

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5008-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. D. Edwards
Carrier – Senate: Sen. Monroe**

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

Vote: 19 – 1 – 2

House – Yeas: Buckley, D. Edwards, Galizio, Garrard, Jenson, Kotek, Nathanson, Richardson, Shields, G. Smith

– Nays: Gilman

– Exc: C. Edwards

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Verger, Walker, Whitsett

– Nays:

– Exc: Winters

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 23, 2009

Agency

Economic and Community Development Department

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LFO Analysis Page

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Biennium

2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 4,760,464	\$ 4,431,047	\$ 4,709,470	\$ -50,994	-1.1%
Lottery Funds	\$ 74,694,606	\$ 43,699,925	\$ 41,326,582	\$ -33,368,024	-44.7%
Lottery Funds Debt Service	\$ 58,388,418	\$ 69,314,146	\$ 70,530,851	\$ 12,142,433	+20.8%
Other Funds	\$ 50,893,261	\$ 41,942,785	\$ 30,437,029	\$ -20,456,232	-40.2%
Other Funds Debt Service	\$ 2,130,000	\$ 3,263,782	\$ 2,042,782	\$ -87,218	-4.1%
Other Funds Nonlimited	\$ 131,385,667	\$ 121,539,700	\$ 187,951,589	\$ +56,565,922	+43.1%
Other Funds Debt Service Nonlimited	\$ 70,600,536	\$ 45,564,202	\$ 45,564,202	\$ -25,036,334	-35.5%
Federal Funds	\$ 36,374,862	\$ 27,140,696	\$ 34,300,696	\$ -2,074,166	-5.7%
Total	\$ 429,227,814	\$ 356,896,283	\$ 416,863,201	\$ -12,364,613	-2.9%

Position Summary

Authorized Positions	126	125	126	0
Full-time Equivalent (FTE) positions	126.00	125.00	125.50	-0.50

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Economic and Community Development Department (OECDD) is funded through a variety of revenue streams, with direct Lottery Funds and Lottery Bond Funds (Other Funds Nonlimited) becoming increasingly important in recent biennia. The department receives Other Funds (Limited and Nonlimited) revenue from loan repayments and interest earnings, investment income, bond proceeds, application fees, service fees, grants and donations, publication sales, and from reimbursement for partnerships and agreements with other state and private entities. Other Funds are expended using both Limited and Nonlimited expenditure authority. Typically, Nonlimited expenditure authority is used for bond related and revolving loan fund expenditures.

The Community Development Block Grant is the largest source of Federal Funds. Other federal grant revenues are received from other specific grant sources, including the US Forest Service, Federal Emergency Management Administration, and Environmental Protection Agency. The department typically receives other small grants throughout the biennium. Federal Safe Drinking Water Act funds come to the department through an interagency agreement with the Department of Human Services, and are expended as Nonlimited Other Funds.

Excluding Nonlimited Other Funds, Lottery Funds provide the major revenue source for the department's programs. Lottery Funds provide the bulk of funding for the Shared Services, and Business, Innovation, Trade program units, and are the funding source for the Special Payments to the semi-independent Film and Video Office. Lottery Funds are also spent on Debt Service payments on Lottery revenue bonds, which in turn are a source of Other Funds Nonlimited revenues. Approximately 63 percent of the agency's Lottery Funds expenditures are to pay debt service costs

on Lottery Bonds issued to support the department's programs and other economic development initiatives. The amount in the budget covers debt service on previously issued Lottery Bonds. The budget does not accommodate debt service for new Lottery Bonds issued in the 2009-11 biennium. Any such bond issues will need to be scheduled and structured to delay debt service obligations until after the 2009-11 biennium is over.

The Arts Commission receives General Fund in addition to Other Funds (largely from private grants) and Federal Funds from the National Endowment for the Arts. Funding for the Cultural Trust comes largely from private contributions received with respect to a related personal income tax credit. Additional funding is also available from the sale of the Cultural Trust license plates to Oregon vehicle owners.

