07 to purchase a portion of this equipment, freeing up \$1.4 million General Fund in 2007-09 for use elsewhere.

The Subcommittee added Package 819: Technical Adjustment. It increases Other Funds expenditure limitation by \$0.9 million to recognize expenses related to the Central Distribution Center sales to other state agencies. There is a corresponding decrease in the Operations Division so the packages are cost neutral across the agency.

Central Administration

Central Administration includes the Office of the Director, Budget Office, Population Management Office, and Internal Audit functions. This unit provides overall direction and administration, and budget and financial accountability. The largest share of the expenditures in this budget unit is for all of the agency's central government service charges including those paid to DAS for risk management. This budget unit also includes those expenditures related to the issuance costs (not debt service) of COPs.

The Subcommittee budget is just under \$46 million total funds and 26.96 full-time equivalent positions, a 4.6 percent increase over the EBL.

The Subcommittee approved Package 140: Construction, Debt Service and Related Costs. It provides resources for the costs relating to issuing COPs for planned deferred maintenance work, initial planning/design for the next prison facility, and for the wireless systems at Snake River and Coffee Creek. Funded with proceeds from the issuance of COPs and is slightly higher than Governor's Budget due to updated information and re-timing of COP sales.

The Subcommittee added Package 815: Federal Grants. It increases Federal Funds expenditure limitation for a grant not anticipated in the Governor's Budget. The federal Prison Rape Elimination Act (PREA), begun in 2005-07, continues through June 2008.

Public Services

The Public Services Division includes the functions relating to investigations of inmates, hearings, rules coordination, research and evaluation, and public information. The Subcommittee budget for this Division is \$12.0 million total funds and 67.67 full-time equivalent positions. This is less than one percent less than EBL.

The Subcommittee added Package 806: Staff Reductions. This package reflects a review of the increase in staff in the mandated caseload packages. The eliminated position is an Inspector 1, part of the special investigations unit. The total reduction is \$106,641 General Fund and 0.83 full-time equivalent.

Human Services

Human Services staff provides agency-wide services including labor management, recruitment, employee development, training, employee safety, risk management, and payroll services. The Subcommittee budget of \$12.4 million General Fund and 65.25 full-time equivalent positions is less than a one percent reduction from the division's EBL.

Issues of note, which the Subcommittee discussed include:

- The Department of Public Safety Standards and Training (DPSST) not only provides training for state troopers and local law enforcement officers but also for correctional officers.
- Recruitment for DOC employees has been difficult for some areas of the state as well as for selected types of jobs. Certain medical and pharmacy related positions have been problematic to fill in the past.

The Subcommittee added Package 806: Staff Reductions. This package eliminates a Human Resources Assistant position (1.00 full-time equivalent) that was added in the mandated caseload package. The position would have been part of the records unit. The reduction is \$100,617 General Fund.

Debt Service

Debt service is the obligation to repay the principal and interest costs of COPs that are issued to finance the costs of construction and improvement of correctional facilities. Beginning with the construction of the Snake River Correctional Facility in Ontario in the early 1990s, DOC has used COPs to finance the major expansion of the prison system. The proceeds from COPs are also used for the construction of local jail capacity related to the Senate Bill 1145 population, purchase of property, design costs, siting costs, major improvements or upgrades of existing

facilities, and the staff costs associated with the construction and improvement of facilities. The Subcommittee budget of \$130.2 million General Fund is less than one percent under the EBL.

The Subcommittee approved Package 140: Construction, Debt Service and Related Costs. As approved, it provides increases in debt service for initial planning/design for the next prison, deferred maintenance projects, and replacement of the wireless systems at Snake River and Coffee Creek. Adjusting the timing of COP sales and eliminating some of the proposed COP-financed projects resulted in debt service savings of \$1.9 million General Fund in 2007-09 from the Governor's \$3.5 million General Fund request.

The Subcommittee added Package 813: Adjustment to Debt Service, which changes the amount of debt service to reflect actual costs and borrowing rate of the 2007-A COP sale. The sale was made after the Governor's Budget was developed. The reduction is \$1.8 million General Fund.

Capital Improvements

These funds are used for deferred maintenance and asset protection projects. These projects must be less than \$500,000 or they are categorized as Capital Construction. The Subcommittee approved a budget \$2.6 million General Fund, well over double the EBL of \$1.1 million.

The Subcommittee added Package 814: Deferred Maintenance. It increases the General Fund allocated for capital improvements for deferred maintenance projects. These projects had been proposed to be funded by COPs in the GRB. The increase is \$1.4 million.

The Subcommittee discussed two significant capital improvement issues as they relate to the DOC. First, the Department contracted for a study of capital improvements and maintenance projects in 1996 which showed over \$60 million in needs. At least \$40 million of those projects have yet to be completed and others have been added over time. Even though the agency has many newer facilities, there remain facilities like Oregon State Penitentiary which have many older structures. Even newer facilities like Snake River are reaching that stage where repairs and projects now will offset greater needs in the future.

Second, the Department of Corrections, Department of Human Services, Department of Public Safety Standards and Training and other agencies that own and operate large facilities often do not have a mechanism for setting aside resources over time for future deferred maintenance needs. While some agencies have capital improvements budgets, they are insufficient to meet the ongoing maintenance needs as facilities age. In addition, there is no means to make long-term plans to address deferred maintenance needs when there is not funding certainty. In view of this challenge, the Subcommittee added the following budget note:

Budget Note

The Department of Administrative Services, in cooperation with the Legislative Fiscal Office, shall convene a workgroup to develop a proposal for a long-term deferred maintenance funding plan and mechanism for those agencies that currently do not have such a plan. The Department of Administrative Services shall report on the workgroup's product to the Emergency Board or the interim Joint Committee on Ways and Means before September 2009. Members of the workgroup should include representatives of those agencies with larger facilities or multiple facilities.

Capital Construction

This budget unit includes expenditure authority for acquisition or construction of any structure or group of structures; all land acquisitions; assessments; and improvements or additions to an existing structure, which are to be completed within a six-year period with an aggregate cost of \$500,000 or more. The expenditure limitation for each project is in effect for six years. While Capital Construction expenditure limitation is included in a separate bill to be heard by a different Ways and Means subcommittee, the subcommittee that hears an agency's budget will make recommendations on the capital projects included in the Capital Construction bill.

To that end, the Subcommittee discussed the agency's packages that address building the next prison and deferred maintenance projects. The Subcommittee recommends \$10.6 million Other Funds for design, site work, infrastructure, engineering, and architecture services at what has now been identified as the Junction City site. The Subcommittee discussed the Junction City site and the effect that also siting a 300-bed state hospital on the property would have on the Department of Corrections. A budget note requesting a report during the interim on joint DOC/Department of Human Services planning was included as part of the recommendation to the Subcommittee dealing with Capital Construction.

The Subcommittee also recommended that the Capital Construction budget include resources to complete the agency's top priority projects dealing with electrical, structural, HVAC, asbestos, and other issues. Funds will also be used for clean-up of the firearms range in Salem and for development fees owed the City of Salem. The total recommended amount is \$23.0 million, funded with COP proceeds.

Summary of Performance Measure Action

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