

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: SB 5505-A

Carrier – House: Rep. McKeown

Carrier – Senate: Sen. Hansell

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

Vote: 25 – 0 – 1

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc:

Senate

Yeas: Burdick, Devlin, Edwards, Girod, Hansell, Rosenbaum, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc: Johnson

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Linda Gilbert, Legislative Fiscal Office

Meeting Date: May 17, 2013

Agency

Department of Aviation

Biennium

2013-15

Budget Summary

	2011-13 Legislatively Approved Budget* ⁽¹⁾	2013-15 Current Service Level**	2013-15 Committee Recommendation**	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
Other Funds	\$ 5,676,565	\$ 5,927,998	\$ 6,316,718	640,153	11.3%
Federal Funds	\$ 4,086,055	\$ 2,939,298	\$ 4,369,741	283,686	6.9%
Total	\$ 9,762,620	\$ 8,867,296	\$ 10,686,459	923,839	9.5%

Position Summary

Authorized Positions	12	12	13	1
Full-time Equivalent (FTE) positions	11.50	11.50	12.50	1.00

(1) Includes adjustments through December 2012.

* Includes Capital Construction expenditures

**Excludes Capital Construction expenditures

Summary of Revenue Changes

The Department of Aviation is supported by an aviation fuel tax, pilot and aircraft registration fees, hanger fees, fuel flowage fees and other miscellaneous revenues. In addition, the agency receives Federal Funds from the Federal Aviation Administration to provide grants for capital construction and planning.

The recession has had an impact on fuel tax revenues. With revenue continuing to decline, the Department will be faced with the need to increase revenues or cut programs as soon as the 2015-17 biennium.

Summary of Transportation and Economic Development Subcommittee Action

The Department of Aviation manages and maintains 28 state-owned airports. Additionally, the department also completes mandatory compliance inspections of the state's 97 public use airports on a tri-annual basis. It advocates for and plans for the safe operation, growth, and improvement of aviation in Oregon. In addition, the agency registers all pilots and nonmilitary aircraft based in Oregon. The subcommittee approved a budget of \$10.7 million Total Funds and 12.50 full-time equivalent positions. This is a 9.5 percent increase over the 2011-13 Legislatively Approved Budget.

In addition to the operating budget, the subcommittee approved \$440,000 in Capital Construction Total Funds for improvements at the Cottage Grove airport. This component of the agency's budget will be incorporated into the statewide Capital Construction bill (currently Senate Bill 5507).

Operations - 001

The Operations division oversees the administration, operation and maintenance of 28 state-owned public use airports through Statewide Services, Airport Services and Airport Maintenance and Planning. It includes most of the Department staff. Operations also provides planning, land use, evaluation of tall structures, inspections of airports and site survey of proposed new airports. The Subcommittee approved a budget of \$4,368,050 total funds (\$3,858,309 Other Funds and \$509,741 Federal Funds) and 11.09 full-time equivalent positions for the program.

The Subcommittee approved the following recommendations:

- Package 091, Statewide Administrative Savings, eliminates \$34,603 Other Funds expenditure limitation. This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Executive Branch had intended for these reductions to be specified in the Governor's 2013-15 recommended budget. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.
- Package 092, PERS Tax Policy, eliminates \$4,857 Other Funds expenditure limitation and \$400 Federal Funds expenditure limitation. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30%.
- Package 093, Other PERS Adjustments, eliminates \$38,806 Other Funds and \$3,199 Federal Funds. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

- Package 102, Statewide Capital Improvement Program (SCIP), provides funding for a position by switching funds from services and supplies into personal services with a net zero effect on expenditures. It makes permanent a Limited Duration position that the Federal Aviation Administration funded in 2011-13 for the statewide capital improvement program. A small adjustment for PERS rate changes results in \$73 Other Funds and \$660 Federal Funds reduction.
- Package 810, LFO Analyst Adjustments, provides \$258,716 Other Funds to correct an error that occurred in the Governor's budget in which a double reduction was inadvertently taken from state government service charges. The package also adjusts federal revenues down to reflect PERS expenditure reductions. The net impact is \$0 ending balance in Federal Funds.

