

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

**MEASURE: SB 5545-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Dingfelder  
Carrier – Senate: Sen. Devlin**

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

**Vote:** 19 – 1 – 1

- 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, Whitsett  
– Nays: Westlund  
– Exc: Winters

**Prepared By:** Shawn Range, Department of Administrative Services

**Reviewed By:** Ken Rocco, Legislative Fiscal Office

**Meeting Date:** 4/6/07

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**Agency**  
Various Agencies

**Budget Page**  
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**LFO Analysis Page**  
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**Biennium**  
2005-07

**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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Senator Richard Devlin, Natural Resources Subcommittee Chair

**2005-07 Supplemental  
Appropriation/Limitation\***

|   | 2003-05                | 2005-07           |                          |   |
|---|------------------------|-------------------|--------------------------|---|
|   | Estimated Expenditures | Governor's Budget | Committee Recommendation | Difference from 2005-07 Legislatively Approved Budget |
| <u>Oregon Judicial Department</u>                                   |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 1,657,462             | \$ +1,657,462   |
| <u>Public Defense Services Commission</u>                           |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 1,057,517             | \$ +1,057,517   |
| <u>Department of Justice</u>  |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 443,663               | \$ +443,663   |
| <u>Office of the Governor</u>                                       |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 46,200                | \$ +46,200  |
| <u>Department of Forestry</u>                                       |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 300,000               | \$ +300,000   |
| Other Funds   | na                     | na                | \$ 12,400,000            | \$ +12,400,000  |
| <u>Department of Community Colleges &amp; Workforce Development</u> |                        |                   |                          |   |
| Other Funds   | na                     | na                | \$ 0                     | \$ 0  |
| <u>Department of Higher Education</u>                               |                        |                   |                          |   |
| Other Funds   | na                     | na                | \$ 3,000,000             | \$ +3,000,000   |
| <u>Department of Transportation</u>                                 |                        |                   |                          |   |
| Other Funds   | na                     | na                | \$ 20,940,634            | \$ +20,940,634  |
| Federal Funds   | na                     | na                | \$ 2,102,471             | \$ +2,102,471   |
| <u>Oregon Military Department</u>                                   |                        |                   |                          |   |
| General Fund  | na                     | na                | \$ 0                     | \$ 0  |
| Other Funds   | na                     | na                | \$ 2,749,327             | \$ +2,749,327   |

\* Excludes Capital Construction expenditures

## Summary of Subcommittee Action

### Oregon Judicial Department

The Subcommittee increased the 2005-07 General Fund appropriation for the Oregon Judicial Department by \$1,657,462. This amount will fund the unanticipated higher cost for sign and spoken language interpreters in the court system that was deferred by the Emergency Board to the 2007 legislative session due to concerns over the adequacy of the Emergency Board. The hearing impaired and non-English speakers cannot participate in the judicial system without the use of interpreters.

### Public Defense Services Commission

The Subcommittee increased the 2005-07 General Fund appropriation for the Oregon Public Defense Services Commission by \$1,057,517. This amount will fund the unanticipated cost for higher than anticipated constitutionally and statutorily mandated caseloads and cost per case expenses that was partially funded by the Emergency Board during the interim. The Emergency Board allocated a total of \$6,871,375 from the Emergency Fund in September and December 2006. The remaining \$1,057,517 was deferred by the Emergency Board to the 2007 legislative session due to concerns over the adequacy of the Emergency Board.

### Department of Justice

The Subcommittee increased the 2005-07 General Fund appropriation for the Department of Justice by \$443,663. This appropriation will pay for Master Settlement Agreement (MSA) litigation costs from September 2005 through March 2, 2006. Further resources will be required to pay the legal costs for the remaining five months of the biennium.

### Office of the Governor

The Subcommittee increased the 2005-07 General Fund appropriation for the Office of the Governor by \$46,200. This will enable the Office to replace a number of computers and peripheral equipment that have outlived their useful lives and are failing. The Governor's 2007-09 recommended budget for the Office includes a package for technology replacement. This \$46,200 is expected to be removed from that budget request, but will enable the Office to immediately replace the most critical equipment. It will also be the first step to implement a life-cycle replacement plan for computers and related equipment.

### Department of Forestry

The Subcommittee increased the Protection from Fire program's budget by \$12,400,000 Other Funds for continued and uninterrupted fire fighting operations for the remainder of the current biennium.

The Subcommittee provided \$300,000 General Fund to pay for ongoing monitoring efforts and eradication treatments for the Sudden Oak Death disease in Curry County, Oregon.

## Department of Community Colleges and Workforce Development

The Subcommittee shifted \$120,000 Other Funds expenditure limitation from Federal/Other Programs to the Oregon Youth Conservation Corps (OYCC). Revenues from the Amusement Device Tax and donations have exceeded biennial projections. OYCC will use the additional expenditure authority to expand education, training, and employment opportunities for disadvantaged and at-risk youth ages 16 to 25. Sufficient Other Funds expenditure limitation is available in Federal/Other Programs as a result of an inter-agency agreement between the Department of Community Colleges and Workforce Development and the Department of Education (ODE) for ODE to distribute Perkins Act funds.

## Department of Higher Education

The Subcommittee increased the Other Funds expenditure limitation for the Education and General Services by \$3 million, an increase from the 2005-07 Legislatively Approved Budget of 0.3 percent. In reviewing its budgeting and accounting practices, the Department determined that it was managing expenditures to a slightly higher amount than had been approved. Working with the Legislative Fiscal Office and the Department of Administrative Services, the Department has modified its procedures to ensure that this problem will not re-occur in future biennia.