The department will receive grants under the American Recovery and Reinvestment Act of 2009 (ARRA) and those are included in the revenue for the 2009-11 biennium. The grants are: \$3,360,000 from the Environmental Protection Agency for the Brownfields program; \$27,800,231 from the Environmental Protection Agency (EPA) for the Safe Drinking Water Program (the department receives these funds as a transfer from the Department of Human Services, and they are spent as Nonlimited Other Funds); and \$3,800,000 from the U.S. Department of Housing and Urban Development for the Community Development Block Grant Program.

Summary of Transportation and Economic Development Subcommittee Action

The OECDD's mission is to enable the creation, retention, expansion, and attraction of businesses that provide sustainable, living wage jobs for Oregonians through public-private partnerships and leveraged funding and to support economic opportunities for Oregon companies and entrepreneurs. The Oregon Economic and Community Development Commission oversees the department and the creation of economic development policies. The Oregon Innovation Council (Oregon InC), a public-private partnership created in 2005 by the Governor and Legislative Assembly, is charged with developing and tracking the State's Innovation Plan.

In 1993, the Oregon Arts Commission joined the department. The Arts Commission provides leadership, funding and services to Oregon artists, art organizations, students and communities. The commission also promotes Oregon's cultural resources outside the state. The Arts Commission also houses the operations of the Oregon Cultural Trust.

The Oregon Film and Video Office (Oregon Film) is connected to the department in that Lottery Funds are passed through the department to Oregon Film for operating purposes. Oregon Film promotes the development of the film, video, and multimedia industry in Oregon and works to enhance the industry's revenues, profile, and reputation within Oregon and among the industry internationally.

Following the 2007 Legislative Session, the Governor ordered the department to separate its Business and Trade Development Division from the Community Development Division. The agency undertook a significant review of its programs and organizational structure that involved the Economic and Community Development Commission, stakeholders and other agencies. As an outcome of this review, the Commission recommended to continue the separation of the business development and community development programs, and to establish an Infrastructure Financing Authority (IFA) within the department to administer the community development programs. This budget, and House Bill 2152, implement the recommendations of the Commission for reorganization of the department.

The Subcommittee reviewed the department's budget and each of the proposed policy packages. It identified a series of reductions and new policy packages which are outlined below. The Subcommittee approved a budget of \$416,863,201 total funds and 126 positions (125.5 FTE) for OECDD. This is a decrease of \$12,364,613 total funds, or 2.9 percent, from the 2007-09 Legislatively Approved Budget, and a 16.8 percent increase over the agency's 2009-11 Essential Budget Level. The Subcommittee recommended that the \$111,857,433 Lottery Funds expenditure be financed as follows:

- Total allocations of \$99,906,224 Lottery Funds from the Administrative Services Economic Development Fund, and
- The use \$11,951,209 Lottery Funds allocated to the department in previous biennia (including interest).

Lottery Fund allocations are not approved in House Bill 5008, but are included in the Lottery Allocation Bill (Senate Bill 5534).

Operations – 100

The Operations program unit includes the budget for all staff, excluding the Arts Commission. It includes costs related to all technical, administrative, and program support for all economic and community development related department activities. It also includes the Director's Office, which provides policy oversight under the direction of the Economic and Community Development Commission.

The Subcommittee approved the following policy packages:

Package 105: Workforce. See Summary Cross Reference (SCR) 210 – Business, Innovation, Trade.

Package 116: Infrastructure Financing Authority. Approved \$219,633 Other Funds and one position (1.00 FTE), and also approved the reclassification of Principal Executive/Manager F position to a Principal Executive/Manager G. This package provides the staff resources necessary to establish a Debt Manager position for the Infrastructure Financing Authority (IFA) which will be responsible for the supervision of the debt, loan and contracting staff within the IFA.

