

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5552-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Buckley  
Carrier – Senate: Sen. Carter**

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

**Vote:** 18 – 3 – 1

- House – Yeas: Buckley, D. Edwards, Galizio, Garrard, Jenson, Komp, Kotek, Nathanson, Shields, G. Smith
- Nays: Gilman, Richardson
- Exc:
- Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Verger, Walker, Winters
- Nays: Whitsett
- Exc: Nelson

**Prepared By:** Kelly Freels, Department of Administrative Services

**Reviewed By:** Daron Hill and Sheila Baker, Legislative Fiscal Office

**Meeting Date:** February 27, 2009

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**Agency**  
Emergency Board  
Various Agencies

**Budget Page**  
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**LFO Analysis Page**  
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**Biennium**  
2007-09

## Budget Summary \*

	2007-09 Legislatively Approved Budget (1)		2007-09 Committee Recommendations		Committee Change From 2007-09 Leg. Approved	
					\$ Change	% Change
<b><u>Education Program Area</u></b>						
<b><u>Dept. of Community Colleges and Workforce Development</u></b>						
General Fund	\$	511,583,561	\$	-6,672,350	\$ -6,672,350	-1.3%
<b><u>Department of Education</u></b>						
General Fund	\$	5,918,240,203	\$	-251,404,154	\$ -251,404,154	-4.2%
Lottery Funds		710,557,320		13,269,979	13,269,979	1.9%
Other Funds		186,503,488		7,214,358	7,214,358	3.9%
Federal Funds		1,034,160,467		115,360,098	115,360,098	11.2%
<b><u>Department of Higher Education</u></b>						
General Fund	\$	893,201,532	\$	-101,639,902	\$ -101,639,902	-11.4%
Other Funds		4,253,506,778		34,000,000	34,000,000	0.8%
Federal Funds		0		55,639,902	55,639,902	0.0%
<b><u>Oregon Health and Sciences University</u></b>						
General Fund	\$	86,561,620	\$	-4,328,081	\$ -4,328,081	-5.0%
<b><u>Oregon Student Assistance Commission</u></b>						
General Fund	\$	102,867,354	\$	-1,249,772	\$ -1,249,772	-1.2%
<b><u>Human Services Program Area</u></b>						
<b><u>Commission for the Blind</u></b>						
General Fund	\$	1,602,398	\$	-80,120	\$ -80,120	-5.0%
<b><u>State Commission on Children and Families</u></b>						
General Fund	\$	60,263,113	\$	-3,002,601	\$ -3,002,601	-5.0%
<b><u>Department of Human Services</u></b>						
General Fund	\$	3,352,885,424	\$	-245,443,999	\$ -245,443,999	-7.3%
Other Funds		1,316,252,633		13,810,531	13,810,531	1.0%
Federal Funds		7,162,637,405		225,700,327	225,700,327	3.2%

	2007-09 Legislatively Approved Budget (1)		2007-09 Committee Recommendations		Committee Change From 2007-09 Leg. Approved		
					\$ Change	\$ Change	
<b><u>Office of Private Health Partnerships</u></b>							
General Fund	\$	25,134,324	\$	-2,520,836	\$	-2,520,836	-10.0%
Other Funds		57,384,129		-6,455,681		-6,455,681	-11.2%
<b><u>Psychiatric Security Review Board</u></b>							
General Fund	\$	1,113,946	\$	-15,000	\$	-15,000	-1.3%
<b><u>Public Safety Program Area</u></b>							
<b><u>Department of Corrections</u></b>							
General Fund	\$	1,293,447,718	\$	-31,966,901	\$	-31,966,901	-2.5%
Other Funds		75,451,123		6,000,000		6,000,000	8.0%
Federal Funds		16,379,875		1,405,825		1,405,825	8.6%
<b><u>Department of Justice</u></b>							
General Fund	\$	54,305,136	\$	-5,189,581	\$	-5,189,581	-9.6%
Other Funds		222,960,910		359,819		359,819	0.2%
<b><u>Oregon Military Department</u></b>							
General Fund	\$	25,645,400	\$	-1,413,765	\$	-1,413,765	-5.5%
Other Funds		111,678,070		16,999,045		16,999,045	15.2%
<b><u>Oregon Youth Authority</u></b>							
General Fund	\$	260,835,288	\$	-8,202,695	\$	-8,202,695	-3.1%
Federal Funds		28,705,913		1,525,818		1,525,818	5.3%
<b><u>Criminal Justice Commission</u></b>							
General Fund	\$	6,879,283	\$	-257,101	\$	-257,101	-3.7%
<b><u>State Board of Parole and Post-Prison Supervision</u></b>							
General Fund	\$	3,980,132	\$	-52,037	\$	-52,037	-1.3%
<b><u>Department of State Police</u></b>							
General Fund	\$	224,709,275	\$	-9,071,604	\$	-9,071,604	-4.0%
Other Funds		162,941,154		4,050,000		4,050,000	2.5%

	2007-09 Legislatively Approved Budget (1)		2007-09 Committee Recommendations		Committee Change From 2007-09 Leg. Approved		
					\$ Change	% Change	
<b><u>Department of Public Safety Standards and Training</u></b>							
General Fund	\$	11,150,003	\$	-139,873	\$	-139,873	-1.3%
Other Funds		39,093,811		-511,310		-511,310	-1.3%
<b><u>Economic and Community Development Program Area</u></b>							
<b><u>Economic and Community Development Department</u></b>							
General Fund	\$	4,760,464	\$	-211,384	\$	-211,384	-4.4%
Lottery Funds		133,083,024		-3,854,137		-3,854,137	-2.9%
<b><u>Employment Department</u></b>							
General Fund	\$	3,976,091	\$	-198,805	\$	-198,805	-5.0%
<b><u>Housing and Community Services Department</u></b>							
General Fund	\$	20,499,074	\$	-889,087	\$	-889,087	-4.3%
<b><u>Department of Veterans' Affairs</u></b>							
General Fund	\$	6,477,737	\$	-324,022	\$	-324,022	-5.0%
<b><u>Natural Resources Program Area</u></b>							
<b><u>State Department of Agriculture</u></b>							
General Fund	\$	17,054,149	\$	-2,824,984	\$	-2,824,984	-16.6%
Lottery Funds		10,412,624		-50,000		-50,000	-0.5%
Other Funds		49,900,553		2,312,612		2,312,612	4.6%
Federal Funds		7,551,822		787,000		787,000	10.4%
<b><u>Columbia River Gorge Commission</u></b>							
General Fund	\$	1,077,770	\$	-27,000	\$	-27,000	-2.5%
<b><u>Department of Environmental Quality</u></b>							
General Fund	\$	38,725,586	\$	-2,188,509	\$	-2,188,509	-5.7%
Lottery Funds		5,184,632		427,630		427,630	8.2%
Other Funds		264,301,333		235,568		235,568	0.1%

	2007-09 Legislatively Approved Budget (1)		2007-09 Committee Recommendations		Committee Change From 2007-09 Leg. Approved	
					\$ Change	% Change
<b><u>Department of Fish and Wildlife</u></b>						
General Fund	\$	15,973,589	\$	-1,975,250	\$ -1,975,250	-12.4%
Lottery Funds		12,322,064		-152,876	-152,876	-1.2%
Other Funds		131,898,100		1,980,686	1,980,686	1.5%
Federal Funds		99,442,749		-600,000	-600,000	-0.6%
<b><u>Department of Forestry</u></b>						
General Fund	\$	48,702,605	\$	-2,300,380	\$ -2,300,380	-4.7%
<b><u>Department of Geology and Mineral Industries</u></b>						
General Fund	\$	3,411,107	\$	-112,623	\$ -112,623	-3.3%
<b><u>Department of Land Conservation and Development</u></b>						
General Fund	\$	21,641,468	\$	-1,358,374	\$ -1,358,374	-6.3%
<b><u>Land Use Board of Appeals</u></b>						
General Fund	\$	1,554,792	\$	-15,728	\$ -15,728	-1.0%
<b><u>Department of State Lands</u></b>						
General Fund	\$	226,906	\$	-13,831	\$ -13,831	-6.1%
<b><u>Water Resources Department</u></b>						
General Fund	\$	27,240,281	\$	-1,242,692	\$ -1,242,692	-4.6%
<b><u>Oregon Watershed Enhancement Board</u></b>						
Lottery Funds	\$	84,871,878	\$	-224,754	\$ -224,754	-0.3%
Other Funds		2,094,862		-430,000	-430,000	-20.5%
<b><u>Consumer and Business Services Program Area</u></b>						
<b><u>Bureau of Labor and Industries</u></b>						
General Fund	\$	12,942,482	\$	-141,740	\$ -141,740	-1.1%
<b><u>State Board of Psychologist Examiners</u></b>						
Other Funds	\$	944,816	\$	98,000	\$ 98,000	10.4%

