Oregon
John A. Kitzhaber, MD, Governor

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February 15, 2013

Senator Steiner Hayward, Co-Chair
Representative Smith, Co-Chair
Ways & Means General Government Subcommittee
900 Court Street NE
Salem, OR 97301

Dear Senator Steiner Hayward, Representative Smith, and the Ways & Means General Government Subcommittee;

To complete our response from the February 13, 2013 subcommittee meeting, please find the answer to Senator Whitsett's outstanding question below.

Question from Senator Whitsett: How much does it cost each time there is a need to change the payroll structure?

Whenever we make a change to the compensation plan, we have to touch the payroll system to implement the changes. Typically, we implement compensation plan changes using a least cost model which pushes as much of the cost of the increases to later in the biennium. The cost of reprogramming the payroll system is minimal compared to the savings in personnel services costs gained by least cost implementation.

Next, please find follow-up information as requested during the February 14, 2013 subcommittee meeting.

Question from Senator Whitsett: What do you attribute to be the reasoning for the 21% decrease in FTE within DAS?

Over the past few biennia, DAS has reduced its budget by transferring programs to other agencies, eliminating programs through legislative action and through reduction option exercises during the budget development process. All actions were approved by legislation and documented in DAS budget narratives.
The following programs transferred to other agencies:

- Public Employees Benefit Board (PEBB) to Oregon Health Authority, 18.50 FTE
- Oregon Employees Benefit Board (OEBB) to Oregon Health Authority, 22.00 FTE
- Oregon Health Policy to Department of Human Services, 14.84 FTE

The following programs were eliminated from DAS due to legislative action or budget reductions:

- Oregon Progress Board, 1.75 FTE

- DAS Human Resource Services Division Training program, 12.50 FTE
- Portland Motor Pool, 11.00 FTE
- Eugene Motor Pool, 8.00 FTE

The following are reduction options DAS submitted during the 2011-2013 legislative session. The reductions were approved by legislative action:

- HB 3182 10% budget reduction, 95.25 FTE
- Additional Reductions at LAB, 15.00 FTE

Request from Senator Johnson: Please provide the list of committees within DAS.

In my comments to the committee on 2/14, I talked about the 81 DAS committees that existed when I first arrived. In the last two years significant progress has been made in reducing this number. We are continuing to cut down on the ones DAS itself created and are focusing on the committees which provide the greatest value. Attached please find the current list of committees.

(Attachment: DAS_Committees_Feb_2013.xlsx)

Question from Co-Chair Smith: Help me understand the definition of a customer board?

We have four chartered Enterprise Customer Utility Boards (CUB): Asset Management, Goods and Services, Human Resource Services, and Technology Services. We have the same charter for each CUB, with the only difference being the name. Attached, please find a one-pager about CUBS as well as the charter for Enterprise Human Resource Services customer board.

(Attachment: DAS_CUB_ONE PAGE.docx, EHRS_CUB_Charter.pdf)

Question from Senator Johnson: The Governor's recommended budget seems to have more ask than capacity in regards to capitol finance. Please clarify.

The Governor's Budget does not overspend General Fund and Lottery Funds debt capacity available in 2013-15. The State Debt Policy Advisory Committee (SDPAC) recommends a target of $902 million in General Fund-supported debt for 2013-15. The Governor's budget recommends spending $605 million, or roughly two-thirds of that amount.

On the Lottery Funds side, the SDPAC recommended a target of $151 million. With the refunding components of our April 2013 Lottery Bond sale, and anticipated interest rates on that sale below SDPAC assumptions, we believe the available capacity will be closer to $155 million, which matches the amount proposed in the Governor's budget. We are confident there is sufficient Lottery bond capacity to cover all the projects in the Governor's budget.

However, the Governor's budget did propose a change regarding how we use our bonding capacity, which may be part of the issue raised by Senator Johnson. As mentioned above, the Governor's budget fully utilizes the Lottery bond capacity available in 2013-15, but leaves about one-third of the General Fund capacity unused. The Governor's budget proposed broadening the definition of what the state can use Certificates of Participation (COPs) to fund.