Package 117: Minority, Women & Emerging Small Business approves the addition of \$1,283,886 Other Fund revenue, \$938,423 Other Fund expenditures and five positions (5.00 FTE). This package provides the resources necessary to effect the transfer, in House Bill 2152, of the Office for Minority, Women and Emerging Small Business (OMWESB) from the Department of Consumer and Business Services to the department.

Package 300: Strategic Alignment of Services. This package changes the agency's budget structure to conform to the agency's operating structure as reorganized by House Bill 2152. The package has a net zero change to revenues, expenditure limitations, and positions in the department budget. Instead, Package 300 eliminates two existing program areas and establishes three new ones, and transfers department resources from the eliminated program areas to the newly-established ones. Within this program unit, the package transfers all the revenues, expenditure limitation, and positions (FTE) from the Operations program to three new program areas. The new program areas match to the department's service delivery areas. The new budget structure will link all revenues and all expenditures (i.e. Personal Services, Services and Supplies, Special Payments, etc.) with the specific program area providing those services. The new budget structures are Summary Cross Reference (SCR) 110 Shared Services/Central Pool; SCR 210 Business, Innovation, Trade; and SCR 300 Infrastructure Financing Authority.

As approved the package transfers the following revenues, expenditure limitation, and positions (FTE) to the new budget structures:

	Lottery Funds	Other Funds	Federal Funds
Revenue Transferred to new SCRs	(\$19,336,346)	(\$10,864,791)	(\$1,343,161)
Expenditures Transferred to new SCRs	(\$19,756,981)	(\$11,568,890)	(\$1,339,483)

Positions/FTE Transferred to new SCRs	(124)/(123.50)
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Shared Services/Central Pool – 110

The Shared Services/Central Pool program unit is a new budget structure which includes the budget for all shared/central services for the department, such as Human Resources, Information Technology, etc. The Shared Services/Central Pool program unit will also include the services of the Director’s office providing policy oversight to the department under the direction of the Economic and Community Development Commission.

The Subcommittee approved the following policy packages:

Package 117: Minority, Women & Emerging Small Business. This is a revenue-only package that increases the Other Funds Intrafund Transfers In by \$158,747 to be transferred in from Business, Innovation Trade (210) program unit, to provide revenue for services that will be provided to the OMWESB by the Shared Services/Central Pool program unit.

Package 300: Strategic Alignment of Services. The package discussed on page 4 results in a net zero change for revenues, expenditure limitations, and positions to the department.

As approved, within this program unit, the package transfers the following revenues, expenditure limitation, and positions (FTE) from the Operations (100) program unit to the new Shared Services/Central Pool (110) program unit:

	Lottery Funds	Other Funds	Federal Funds
Revenue Transferred in to SCR 110	\$7,729,572	\$913,177	\$0
Expenditures Transferred in to SCR 110	\$7,901,233	\$1,456,233	\$0

Positions/FTE Transferred in to SCR 110	34/34.00
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Package 801: LFO Analyst Technical Changes. This package increases the Lottery Funds expenditure limitation by \$125,867 to accommodate an increase in Personal Services of \$125,981 offset by a \$114 reduction in Services and Supplies. The package reduces Other Funds Personal Services expenditures by \$68,116, and increases Federal Funds Personal Services expenditures by \$9,258. On the revenue side, the package reduces the Lottery Funds beginning balance downward by \$213,400 and the Other Funds beginning balance downward by \$786,885 to reflect a

shift of the same beginning balances into the Business, Innovation, Trade (210) and Infrastructure Financing Authority (300) program units; increases the Lottery Funds allocation by \$125,867; and increases Federal Funds revenue by \$9,258.

Package 810: Program Reductions. This package reduces Lottery Funds expenditures for the Shared Services/Central Pool (110) program unit by \$487,205 and eliminates the following two positions (2.00 FTE): one full-time Economist 4 (Position 0070205) and one full-time Principal Executive Manager D (Position 0010306). The package also reduces the Lottery Funds allocation to the department by the same amount (\$487,205 Lottery Funds).