	2007-09 Legislatively Approved Budget (1)		2007-09 Committee Recommendations		Committee Change From 2007-09 Leg. Approved	
					\$ Change	% Change
<b><u>Oregon Board of Dentistry</u></b>						
Other Funds	\$	1,913,097	\$	50,000	\$ 50,000	2.6%
<b><u>Oregon State Board of Nursing</u></b>						
Other Funds	\$	10,137,281	\$	110,000	\$ 110,000	1.1%
<b><u>Administration Program Area</u></b>						
<b><u>Department of Administrative Services</u></b>						
General Fund	\$	11,250,712	\$	-397,246	\$ -397,246	-3.5%
Other Funds		1,660,837,094		-5,069,759	-5,069,759	-0.3%
<b><u>Oregon Advocacy Commissions Office</u></b>						
General Fund	\$	412,201	\$	-29,638	\$ -29,638	-7.2%
<b><u>Employment Relations Board</u></b>						
General Fund	\$	1,813,556	\$	-20,850	\$ -20,850	-1.1%
Other Funds		1,724,436		-9,630	-9,630	-0.6%
<b><u>Oregon Government Ethics Commission</u></b>						
General Fund	\$	1,282,675	\$	-14,085	\$ -14,085	-1.1%
<b><u>Office of the Governor</u></b>						
General Fund	\$	11,660,967	\$	-351,643	\$ -351,643	-3.0%
Lottery Funds		2,232,071		-112,000	-112,000	-5.0%
Other Funds		2,862,537		-200,000	-200,000	-7.0%
Federal Funds		0		16,750	16,750	
<b><u>Oregon Liquor Control Commission</u></b>						
Other Funds	\$	125,752,357	\$	-3,611,000	\$ -3,611,000	-2.9%
<b><u>Department of Revenue</u></b>						
General Fund	\$	150,874,321	\$	-4,567,579	\$ -4,567,579	-3.0%

	2007-09 Legislatively Approved Budget (1)	2007-09 Committee Recommendations	Committee Change From 2007-09 Leg. Approved	
			\$ Change	% Change
<b><u>Secretary of State</u></b>				
General Fund	\$ 14,019,697	\$ -36,026	\$ -36,026	-0.3%
Other Funds	39,656,419	-548,000	-548,000	-1.4%
<b><u>State Library</u></b>				
General Fund	\$ 3,418,523	\$ -183,716	\$ -183,716	-5.4%
Other Funds	7,127,506	8,900	8,900	0.1%
Federal Funds	4,687,789	134,774	134,774	2.9%
<b><u>Judicial Branch Program Area</u></b>				
<b><u>Oregon Judicial Department</u></b>				
General Fund	\$ 321,426,492	\$ -11,071,306	\$ -11,071,306	-3.4%
Other Funds	55,212,433	1,900,000	1,900,000	3.4%
<b><u>Public Defense Services Commission</u></b>				
General Fund	\$ 215,263,430	\$ -3,763,730	\$ -3,763,730	-1.7%
Other Funds	631,568	493,934	493,934	78.2%
<b><u>Commission on Judicial Fitness and Disability</u></b>				
General Fund	\$ 184,806	\$ -18,118	\$ -18,118	-9.8%
<b><u>Emergency Board</u></b>				
<b><u>Emergency Fund</u></b>				
General Fund	\$ 53,240,791	\$ -53,240,791	\$ -53,240,791	-100.0%
<b>General Fund Total</b>		\$ -760,169,509		
<b>Lottery Funds Total</b>		9,303,842		
<b>Other Funds Total</b>		72,788,073		
<b>Federal Funds Total</b>		399,970,494		

\* Excludes Capital Construction  
(1) Through December, 2008

## Position Summary

	2007-09 Legislatively Approved Budget (1)	2007-09 Committee Recommendations	Committee Change From 2007-09 Leg. Approved	
			Pos/FTE Change	% Change
<b><u>Department of Higher Education</u></b>				
Authorized Positions	17,837	0	0	0.0%
Full-time Equivalent (FTE) positions	12,566.58	-68.00	-68.00	-0.5%
<b><u>State Commission on Children and Families</u></b>				
Authorized Positions	34	0	0	0.0%
Full-time Equivalent (FTE) positions	30.92	-0.24	-0.24	-0.8%
<b><u>Department of Corrections</u></b>				
Authorized Positions	4,773	0	0	0.0%
Full-time Equivalent (FTE) positions	4,647.32	-4.40	-4.40	-0.1%
<b><u>Oregon Youth Authority</u></b>				
Authorized Positions	1,279	0	0	0.0%
Full-time Equivalent (FTE) positions	1,147.46	-7.99	-7.99	-0.7%
<b><u>Criminal Justice Commission</u></b>				
Authorized Positions	6	0	0	0.0%
Full-time Equivalent (FTE) positions	6.00	-0.29	-0.29	-4.8%
<b><u>Oregon State Police</u></b>				
Authorized Positions	1,333	0	0	0.0%
Full-time Equivalent (FTE) positions	1,229.16	-1.56	-1.56	-0.1%
<b><u>Department of Public Safety Standards and Training</u></b>				
Authorized Positions	170	0	0	0.0%
Full-time Equivalent (FTE) positions	167.13	-4.26	-4.26	-2.5%
<b><u>State Department of Agriculture</u></b>				
Authorized Positions	527	0	0	0.0%
Full-time Equivalent (FTE) positions	375.05	-0.17	-0.17	0.0%
<b><u>Department of Environmental Quality</u></b>				
Authorized Positions	826	0	0	0.0%
Full-time Equivalent (FTE) positions	797.31	-0.99	-0.99	-0.1%



	2007-09 Legislatively Approved Budget (1)	2007-09 Committee Recommendations	Committee Change From 2007-09 Leg. Approved	
			Pos/FTE Change	% Change
<b><u>Department of Fish and Wildlife</u></b>				
Authorized Positions	1,354	0	0	0.0%
Full-time Equivalent (FTE) positions	1,147.90	-1.89	-1.89	-0.2%
<b><u>Water Resources Department</u></b>				
Authorized Positions	151	0	0	0.0%
Full-time Equivalent (FTE) positions	148	-1.26	-1.26	0.0%
<b><u>Department of Administrative Services</u></b>				
Authorized Positions	971	0	0	0.0%
Full-time Equivalent (FTE) positions	948.30	-2.84	-2.84	-0.3%
<b><u>Oregon Government Ethics Commission</u></b>				
Authorized Positions	7	0	0	0.0%
Full-time Equivalent (FTE) positions	6.25	-0.37	-0.37	-5.9%
<b><u>Office of the Governor</u></b>				
Authorized Positions	64	0	0	0.0%
Full-time Equivalent (FTE) positions	62.56	-0.48	-0.48	-0.8%
<b><u>Department of Revenue</u></b>				
Authorized Positions	1,048	0	0	0.0%
Full-time Equivalent (FTE) positions	968.22	-0.50	-0.50	-0.1%
<b><u>Oregon Judicial Department</u></b>				
Authorized Positions	2,074	0	0	-0.4%
Full-time Equivalent (FTE) positions	1,912.85	-4.39	-4.39	-0.2%
<b><u>Public Defense Services Commission</u></b>				
Authorized Positions	68	-2	-2	-2.9%
Full-time Equivalent (FTE) positions	65.85	-1.55	-1.55	-2.4%

(1) Through December 2008

## **Summary of Revenue Changes**

Senate Bill 5552 uses a total of \$409.5 million in new federal funds, available with enactment of the federal American Recovery and Reinvestment Act of 2009 (the federal stimulus package), in this rebalance of the statewide budget for the 2007-09 biennium. Of this total, \$173.2 million is used in the education program area, \$231.5 million in the human services program area, and \$4.8 million in the public safety program area. In addition, budget reductions for the Secretary of State, Oregon Liquor Control Commission, and the Office of the Governor, described below, result in \$2.2 million of additional resources for the General Fund.

