

**74<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5544-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Nathanson  
Carrier – Senate: Sen. Westlund**

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

**Vote:** 16 – 4 – 1

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

– Nays: Hanna, Garrard, Morgan

– Exc: Jenson

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

– Nays: Whitsett

– Exc:

**Prepared By:** Linda Gilbert, Department of Administrative Services

**Reviewed By:** Sheila Baker, Legislative Fiscal Office

**Meeting Date:** 5/16/07

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**Agency**

Oregon Youth Authority

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**LFO Analysis Page**

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**Biennium**

2007-09

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

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Senator Kurt Schrader, Co-Chair

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

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Representative Mary Nolan, Co-Chair

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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	\$ 206,426,750	\$ 253,411,151	\$ 246,535,870	\$ -6,875,281	-2.7%
General Fund Capital Improvement	630,815	650,370	715,370	+65,000	+10.0%
General Fund Debt Service	6,567,593	7,211,684	6,631,208	-580,476	-8.0%
Other Funds	12,535,931	13,947,795	13,847,796	-99,999	-0.7%
Other Funds Debt Service	61,585	0	0	0	0.0%
Federal Funds	25,969,651	32,841,168	28,520,201	-4,320,967	-13.2%
Total	\$ 252,192,325	\$ 308,062,168	\$ 296,250,445	\$ -11,811,723	-3.8%

## **Position Summary**

Authorized Positions	1,090	1,281	1,279	-2
Full-time Equivalent (FTE) Positions	1,047.22	1,149.33	1,147.46	-1.87

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

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

General Fund comprises 85.7 percent of the 2007-09 Legislatively Adopted Budget. The largest ongoing sources of Other Fund revenues have traditionally been trust recoveries from Supplemental Security Income disability payments, child support collections, and other client funds used to reimburse the state for the maintenance costs of youths in care. Other Funds are 4.7 percent of the total budget. Federal Funds from Title XIX (Medicaid) funds for Targeted Case Management, Behavioral Rehabilitation Services, and Administration are forecast at \$28.5 million, 9.6 percent of the agency's resources. This is down slightly from 10.3 percent in the 2005-07 biennium, because the federal revenue is dependent upon eligibility of both youth and services, and the federal Medicaid match rate changes annually.

## **Summary of Subcommittee Action**

The Oregon Youth Authority (OYA) is responsible for a continuum of services for youth offenders through a statewide network of state facilities, state employees, counties, and other contracted community providers.

OYA's close custody system includes three major population groups: juveniles convicted in adult court under Measure 11 or waived to adult court; Public Safety Reserve youth committed for certain violent crimes, but too young for Measure 11 to apply; and youth committed for new crimes and parole violations as part of the county Discretionary Bed Allocation (DBA). OYA is currently funded for 850 close custody beds,

about 70 percent of the projected close custody demand on July 1, 2007. The Office of Economic Analysis (OEA) March 2007 demand forecast projects demand for close custody beds will taper off slightly during the 2007-09 biennium, down about three percent from 1,208 in July 2007 to 1,171 in July 2009, and continue to drop until 2015. The current capacity is more than adequate to house the Measure 11/waived and Public Safety Reserve youth, but it limits the number of DBA beds available to counties for lower-level offenders.

Community placement beds, which served 559 youth at January 1, 2007, are currently funded at about 75 percent of forecast demand levels. Demand for community services was stable during 2006. However, OEA's forecast projects demand will drop 6.5 percent during the 2007-09 biennium, from 726 placements in July 2007 to 679 placements in July 2009, and continue dropping until 2015.

The Public Safety Subcommittee approved a budget of \$296.3 million total funds and 1,147.46 full-time equivalent positions. This is 17.5 percent above the 2005-07 legislatively approved budget level. The budget adds 145 close custody beds and 73 community beds during the 2007-09 biennium, and increases funding for county diversion, juvenile crime prevention grants, and county youth gang programs. It enhances facility staffing, and adds staff to provide technical assistance for county grants and residential treatment providers.

### Facility Programs

OYA operates six youth correctional facilities (YCFs) and four transition programs across the state. The facilities provide youth offenders with "bed and board", physical and mental health care, treatment services, education programs, recreation and work experience for youth. Services are provided by OYA employees and by contract with community professionals, local school districts or education service districts. Educational costs are paid by the State School Fund and are not part of OYA's budget. The Subcommittee approved a Facility Programs budget of \$144.4 million total funds and 890.34 full-time equivalent positions. This is 18.6 percent higher than in the 2005-07 biennium.