Package 811: Program Additions. This package contains program enhancements above the essential budget level. The package increases the Lottery Funds expenditure limitation by \$150,000 for the Data Warehouse Project. This project was approved in Package 107 in the 2007-09 Legislatively Adopted Budget. The 2007 Legislature provided \$396,000 Lottery Funds for the project. The initial expectation was for the project to be completed in the 2007-09 biennium, but the project was delayed, and the package allows \$150,000 Lottery Funds expenditure authority to be carried forward so the project can be completed in the 2009-11 biennium. There is no Lottery Funds allocation to the department for this package, which is financed from Lottery Funds allocated in the 2007-09 biennium. This package represents a one-time expenditure and will be phased-out in the development of the agency's 2011-13 biennium budget.

Package 812: Program Fund Shifts. Package 812 is a one-biennium shift of expenditures for the department from Lottery Funds to Other Funds. The sources of Other Funds are fund balances in the Special Public Works Fund and the Water Fund. The package reduces Lottery Funds revenues and expenditures by \$714,989 (consisting of \$501,172 Personal Services and \$213,817 Services and Supplies) and increases an Other Funds Transfer In – Intrafund and Other Funds expenditure limitation by the same amount (\$714,989). As this is a one-time adjustment, the expenditures that have been shifted from Lottery Funds to Other Funds will be shifted back to Lottery Funds in the agency's essential budget level for the 2011-13 biennium.

Oregon Community Development Fund – 200

The Community Development Fund program unit includes the funding sources used by the department to assist businesses and communities in order to achieve economic and community development goals statewide, including job retention and creation, infrastructure development, and overall economic development capacity building. This program unit does not include position authority; rather it is composed of a variety of programs and funding sources including grants, loans, and bonding programs. Generally, the services delivered through this unit are financing for projects and technical assistance. The Economic Development Commission allocates resources to each program fund based on legislative direction and Commission priorities.

The Subcommittee approved the following policy packages:

Package 090: Analyst Adjustments. As approved, this package reduces the Lottery Funds allocation to the department and the department's expenditure limitation (Distributions to Non-Gov Units) by \$5,364,346 due to Lottery Fund constraints.

Package 101: Safe Drinking Water Program. This package increases the Other Funds expenditure limitation by \$12,500,000 to authorize projected reimbursements to communities for drinking water system infrastructure improvements. The source of these funds is the Department of

Human Services which receives these funds through the U.S. Environmental Protection Agency’s Safe Drinking Program. The addition of this \$12,500,000 will bring the total expenditure limitation for the Safe Drinking Water Program to \$36 million for the 2009-11 biennium.

Package 104: 2009 Innovation Plan. See SCR 210 – Business, Innovation, Trade.

Package 106: Infrastructure Recap & Asset Management. This package provides \$9,000,000 of Lottery Bond proceeds to the department for the Special Public Works Fund and the Water/Wastewater Fund, and increases the Nonlimited Other Funds expenditure limitation by the same amount. The bond proceeds will be deposited in these Funds and become available for loans and grants for infrastructure projects.

Package 300: Strategic Alignment of Services. The package, discussed in more detail on page four, results in a net zero change for revenues, expenditure limitations, and positions to the department.

As approved in this program unit, the package transfers the following revenues and expenditure limitation from the Oregon Community Development Fund (SCR 200) program unit to the new Business, Innovation, Trade (SCR 210) and Infrastructure Financing Authority (SCR 300) program units to provide the resources for grants and loans in each program area:

	Lottery Funds	Other Funds	Other Funds Nonlimited	Federal Funds
Revenue Transferred to new SCRs	(\$31,520,569)	(\$39,004,501)	(\$165,661,351)	(\$23,962,427)
Expenditures Transferred to new SCRs	(\$38,110,016)	(\$37,883,279)	(\$176,103,902)	(\$24,007,766)

Business, Innovation, Trade – 210

The Business, Innovation, Trade program unit is a new budget structure and includes the staff and the funding sources used by the department to provide grants and loans to assist businesses in order to achieve the agency’s economic development goals statewide, including job retention and creation. This program unit is composed of a variety of programs and funding sources including grants, loans, and bonding programs. The Economic Development Commission allocates resources to each program fund within the Business, Innovation, Trade program area based on legislative direction and Commission priorities.