## **Summary of Capital Construction and Information Technology Subcommittee Action**

Senate Bill 5552 is the omnibus budget bill that, together with actions in Senate Bill 581, balances 2007-09 General Fund and Lottery Funds spending to projected resources included in the March 2009 Oregon Economic and Revenue forecast produced by the Department of Administrative Services Office of Economic Analysis. Based on that forecast and the legislatively approved budget as of December 2008, the state's General Fund budget has a projected deficit of \$855.2 million for the 2007-09 biennium. An additional \$6.3 million General Fund shortfall remains in the Department of Human Services budget after its budget rebalance plan adjustments approved by the Emergency Board in December 2008. The legislative strategy to close the full \$861.5 million General Fund budget gap includes the following:

- General Fund disappropriation of the Emergency Fund balance;
- General Fund disappropriations from agency budgets based on savings, use of Other Funds account balances, and expenditure reductions;
- Lottery Funds reallocations;
- the addition of federal stimulus funding in education, human services and public safety agencies;
- additional General Fund revenue resulting from agency budget reductions; and
- additional General Fund savings to be generated by an executive branch salary management freeze.

In total, the Capital Construction and Information Technology Subcommittee approved budget adjustments to reduce General Fund expenditures by \$760.2 million, and add \$9.3 million Lottery Funds, \$72.8 million Other Funds, and \$400 million Federal Funds expenditure limitation. The bill also adjusts Lottery Funds allocations. These adjustments are described in more detail below.

## **EMERGENCY BOARD**

The Subcommittee disappropriated the remaining Emergency Fund balance of \$53.2 million General Fund. Those resources now become part of the General Fund, and would normally be available for appropriation, but in this case are expected to remain unappropriated as a partial solution towards the projected General Fund shortfall.

## ADJUSTMENTS TO APPROVED BUDGETS

### Education Program Area

#### Department of Community Colleges and Workforce Development

The Subcommittee reduced the Community College Support Fund by \$5.5 million General Fund, equal to the Governor's December 2008 allotment reduction. This amount was withheld from the final biennial payment made to the colleges in January 2009; it will not be necessary to recover funds previously distributed to the colleges to accommodate this reduction. Funding for the Portland Community College and Sabin-Schellenberg Skills Center were reduced by \$6,570, also corresponding to the Governor's allotment reduction.

The Office Operations program unit was reduced by \$1.0 million General Funds to capture funds budgeted for the Department's Integrated Management Information System. The State Support to Community Colleges program unit was reduced by \$168,000 General Fund from funds approved for the Oregon Financial Aid Exchange system. Both of these projects were completed under budget.

#### Department of Education

Senate Bill 5552 reduces the budget for school funding by \$244.7 million General Fund, but adds \$13.3 million Lottery Funds and \$115.4 million Federal Funds to partially offset the General Fund reduction. These adjustments reflect the following actions: a \$107.5 million General Fund reduction in the State School Fund; an \$8.6 million General Fund reduction in the School Improvement Fund; a shift of \$13.2 million from General Fund to Lottery Funds; and a shift of \$115.4 million from General Fund to federal Fiscal Stabilization Funds available through the federal stimulus package.

The budget adjustments in this bill anticipate passage of Senate Bill 581, which will establish the School Day Restoration Fund. The following Budget Note was approved related to that fund:

#### **Budget Note**

By establishing the School Day Restoration Fund (SB 581), the 2009 Legislature intends to work with school districts and education service districts to ensure that Oregon's children are able to complete the 2008-09 school year with minimal or no reductions in school days. The additional \$51 million General Fund will be distributed to school districts and education service districts that take all possible steps to eliminate or minimize cuts in school days and to continue special education services including reviewing and possibly reducing administrative salaries, working with teachers and other staff to reduce costs, and accessing local cash reserves. Prior to receiving moneys from the School Day Restoration Fund, school districts and education service districts will submit a report to the Legislative Fiscal Office and the Department of Education on the steps that they have taken to minimize the effects of budget reductions on Oregon's children.

This Fund is established for the 2008-09 school year only. It is the legislative intent that all moneys received from this fund are applied to classroom services this year and do not add to the cash reserves maintained by school districts and education service districts. If school districts or education service districts do not apply, the proportional allocation for those districts will revert to the General Fund. Payments from this new fund will be made consistent with the statutory deadlines for payments from the State School Fund with final payments expected no later than May 15, 2009.

The Department's Operations budget is reduced by \$2.2 million General Fund as a result of one-time savings on contracts, fund shifts, delaying work on the high school diploma project and other miscellaneous savings, and increased by \$1.1 million Other Funds to support processing an increased number of fingerprint requests and higher than anticipated grant funding from the Gates Foundation. Special Schools are reduced by \$0.9 million General Fund by deferring and reducing services and supplies costs. The following Grant-In-Aid programs are also reduced: Regional Programs (\$348,132 General Fund); Hospital Programs (\$17,242 General Fund); Long Term Care and Treatment Programs (\$199,462 General Fund); Early Intervention/Early Childhood Special Education (\$1.1 million General Fund); Chess for Success (\$13,000 General Fund); Teacher/Administrator Mentorships (\$54,758 General Fund); Student Leadership Programs (\$8,318 General Fund); Oregon Pre-Kindergarten (\$1.7 million General Fund); Summer Food Service (\$51,731 General Fund); Summer Lunch Reimbursement (\$46,877 General Fund); Connectivity Services (\$6,775 General Fund). Grant-in-Aid Other Funds expenditure limitation is increased by \$6.1 million for expenditures in the Hospital and Long-Term Care and Treatment (LTCT) programs and additional grants received. The Department plans to use carryover funds to cover additional contract slots and higher net operating expenses in LTCT.

#### Department of Higher Education

Senate Bill 5552 disappropriates \$34 million General Fund and adds \$34 million Other Funds expenditure limitation to the Department's budget as a fund shift to replace General Fund with cash balances and unanticipated tuition and fee revenues resulting from unexpectedly large enrollment increases. A further General Fund reduction of \$55.7 million is made in the Education and General Services budget, with a corresponding addition of \$55.7 million in Federal Funds, to reflect increased federal funding received under the federal stimulus package.

A \$12 million General Fund reduction in Education and General Services, the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory will reduce funding for public services, academic support, and institutional support. Support for instruction, student support, research, and physical plant operations and maintenance is not reduced.

#### Oregon Health and Sciences University

The Subcommittee reduced the General Fund appropriation to OHSU by a total of \$4.3 million. The impact of this reduction will be partially offset by \$2.2 million of additional revenue from the federal stimulus package increase to the Medicaid Federal Medical Assistance Percentage (FMAP). This revenue comes to OHSU through the Department of Human Services and does not require additional expenditure limitation in OHSU's budget. An additional \$0.9 million of the reduction is generated through vacancy savings and Services and Supplies reductions. Finally, OHSU will use reserves of \$1.2 million to replace a portion of its state General Fund appropriation.

## Oregon Student Assistance Commission

Funding for the Opportunity Grant program was reduced by \$1.1 million General Fund. An additional reduction of \$158,028 General Fund in Office Operations and the Office of Degree Authorization will be managed through vacancy savings, reductions in the use of temporary employees, elimination of overtime for the rest of the biennium, reductions in travel expenses, and a delay in some internal audit projects.

## Human Services Program Area

### Commission for the Blind

The budget for the Commission is reduced by \$80,120 General Fund. The Commission has vacancy savings to offset \$9,647 of this amount, but the balance will come from reduced payments for client rehabilitative services.

### State Commission on Children and Families

Senate Bill 5552 reduces the Commission's budget by \$3.0 million General Fund. The reduction reflects \$0.2 million in savings from a combination of vacancy savings, elimination of two positions (0.24 FTE), and personal services contracts reductions; \$0.9 million from the use of available Other Funds to replace General Fund; \$0.7 million in unexpended county funds; and \$1.2 million in reductions to local basic capacity and program funding based on local commission and program reductions plans. The separate General Fund appropriation for Multnomah County Children's Relief Nursery's work with the Center for Family Success will be reduced by \$9,965.

