

**74<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5502-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Jenson  
Carrier – Senate: Sen. Johnson**

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

**Vote:** 13 – 5 – 3

House – Yeas: D. Edwards, Galizio, Jenson, Nathanson, Nolan, Shields

– Nays: Garrard, Hanna, Morgan

– Exc:

Senate – Yeas: Carter, Devlin, Johnson, Morse, Nelson, Schrader, Verger

– Nays: Gordly, Whitsett

– Exc: Bates, Westlund, Winters

**Prepared By:** Kay Erickson, Department of Administrative Services

**Reviewed By:** Dallas Weyand, Legislative Fiscal Office

**Meeting Date:** 3/9/07

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**Agency**

Department of Administrative Services

**Budget Page**

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**LFO Analysis Page**

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**Biennium**

2007-09

2005-07

**Senators:** Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,  
Schrader, Verger, Westlund, Whitsett, Winters

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Senator Kurt Schrader, Co-Chair

**Representatives:** D. Edwards, Galizio, Garrard, Hanna, Jenson,  
Morgan, Nathanson, Nolan, Shields

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Representative Mary Nolan, Co-Chair

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Representative Bob Jenson, General Government Subcommittee Chair

**2007-09 Budget Summary\***

	2005-07		2007-09			Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget	
General Fund	\$ 51,338,782	23,795,019	\$ 10,094,791	\$ -13,700,228	-57.6%	
Lottery Funds	3,944,827	3,347,494	3,557,141	+209,647	+6.3%	
Lottery Funds Debt Service	1,622,118	1,619,313	1,619,314	+1	+0.0%	
Other Funds	360,202,051	434,740,780	445,180,072	+10,439,292	+2.4%	
Other Funds Debt Service	421,249,287	447,837,834	447,837,834	0	0.0%	
Other Funds Nonlimited	138,918,622	185,054,384	185,054,384	0	0.0%	
Other Funds Debt Service Nonlimited	3,804,817	0	0	0	0.0%	
Federal Funds	461,707	0	0	0	0.0%	
Total	\$ 981,542,211	\$ 1,096,394,824	\$ 1,093,343,536	\$ -3,051,288	-0.3%	

**Position Summary**

Authorized Positions	1,018	985	964	-21
Full-time Equivalent (FTE) Positions	895.53	967.54	951.63	-15.91

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

\* Excludes Capital Construction expenditures

**2005-07 Supplemental Limitation**

Federal Funds	\$	0	\$	35,579	\$	+35,579	0.0%
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**Summary of Revenue Changes**

The Department of Administrative Services' Other Funds operating revenue comes primarily through two sources: fees billed to state agencies for direct services and assessments to state agencies for indirect services. Fees for services are billed to agencies based on usage. Assessments are generally proportioned based on budgeted full-time equivalent positions or budgeted limitation and recovered through the State Government Service Charges line item in agency budgets. Examples of services covered by assessments include those provided by the Director's Office, Budget and Management Division, and Human Resources Services Division. In addition, agencies that benefit from appropriation and pension obligation bonds are assessed their share of debt service and debt management costs.

## **Summary of Subcommittee Action**

The Department of Administrative Services' (DAS) mission is to lead the pursuit of excellence in state government. Generally, the Department provides management oversight and technical and administrative support to state government. As the central administrative arm of state government, DAS has three primary roles: to help the Governor and Legislature make and implement policy and financial decisions by maintaining effective processes and providing accurate information; to make state government accountable by creating and maintaining a consistent management framework and holding agencies responsible for managing within this framework; and to provide a strong stable infrastructure by delivering to state agencies those support services that can most effectively and efficiently be provided by a central government agency.

The Joint Committee on Ways and Means General Government Subcommittee reviewed the Department's budget on a division-by-division basis. The Subcommittee approved a budget of \$1,093,343,536 total funds and 964 positions (951.63 full-time equivalent) for DAS. This is an increase of \$36,104,419 total funds or 3.41 percent from the agency's Essential Budget Level, excluding Capital Construction expenditures.