The Subcommittee approved the following policy packages:

Package 104: 2009 Innovation Plan includes the funding for Oregon Innovation Council (Oregon InC) initiatives. Oregon InC initiatives are funded on a one-time basis each biennium. Ongoing funding is not included in the essential budget level, and is approved in the budget in a policy package. The package provides a Lottery Funds allocation and Lottery Funds expenditure limitation of \$16 million to be distributed to Oregon InC initiatives as follows:

- Oregon Nanoscience and Microtechnologies Institute (ONAMI) - \$5,656,500
- Oregon Translational Research and Drug Development Institute (OTRADI) - \$2,510,000
- Built Environment and Sustainable Technologies Center (BEST) - \$2,750,000
- Oregon Wave Energy Trust (OWET) - \$3,013,500

- Northwest Food Processors Innovation Productivity Center - \$1,620,000
- Community Seafood Initiative - \$ 450,000

Package 105: Workforce. This package would have added two positions (1.50 FTE) to the department’s Operations program unit (SCR 100) to provide coordination for the department’s workforce related activities with other state agencies. However, due to Lottery Fund constraints and because of the budget reorganization in Package 300, the Subcommittee reduced the Lottery Funds expenditures by \$350,000 and eliminated the position authority (two positions/1.50 FTE) in this budget structure.

Package 117: Minority, Women & Emerging Small Business. This package includes revenue-only technical corrections to increase Other Funds Intrafund Transfers Out by \$158,747 to Shared Services/Central Pool (SCR 110) for OMWESB support of agency department-wide costs; and increase the Transfer to DCBS by \$52,296 Other Funds for computer support that DCBS provides to OMWESB.

Package 300: Strategic Alignment of Services. The package, discussed in more detail on page four, results in a net zero change for revenue, expenditure limitations, and positions to the department.

As approved in this program unit, the package transfers the following revenues, expenditure limitation, and position authority from the Operations (SCR 100) and Oregon Community Development Fund (SCR 200) program units to the new Business, Innovation, Trade (SCR 210) program unit to provide staffing and the resources for grants and loans to businesses in Oregon:

	Lottery Funds	Other Funds	Other Funds Nonlimited	Federal Funds
Revenue Transferred in to SCR 210	\$42,864,701	\$5,225,685	\$7,552,519	\$774,661
Expenditures Transferred to SCR 210	\$49,839,783	\$5,327,784	\$18,100,000	\$820,000

Positions/FTE Transferred in to SCR 210	58/57.50
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Package 801: LFO Analyst Technical Changes. The package includes beginning balance adjustments to conform beginning fund balances to current forecasts and updated projections of loan activity in the business development programs, as well as adjustments to expenditures for state government service charges. As approved, the package reduces the Lottery Funds allocation and expenditure limitation by \$157; reduces the Other Funds expenditure limitation by \$25; and reduces Nonlimited Other Funds for Loans expenditures by \$6,000,000. On the revenue side, the package adds \$2,359,061 Lottery Funds and \$247,732 Other Funds to beginning balances, and reduces the Nonlimited Other Funds beginning balance by \$3.3 million.