Search and Rescue - 002

The Department of Aviation collects an annual fee of twelve dollars per year for pilot registration in Oregon. The revenue from pilot registration fees is dedicated to the collection of this revenue source and to help fund the aviation Search and Rescue Program in Oregon. The Search and Rescue program provides partial funding for a position at the Military Department's Office of Emergency Management and provides fuel reimbursement for Search and Rescue operation in Oregon counties. The Subcommittee approved a budget of \$54,265 Other Funds and 0.41 full-time equivalent positions for the program.

The Subcommittee approved the following recommendations:

- Package 092, PERS Taxation Policy, eliminates \$109 Other Funds. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$874 Other Funds. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

General Aviation Entitlement - 003

The General Aviation Entitlement Program administers Federal Aviation Administration (FAA) funded airport projects that address safety, operations and development at twelve state-owned airports. The airports are: Aurora, Bandon, Chiloquin, Condon, Cottage Grove, Independence, Joseph, Lebanon, McDermitt, Mulino, Siletz Bay and Wasco. The Subcommittee approved a budget of \$4,227,000 Total Funds (\$367,000 Other Funds and \$3,860,000 Federal Funds).

The Subcommittee approved the following recommendations:

- Package 104, General Aviation Entitlements, provides \$1,648,007 Total Funds (\$213,305 Other Funds and \$1,434,702 Federal Funds) for General Aviation Entitlement projects to address safety, operational and developmental projects at airports in Oregon. A five year plan for these projects is approved by the Oregon Aviation Board and the FAA. The FAA funds 90% of the projects with a state (owner) match requirement of 10 percent. The state match is paid out of aircraft registration fees.

Projects touch the following airports: Bandon, Chiloquin, Cottage Grove, Joseph, Mulino, Siletz Bay and Wasco in 2013. In 2014, planning or work is scheduled for Cottage Grove, Independence, Joseph, Lebanon, McDermitt, Mulino and Wasco airports. In 2015, planning and project work is scheduled for Condon, Mulino and Wasco airports. The amount in this package is above the \$2.4 million in Current Service Level budget

Pavement Maintenance - 004

The Pavement Maintenance Program assists airports in extending the life of airport pavement. The program evaluates airport pavement at one-third of the state's public use paved airports per year. The year following evaluation, airports that agree to have maintenance work done are scheduled for pavement maintenance to be conducted by a contractor hired by the Department. The contractors work on an average of fourteen airports per year. There are 66 paved public use airports in Oregon. The Subcommittee approved a budget of \$1,970,802 Other Funds and 0.50 full-time equivalent positions for the program.

The Subcommittee approved the following recommendations:

- Package 092, PERS Taxation Policy, eliminates \$309 Other Funds. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$2,471 Other Funds. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Aircraft Registration - 005

The Aircraft Registration program registers over 4,300 aircraft per year and is responsible for approximately eight percent of the Department's revenues. This division provides the front line contact with Oregon's pilots and aircraft owners. The revenue collected for aircraft registration helps fund the operational aspects of the aircraft registration program and provides the ten percent match required for FAA grants. The Subcommittee approved a budget of \$66,342 Other Funds and 0.50 full-time equivalent positions for the program. This budget includes the 10 percent match required for package 103, Cottage Grove Capital Construction.

The Subcommittee approved the following recommendations:

- Package 092, PERS Taxation Policy, eliminates \$133 Other Funds. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.

- Package 093, Other PERS Adjustments, eliminates \$1,066 Other Funds. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Capital Construction - 089

The Capital Construction program exists to develop, improve and maintain all 28 state-owned public use airports for all designated aviation uses including business, corporate, community access and emergency purposes (disaster relief, firefighting, Medevac, etc.). Capital Construction projects are those which will, over their life, exceed one million dollars.

The Subcommittee approved the following recommendations:

- Package 103, Cottage Grove Capital Construction, is a package that provides funding for the beginning phase of construction to reconstruct the runway at the Cottage Grove State Airport. This project is necessary to meet safe operating conditions and FAA grant assurance standards. The State will provide the 10 percent match from aircraft registration fees. This package is recommended for inclusion in the Capital Construction budget bill (SB 5507), thus the expenditure limitation for this project will be associated with SB 5507.

