

SB 5508 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Laurie Byerly and Linda Ames, Legislative Fiscal Office

Reviewed By: Ken Rocco, Legislative Fiscal Office

Various Agencies

2015-17

PRELIMINARY

Budget Summary*

	<u>2015-17 Legislatively Approved Budget⁽¹⁾</u>	<u>2015-17 Committee Recommendation (2017 Session)</u>	<u>Committee Change from 2015-17 Leg. Approved</u>	
			<u>\$ Change</u>	<u>% Change</u>
<u>Emergency Board</u>				
General Fund	\$ 28,258,206	\$ -	\$ (28,258,206)	-100.0%
ADMINISTRATION PROGRAM AREA				
<u>Department of Administrative Services</u>				
General Fund Debt Service	\$ 6,757,997	\$ 6,672,869	\$ (85,128)	-1.3%
<u>Oregon Liquor Control Commission</u>				
Other Funds	\$ 182,681,809	\$ 186,681,809	\$ 4,000,000	2.2%
<u>Department of Revenue</u>				
General Fund Debt Service	\$ 12,709,466	\$ 11,783,683	\$ (925,783)	-7.3%
Other Funds	\$ 135,288,951	\$ 138,309,955	\$ 3,021,004	2.2%
Other Funds Debt Service	\$ -	\$ 30	\$ 30	-
CONSUMER AND BUSINESS SERVICES PROGRAM AREA				
<u>Public Utility Commission</u>				
Other Funds	\$ 45,461,175	\$ 45,634,617	\$ 173,442	0.4%
Federal Funds	\$ 726,238	\$ 727,796	\$ 1,558	0.2%
ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA				
<u>Oregon Business Development Department</u>				
General Fund Debt Service	\$ 11,412,400	\$ 10,689,900	\$ (722,500)	-6.3%
Lottery Funds Debt Service	\$ 45,114,206	\$ 42,251,329	\$ (2,862,877)	-6.3%
Other Funds Debt Service	\$ 1,730,500	\$ 4,593,377	\$ 2,862,877	165.4%

Budget Summary*

	2015-17 Legislatively Approved Budget⁽¹⁾	2015-17 Committee Recommendation (2017 Session)	Committee Change from 2015-17 Leg. Approved	
			\$ Change	% Change
EDUCATION PROGRAM AREA				
<u>Higher Education Coordinating Commission</u>				
General Fund (Oregon Opportunity Grant)	\$ 127,883,621	\$ 131,008,621	\$ 3,125,000	2.4%
General Fund Debt Service (Public Universities)	\$ 119,704,939	\$ 118,248,428	\$ (1,456,511)	-1.2%
Other Funds Debt Service (Public Universities)	\$ -	\$ 1,253,415	\$ 1,253,415	-
<u>Oregon Health & Science University</u>				
General Fund Debt Service	\$ 8,522,485	\$ 3,523,465	\$ (4,999,020)	-58.7%
HUMAN SERVICES PROGRAM AREA				
<u>Psychiatric Security Review Board</u>				
Other Funds	\$ 2,168	\$ 6,168	\$ 4,000	184.5%
JUDICIAL BRANCH				
<u>Judicial Department</u>				
General Fund	\$ 414,964,632	\$ 417,304,632	\$ 2,340,000	0.6%
<u>Public Defense Services Commission</u>				
General Fund	\$ 279,528,938	\$ 288,528,938	\$ 9,000,000	3.2%
LEGISLATIVE BRANCH				
<u>Legislative Administration Committee</u>				
General Fund	\$ 33,756,147	\$ 34,155,147	\$ 399,000	1.2%
General Fund Debt Service	\$ 6,917,060	\$ 6,911,780	\$ (5,280)	-0.1%
<u>Legislative Assembly</u>				
General Fund	\$ 44,220,552	\$ 43,821,552	\$ (399,000)	-0.9%