Package 810: Program Reductions contains reductions that exceed the amount of reductions that were included in the Governor’s recommended budget. The package reduces Lottery Funds expenditures by \$2,814,392, increases Other Funds expenditures by \$100,000, and eliminates three positions (3.50 FTE). The positions are two full-time Foreign Officer positions (0030114 and 0030118) and one full-time Principal Executive/Manager F position (0010202). A full-time Program Analyst 4 position (3006001) is reduced to half-time (0.50 FTE), and the Other Funds expenditure limitation is increased by \$100,000 to replace \$100,000 in Lottery Funds supporting one Foreign Officer position (0030117). The Lottery Fund expenditure reductions include:

- \$595,801 in Personal Services;
- \$416,268 in Services and Supplies;
- \$850,000 in Distributions to Cities; and
- \$952,323 in Distributions to Non-Gov Units.

Included in this package, for revenue, is a \$4,814,392 reduction to the Lottery Funds, and a requirement that the department utilize \$2,000,000 Lottery Funds balances, within the department, to finance the expenditures of the Business, Innovation, Trade program unit.

Package 811: Program Additions. This package adds \$208,750 Lottery Funds allocation and expenditure limitation to support the Government Contract Assistance Program (GCAP) within the department's Targeted Service Provider program.

Package 812: Program Fund Shifts. Package 812 is a one-biennium shift of expenditures for the department from Lottery Funds to Other Funds. The sources of Other Funds are fund balances in the Special Public Works Fund and the Water Fund. The package reduces Lottery Funds revenues and expenditures by \$9,285,011 (consisting of \$2,182,969 in Personal Services, \$1,542,042 in Services and Supplies, and \$5,600,000 in Distributions to Non-Gov Units) and increases an Other Funds Transfer In – Intrafund and Other Funds expenditure limitation by the same amount (\$9,285,011). As this is a one-time adjustment, the expenditures that have been shifted from the Lottery Funds to Other Funds will be shifted back to Lottery Funds in the agency's essential budget level for the 2011-13 biennium.

Package 813: Federal Stimulus Funds authorizes expenditures that are supported by the American Recovery and Reinvestment Act of 2009 (ARRA). The package adds \$3,360,000 Federal Funds revenue and expenditure limitation for the Brownfields program. This package represents one-time funding and will be phased out in the development of the agency's 2011-13 biennium budget. The phase-out will exclude any Federal Funds that are received pursuant to the ARRA that are remaining and available for expenditure in the 2011-13 biennium.

Infrastructure Financing Authority – 300

The Infrastructure Financing Authority program unit is a new budget structure and includes the staff and the funding sources used by the department to provide grants and loans to assist communities in infrastructure development projects. The program unit is composed of a variety of programs and funding sources including grants, loans, and bonding programs.

The Subcommittee approved the following policy packages:

Package 101: Safe Drinking Water Program makes a technical correction to the package as it was added in SCR 200. The source of funds is corrected to reflect a \$12,500,000 Other Funds Transfer from DHS, rather than the generic Transfer In Other account.

Package 300: Strategic Alignment of Services. The package, discussed in more detail on page four, results in a net zero change for revenues, expenditure limitations, and positions to the department.

As approved in this program unit, the package transfers the following revenues, expenditure limitation, and position authority from the Operations (SCR 100) and Oregon Community Development Fund (SCR 200) program units to the new Infrastructure Financing Authority (SCR 300) program unit to provide staffing and resources for grants and loans to communities for infrastructure projects:

	Lottery Funds	Other Funds	Other Funds Nonlimited	Federal Funds
Revenue Transferred in to SCR 300	\$262,642	\$43,730,430	\$158,108,832	\$24,530,927
Expenditures Transferred to SCR 300	\$125,981	\$42,668,152	\$158,003,902	\$24,527,249

Positions/FTE Transferred in to SCR 210	32/32.00
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Package 801: LFO Analyst Technical Changes includes Beginning Balance adjustments to conform beginning fund balances to current forecasts, and switches two existing agency positions between the Shared Services/Central Pool and Infrastructure Finance Authority program areas. The package also makes a technical correction to the fund type for funds being used, in the Governor's recommended budget, to pay debt service on Lottery revenue bonds (the balance in the Marine Improvement Navigation Fund \$1,221,000). The package reduces expenditures for Lottery Funds by \$125,981 in Personal Services; increases expenditures for Other Funds by \$67,994 (to accommodate an increase in Personal Services of \$68,116 offset by a decrease in Services and Supplies of \$122); and decreases Federal Funds expenditures by \$9,258. Finally the package makes the following adjustments to revenues: Increases the beginning balance for Lottery Funds by \$4,339; increases the beginning balance for Other Funds by \$370,857; decreases the Lottery Funds allocation by \$125,981; and reduces Federal Funds revenue by \$9,258.