## Department of Transportation

The Subcommittee approved the following expenditure limitation increases:

- Maintenance Program – \$10,074,515 Other Funds expenditure limitation for emergency repairs to reopen Highway 35 and to repair damage caused by the wind storms in November and December of 2006. The majority of these costs are related to the temporary fix of the Highway 35. The expenditures to date and the remaining expenditures will be reimbursed by the Federal Highway Administration (FHWA) and by the Federal Emergency Management Agency (FEMA) as part of a \$31.8 million repair program that will take place over the current and into next biennium.
- Highway Safety Program - \$4,473,122 Other Funds expenditure limitation for changes in the payout of State Transportation Improvement Program (STIP) projects. This is a small limitation and changes in a few projects can have an effect on the overall total.
- Special Programs - \$4,911,997 Other Funds expenditure limitation for expenditures related to a dike failure on Highway 140. This will be part of the reimbursables program as there is a responsible party to bill for the damages. The expenditures as of March 5, 2007 are \$4,761,997 and, additionally, there is an anticipated right of way expenditure estimated at \$150,000.
- Public Transit –\$1,481,000 Other Funds expenditure limitation and \$2,022,471 Federal Funds expenditure limitation for the Public Transit Division. Projects scheduled in earlier biennia have finally reached completion during the 2005-07 biennium. Also, revised division expectations of public transit providers will shorten the project delivery timelines. Projects that have typically taken more than 24 months to complete, will be finished within the current biennium.

- Driver and Motor Vehicles - \$80,000 Federal Funds expenditure limitation for a project to verify the Social Security Numbers supplied by commercial driver license applicants. This project is funded by a grant from the Federal Motor Carrier Safety Administration. The estimated cost for this project is \$325,182 which is \$80,000 higher than was forecast when the expenditure limitation was originally added to the Department's budget.

### Oregon Military Department

The Subcommittee added \$2,595,327 Other Funds expenditure limitation to the Community Support Program's budget to properly account for costs incurred following the Oregon National Guard's response to Hurricane Katrina in September 2005.

The Governor authorized a special one-time cash award to soldiers and airmen in the ranks of E1-E6, amounting to the difference between State Active Duty Pay (SAD) and Department of Defense (DOD) authorized federal funding under Title 32 U.S. Code for the first 15 days of Hurricane Katrina duty. The total amount of the SAD differential was \$2.6 million. Soldiers and airmen have received payment for their SAD differential. Their payment was made possible because the Governor and the Adjutant General of the Oregon National Guard directed that General Fund appropriated to the Department by the 2005 Legislature for the operations and maintenance of military installations, principally armories and airbases, be used to pay for the SAD differential. The Department was only recently reimbursed by the State of Louisiana for the cost of this differential. This request would allow the Department to restore Operations Program General Fund by moving Katrina-related expenditures to Other Funds under the Community Support Program, Emergency Operations. The restoration of Operations Program General Fund is necessary for continued funding of operation and maintenance expenditures for armories and airbases that the Department may incur for the remainder of the 2005-07 biennium. The Subcommittee also approved the following budget note:

#### **Budget Note**

The Military Department is instructed to report to the 2009 Legislature, in particular the Joint Committee on Ways and Means, on: its statutory and other authorities governing Oregon's State Active Duty (SAD) rates; a review of agreement(s) related to SAD rates; a comparison of Oregon SAD rates to other states' SAD rates, statutes, regulations, financial calculations, and applications. The comparison should include states who utilize the National Guard for wild land firefighting. The report should also address Department plans to avoid future issues arising from reimbursement of SAD rates and rate differentials like those experienced with Hurricane Katrina by other states or the Federal Emergency Management Agency.

The 2005 Legislature approved a Veterans' Assistance Package, part of which was dedicated to the Oregon Military Department for National Guard soldiers, airmen, and their families. This package included funds for: (a) Emergency Financial Assistance (\$500,000 General Fund and \$500,000 Other Funds); (b) Tuition Waivers (\$500,000 General Fund); and (c) Hunting and Angling License Reimbursement (\$350,000 General Fund). Hunting and Angling Program expenditures for the current biennium are projected by the Department to be only \$67,939, while Emergency Financial Assistance has exhausted its entire appropriation. Therefore, the Subcommittee shifted \$154,000 General Fund from the Hunting and Fishing License General Fund program into the Emergency Financial Assistance program and increased the Emergency Financial Assistance Program's budget by \$154,000 General Fund and \$154,000 Other Funds. In addition, the Department of Administrative Services is requested to unschedule \$128,000 General Fund from the remaining Hunting and Angling appropriation that the Department is projecting will not be expended.

Department of State Police, Office of the State Fire Marshal

The Department of State Police, Office of the State Fire Marshal (SFM), has paid \$738,385 to local fire agencies across the state under the Conflagration Act. This Act authorizes the Governor to order local fire agencies to provide assistance in fighting fires across the state. The SFM then reimburses the local agencies for fuel, wages, and other costs. In November 2006, the SFM sought reimbursement from the Emergency Board for the 2005 and 2006 fire seasons. The Emergency Board delayed action on the request until the 2007 legislative session.

The Subcommittee recommends using existing Fire Insurance Premium Tax (FIPT) resources for the subject costs. The projected 2005-07 ending balance for this revenue source is \$6.0 million and the projected 2007-09 ending balance is over \$6.8 million. The estimated 2007-09 ending balance is an amount much greater than what is generally required for cash-flow and revenue stability needs. For this reason, the Subcommittee recommends using FIPT resources for the 2005-07 fire costs. Use of the FIPT for this purpose in future biennia should be based on factors including the availability of FIPT resources and the amount of reimbursable fire costs.

The SFM has sufficient existing expenditure limitation and does not need an increase. This section is included in the budget report to express legislative intent.