The Subcommittee approved an increase in the agency's 2005-07 Federal Funds expenditure limitation of \$35,579 for the Oregon Health Policy and Research program.

### **Office of the Director – 001**

The mission of the Director's Office (DO) is to provide leadership and support to state government, internally to DAS divisions and externally to state agencies.

The Subcommittee approved the transfer of one administrative support position and related expenditures of \$96,751 Other Funds from the Director's Office to the Budget and Management Division to place the position in the same budget structure as its manager. It also authorized the Information Resources Management Division (IRMD) reorganization plan. The plan transfers information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The impact of the IRMD reorganization plan to the Director's Office is an increase of one position and \$172,783 Other Funds.

### **Budget and Management – 002**

The Budget and Management Division (BAM) establishes and enforces statewide budget standards and monitors agencies to ensure that funds are spent within legal and budgetary constraints. BAM instructs agencies how to prepare budget requests and works directly with the Governor and agencies to produce the Governor's Recommended Budget for submission to the Legislature at the beginning of each Legislative Session. The Division also helps coordinate statewide bonded debt programs, including issuance of Certificates of Participation (COPs), Tax Anticipation Notes (TANs), and Lottery Revenue Bonds.

The Subcommittee approved the transfer of one administrative support position and related expenditures of \$96,751 Other Funds to the Budget and Management Division from the Director's Office. The purpose of this action is to place the position in the same budget structure as its manager. The Subcommittee also approved the transfer of one management position and related expenditure limitation of \$234,730 Other Funds to BAM from the Operations Division to coordinate performance management activities for the division.

The Subcommittee authorized \$1,952,181 Other Funds expenditure limitation including two limited-duration and three permanent positions to complete development and continue implementation and maintenance of the OREGON Budget Information Tracking System (ORBITS). ORBITS is the core statewide budget system used by Budget and Management Division and the Legislative Fiscal Office (LFO). This action includes \$433,592 Other Funds carry-over expenditure limitation to allow BAM to expend cash from the proceeds of Certificates of Participation issued for ORBITS development in 2005-07. The cash balance results from 2005-07 development costing less than anticipated at the time the 2007-09 budget was prepared.

#### State Controller's Division – 003

The mission of the State Controller's Division (SCD) is to support and ensure accuracy and accountability in state government financial systems by providing services and controls in the management of statewide accounting, receivables, financial reporting, and payroll functions. The Division also supports budget and financial activities in a number of small state agencies, including the Governor's Office.

The Subcommittee approval of the Information Resources Management Division (IRMD) reorganization plan transfers information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The impact of the plan on this division is an increase of one position and \$48,000 Other Funds to provide support for the State Financial Management System.

#### Information Resources Management Division – 004

The Information Resources Management Division (IRMD) reorganized in 2005-07 to separate its governance and oversight roles from its IT service delivery responsibilities as described briefly below. The division's refined mission is to lead state government enterprise IT management, strategic planning, and policy. It has been renamed the Enterprise Information Strategy and Policy Division (EISPD).

The Subcommittee approved the Information Resources Management Division reorganization plan, transferring information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The plan impacts this division by reducing Other Funds by \$96,108,928, transferring 155 positions to other DAS programs, and eliminating 10 positions.

### Public Employees Benefit Board – 005

The mission of the Public Employees' Benefit Board (PEBB) is to provide a high quality plan of health and other benefits for state employees at a cost that is affordable to both the employees and the state. PEBB was established by the Legislature in 1998, merging the State Employee's Benefit Board and the Bargaining Unit Benefit Board. PEBB serves approximately 49,000 state employees and 65,000 dependents.

The Subcommittee approved additional expenditure limitation of \$328,223 Other Funds and converted a three-quarter time limited-duration position to full-time permanent status to continue maintenance and development of the online enrollment and benefit management system, "pebb.benefits." It also increased Other Funds expenditure limitation by \$215,318 Other Funds and established one position to provide program development, policy analysis, a statewide wellness program, and board committee support to further the Board's initiatives, including funding to contract for a physician consultant. Other Funds expenditure limitation was increased by \$1,089,000 to allow the Board to develop and implement a number of activities to help control healthcare costs was approved by the Subcommittee.