Budget Summary*

	<u>2015-17 Legislatively Approved Budget⁽¹⁾</u>	<u>2015-17 Committee Recommendation (2017 Session)</u>	<u>Committee Change from 2015-17 Leg. Approved</u>	
			<u>\$ Change</u>	<u>% Change</u>
NATURAL RESOURCES PROGRAM AREA				
<u>Oregon Department of Agriculture</u>				
Lottery Funds	\$ 6,497,964	\$ 7,599,344	\$ 1,101,380	16.9%
<u>Department of Environmental Quality</u>				
General Fund Debt Service	\$ 3,858,012	\$ 3,815,066	\$ (42,946)	-1.1%
<u>Department of Forestry</u>				
General Fund	\$ 90,234,168	\$ 98,231,259	\$ 7,997,091	8.9%
General Fund Debt Service	\$ 2,357,872	\$ 2,934,376	\$ 576,504	24.5%
<u>Department of Geology and Mineral Industries</u>				
Federal Funds	\$ 6,865,670	\$ 6,947,079	\$ 81,409	1.2%
<u>Land Use Board of Appeals</u>				
General Fund	\$ 1,819,240	\$ 1,846,330	\$ 27,090	1.5%
<u>Department of State Lands</u>				
Other Funds Capital Improvement	\$ 39,358,677	\$ 39,433,677	\$ 75,000	0.2%
Other Funds	\$ 1,112,169	\$ 2,492,169	\$ 1,380,000	124.1%
PUBLIC SAFETY PROGRAM AREA				
<u>Department of Corrections</u>				
General Fund	\$ 1,469,819,353	\$ 1,475,819,353	\$ 6,000,000	0.4%
Other Funds Debt Service	\$ 2,094,636	\$ 2,178,831	\$ 84,195	4.0%
<u>Oregon Criminal Justice Commission</u>				
Federal Funds	\$ 6,937,627	\$ 7,812,627	\$ 875,000	12.6%
<u>District Attorneys and their Deputies</u>				
General Fund	\$ 11,877,411	\$ 12,047,411	\$ 170,000	1.4%

SB 5508

Budget Summary*

	2015-17 Legislatively Approved Budget⁽¹⁾	2015-17 Committee Recommendation (2017 Session)	Committee Change from 2015-17 Leg. Approved	
			\$ Change	% Change
<u>Department of Justice</u>				
General Fund Debt Service	\$ 5,200,979	\$ 4,820,979	\$ (380,000)	-7.3%
Other Funds	\$ 304,888,300	\$ 309,294,564	\$ 4,406,264	1.4%
<u>Oregon Military Department</u>				
General Fund Debt Service	\$ 9,697,828	\$ 9,611,645	\$ (86,183)	-0.9%
Other Funds Debt Service	\$ 106,014	\$ 212,750	\$ 106,736	100.7%
<u>Department of Public Safety Standards and Training</u>				
Other Funds	\$ 42,562,360	\$ 44,986,840	\$ 2,424,480	5.7%
<u>Oregon Youth Authority</u>				
General Fund Debt Service	\$ 6,266,509	\$ 5,340,869	\$ (925,640)	-14.8%
TRANSPORTATION PROGRAM AREA				
<u>Department of Transportation</u>				
General Fund Debt Service	\$ 2,772,669	\$ 2,243,769	\$ (528,900)	-19.1%
<hr/>				
2015-17 Budget Summary				
General Fund Total	\$ 2,502,362,268	\$ 2,502,763,243	\$ 400,975	0.0%
General Fund Debt Service Total	\$ 196,178,216	\$ 186,596,829	\$ (9,581,387)	-4.9%
Lottery Funds	\$ 6,497,964	\$ 7,599,344	\$ 1,101,380	16.9%
Lottery Funds Debt Service Total	\$ 45,114,206	\$ 42,251,329	\$ (2,862,877)	-6.3%
Other Funds Total	\$ 711,996,932	\$ 727,406,122	\$ 15,409,190	2.2%
Other Funds Capital Improvement Total	\$ 39,358,677	\$ 39,433,677	\$ 75,000	0.2%
Other Funds Debt Service Total	\$ 3,931,150	\$ 8,238,403	\$ 4,307,253	109.6%
Federal Funds Total	\$ 14,529,535	\$ 15,487,502	\$ 957,967	6.6%

(1) Includes adjustments through December 2016

* Excludes Capital Construction

Position Summary

	<u>2015-17 Legislatively Approved Budget</u>	<u>2015-17 Committee Recommendation (2017 Session)</u>	<u>Committee Change from 2015-17 Leg. Approved</u>	
			<u># Change</u>	<u>% Change</u>
HUMAN SERVICES PROGRAM AREA				
<u>Department of Human Services</u>				
Authorized Positions	8,061	8,053	(8)	-0.1%
Full-time Equivalent (FTE) positions	7,908.29	7,902.39	(5.90)	-0.1%
NATURAL RESOURCES PROGRAM AREA				
<u>Department of Geology and Mineral Industries</u>				
Authorized Positions	45	46	1	2.2%
Full-time Equivalent (FTE) positions	42.54	42.67	0.13	0.3%

Summary of Revenue Changes

Senate Bill 5508 rebalances the State's budget with available resources. Additional General Fund and Lottery Funds revenues are available from the current ending balance, while Other and Federal Funds revenues include available ending balances and grant awards.