The Subcommittee approved Package 090: BAM Analyst Adjustment, which reduces the October 2006 forecast Essential Budget Level for close custody facilities caseload growth. However, the net impact adds 145 beds and 161 positions (76.30 FTE), phased in during the 2007-09 biennium, over the 850 beds funded in the 2005-07 biennium. OYA plans to phase in the 145 new beds by reopening 50 beds at Oak Creek YCF in Albany in December 2007, adding 25 more beds at Oak Creek in January 2008, and adding a total of 70 beds at North Coast YCF (Warrenton), River Bend facility in La Grande, and Hillcrest YCF in Salem in February 2009. This phase-in will have a rollup of an additional \$11 million General Fund in the 2009-11 budget to continue the beds for the full 24 months of that biennium.

The Subcommittee approved Package 103: Staffing Safety and Security with one modification. As approved, the package adds positions to equalize staffing levels, nursing and psychiatric resources in older facilities. It does not include \$1.1 million General Fund requested to cover full shift coverage on holidays. The package total is \$1.7 million General Fund, 10 positions, 12.50 full-time equivalent.

Package 104: Programming for Young Women implements work group recommendations to add resources for evidence-based, gender-specific services for young women. It funds a Qualified Mental Health Professional for Corvallis House and staff training for cultural and gender specific services. The Subcommittee approved the package at \$176,662 General Fund and one position (1.00 full-time equivalent), shifting \$65,000 for modifications to Oak Creek YCF (Albany) from this package to the Capital Improvements budget.

The Subcommittee approved Package 105: Medical and Pharmacy Cost Increases. It adds \$765,327 General Fund to cover a projected \$1 million cost increase in these expenditures, which is partially offset with negotiated contract savings.

The Subcommittee added Package 801: LFO Analyst Adjustment to reflect updated estimates of federal revenues, including a reduction in Oregon’s federal Medicaid match rate and reprojected youth eligibility for Medicaid services. In this package, \$3,815 General Fund is added, offset by an equal Federal Funds reduction.

Community Programs

Community Programs funds parole and probation services; community placement services, such as residential services and foster care; individualized community services; and grants to counties for youth gang services, juvenile crime prevention, and services to divert high risk youth offenders from OYA placement. The Subcommittee approved a \$114.5 million total funds budget for Community Programs, which is 17.7 percent higher than the 2005-07 legislatively approved level. The table below shows more detail:

**COMMUNITY SERVICES - - TOTAL FUNDS BUDGET**

	<b>2005-07 Legislatively Approved Budget</b>	<b>2007-09 Governor’s Recommended</b>	<b>2007-09 LFO Recommended</b>
Parole and Probation	\$22,348,589	\$25,030,483	\$25,030,483
Residential/Foster Care/Individualized Svcs	55,756,014	73,934,818	66,296,896
Multnomah County Youth Gang Services	3,258,412	4,458,253	3,359,423
Statewide County Youth Gang Grants	600,000	0	1,550,000
Juvenile Crime Prevention/County Diversion	15,255,775	20,625,856	18,084,054
County Grants Technical Assistance Staff	0	310,378	144,650
<b>Total</b>	<b>\$97,218,790</b>	<b>\$124,359,788</b>	<b>\$114,465,506</b>
Positions/FTE	154/149.75	167/155.48	166/154.61

The Subcommittee approved Package 090: BAM Analyst Adjustment, which reduces the October 2006 forecast Essential Budget Level for community programs caseload growth and parole/probation staff; the net impact adds 73 community beds and 14 positions (6.06 full-time equivalents) during the 2007-09 biennium.

The Subcommittee approved Package 201: Partnering with Counties, reducing the added costs from \$6.3 million General Fund in the Governor’s budget to \$4.05 million General Fund. The package adds funding for juvenile crime prevention, county diversion and youth gang grants. It also adds one limited duration Program Analyst 3 (0.88 full-time equivalent) to monitor programs and results. The Governor’s proposed \$1.1 million additional funding for Multnomah County gang funds was shifted and increased to make \$1.55 million General Fund available for statewide competitive youth gang grants. The Subcommittee provided further direction to the agency with the following budget note:

## **Budget Note**

The funding for gang intervention efforts in Multnomah County is to be distributed by Multnomah County government. The Oregon Youth Authority is to report back to the 2009 Legislature as part of its budget discussions on the distribution and outcomes of this funding, and the distribution and outcomes of the statewide competitive gang intervention funds.

Package 202: Provider Rates adds \$2 million General Fund and \$1.3 million Federal Funds expenditure limitation to update rates for Behavioral Rehabilitation Services (BRS) providers. Although BRS providers serve youth in the custody of both OYA and the Department of Human Services (DHS), the Governor's budget did not fund equal increases for these providers in OYA's and DHS' budgets. The Subcommittee discussed the issue that rate differentials between the two agencies can create issues with service access. The Subcommittee approved a lower rate increase for OYA than proposed in the Governor's budget, but it anticipates shifting funding to the DHS budget to bring the rates in parity for providers that deliver the same services for both agencies. The Subcommittee also approved the use of annual inflation factors in calculating cost-of-living increases for BRS providers. For the 2007-09 biennium, the 2.1 percent annual inflation factor is the equivalent of about a 3.17 percent biennial increase, compared to the standard 3.1 percent standard biennial inflation factor. The total BRS rate increase for the 2007-09 biennium, including inflation adjustments, is around nine percent.