### Human Resources Services Division – 006

The mission of the Human Resource Services Division (HRSD) is to support the success of state government by providing direction and services to promote a stable and qualified work force in Oregon state government. HRSD administers the state's human resource management systems for all agencies except the Oregon University System and the Judicial Branch, which maintain their own systems. The Division also negotiates and administers collective bargaining agreements for most classified and unclassified represented employees and establishes rules and policy for all unrepresented classified, management, and executive service employees.

The Subcommittee approved \$1,611,497 Other Funds, including expenditure limitation for three limited-duration positions, to allow the agency to begin development of a statewide Human Resources Information System (HRIS) that will eventually replace and integrate the existing outdated systems. The agency was directed to coordinate work on this effort with the Department of Transportation's human resource system development. It is expected that both departments will report on project status periodically to the Joint Legislative Committee on Information Management and Technology.

### Facilities Division – 011

The mission of the Facilities Division is to provide and operate state facilities in a manner that maximizes and protects the state's investment and meets the needs of the state. The Division owns or manages approximately 3.2 million square feet of space statewide, or roughly one quarter of the state's total square footage. This space is located primarily in office buildings. In addition, state leases for commercial space are coordinated through Facilities. Currently, the Division maintains a portfolio of 600 leases for almost 4 million square feet. Historically, the Division has used Nonlimited expenditure authority to pay the direct costs of electricity, natural gas, heating oil, water, sewer, and trash collections for all the buildings it owns or manages. These costs are recovered from the building tenants through rents and service charges. The 2005 Legislative Assembly recommended these costs be moved to Other Funds expenditure limitation. Depending on economic and market forces, the Department may need to approach the Emergency Board for expenditure limitation increases in this area.

The Subcommittee approved increased Other Funds expenditure limitation of \$500,000 for consultant and legal services to support acquiring and disposing of state real property, and \$200,000 to support the acquisition and use of energy from renewable sources. The Subcommittee also provided \$394,693 Other Funds expenditure limitation to phase-in five permanent positions with construction project management expertise to assist the Department of Human Services with the State Hospital replacement project. The positions will be phased-in as needed, depending on the progress of the hospital replacement project.

### State Services Division – 013

In the 2003-05 biennium, the former Risk Management Division became the State Service Division (SSD). During the 2005-07 biennium, the former Procurement, Fleet, and Surplus Services Division merged with the State Services Division. The SSD continues to administer all Workers' Compensation, Property, and Liability insurance needs for the State of Oregon. It also manages all fleet, motor pool, procurement, and surplus property activities for the state. Subcommittee action adds the state's centralized publishing and distribution functions to the SSD as a result of its approval of the Information Resources Management Division reorganization plan. The SSD works to improve government operations by providing services that are best managed centrally with a goal of providing those services at a lower cost than state agencies can provide for themselves.

The Subcommittee approved \$6,067,940 Other Funds expenditure limitation for continued planned replacement of light-duty fleet vehicles. The Subcommittee also approved \$1,195,144 Other Funds expenditure limitation to establish 11 positions in the State Procurement Office, partially funded by the abolishment of five positions in the Fleet program. These positions will allow the State Procurement Office to meet customer demand in three areas: core operations workload and backlog; Oregon Smart Buy strategic sourcing initiative; and Oregon Procurement Information Network (ORPIN) system support. Additionally, it approved \$2,396,650 Other Funds expenditure limitation and nine positions to support an anticipated increase in the volume of mainframe printing due to the consolidation of the Departments of Transportation and Human Services data centers that formerly performed this function into the State Data Center. Funding is also included to replace near end-of-life mail inserting equipment and mail management system. It also approved \$739,183 General Fund to continue coordination of Ballot Measure 37 claims processing, including position authority for five limited-duration positions.

The Subcommittee also approved the Information Resources Management Division reorganization plan, transferring information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The plan impacts this division by transferring the Publishing and Distribution program from IRMD to SSD, increasing Other Funds by \$48,462,785 and adding 104 positions.