Summary of Capital Construction Subcommittee Action

The Subcommittee approved a series of actions in this omnibus budget reconciliation bill (SB 5508) needed to rebalance spending authority, address technical adjustments, modify appropriations, and adjust expenditure limitations in some 2015-17 agency budgets.

Emergency Board

SB 5508 disappropriates \$28,258,206 General Fund from the Emergency Board. This represents the remaining amount of appropriation in the Emergency Fund for the 2015-17 biennium.

Adjustments to 2015-17 Agency Budgets

STATEWIDE DEBT SERVICE ADJUSTMENTS

Statewide adjustments reflect budget changes in multiple agencies based on reductions to debt service realized through interest rate savings on the May 2016 Article XI-G, XI-M, and XI-Q bond sales, refunding of outstanding Article XI-Q general obligation bonds and certificates of participation, Other Fund balances generated through excess bond proceeds, and interest earnings that can be applied to debt service. A technical adjustment to the Department of Forestry's General Fund debt service is also included. Total net debt service savings are \$9,581,387 General Fund and \$2,862,877 Lottery Funds. New Other Funds expenditure limitations for the Higher Education Coordinating Commission (\$1,253,415) and the Department of Revenue (\$30) are established to accommodate the use of fund balances for debt payments, while existing Other Funds expenditure limitations for a number of other agencies are collectively increased by \$3,053,808.

Sections 13, 42, and 43 of the budget bill reflect the changes, as described above, for each agency. These adjustments are not addressed in the agency narratives, although they are included in the table at the beginning of the budget report.

ADMINISTRATION

Oregon Liquor Control Commission

By biennium's end, sales of distilled spirits are projected to exceed revenue projections on which the 2015-17 budget is based by an estimated \$33 million. Additional sales drive higher expenditures related to fees charged for the use of credit cards by customers and compensation paid to liquor agents; the latter is based on a budgeted average of 8.93% of sales. To accommodate these changes, the bill increases Other Funds expenditure limitation for the Commission by \$800,000 for bank card fees and \$3.2 million for liquor agent compensation.

Department of Revenue

The Subcommittee approved a one-time increase in Other Funds expenditure limitation by \$3,021,004 for the portion of County Assessment Function Funding Account (CAFFA) revenues attributable to county grant payments. By statute 90% of CAFFA revenues are to be distributed to counties as grants with the Department retaining the balance. The adopted budget for CAFFA was based on a spring 2015 revenue forecast of \$37.3 million and a preliminary February 2017 forecast estimates \$40.4 million revenue. Recording fees above forecast explain the increase.

Actual CAFFA grants to counties this biennium are expected to increase by \$2.8 million, from \$33.6 million to \$36.4 million. The Department's request also includes a distribution to counties of an additional \$175,038 and \$100,00 in contingency reserve expenditure limitation, in the event the preliminary forecast changes.

During the 2016 legislative session the Department of Revenue requested, and received, General Fund backfill of \$1.1 million for a CAFFA revenue shortfall. The February 2017 forecast will provide the agency with an additional \$336,301 in unanticipated Other Funds revenue that can be used in place of the General Fund appropriated to the agency.

The Department of Administrative Services is requested to unschedule \$3,021,004 of Other Funds expenditure limitation that may only be scheduled based upon the approval of the Legislative Fiscal Office and after the Department of Revenue's 2017 CAFFA forecast has been finalized. In addition, Department of Administrative Services is requested to unschedule \$336,301 in General Fund for the Property Tax Division as Other Funds support is now available to the program.

The Subcommittee approved a one-time increase to the General Fund appropriation of \$805,522 for the Core System Replacement project to cover DAS Enterprise Technology Service (ETS) charges and State Data Center usage charges. This will increase the adopted budget for ETS charges from \$1,320,414 to \$2,125,936. The funding for this request will come from General Fund savings transferred from the Personal Tax and Compliance (\$402,761), Business (\$281,933), and Administrative Services (\$120,828) divisions.

CONSUMER AND BUSINESS SERVICES

Public Utility Commission

To cover facility rent costs associated with the agency's downtown Salem relocation, the Subcommittee approved one-time increases in expenditure limitations: \$173,442 Other Funds and \$1,558 Federal Funds.

EDUCATION

Higher Education Coordinating Commission

The Subcommittee added \$3,125,000 General Fund for the Oregon Opportunity Grant program to backfill for reduced lottery resources. This program receives the investment earnings from the Education Stability Fund which are budgeted as Lottery Funds. These investment earnings are projected to be much less than what was projected when the Legislature originally passed the budget for the program in 2015. This \$3.1 million represents the estimated amount to fund the financial assistance commitments made this biennium, but does not include resources to leave a Lottery Funds beginning balance for the 2017-19 biennium. This will need to be considered during the final development of this program's budget for the 2017-19 biennium.