### Department of Human Services

The budget adjustments for the Department of Human Services include a \$230.2 million General Fund reduction and a corresponding increase in Federal Funds, as a result of the temporary Federal Medical Assistance Percentage (FMAP) increase included in the federal stimulus package. The total reflects an estimated additional \$226.3 million in Title XIX Medicaid funds and an estimated additional \$3.9 million in Title IV-E Foster Care and Adoption Assistance funds for the period from October 1, 2008 through June 30, 2009. The Subcommittee made other budget adjustments to reduce General Fund by \$15.2 million, increase Other Funds by \$13.8 million, and reduce Federal Funds by \$4.5 million, reflecting program reductions and fund shifts for each division as described below.

For the Children, Adults and Families Division (CAF), the approved adjustments include an additional \$6.3 million General Fund appropriation to fill the budget hole that remained after the December 2008 Emergency Board actions on the Department's 2007-09 biennium rebalance plan. Other actions to address the statewide General Fund revenue situation will reduce the CAF budget by \$4.7 million General Fund, based on eight areas of savings or program reductions. The Temporary Assistance to Needy Families (TANF) program will be modified to establish a household income eligibility limit of 185% of the federal poverty level for non-parent households who care for children receiving TANF cash assistance. Other changes will implement a TANF "job quit" penalty so persons who voluntarily quit a job cannot qualify for TANF for one year, and reduce pre-TANF payments for living expenses. The three TANF program reductions are expected to save \$1.8 million General Fund

through June 30, 2009. The Department expects to limit eligibility for the Employment Related Day Care (ERDC) program to families with adults who are citizens or legally documented residents; eliminate eligibility for self-employed clients; and eliminate the client co-payment subsidy in the first month of eligibility. These three changes are expected to save \$0.6 million General Fund for the balance of this biennium. Funding for one-time foster care payments is also reduced by 50% (\$1.2 million General Fund), and Supportive Remedial Day Care spending will be reduced by 44% (\$1.1 million General Fund) for the rest of the biennium.

The federal stimulus package includes additional federal funding to states for TANF and child care programs. The details and requirements of those funds are uncertain at this time. Although Senate Bill 5552 reflects General Fund disappropriations based on the reductions outlined above, the Department should consider the impact of those reductions on potential federal funding increases as it plans to implement program changes and rebalance its 2007-09 budget later this spring. If necessary to meet federal funding requirements, the Department may propose adjustments to these program changes as part of its spring 2009 budget rebalance plan.

Within the Health Services Division, the Subcommittee approved the transfer of \$4.3 million in Other Funds to replace General Fund in the Public Health Division's budget. This included \$4.0 million from the HIV CAREAssist program and \$0.3 million of ending balances from miscellaneous Public Health Laboratory Test Fees. Higher Other Funds revenue from the tobacco tax (\$8 million) and a Zyprexa drug settlement (\$1.5 million) is used to offset General Fund in the Division of Medical Assistance Programs budget.

Within the Seniors and People with Disabilities Division, the Subcommittee approved four reductions totaling \$3.0 million General Fund and \$4.5 million Federal Funds. The largest reduction -- \$1.9 million General Fund and \$3.1 million Federal Funds -- reflects savings from re-evaluations of developmentally disabled clients in residential facilities. These re-evaluations have taken longer than expected and projected rate increases resulting from the re-evaluations have been lower than budgeted. Administrative costs for the transfer Area Agencies on Aging will be reduced by \$0.4 million General Fund and \$0.6 million Federal Funds for the rest of this biennium. A reduction of \$0.4 million General Fund and \$0.5 million Federal Funds will be achieved by implementing a hiring freeze and delaying new positions for county developmental disability programs and brokerages. Contracts for training or employment supports for new adult clients with developmental disabilities will be reduced by \$0.2 million General Fund and \$0.3 million Federal Funds.

#### Office of Private Health Partnerships

Senate Bill 5552 adjustments to the Office of Private Health Partnerships budget reduce General Fund by \$2.5 million and Other Funds by \$6.5 million. The Subcommittee approved a fund shift of \$1.3 million from General Fund to Other Funds resulting from the federal stimulus package increase in the Federal Medical Assistance Percentage (FMAP), which the agency receives through the Department of Human Services. The Subcommittee also approved a fund shift of \$0.4 million in Other Funds ending balance to replace General Fund, and the use of another \$0.8 million Other Funds ending balance to cover a General Fund shortfall the agency experienced during the biennium. Additional vacancy savings and savings in services and supplies will reduce the budget by \$0.8 million General Fund and \$0.8 million Other Funds. A technical adjustment was also made to eliminate \$8.2 million in unneeded Other Funds expenditure limitation. None of the budget adjustments are expected to impact access to the medical insurance programs which the Office administers.

## Psychiatric Security Review Board

The budget for the Psychiatric Security Review Board is reduced by \$15,000 General Fund, based on savings from fewer than anticipated juvenile panel hearing days.

## Public Safety Program Area

### Department of Corrections

The Senate Bill 5552 adjustments to the Department of Corrections budget include a \$13.3 million General Fund reduction in the Operations division. This includes \$6.4 million that will be backfilled with State Criminal Alien Assistance Program (SCAAP) funding and \$6.9 million that is most of the projected General Fund ending balance in the division. The ending balance reflects delays in purchasing equipment at the Deer Ridge Correctional Institution in Madras and a \$0.7 million reduction in central distribution purchases to build inventory of food and supplies. Federal Funds expenditure limitation is increased by \$1.4 million for SCAAP funding.

In Community Corrections, General Fund grants to counties will be reduced by \$7.0 million. The General Fund for this program is further reduced by \$1.5 million and backfilled with Other Funds available from the state-operated community corrections programs in Douglas and Linn counties. Finally, the projected \$1.0 million General Fund ending balance, which is generally savings from the Douglas and Linn county programs, is eliminated. The total Community Corrections reduction is \$9.5 million General Fund.

Funding for the Transitional Services division is reduced by \$5.2 million General Fund. The reductions include \$150,000 to discontinue the Depo-Provera pilot program, \$150,000 in services and supplies savings, and \$0.9 million in the projected ending balance. In addition, \$4.0 million General Fund is eliminated but backfilled by the Inmate Welfare funds. The Other Funds limitation is increased by \$4.0 million to accommodate spending the identified Inmate Welfare funds.

In the Central Administration and Public Services divisions, a variety of adjustments yield a total \$1.2 million General Fund decrease. Reductions include eliminating one internal auditor position (0.25 FTE), seven hearings and investigations positions in the Inspector General's office (1.75 FTE), one position in the Research unit (0.15 FTE), various services and supplies expenses, and the projected ending balances in both divisions. The Subcommittee identified \$0.5 million from Other Funds ending balances to offset the need for \$0.5 million General Fund.

The Subcommittee reduced the General Services and Human Resources divisions by \$3.3 million General Fund. The cuts affect seven positions (1.75 FTE) in Accounting, Central Distribution, and Information Systems and three positions (0.50 FTE) in professional development and human resources analysis. Finally, General Fund ending balances were reduced as were Services and Supplies expenses in warehouse operations.

The Capital Improvements General Fund budget is reduced by \$94,999.

## Department of Justice

The Department's budget is reduced by \$5.2 million General Fund, with reductions in three divisions:

- A total of \$1.3 million in General Fund reductions in Criminal Justice affect the organized crime and District Attorney assistance units, meth-related investigations and prosecutions, and the appropriation made to counties for deadly force planning expenses.
- The projected ending balance of \$97,707 General Fund in Defense of Criminal Convictions is eliminated.
- In the Child Support Division, federal stimulus package funds of \$3.3 million backfill the need for General Fund; additional incentive funds of \$0.4 million, passed through the Department of Human Services, are also used to backfill General Fund. A small amount of ending fund balance, \$0.2 million, is also cut. The total Child Support Division reduction is \$3.8 million General Fund, with a \$0.4 million Other Funds expenditure limitation increase.