Summary of Performance Measure Action

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5505-A

Department of Aviation

Tamara Brickman -- (503) 378-4709

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 5,676,565	\$ 0	\$ 4,086,055	\$ 0	\$ 9,762,620	12	11.50
2013-15 ORBITS printed Current Service Level (CSL)**	\$ 0	\$ 0	\$ 5,927,998	\$ 0	\$ 2,939,298	\$ 0	\$ 8,867,296	12	11.50
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 001 - Operations									
Package 091: Statewide Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (17,810)	\$ 0	\$ 0	\$ 0	\$ (17,810)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (16,627)	\$ 0	\$ 0	\$ 0	\$ (16,627)		
Capital Outlay	\$ 0	\$ 0	\$ (166)	\$ 0	\$ 0	\$ 0	\$ (166)		
Package 092: PERS Tax Policy									
Personal Services	\$ 0	\$ 0	\$ (4,857)	\$ 0	\$ (400)	\$ 0	\$ (5,257)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (38,806)	\$ 0	\$ (3,199)	\$ 0	\$ (42,005)	0	0.00
Package 102: Statewide Capital Improvement Program (SCIP)									
Personal Services	\$ 0	\$ 0	\$ 17,205	\$ 0	\$ 154,239	\$ 0	\$ 171,444	1	1.00
Services and Supplies	\$ 0	\$ 0	\$ (17,278)	\$ 0	\$ (154,899)	\$ 0	\$ (172,177)		
Package 810: LFO Analyst Adjustments									
Services and Supplies	\$ 0	\$ 0	\$ 258,716	\$ 0	\$ 0	\$ 0	\$ 258,716		
SCR 002 - Search and Rescue									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (109)	\$ 0	\$ 0	\$ 0	\$ (109)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (874)	\$ 0	\$ 0	\$ 0	\$ (874)	0	0.00
SCR 003 - General Aviation Entitlement Program									
Package 104: General Aviation Entitlements									
Services and Supplies	\$ 0	\$ 0	\$ 213,305	\$ 0	\$ 1,434,702	\$ 0	\$ 1,648,007		
SCR 004 - Pavement Maintenance									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (309)	\$ 0	\$ 0	\$ 0	\$ (309)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (2,471)	\$ 0	\$ 0	\$ 0	\$ (2,471)	0	0.00
SCR 005 - Aircraft Registration									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (133)	\$ 0	\$ 0	\$ 0	\$ (133)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (1,066)	\$ 0	\$ 0	\$ 0	\$ (1,066)	0	0.00
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 388,720	\$ 0	\$ 1,430,443	\$ 0	\$ 1,819,163	1	1.00
SUBCOMMITTEE RECOMMENDATION **	\$ 0	\$ 0	\$ 6,316,718	\$ 0	\$ 4,369,741	\$ 0	\$ 10,686,459	13	12.50
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	11.3%	0.0%	6.9%	0.0%	9.5%	8.3%	8.7%
% Change from 2013-15 Current Service Level	0.0%	0.0%	6.6%	0.0%	48.7%	0.0%	20.5%	8.3%	8.7%

Legislatively Approved 2013-2015 Key Performance Measures

Agency: AVIATION, OREGON DEPARTMENT of

Mission: To preserve and enhance Aviation in supporting Oregon's communities

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
1 - Percent of runways in good or better condition.		Approved KPM	92.00	100.00	100.00
2 - Percent of runways meeting or exceeding approach surface standards.		Approved KPM	66.00	85.00	85.00
3 - Number of State Airports with current Inspections.		Approved KPM	137.00	132.00	132.00
4 - Percentage of total Federal Funds obligated or spent.		Approved KPM	100.00	100.00	100.00
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Accuracy	Approved KPM	78.00	91.00	91.00
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Availability of Information	Approved KPM	75.00	91.00	91.00
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Expertise	Approved KPM	82.00	91.00	91.00
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Helpfulness	Approved KPM	83.00	91.00	91.00
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Overall	Approved KPM	80.00	91.00	91.00

Agency: AVIATION, OREGON DEPARTMENT of

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Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
5 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Timeliness	Approved KPM	62.50	91.00	91.00
6 - Percent of aircraft registered		Approved KPM	89.00	85.00	85.00
7 - Percent of pilots registered		Approved KPM	91.00	85.00	85.00
8 - Percent of total best practices met by the board.		Approved KPM	93.00	90.00	90.00

LFO Recommendation:

The Legislative Fiscal Office recommends no changes to the KPMs for the next two years. After evaluating performance in 2013-14, it may be prudent to make adjustments.

Sub-Committee Action:

The Sub-Committee approved the LFO recommendation.