HUMAN SERVICES

Department of Human Services

Position adjustments included in the agency's 2015-17 rebalance plan approved at the December 2016 meeting of the Emergency Board were not able to be fully reconciled as part of that action due to the changes driving net negative values in position authority. The Subcommittee approved a technical adjustment decreasing positions by 8 and FTE by 5.90 to capture the full budgetary impact of the rebalance.

Psychiatric Security Review Board

The Subcommittee increased the Other Funds expenditure limitation by \$4,000 for costs related to providing training for local providers and other stakeholders.

JUDICIAL BRANCH

Judicial Department

For higher than anticipated third-party debt collection costs, the Subcommittee approved an increase of \$2,340,000 General Fund. The funds will pay debt collection fees to the Department of Revenue and private collection firms on successful collection activities, along with covering credit card and electronic payment fees. The revenues from successful collection activities are shared by the Criminal Fine Account, the General Fund, cities and counties, and other entities.

The Subcommittee also approved the transfer of \$300,000 of General Fund from judicial compensation to mandated payments, to support higher-than-budgeted levels of mandated payments. These are payments associated with operating juries, providing language interpretation services, and complying with the Americans with Disabilities Act. The \$300,000 transferred from judicial compensation was available from vacancy savings.

Public Defense Services Commission

The Subcommittee approved an increase of \$9,000,000 in the General Fund appropriation for professional services. The General Fund will be used to pay contracted public defense services. Public defense caseloads are running approximately 6% above forecast. The additional funding is projected to fully fund the biennium costs at the current caseload levels.

LEGISLATIVE BRANCH

An increase of \$399,000 General Fund was made to the Legislative Administration Committee for costs related to security in the Capitol. There was no overall change to the Legislative Branch budget as a corresponding decrease in General Fund was made to the Legislative Assembly budget from funds that are expected to be unspent during the 2015-17 biennium.

NATURAL RESOURCES

Department of Agriculture

The Subcommittee increased the Measure 76 Lottery Funds expenditure limitation by \$1,101,380 to pay for eradication efforts related to infestations of two invasive pests. The largest Japanese beetle infestation in state history has been detected in the Northwest Portland area of Washington County. An adult beetle feeds on the flowers, fruit, and foliage of more than 300 species of ornamental and agricultural plants;

treatment consists of ground applications and does not require aerial spraying. Complete eradication is estimated to take five years. To help pay for eradication activities, the Department also secured \$150,000 from the Invasive Species Council Control Account and \$100,000 from the Nursery Association emergency response fund. State costs to treat Japanese beetle will be \$801,380 in 2015-17 and \$1,113,115 in 2017-19.

A new infestation of the light brown apple moth was recently detected in Polk County near the City of Independence. The first moth in Oregon was found in the same location in 2010. California is the only other state where the light brown apple moth has been detected. The moth can attack over 120 plant varieties including berries, fruit trees, and grapes. The moth's continued presence would likely lead to restrictions on shipping of commodities. State costs to treat the light brown apple moth will be \$300,000 in 2015-17 and \$150,000 in 2017-19.

Department of Forestry

For the payment of emergency firefighting costs associated with the 2016 forest fire season, the Subcommittee approved an increase in the General Fund budget for the Fire Protection Division of \$7,997,091. This amount is dedicated for the unbudgeted emergency fire costs (\$6,791,209), fire protection district deductibles (\$532,278), Oregon State Treasury loan interest (\$667,136), and severity resources (\$6,468).

Department of Geology and Mineral Industries

The Subcommittee approved an increase in Federal Funds expenditure limitation of \$81,409 for the 3D elevation program grant from the U.S. Geologic Survey. The grant funds will be used to collect LIDAR data from the Upper John Day area. One full-time limited duration position (0.13 FTE) was approved related to the grant.

Land Use Board of Appeals

To cover increased costs for services provided by the Department of Administrative Services, the Subcommittee approved a \$27,090 General Fund appropriation.

Department of State Lands

The Subcommittee approved an increase of \$75,000 Other Funds expenditure limitation to pay for capital improvement projects. Additional spending authority was required due to the unforeseen costs of repairing and replacing sump pumps at the Department's headquarters building in Salem.

For the Common School Fund program, the Subcommittee approved an Other Funds expenditure limitation increase in the amount of \$1,380,000 to pay for a cooperative project with the University of Portland to mitigate environmental impacts and provide habitat remediation and restoration activities at or near Triangle Park. These efforts are anticipated to produce remediation credits related to the Portland Harbor Superfund site.