## Oregon Military Department

Senate Bill 5552 makes a \$1.4 million General Fund reduction and a \$17.0 million Other Funds increase in the Department's budget.

The General Fund reductions include service and supplies reductions in the Administration, Operations, Oregon Emergency Management, and Community Support programs. They also include savings from funds provided for hunting and angling licenses for veterans, the Seismic Rehabilitation program and the Oregon Local Disaster program.

The Other Funds increase consists of a one-time debt service cost fund shift from General Fund to Other Funds, additional expenditure limitation to expend funds out of the Emergency Financial Assistance Account, funding to reimburse the State of California for the 2008 wildfire expenditures, increased Other Funds expenditure limitation for payment of a shortfall in the General Fund debt service calculation for 2007-09, and an additional \$15.8 million in 9-1-1 tax expenditures. The Subcommittee also requested that \$7.8 million Other Funds for 9-1-1 tax revenue distribution to local governments be uncheduled until approved by the Department of Administrative Services and the Legislative Fiscal Office.

## Oregon Youth Authority

The Oregon Youth Authority budget is reduced by \$8.2 million General Fund and increased by \$1.5 million Federal Funds. The additional federal resources are from a temporary increase in the Federal Medical Assistance Percentage for Medicaid services, which is part of the federal stimulus package. This funding supports agency expenditures for medical treatment of youth in residential and foster care.

The Facilities Services budget is reduced by \$1.0 million General Fund. Reductions result in not opening 45 close custody beds originally scheduled to open in spring 2009 and in closing an additional 50 close custody beds effective June 1, 2009. The corresponding staffing change is the elimination of 65 positions by the end of the biennium, which is a decrease of 7.74 FTE. The 50 bed reduction in close custody is to be taken from the agency's valley facilities; the expectation is for the agency to maintain beds and staffing at the Eastern Oregon Youth Correctional Facility in Burns through the end of the 2007-09 biennium.



General Fund is reduced by \$6.7 million in Community Services. The reduction includes not opening 58 community placement and 10 foster care beds originally scheduled to open in 2009, and eliminating another 38 community placements and 20 foster care beds. Effective June 1, 2009, juvenile crime prevention and diversion programs will be reduced by 10% while statewide gang funding – a new program in 2007-09 – is eliminated. Six parole and probation positions are eliminated effective June 1, 2009, which results in a decrease of 0.25 FTE.

The Program Support budget is reduced by \$452,116 General Fund, and the Capital Improvements program is reduced by \$7,834 General Fund.

Reduction amounts also account for other actions taken by the agency to reduce spending. These include managing contracts and community placements below the budgeted level, reducing parole and probation services, and implementing a hiring freeze.

#### Criminal Justice Commission

The total reduction in the Commission's budget is \$257,101 General Fund. Funding is eliminated for a vacant research analyst position (0.29 FTE) and the Drug Court grant appropriation is reduced by \$200,000 General Fund. The reduction in drug court funds is not expected to significantly affect the courts funded with these grants.

#### State Board of Parole and Post-Prison Supervision

The Subcommittee reduced the Board's budget by \$52,037 General Fund in professional services and Attorney General charges.

#### Department of State Police

General Fund reductions in the Department's budget total \$9.1 million, with \$4.0 million in Other Funds balances used to partially backfill the reductions.

The Patrol Division's General Fund budget is reduced by \$2.4 million; \$1.0 million will be backfilled with Other Funds ending balances. The reduction includes \$485,223 General Fund savings from a delay in hiring the 39 troopers, authorized during the 2008 Special Session, into the 2009-11 biennium.

In the Criminal Investigation division, General Fund is reduced by \$611,773. The reduction includes the elimination of a projected \$465,273 General Fund ending balance and deferring capital outlay purchases.

The Fish and Wildlife division is reduced by \$116,246 General Fund, which eliminates the projected General Fund ending balance.

General Fund in the Forensics division is reduced by \$1.1 million. The cut includes the elimination of \$417,487 in projected General Fund ending balance, \$436,000 in funding not required to eliminate a DNA testing backlog, and deferral of capital outlay purchases.

In the Office of the Medical Examiner, General Fund is reduced by \$118,371, including a reduction of \$100,000 backfilled with Other Funds balances and \$18,371 from eliminating a projected General Fund ending balance.

The Information Management division is reduced by \$3.5 million General Fund; \$2.75 million of this is backfilled with Other Funds ending balances. The reduction also includes eliminating a projected \$278,616 General Fund ending balance, and deferring \$465,530 in capital outlay purchases.

In the Administrative Services division, General Fund is reduced by \$326,385. The reduction includes a \$200,000 backfill with Other Funds and savings from the cancellation of some information systems contracts.

Reductions for the Oregon Wireless Interoperability Network (OWIN) include \$530,000 General Fund for debt service that was not used due to a later bond sale date, and \$392,650 in General Fund reductions to be met by program reductions and Other Funds backfill.

#### Department of Public Safety Standards and Training

The Subcommittee approved a total of \$651,183 in Other Funds reductions in programs funded with Criminal Fines and Assessment Account (CFAA) revenues, which are then available for the General Fund. The reductions include \$269,292 in cuts to the funding of 12 positions (2.17 FTE) in the Criminal Justice Standards and Training Division affecting certification, regional training, leadership and instructor development, and basic training. In addition, the Administration and Support Services Division is reduced by \$381,891 affecting funding for 10 positions (2.09 FTE) relating to facilities, human resources, public affairs, and information systems. The Subcommittee also identified resources in various construction related accounts that could be used to offset the need for \$139,873 in General Fund debt service, so General Fund is reduced and Other Funds expenditure limitation added for that fund shift.

### Economic and Community Development Program Area

#### Economic and Community Development Department

The Department's budget is reduced by \$211,384 General Fund and \$3.9 million Lottery Funds. The General Fund decrease consists of reductions to the Oregon Arts Commission for services and supplies (\$22,384) and to funds available to the Commission for grants (\$189,000). The Lottery Funds reductions reflect a decrease in services and supplies for operations (\$465,000), a decrease to the Film and Video Office (\$64,085), and reductions to legislatively directed appropriations for the Strategic Reserve Fund for Leadership and Workforce Development (\$341,244) and Targeted Service Providers (\$100,000).

Reductions will also be made to the following funds (utilized by the Department for grants and loans) within the Oregon Community Development Fund:

- Community Development Fund interest earnings (\$70,000)
- Strategic Reserve Fund (\$959,028)

- Business Retention Fund (\$125,356)
- Industry Competiveness Fund (\$181,908)
- Small Business Development Centers (\$200,000)
- Regional Investment Fund (\$200,000)
- Oregon InC - Manufacturing/PSU (\$252,750)
- Oregon InC – Oregon Nanoscience and Microtechnologies Institute (\$480,885)
- Oregon InC – Oregon Translational Research and Drug Development Institute (\$280,516)
- Oregon InC – Built Environment and Sustainable Technologies Center (\$133,365)

### Employment Department

The Subcommittee approved a \$198,805 General Fund reduction in the Department’s Child Care Division budget. This will reduce transfers to the Department of Human Services for training Employment Related Day Care program providers and to the Department of Education for training and technical assistance to teen parent programs; the latter funds are no longer needed due to achievement of program goals.

### Housing and Community Services Department

Senate Bill 5552 reduces the Department’s budget by \$889,087 General Fund. The reductions to the General Fund impact the following initiatives and programs:

- Housing Preservation Fund (\$589,355) - A portion of the General Fund reduction to the Housing Preservation Fund (85 percent) will be mitigated through the use of \$500,000 in repayments to the Community Incentive Fund (CIF). The General Fund had been committed to developers that are acquiring housing projects with federal subsidies that are about to expire. It will preserve 53 subsidized units with a corresponding federal subsidy of \$6 million over 20 years. The remaining \$89,355 General Fund reduction to the Housing Preservation Fund represents funds that have not yet been committed to preservation projects.
- General Fund Food Program (\$94,852) – This reduction is related to a fund shift for administrative support for the General Fund Food program, which was not approved by the Legislature.
- Home Ownership Assistance (\$204,880) – The reduction to the Home Ownership Assistance Program will result in no down payment assistance for 137 households.