### Oregon Health Policy and Research – 016

The mission of the office of Oregon Health Policy and Research (OHPR) is to achieve the goals of universal access to an adequate level of high quality health care at an affordable cost. The Office oversees and coordinates for various state-administered components of the Oregon Health Plan. It provides policy direction for various elements of health reform by supplying accurate and timely data, relevant information, analysis, and recommendations to policy makers and the public.

The Subcommittee approved Other Funds expenditure limitation of \$785,923, one limited-duration position and one permanent position to continue the collection and compilation of hospital inpatient and outpatient and ambulatory surgical discharge data, and the activities of the Attorney General Consumer and Prescriber Grant project. It also approved a General Fund appropriation of \$434,821 and establishment of three positions to enable OHPR to perform core duties including healthcare data and policy analysis, coordination of electronic health records adoption, expand evidence-based medical technology assessments by providers, and staff various healthcare commissions. Additionally, the Subcommittee approved \$739,469 General Fund and three permanent positions to further the work of the Oregon Prescription Drug Program in pooling Oregon's purchasing power and lowering prescription drug costs. Of this amount, \$388,976 shall be repaid beginning in the 2009-11 biennium (or sooner if possible) from program receipts after volume has reached critical mass. It is the Subcommittee's expectation that no additional General Fund support will be provided after the 2007-09 biennium.

The Subcommittee also approved an increase in OHPR's 2005-07 Federal Funds expenditure limitation. This supplemental appropriation enables the Office to spend remaining federal Health Research Services Administration (HRSA) grant funds.

#### Operations – 022

The purpose of the Operations Division is to improve the efficiency and effectiveness of all DAS Divisions by providing those core services that are best managed centrally, including payroll, accounting and financial services. This Division maintains responsibility for managing all internal aspects of DAS operations.

The Subcommittee approved the Information Resources Management Division reorganization plan, transferring information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The plan impacts this division by increasing Other Funds by \$10,487,733 and transferring 39 positions to Operations from IRMD. The reorganization places the Technology Support Center helpdesk program and most of the Enterprise Applications Services (EAS) program into the division. EAS consists of programmers to support DAS' central business systems including budget, payroll, accounting and legislation tracking functions.

It also approved the transfer of one position and related expenditure limitation of \$234,730 Other Funds from the Operations Division to the Budget and Management Division to coordinate performance management activities.

#### Oregon Progress Board – 023

The Oregon Progress Board (OPB) consists of the Governor and eight other members appointed by the Governor. The Board evaluates Oregon's progress in meeting the goals established in the Oregon Shines, the state's 20-year strategic vision for improving the state's overall quality of life. These goals are measured by the Oregon Benchmarks. OPB produces the Oregon Benchmarks publication, convenes meetings, sponsors reports directed at analyzing the steps necessary for achieving the Benchmarks, and provides consultant assistance to state and local agencies to help apply the measures. The Subcommittee funded the Board at the Essential Budget Level without any enhancements.

### State Data Center – 025

The State Data Center (SDC) was created in 2005 as the result of the Computing and Network Infrastructure Consolidation (CNIC) initiative. This initiative centralized the state's twelve largest data centers into a single entity. The data centers were housed in the following agencies, representing the core customers of the new SDC: Administrative Services, Business and Consumer Services, Corrections, Education, Employment, Forestry, Housing and Community Services, Human Services, Revenue, State Police, Transportation, and Veterans' Affairs. All agencies, with the exception of Education, have been "lifted and dropped" into the SDC. Consolidation efforts will continue into the 2007-09 biennium. The customer base will be extended to include other governmental entities when the initial consolidation is complete. The SDC is governed by a board comprised of the agency directors representing the original twelve data centers.