PUBLIC SAFETY

Department of Corrections

The initial 2015-17 budget for the Department included an unspecified General Fund reduction of \$15 million. To manage to this reduction, the agency has worked to create efficiency savings through a combination of vacancy savings, services and supplies reductions, and reductions in alcohol and drug treatment and education programs. Each month, the agency has reprojected spending compared to budget; the most recent comparison indicates a potential General Fund shortfall of about \$10 million. The Subcommittee approved a General Fund increase of \$6 million, with the understanding that any residual shortfall can be addressed, if necessary, during the agency's 2017-19 budget work session.

The Subcommittee also approved a net-zero rebalance action of \$4 million between the Operations and Health Services Other Funds expenditure limitation and the Administration, General Services, and Human Resources Other Funds expenditure limitation. This action operationalizes an accounting change the agency made to properly record purchases made from inmate trust accounts.

Criminal Justice Commission

To allow expenditure of a grant award from the Bureau of Justice Assistance to support local public safety coordinating councils throughout the state, the Subcommittee approved an increase in Federal Funds expenditure limitation of \$875,000.

District Attorneys and their Deputies

The Subcommittee approved a one-time increase to the General Fund appropriation of \$170,000 for an unanticipated increase in non-salary and wage payroll expenses.

Department of Justice

In the Civil Enforcement Division, the Subcommittee approved a one-time \$4,406,264 increase in Other Funds expenditure limitation for Cover Oregon litigation expenses. The budget will increase from \$2.7 million to \$7.1 million with settlement proceeds funding the expenditures.

The Department of Administrative Services is requested to unschedule \$4,406,264 of Other Funds expenditure limitation that may only be scheduled based upon the approval of the Legislative Fiscal Office.

Department of Public Safety Standards and Training

For costs associated with adding two Basic Police classes, one Basic Corrections class, and training program support to the 2015-17 training calendar, the Subcommittee approved an increase in Other Funds expenditure limitation of \$2,424,480. These classes are funded with one-time resources in 2015-17.

Department of State Police

The Subcommittee approved a department-wide net zero rebalancing of appropriations and expenditure limitations for the agency. This action reallocates \$5,675,000 General Fund between five Department of State Police (OSP) appropriations. It reduces \$2,300,000 from the appropriation for patrol, criminal investigations, and gaming work, reduces \$1,300,000 from the appropriation for fish & wildlife enforcement, reduces \$1,750,000 from the appropriation for forensics and State Medical Examiner activities, and reduces \$325,000 from the General Fund appropriation made in HB 4075 (2016) for establishing a school safety tip line. The reductions are due to vacancy savings in the Patrol and Fish and Wildlife Divisions; vacancy and capital outlay savings in the Forensics Division; savings associated with not having relocated the Springfield office and laboratory in the current biennium; and from choosing a lower-cost vendor to operate the school safety tip line. The appropriation for the Administrative Services, Criminal Justice Information Services, and State Fire Marshal Divisions is increased by \$5,675,000 to cover costs associated with supporting sworn officers in the field, including information technology software and hardware support, training, fleet services, records management, and administrative tasks.

The budget neutral plan also reallocates \$3,900,000 in Other Funds expenditure limitation between four OSP Other Funds expenditure limitations. It reduces the joint Other Funds expenditure limitation for the Administrative Services, Criminal Justice Information Services, and State Fire Marshal Divisions by \$3,900,000. The reduction in this limitation is due to the CrimeVue replacement project moving more slowly than was anticipated in the current biennium. Expenditure limitation is increased in the Fish and Wildlife Division by \$1.7 million to support capital equipment expenses; associated revenues come from the Fish and Wildlife Division and the Oregon Marine Board. Expenditure limitation is increased by \$1,600,000 in the Patrol, Criminal Investigations, and Gaming divisions for fee-supported expenses associated with the Legislative Branch security and Oregon State University patrol operations; and by \$600,000 in the Forensics program to expend funds from the Oregon Department of Transportation for processing toxicology tests related to DUII cases, and for the fee-supported intoxilyzer program.

In order to balance expenses to federal grant revenues agency-wide, the Subcommittee approved reducing Federal Funds expenditure limitation by \$215,000 in the Forensics and State Medical Examiner limitation; by \$100,000 in the Administrative Services, Criminal Justice Information Services, and State Fire Marshal limitation; and by \$235,000 in the Fish and Wildlife limitation. Federal Funds was increased by \$550,000 in the joint expenditure limitation for the Patrol, Criminal Investigations, and Gaming Divisions.