### Department of Veterans’ Affairs

Overall, the Department of Veterans’ Affairs Veterans Services program is reduced by \$324,022 General Fund, 5% of total General Fund appropriations. The Small Business Repair program authorized in the 2008 Special Session is reduced \$185,941 General Fund, or 62%. The balance of the reduction is to other Department programs, national service organizations and payments to counties to support the county veterans’ service officer programs. The Department’s General Fund for its Conservatorship and Counseling and Claims programs is reduced 1.2%, payments to national service organizations are reduced 5%, and payments to counties are reduced 2.85%.

## Natural Resources Program Area

### State Department of Agriculture

The Subcommittee approved a \$2.8 million General Fund decrease, \$50,000 Lottery Funds decrease, \$2.3 million Other Funds increase, \$787,000 Federal Funds increase, and a decrease of 0.17 FTE for the Department of Agriculture.

In the Administration and Support Services program, there is a temporary fund shift from General Fund to Other Funds for the Farm Mediation program, and a reduction in the services and supplies budget. In the Food Safety Policy Area, there is a temporary fund shift in program costs from General Fund to Other Funds including the Weights and Measures, Animal Health, and Food Safety inspections programs. There are reductions in the Laboratory Services' services and supplies budget and in the Predator Control program. In the Natural Resources Policy Area, the Pesticides Use Reporting System household survey has been suspended, the funding provided by the Emergency Board for grasshoppers eradication and Whiskey Creek oyster production has been eliminated, Laboratory services and supplies funding has been reduced, an Agricultural Water Quality position has been eliminated, and there is a fund shift of program costs from General Fund to Other Funds. The Subcommittee increased the Natural Resources Policy Area's Federal Funds budget due to the availability of additional federal grant dollars. In the Agricultural Development Policy Area, the decrease includes vacancy savings and services and supplies reductions.

### Columbia River Gorge Commission

The Subcommittee reduced the Commission's General Fund appropriation by \$27,000 to match the Washington State reduction of \$27,000, bringing the Commission's overall budget reduction to \$54,000. As a result, one position will be eliminated; this is not reflected in the Oregon position system because Commission employees are considered Washington State personnel.

### Department of Environmental Quality

Senate Bill 5552 adjusts the Department's budget for a \$2.2 million General Fund decrease, a \$0.4 million Lottery Funds increase, and a \$0.2 million Other Funds increase. These changes result in a 0.99 FTE decrease. The Lottery Funds and Other Funds are used to backfill General Fund reductions in the Water Quality Total Maximum Daily Limit (TMDL) development program and in the Land Quality hazardous waste inspection/technical assistance program. Reductions to Lottery Funds expenditures in the Department of Agriculture, the Department of Fish and Wildlife, and the Oregon Watershed Enhancement budgets supply the resources for the fund shift in the TMDL program.

Reductions affect all three of the Department's major programs. The Air Quality program will reduce payments to the Lane Regional Air Pollution Authority, clean diesel outreach and technical assistance, and it will revert uncommitted clean diesel grant funds. The Water Quality Program will cancel the online stormwater and effluent outfalls tool, delay wastewater permitting positions and work, reduce Willamette TMDL implementation assistance, reduce stormwater permitting, eliminate two of four biomonitoring positions, and delay updating turbidity standards. The Land Quality program will reduce hazardous waste inspections; it will also shift funding for hazardous waste inspections and technical assistance to Other Funds. The Cross Program will provide Economic Revitalization Team vacancy savings. One-time debt service savings complete the reduction plan for this department.

## Department of Fish and Wildlife

The Subcommittee approved a \$2.0 million General Fund decrease, a \$0.2 million Lottery Funds decrease, a \$2.0 million Other Funds increase, and a \$0.6 million Federal Funds decrease for this Department. The reductions result in a decrease of 1.89 FTE. The Lottery Funds reduction provides funding for the Department of Environmental Quality Total Maximum Daily Load program, which would otherwise be reduced. The Lottery Funds reduction eliminates a habitat biologist position and reduces the fish screens program.

The General Fund reductions affect most of the agency's programs. The Fish Propagation program will reduce fish marking work, and eliminate technician and biologist positions. It will also produce savings through the continued closure of the Butte Creek Hatchery, which has suffered from fish disease issues and closed as a result. The Subcommittee also approved a fund shift of expenditures from Federal Funds to Other Funds from the Carcass and Egg account to more correctly account for these expenditures. The Fish Natural Production program will eliminate an Endangered Species Act coordinator position, reduce salmon and steelhead monitoring, and native fish investigations. The Fish Natural Production program will also use salmon license plate funds in place of General Fund to pay for Oregon Plan activities. The salmon license plate funds result from a reduction to the grant program at the Oregon Watershed Enhancement Board. The Fish Marine program will reduce stock assessments and eliminate a developmental fisheries position. Also, the Fish Marine program will shift \$900,000 of expenditures from General Fund to Other Funds from the Commercial Fish Fund, thereby saving General Fund as part of the agency's reductions.

The Wildlife Game program will reduce predator control payments to the US Department of Agriculture Wildlife Services. The Wildlife Habitat program will eliminate a habitat biologist and reduce landowner incentive payments. The Wildlife Diversity program will shift a threatened and endangered species position from General Fund to Other Funds, which will generate General Fund savings but keep the position.

Two management positions in the Administration program will be eliminated, and the Capital Improvement program will be reduced slightly, limiting capacity to do emergency repairs at facilities.

## Department of Forestry

The Department's budget is reduced by \$2.3 million General Fund. Savings generated by reduced operating costs throughout the biennium, keeping positions vacant (primarily in the Private Forests Program), delaying recruitment, restructuring debt and reducing costs in information technology system maintenance account for about half of the reduction (\$1.2 million). About \$164,500 allocated by the Emergency Board in June 2008 for unbudgeted costs incurred in responding to storm damage in northwest Oregon in December 2007 will be reverted. The remainder of the reductions impact the Protection from Fire Program and the Private Forest Programs.

In the Private Forests program, reductions include suspension of vehicle replacement for one year and the reduction of \$265,400 provided by the Emergency Board in June 2008 to eradicate Sudden Oak Death disease. In the Fire Protection program, the General Fund for Public Share Fire Fund distribution has been replaced with \$500,000 Federal Funds available on a one-time basis for the purchase of firefighter safety equipment and supplies, training, fitness tests, fire prevention, high fire danger period evaluations and initiatives to help homeowners in forested areas. The agency has sufficient Federal Funds expenditure limitation and no additional Federal Funds expenditure limitation is provided. The

Subcommittee also eliminated \$23,773 of unused General Fund for the implementation of Senate Bill 450 (2007), relating to Rangeland fire protection districts, and \$153,103 for unused General Fund for debt service.

#### Department of Geology and Mineral Industries

The Subcommittee approved a \$112,623 General Fund decrease for the Department. This reflects vacancy savings and does not affect FTE.

#### Department of Land Conservation and Development

The Department's budget is reduced by \$1.4 million General Fund. A little over half of the reductions come from vacancy and cost savings in the Planning Program, which includes Measure 49. Even with these savings, the agency indicates it is still on track to complete the review and resolution of claims under Measure 49 by December 31, 2010. The remaining reductions are from uncommitted dollars in the Grant program; this reduction will result in the delay or possible termination of some projects that are under development.

#### Land Use Board of Appeals

The Board's budget is reduced by \$15,728 General Fund for vacancy savings and services and supplies reductions.

#### Department of State Lands

The Subcommittee approved a \$13,831 General Fund decrease. This reduction affects the Economic Revitalization Team and Natural Heritage Advisory Council services and supplies.

#### Water Resources Department

Senate Bill 5552 reduces the Department's budget by \$1.2 million General Fund and 1.26 FTE. The reduction affects all of the major programs within this Department. The Field Services program will reduce a water measurement technician and Oregon Plan positions. It will also provide savings from position vacancies. The Technical Services program will reduce a measurement technician, an information technician, and water use reporting. The Water Rights and Adjudications program will achieve savings from delayed hearings and Attorney General charges. The Director's Office will also achieve savings from delaying Attorney General charges. The conservation, reuse, and storage feasibility study grant funding established by Senate Bill 1069 (2008) will be reduced by \$0.69 million General Fund.