Package 810: Program Reductions uses the fund balance in the Marine Navigation Improvement Fund (MNIF) for Lottery bond debt service payments. The Governor's recommended budget included the use of \$1,221,000 Lottery Funds from the MNIF. This package recommends using the remaining \$248,813 in the MNIF for debt service payments as well. This package is solely for the purpose of increasing a Transfer Out Intrafund by \$248,813 to the Lottery Bond Debt Service (SCR 900) program unit for Lottery Bond debt service payments. The package also reduces interest income for the MNIF by \$114,000 Lottery Funds to reflect the impact of this fund sweep.

Package 812: Program Fund Shifts. Package 812 is a one-biennium shift of expenditures from Lottery Funds to Other Funds. The sources of Other Funds are fund balances in the Special Public Works Fund and the Water Fund. The package, in total, shifts \$10 million of expenditures from Lottery Funds to Other Funds, to help address the state's General Fund/Lottery Funds shortfall. As approved, this package transfers \$10 million from the Infrastructure Financing Authority revolving loan funds to offset the Lottery Funds reductions in the Shared Services/Central Pool and Business, Innovation, Trade program areas.

Package 813: Federal Stimulus Funds, authorizes expenditures financed from the receipt of funds and projects related to the ARRA. The package adds \$27,800,231 Other Funds Nonlimited expenditures and revenue for the Safe Drinking Water Program and adds \$3.8 million Federal Funds expenditures and revenue for the Community Development Block Grant Program. This package represents one-time funding and will be phased out in the development of the agency's 2011-13 biennium budget. The phase-out will exclude any Federal Funds that received pursuant to the ARRA that are remaining and available for expenditure in the 2001-13 biennium.

Package 814: Safe Drinking Water Fund – Nonlimited. This package makes the Safe Drinking Water Revolving Loan Fund reimbursements Nonlimited Other Funds. The budget has treated Safe Drinking Water Revolving Loan Fund expenditures as limited Other Funds, even though

the agency's budget bill has exempted these payments from limitation. This package reduces Other Funds by \$35,611,658 and increases Other Funds Nonlimited by the same amount to conform the budget structure to the agency's budget bill. The package makes the following revenue adjustments: Transfers \$150,100 from Other Funds to Nonlimited in the Beginning Balance Adjustment; moves \$37,960,201 Other Funds Transfer from DHS to Nonlimited Other Funds; transfers \$152,197 Other Funds in Services and Supplies to Nonlimited Other Funds, and transfers \$35,459,461 Other Funds Loans Made – Other Expenditures to Nonlimited Other Funds.

Film and Video - 500

The Oregon Film and Video Office focuses on promoting the development of the film, video, and multimedia industry in Oregon. The Office also acts to enhance the industry's revenue, profile, and reputation within Oregon and internationally. It recruits the industry to film features, movies, and television series in Oregon, and actively recruits related businesses to relocate to Oregon permanently. The 1995 Legislature made the Film and Video Office a semi-independent state agency. As such, the Office has no state employee positions. Staff operates under the direction of a five member board appointed by the Governor. The Film and Video Office receives Lottery Funds via a Special Payment from the department.

The Subcommittee approved the following policy packages:

Package 090: Analyst Adjustments includes the program reductions in the Governor's recommended budget. As approved, the package reduces the Lottery Funds allocation and Lottery Funds expenditure limitation by \$50,000.

