



**EFFECTIVE DATE:** January 1, 2010

**GOVERNOR'S BUDGET:** This bill is not anticipated by the Governor's recommended budget.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**ANALYSIS:** House Bill 2581 transfers the administration of the Rural Health Program from the Oregon Student Assistance Commission (OSAC) to the Office of Rural Health at Oregon Health and Science University (OHSU). The – 1 Amendment clarifies that only Rural Health Program records and property, not employees, will be transferred to the Office of Rural Health.

If this bill passes, the unexpended balances of amounts authorized to be expended by OSAC for the Rural Health Program for the biennium beginning July 1, 2009 are to be transferred to the Office of Rural Health. Please note that the bill's effective date is January 1, 2010. The actual unexpended balances of amounts at the time of transfer will be for the remaining 18 months of the 2009-11 biennium. The balance transfer, expenditure and revenue amounts are based on the OSAC 2009-11 Governor's Recommended Budget. These numbers will vary slightly depending on Legislative decisions on the 2009-11 budget, actual expenditures, as well as market conditions that may impact the interest earnings on the Rural Health Services Fund.

Currently, the General Fund appropriation each biennium to OSAC for the Rural Health Program is transferred to Other Funds as special payments to the Rural Health Services Fund treasury account. Payment commitments (budgeted at \$568,737 for the 2009-11 biennium) are made to recipients over a four to five year period and are paid from funds previously appropriated and held in the Rural Health Services Fund treasury account. In the 2009-11 Governor's Recommended Budget, the beginning cash balance for the Rural Health Services Fund is \$1,036,637. OSAC reports that the revised beginning balance estimate is \$950,000 due largely to lower than expected interest earnings on the account.

For the full 24 months of the 2009-11 biennium, OSAC budgeted the Personal Services cost of administering the Rural Health Program at \$19,370 and 0.19 FTE equivalent. Services and Supplies (\$27,755) include office supplies, telecommunication, computer and facilities services charges.

The administration of this program consists of two main functions. The first is the application and awarding process for new participants each year. The second is the payment of awards committed in prior years. The Office of Rural Health (ORH) has been involved with the Rural Health Program since the program's inception playing a role in developing its structure and administration. The Office of Rural Health anticipates administering the Rural Health Program in essentially the same manner as OSAC, therefore utilizing the same resources. However, the Legislative Fiscal Office notes that OHSU is a semi-independent agency. With the transfer of the Rural Health Program to OHSU, the administrative costs and the interest earnings of the Rural Health Program will no longer be subject to the state's budgetary process. The proposed legislation does not limit administrative expenditures. Funds for OHSU are appropriated to the Department of Administrative Services to pass through to OHSU.

This bill requires budgetary action because it transfers funds and unexpended balances of amounts authorized to be expended by one agency to another.