#### Oregon Watershed Enhancement Board

The Board's budget is reduced by \$224,754 Lottery Funds and \$430,000 Other Funds. The Lottery Funds reduction consists of a standard allotment reduction required of all state agencies, the suspension of the Independent Multidisciplinary Science Team, and a reduction to the Lower Columbia River Estuary Partnership. The savings from these reductions are used to backfill a General Fund reduction in the TMDL

program at the Department of Environmental Quality. The Other Funds reduction reduces grants funded by salmon license plate revenue; these savings are used to backfill a General Fund reduction to the Oregon Plan at the Department of Fish and Wildlife.

### Consumer and Business Services Program Area

#### Bureau of Labor and Industries

The Subcommittee approved a \$141,740 General Fund decrease from vacancy savings in the agency, equal to the Governor's December 2008 allotment reduction.

#### State Board of Psychologist Examiners

Senate Bill 5552 adds \$98,000 Other Funds expenditure limitation to the Board's budget. The Other Funds are for the payment of unanticipated costs associated with six contested case hearings and one Court of Appeals review request during the 2007-2009 biennium including costs for services from the Attorney General's Office, Office of Administrative Hearings, legal transcriptionists, and expert witnesses.

#### Oregon Board of Dentistry

The Subcommittee approved an increase in Other Funds limitation by \$50,000 to cover additional services and supplies expenses.

#### Oregon State Board of Nursing

The Board's Other Funds expenditure limitation is increased by \$110,000 to cover additional Attorney General expenses and increased expenses in the certified nurses aide testing program.

### Administration Program Area

#### Department of Administrative Services

The agency's budget is reduced by \$0.4 million General Fund, \$5.1 million Other Funds, and 2.84 FTE. General Fund reductions are made in payments to the Oregon Center for Nursing (\$54,381) and to the Oregon Historical Society (\$190,332). Vacancy savings in the Director's Office (\$25,527), reducing the federal penalty payment associated with using a blended rate for PERS (\$70,090), and unspent funding from Measure 37 claims administration (\$56,916) make up the remaining General Fund reductions.

The Other Funds decrease reflects reductions to services and supplies (\$2.5 million), personal services (\$2.0 million) and capital outlay expenditures (\$0.6 million). The personal services savings consist of one-time vacancy savings and ongoing savings achieved through eliminating

23 positions (2.84 FTE) over the remainder of the biennium. Services and supplies reductions include cuts to training, office expenses, facilities maintenance, and professional services. In capital outlay, the agency will not proceed with a planned purchase of 33 replacement vehicles.

#### Oregon Advocacy Commissions Office

The Subcommittee approved a \$29,638 General Fund decrease based on savings in services and supplies expenditures.

#### Employment Relations Board

Senate Bill 5552 reduces the Board's budget by \$20,850 General Fund and \$9,630 Other Funds, from reductions to two staff positions and removing a previously unscheduled General Fund personal services appropriation.

#### Oregon Government Ethics Commission

The Commission's budget is reduced by \$14,085 General Fund and 0.37 FTE, which will affect the Commission's administration, investigations and training functions.

#### Office of the Governor

The \$0.4 million General Fund reduction in the Office of the Governor includes vacancy savings, the elimination of funding for one Citizen Representative position for the rest of the biennium, postponement of the correspondence tracking system project, and unspecified services and supplies reductions. The budget is reduced by \$0.2 million Other Funds to reflect unspent resources that had been appropriated for the Education Design Team. This \$0.2 million will be transferred to the General Fund. Two positions will be eliminated from the Economic Revitalization Team for the rest of the biennium. Combined with services and supplies, this reduction totals \$0.1 million Lottery Funds. Finally, the budget is increased by \$16,750 Federal Funds to allow the Governor's Office to spend the balance of a federal grant for the Office of Rural Policy. This will cover certain expenses from the first few months of the biennium.

#### Oregon Liquor Control Commission

The Commission's budget will be reduced by \$3.6 million Other Funds. In the Administration and Support program, the Business Continuity Contract mandated by the Department of Administrative Services has been suspended, implementation of online license renewal and enforcement/ licensing system improvements have been suspended, funding for temporary and seasonal employees not in the Distribution Center has been reduced and additional Services and Supplies have been reduced. In the Public Safety Services program, funding to purchase five vehicles for enforcement staff has been eliminated. In the Store Operating Expenses program, the average compensation rate for liquor agents has been reduced. In the Capital Improvements program, funding for deferred maintenance has been reduced. When considering the agents' compensation reduction, the Transportation and Economic Development Subcommittee recommended that up to \$1.4 million of the reduction may be returned to liquor agents if sufficient revenue is realized from additional sales or a temporary price increase is imposed by the agency.



In addition, the Commission expects to reduce warehouse inventory costs to generate an additional \$1.5 million in revenue. Senate Bill 581 directs 100% of the revenue to the General Fund.

### Department of Revenue

The Subcommittee approved a \$4.6 million General Fund reduction for the Department. A portion of these savings was generated from position vacancies, including the abolishment of three positions for the remainder of the biennium (0.50 FTE). Personal services savings total \$2.1 million General Fund; \$1.0 million General Fund in other savings were achieved through operational changes, project delays, restricted training and travel and other one-time services and supplies reductions. Property tax administration payments to counties were reduced by \$515,000 General Fund. The Elderly Rental Assistance Program ending balance was eliminated (\$1.0 million General Fund).

### Secretary of State

The Secretary of State's budget is reduced by \$36,026 General Fund and \$548,000 Other Funds. These reductions result from vacancy savings and postponing both the Electronic Records Management system and Point of Sale project. The reduction in Other Funds will result in a corresponding increase to the General Fund. Unspent funds from the Corporation Division are statutorily transferred to the General Fund.

### State Library

The Subcommittee approved a General Fund reduction of \$183,716; an increase in Other Funds of \$8,900; and a Federal Funds increase totaling \$134,774. These actions are related to a shift in funding for the Youth Services Librarian from General Fund to Federal Funds (\$134,774); a shift of funding in Talking Books and Braille Services from General Fund to Other Funds (\$8,900); and a reduction in General Fund related to software prepayments and other services and supplies reductions (\$40,042).

## Judicial Branch Program Area

### Oregon Judicial Department

Senate Bill 5552 reduces the Department's General Fund budget by \$11.1 million and increases Other Funds limitation by \$1.9 million.

General Fund reductions include \$0.5 million in Mandated Caseload, which pays jury and interpreter expenses; \$0.2 million of the reduction represents savings accrued by the end of 2008, and \$0.3 million of the reduction is offset with a corresponding Other Funds increase that is to be funded with Juror Improvement funds.

In court operations, General Fund is reduced by a total of \$3.6 million for fund shifts from General to Other Funds. These include \$1.8 million using access charge revenues from the Oregon Judicial Information Network (OJIN) account, \$1.0 million from the OJD operating account, \$0.2 million from the Citizens Review Board account, and \$0.6 million from the eCourts certificates of participation (COPs) for work done by the

Department's information technology staff on the eCourts project. This fund shift will result in a reduction to the overall eCourt Program. Finally, there are General Fund reductions of \$3.5 million to recognize administrative savings on services and supplies, vacancy savings, and eCourt strategic plan savings. Additionally, the Department will eliminate eight positions (4.39 FTE) which have been vacant for over six months. The measure also eliminates \$2.0 million in eCourt Other Funds expenditure limitation based on the Department's revised implementation plan.

A further unspecified reduction of \$3.1 million General Fund will be implemented across the Department using furloughs.

#### Public Defense Services Commission

The Subcommittee approved a \$3.8 million General Fund reduction and an Other Funds increase of \$493,934 for the Commission. The Other Funds increase consists of a one-time ending balance fund shift from the Application Contribution account with a corresponding disappropriation of General Fund from the Public Defense Services Account. For the Public Defense Services Account there is also the elimination of two positions (1.55 FTE). The General Fund reduction reflects savings from revised caseload projections, vacancy savings, and service and supplies expenditure reductions.

#### Commission on Judicial Fitness and Disability

The Commission's budget is reduced by \$18,118 General Fund based on savings that have accrued from a lack of prosecuting cases.