Package 810: Program Reductions contains reductions that exceed the amount of reductions that were included in the Governor's recommended budget. As approved, the package reduces the Lottery Funds allocation and Lottery Funds expenditure limitation by \$15,879.

Arts – 600

The mission of the Arts Commission is to foster the development of arts across Oregon and assure their excellence in order to enrich the lives of Oregonians. The Commission provides leadership, funding, and services to Oregon artists, arts organizations, students, and communities. The Commission administers a number of programs, including evaluating the impact of arts on Oregon's economy and providing National Endowment for the Arts funding for programs in Oregon. It also assesses and maintains Oregon's existing public art and supports Oregon's efforts towards arts education. This program unit also includes the Oregon Cultural Trust. The Cultural Trust is a statewide program designed to raise significant new funds to invest in Oregon's arts, humanities and heritage.

The Subcommittee approved the following policy packages:

Package 112: Arts & Culture: Creative Oregon II increases support to the Arts Commission for support to individuals. This package also includes the impact of House Bill 2740 which extends the period of time that the Arts Commission may use the Trust for Cultural Development license plate revenue for marketing expenses. As approved, the package provides \$278,448 General Fund to support the work of the commission; increases Other Funds expenditure limitation by \$555,000 to increase marketing expenditures as provided in House Bill 2740, and reduces Other Funds Special Payments (grants) by \$207,000.

Package 801: LFO Analyst Technical Changes. This package includes adjustments to incorporate information that has become available subsequent to the submittal of the Governor's recommended budget. The package adjusts agency fund balance and state government service charges (SGSC). As approved, the package reduces General Fund by \$25 and Other Funds expenditure limitation by \$7 as a technical correction to SGSC. Finally, the package reduces the Other Funds Beginning Balance by \$1.8 million to reflect the transfer of \$1.8 million from the Trust for Cultural Development Account to the General Fund, made by Section 9 of Senate Bill 581, as part of the 2007-09 biennium budget rebalance.

Lottery Bond Debt Service – 900

The Lottery Bond Debt Service program unit includes debt service payments for Lottery Revenue Bonds. Lottery allocations are the primary revenue source in this program unit.

The Subcommittee approved the following policy packages:

Package 801: LFO Analyst Technical Changes corrects the fund type of the Marine Navigation Improvement Fund (MNIF) by shifting a Transfer In Intrafund of \$1,221,000 Other Funds to a \$1,221,000 Transfer In Intrafund Lottery Funds and makes a similar expenditure shift from \$1,221,000 Other Funds to \$1,221,000 Lottery Funds to pay debt service. The package also makes corrections to Principal and Interest debt service payments by increasing the Principal payments for Lottery Bonds by \$2,080,000 and reducing the Interest payments for Lottery Bonds by \$2,084,295. Finally, the package reduces the Lottery Funds allocation by \$4,295.

Package 810: Program Reductions utilizes the Lottery Funds in the MNIF (\$1,469,813) that are no longer needed, to pay Lottery Bond Debt Service, thereby reducing the amount of the Lottery Funds allocation on a dollar-for-dollar basis. The package increases the transfer from the MNIF by \$248,813 and reduces the Lottery Funds allocation by the same amount.

Telecommunications – Senate Bill 622

This program unit consists of carry-over funding from the Connecting Oregon Communities Fund that was created pursuant to Senate Bill 622 (2001) found in Oregon Revised Statutes 759.445 (1). The unit does not include any expenditure budget.

The Subcommittee approved the following policy package:

Package 801: LFO Analyst Technical Changes reduces the Other Funds Beginning Balance by \$264,850 to reflect the transfer of the balance in the Connecting Oregon Communities Fund to the General Fund in accordance with Senate Bill 581 as part of the 2007-09 biennium budget rebalance.

Summary of Performance Measure Action

See attached Legislatively Adopted 2009-11 Key Performance Measures form.