Generally, Certificates of Participation are General Fund supported debt instruments. Under current law, the state uses COPs to fund projects where the state owns the physical asset that is being built. There is one exception to this ownership requirement, allowing the state to issue COPs to finance the construction of local government correctional facilities.

The Governor's budget would broaden that definition to allow the issuance of COPs for multi-modal transportation projects. Specifically at issue is the Governor's proposal to use a mix of lottery-backed bonds and COP financing to pay for Connect Oregon V. In the past, these projects were wholly funded by lottery-backed bonds.

Question from Senator Whitsett: There seems to be a disconnect between IT infrastructure investment and outdated systems. What are the bonding terms and how do we manage them? Additional question from Senator Johnson: Is CNIC paid for?

In issuing debt, the state sets the repayment schedule to correspond with the useful life of the asset being acquired. As Senator Whitsett points out, the useful life of software and hardware is significantly shorter than a physical asset such as a building. To reflect this difference, the state generally sets a five to six year repayment schedule for hardware and software acquisitions.

Specifically related to the CNIC project, there were four bond series issued between 2005-07 for the hardware and software costs of CNIC, totaling $48,797,508. Each of those sales was scheduled on a five to six year repayment schedule. Three of the bond series have now been paid off, and the final bond series (which had a six-year term) has $1,284,960 in principal currently outstanding, with final payment scheduled for November 1, 2013.

The state also issued $20,320,000 for the State Data Center facility (building) in 2004-2005, with a repayment schedule of 25 years. Of the original issuance, $15,130,000 in principal remains outstanding. Final payment is scheduled for May 1, 2030.

Question from Senator Johnson: Explain how DAS and agencies like DOR and ODOT coordinate on mapping and data sharing.

The DAS Geospatial Enterprise Office (GEO) operates and maintains Oregon's Geospatial Data Clearinghouse that compiles data from a wide variety of government organizations and jurisdictions. That data is shared with all government organizations and the public to maximize the reuse and access to this data and to reduce the potential for duplicated data development. For example, the Oregon Department of Transportation coordinates with over 300 road authorities across Oregon to develop, collect, compile and use information on Oregon's road network. The Oregon Department of Revenue coordinates with County Assessors in each of Oregon's 36 counties to develop, collect, compile and use information on Oregon's Tax Lots. Both agencies share that information with DAS GEO for appropriate access and distribution through the Oregon Geospatial Data Clearinghouse.

Request from Co-Chair Steiner Hayward: Please provide a list of agencies/organizations that use the geospatial data made available by the DAS Geospatial Enterprise Office (GEO).

Please see attached with listed agencies and additional information.

(Attachment: GEO_data.docx)

Question from Co-Chair Smith: Can you explain the coordination between agencies and how they can be working together in terms of broadband projects?

To clarify the two separate efforts related to broadband underway at DAS:

DAS has received federal funding by way of the Oregon PUC to collect, map, and report broadband internet service areas that exist in Oregon, which includes the speed of the internet services they offer and the type of technology (wireline and wireless) that is available across the state. This mapping will inform expansion of broadband to unserved and underserved areas of the state.

Separate from that effort, many State agencies (including DAS) purchase or lease network bandwidth from DAS or from vendors and the Enterprise Technology Services Customer Utility Board is currently engaging in an effort to ensure that this purchased network bandwidth is being utilized efficiently (and shared appropriately) among State agencies.

Question from Co-Chair Steiner Hayward: Where do we stand on adopting the cell phone optimization concept?

As part of our work to redesign the delivery of internal support services, the issue of telephony in general is under analysis. The use of cell phone optimization strategies, such as services provided by companies like Wireless Watchdog, are under consideration in a broader discussion of short-term and longer term strategies to reduce costs in our telephone usage and increase efficient use of telecommunications. We will keep the subcommittee updated on this work, as well as other discussions underway using the Hackett Group report and data.

Sincerely,

Michael Jordan, COO
DAS Director