The Subcommittee added Package 801: LFO Analyst Adjustment to reflect updated estimates of federal revenues, including a reduction in Oregon's federal Medicaid match rate and reprojected youth eligibility for Medicaid services. In this package, \$1.0 million General Fund is added, offset by an equal Federal Funds reduction.

## **Program Support**

Program Support includes the Director's Office, the Program Office, and agency business services, such as accounting, employee services, budget and contracts, and information systems staff and expenditures. An internal audits office and the internal investigations function (the Office of Professional Standards) are also part of this budget. Operational costs of the Juvenile Justice Information System (JJIS), and agency-wide costs such as insurance premiums and Attorney General costs, are also paid by this budget. The Subcommittee approved a Program Support budget of \$30.0 million total funds and 102.51 full-time equivalent positions, 17.4 percent higher than in the 2005-07 biennium.

The Subcommittee approved Package 090: BAM Analyst Adjustment, which reduces the October 2006 forecast Essential Budget Level; the net impact adds three positions (1.63 full-time equivalent) during the 2007-09 biennium.

The Subcommittee modified Package 308: BRS Compliance to add one Program Analyst 3 (1.00 full-time equivalent) to monitor, evaluate, and give technical assistance to residential treatment providers for federal Medicaid Behavioral Rehabilitation Services reimbursement. The total is \$145,157 General Fund and \$30,323 Federal Funds expenditure limitation.

The Subcommittee did not approve Package 400: Facility Maintenance/Construction, which would have funded the costs of issuing Certificates of Participation (COPs) for capital construction projects. It was not approved at this time pending further review and approval of the agency's capital construction projects in House Bill 5006. New information about construction changes needed at the Oak Creek (Albany) facility prompted the need to re-evaluate the agency's request.

The Subcommittee added Package 801: LFO Analyst Adjustment to reflect updated estimates of federal revenues, including a reduction in Oregon's federal Medicaid match rate and reprojected youth eligibility for Medicaid services. In this package, \$208,109 General Fund is added, offset by an equal Federal Funds reduction.

### Debt Service

The Subcommittee approved a total of \$6.6 million General Fund for 2007-09 debt service costs. Debt service is the obligation to repay the principal and interest costs of Certificates of Participation issued to finance OYA's capital construction or other needs. Existing COPs financed the regional juvenile correctional facilities.

The Subcommittee did not approve Package 400: Facility Maintenance/Construction, which would have funded \$580,476 General Fund debt service for the \$4.3 million in new COPs planned in 2007-09 for deferred maintenance, Corvallis House, and MacLaren capital projects. As with Package 400 in the Program Support division, new information drives the need to re-evaluate agency capital needs in 2007-09.

In addition, the Subcommittee discussed the issue that the proposed additional 2007-09 debt service will roll up to \$1.1 million General Fund next biennium. If 2009-11 COPs are issued under the requested \$8.6 million Capital Construction authority, debt service will increase for that as well.

### Capital Improvements

Capital Improvement pays for land and building improvements, including major repair or replacement, which cost more than \$5,000 but less than \$500,000. The Subcommittee noted that building maintenance costs are increasing as the regional youth correctional facilities age. Hillcrest and MacLaren are significantly older facilities with heating and electrical system problems. Corvallis House was constructed in 1913, and is costly to operate and maintain. Funding for capital improvements has been limited, allowing OYA to address only the most critical or emergent needs.

The Subcommittee approved Package 104: Programming for Young Women to shift \$65,000 General Fund Capital Outlay from Facility Programs to this budget.

### Capital Construction

Capital Construction covers expenditure authority for acquisition or construction of a structure or group of structures; all land acquisitions; assessments; and improvements or additions to an existing structure, to be completed within a six-year period with an aggregate cost of \$500,000 or more. Capital Construction 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 hearing 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 Package 400: Facility Maintenance/Construction. As noted in both the Program Support and Debt Service sections' discussions of Package 400, the Subcommittee does not recommend the Capital Construction as requested in light of new information about the Oak Creek (Albany) facility needs. The agency plans that Oak Creek will be the youth correctional facility for young women committed to the agency's custody, connected to the Corvallis House transition program for young women. As such, in line with the findings specific to young women's needs, certain work needs to be completed at Oak Creek prior to occupancy later in 2007. Early cost estimates range from \$2 - \$5 million. The agency will have a revised capital construction plan prior to House Bill 5006's final consideration later in the Legislative Session. The Public Safety Subcommittee's expectation is that funding for the related COPs costs of issuance and debt service will be included in a later bill once the capital construction plan is finalized.

### **Summary of Performance Measure Action**

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