#### Legislative Branch Program Area

Budget reductions for the five legislative branch agencies -- Legislative Assembly, Legislative Administration Committee, Legislative Counsel Committee, Legislative Fiscal Officer, and the Legislative Revenue Officer -- are not part of Senate Bill 5552. House Bill 5015 reduced these budgets by a total of \$4.3 million General Fund for the 2007-09 biennium.

## LOTTERY FUNDS ALLOCATIONS

Senate Bill 5552 includes Lottery Funds allocation adjustments to incorporate the effect of changes in the Lottery Funds revenue forecast since the 2007 session, on dedicated transfers of Lottery Funds; allocation adjustments to eliminate allocations for debt service on lottery revenue bonds that exceed the amounts needed for actual debt service and rebate costs; and allocation adjustments to reflect Lottery Funds expenditure changes approved as part of the 2007-09 biennium budget reconciliation.

The allocation adjustments for statutorily-dedicated Lottery Funds transfers are reduced by a total of \$4.4 million to update them to projections in the March 2009 lottery revenue forecast. Most of this adjustment reflects a \$4.4 million reduction in the transfer of Lottery Funds to counties for economic development programs. Counties receive 2.5% of net video lottery receipts. This amount of the reduction in the allocation to counties reflects the decline in forecasted video lottery proceeds compared to the level in the June 2007 lottery revenue forecast that the Legislature used during the 2007 session to adopt the 2007-09 biennium budget.

Lottery Funds allocations for debt service are reduced by a total of \$5.8 million. These reductions represents amounts that were allocated in the 2007 session, but that are not needed to meet debt service obligations, because other Lottery Funds are available to pay them. The other Lottery Funds available to meet these obligations consist primarily of earnings in lottery revenue bond accounts.

Lottery Funds allocation adjustments for expenditure changes approved as part of the 2007-09 biennium budget reconciliation total to a net increase of \$6.1 million. The allocation for county economic development programs is reduced by \$2.0 million; for the Problem Gambling Treatment Fund, by \$1.2 million; for the Governor's Office for the Economic Revitalization Team, by \$112,000; and for the Economic and Community Development Department, by a total of \$3.9 million. The allocation to the Department of Education for the State School Fund distribution is increased \$13.3 million. This represents the entire amount of Lottery Funds available for allocation after all the other adjustments are made. The projected ending balance for Lottery Funds in the Department of Administrative Services Economic Development Fund is zero.

Additionally, the allocation of Lottery Funds from the Watershed Improvement Operating Fund to the Department of Environmental Quality is increased by \$427,630.

The following table provides additional detail of Lottery Funds resources and uses for the 2007-09 biennium as revised in the bill.

**DAS Economic Development Fund (Lottery Funds) Resources and Uses 2007-09 Biennium**

	Current Law 2007-09 Lottery Allocations	Transfer Adjustments for March 2009 Forecast	Debt Service Allocation Adjustments	2007-09 Reconciliation Budget Adjustments	Combined SB 5552-A Lottery Allocation Adjustments	Revised 2007-09 Lottery Allocations
<b>Lottery Resources</b>						
Beginning Balance	64,108,567				-	64,108,567
Interest Income	11,801,000				-	11,801,000
Administrative Savings	96,955,626				-	96,955,626
Disappropriations & Reversions	2,282,155				-	2,282,155
Net Lottery Proceeds	1,220,195,591				-	1,220,195,591
<b>Total Lottery Resources</b>	<b>1,395,342,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,395,342,939</b>
<b>Transfers and Allocations</b>						
<b>Dedicated Transfers</b>						
County Video Poker 2.5%	46,255,970	(4,399,691)		(2,000,000)	(6,399,691)	39,856,279
Gov ERT Allocation from Counties	(1,073,056)				-	(1,073,056)
Ed Stability Fund 18%	237,087,219				-	237,087,219
Parks & Natural Resources 15%	197,572,682				-	197,572,682
Higher Education Sports Action	11,634,945	10,017			10,017	11,644,962
Gambling Addiction Treatment 1%	13,161,496	10,016		(1,200,000)	(1,189,984)	11,971,512
County Fairs	3,557,141				-	3,557,141
<b>Total Dedicated Transfers</b>	<b>508,196,397</b>	<b>(4,379,658)</b>	<b>-</b>	<b>(3,200,000)</b>	<b>(7,579,658)</b>	<b>500,616,739</b>
<b>Debt Service - Existing</b>						
Department of Education	41,874,677				-	41,874,677
Department of Higher Education	7,948,180		(532,268)		(532,268)	7,415,912
Housing and Community Services Dept.	4,396,584		(330,909)		(330,909)	4,065,675
Economic and Community Development Dept.	57,726,272		(2,788,960)		(2,788,960)	54,937,312
ODO	41,579,216		(422,057)		(422,057)	41,157,159
DAS - OPB bonds	1,605,934		(167,538)		(167,538)	1,438,396
<b>Total Existing Debt Service Allocations</b>	<b>155,130,863</b>	<b>-</b>	<b>(4,241,732)</b>	<b>-</b>	<b>(4,241,732)</b>	<b>150,889,131</b>
<b>Debt Service - 2007 Close of Session</b>						
Department of Education					-	
Department of Higher Education	5,329,137		(1,218,858)		(1,218,858)	4,110,279
Housing and Community Services Dept.	1,476,120		(3,576)		(3,576)	1,472,544
OECD - Coos Bay Channel	449,647		(225,742)		(225,742)	223,905
ODOT - Connect Oregon	4,931,493		(512)		(512)	4,930,981
DAS - OPB bonds	168,703		(62,589)		(62,589)	106,114
<b>Total New Issue Debt Service Allocations</b>	<b>12,355,100</b>	<b>-</b>	<b>(1,511,277)</b>	<b>-</b>	<b>(1,511,277)</b>	<b>10,843,823</b>
<b>Cumulative Debt Service Allocations</b>	<b>167,485,963</b>	<b>-</b>	<b>(5,753,009)</b>	<b>-</b>	<b>(5,753,009)</b>	<b>161,732,954</b>
<b>Program Allocations</b>						
Dept. of Education - State School	654,142,231			13,269,979	13,269,979	667,412,210
Governor's Office - Econ. Revitalization Team	2,146,112			(112,000)	(112,000)	2,034,112
Department of Agriculture - County Fair Admin	35,190				-	35,190
Economic & Community Development Dept.	67,365,871			(3,854,137)	(3,854,137)	63,511,734
<b>Total Program Allocations</b>	<b>723,689,404</b>	<b>-</b>	<b>-</b>	<b>9,303,842</b>	<b>9,303,842</b>	<b>732,993,246</b>
<b>Total Resources</b>	<b>1,395,342,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,395,342,939</b>
<b>Total Transfers and Allocations</b>	<b>1,399,371,764</b>	<b>(4,379,658)</b>	<b>(5,753,009)</b>	<b>6,103,842</b>	<b>(4,028,825)</b>	<b>1,395,342,939</b>
<b>Ending Balance</b>	<b>(4,028,825)</b>				<b>4,028,825</b>	<b>-</b>

## OTHER ACTIONS

The Governor implemented a pay freeze and a reduction of a new salary pay range step for management and executive service employees in the Executive Branch with the intention of saving \$2.5 million General Fund in the current biennium. It was expected that these savings would help with the \$855 million General Fund shortfall that was projected in the March 2009 revenue forecast. Since the Department of Administrative Services (DAS) was unable to provide the detail necessary to implement the reductions, the Subcommittee directed the Legislative Fiscal Office to work with the Budget and Management Division to unschedule the savings from the appropriate agency budgets when DAS is able to provide the information. It should be noted these savings were included as part of the budget reconciliation plan and if they do not generate the entire \$2.5 million, further action may be needed to balance the budget.

The Subcommittee also directed the Legislative Fiscal Office to work with the Budget and Management Division to determine the amount of General Fund savings that occurred from the rebates on assessments at the Secretary of State and the Department of Administrative Services (DAS) and the Other Funds budget reductions that were taken from DAS. It is expected that the savings from these actions will be unscheduled from the appropriate agencies and will either revert to the General Fund at the end of the biennium or be available for any future 2007-09 rebalance needs.