The Subcommittee approved \$7,430,412 Other Funds expenditure limitation to cover the cost of all positions hired into the Data Center, and to add overtime and shift differential costs. This adjustment is necessary to compensate for the statewide budget practice of budgeting vacant positions at the second step of the salary range; due to the timing of hiring needs of the project and budget deadlines, all of the positions in the SDC were vacant and originally under-funded in the budget. The Subcommittee approved the Information Resources Management Division reorganization plan, transferring information technology (IT) services programs currently housed in IRMD to five DAS divisions (Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center) in an effort to establish a business model that effectively separates and delivers statewide IT governance and oversight, and core IT services. The plan impacts this division by increasing Other Funds expenditures by \$34,002,115 and 10 positions to accommodate the transfer of the Voice Services program from IRMD to the SDC. Further, a technical adjustment was made to provide expenditure limitation of \$10,005,699 Other Funds for the use of proceeds from Certificates of Participation yet to be issued. The borrowing, originally planned to occur and be expended in 2005-07, will be used for data center consolidation activities that were delayed. This funding is for one-time expenditures necessary for remaining start-up investments and will be phased out in 2009-11.

### Capital Improvements – 088

The Capital Improvement Program, administered by the Facilities Division, includes remodeling and renovation projects costing less than \$500,000. The program purposes are defined in statute. The funding for the program comes from the Capital Projects Fund. While funds accrue to the account from a variety of sources, the major source is the "depreciation" component of Uniform Rent. The Subcommittee approved funding for this program at the Essential Budget Level.

### Capital Construction – 089

The Facilities Division also administers the Major Construction/Acquisition program. Project funding and expenditure limitation can be contained within DAS or other agencies' budgets, but all projects are included in this program unit. If another agency is responsible for the project, Facilities acts as technical advisor and project manager.



There are two sources of funds for Capital Construction projects, Certificates of Participation and the Capital Projects Fund. The Capital Projects Fund receives revenues from various sources, primarily the depreciation component of the Uniform Rent charge, service agreements, and parking facilities income. In addition to funding capital construction and acquisition projects, it also provides moneys for project management and capital improvements.

Expenditure limitation for Capital Construction is included in a separate bill, thus the Subcommittee took no formal action at this time. However, it will make a formal written recommendation of the amounts it believes should be included in the subsequent bill. Notably, the Subcommittee will recommend reducing the funding for the Red Lot Building/Parking Structure to a \$1 placeholder, adding a \$1 placeholder for design and construction of the Central Mall Office Building #3, adding \$4,100,000 for renovation of the Eugene State Office Building, and eliminating \$1,700,000 for phase three of the Justice Building Renovation since that limitation was provided by the November/December 2006 Emergency Board.

#### Miscellaneous Distributions – 090

The Miscellaneous Distributions program unit includes pass-through moneys collected from federal and state sources from several state agencies. These moneys are distributed to state agencies, cities, counties, transit districts, and some nonprofit organizations via revenue transfers. This program unit also includes Nonlimited Other Funds expenditure authority related to mass transit taxes. These funds are collected in lieu of state agencies paying a payroll or property tax to support local mass transit districts. They are used to support local mass transit districts in various parts of the state. The Subcommittee approved the budget.

#### Special Government Payments – 099

Historically, this program unit has accounted for a variety of General Fund or Other Funds distributions and payments.

The Subcommittee approved the following technical adjustments: an increase of \$209,647 to the Lottery Fund distribution to county fairs to reflect the change in the Consumer Price Index subsequent to development of the budget; an additional \$1 Lottery Funds expenditure for Debt Service on Lottery Bonds issued for Oregon Public Broadcasting and Southern Oregon Public Television; and an additional \$1 Other Funds expenditure for Debt Service on Article XI-O (pension obligation) bonds. The additional \$1 limitations were necessary to ensure that the expenditure of a few cents over the absolute dollar amount provided in the bill would not cause an audit exception. Sufficient limitation is provided to cover the additional few cents of debt service.

#### COP Issuance Costs (Capital Construction) – 189

The costs associated with issuing Certificates of Participation (COPs) for Capital Construction projects are included in this program unit. The expenditure authority included for 2007-09 is \$685,283 Other Funds.

## **Summary of Performance Measure Action**

See attached Legislatively Adopted 2007-09 Key Performance Measures form.