

Economic and Community Development Program Area

The Economic and Community Development Program agencies provide assistance to businesses, communities, and individuals to support economic and cultural programs in the state. Programs support job creation; business recruitment, retention, and assistance; community infrastructure development including housing assistance; workforce assistance and training; veterans' services; benefit payments to unemployed workers; and support for arts and cultural programs.

ECONOMIC AND COMMUNITY DEVELOPMENT	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
(Millions of Dollars)	<u>GF/LF</u>	<u>TF</u>	<u>GF/LF</u>	<u>TF</u>	<u>GF/LF</u>	<u>TF</u>	<u>GF/LF</u>	<u>TF</u>	<u>GF/LF</u>	<u>TF</u>
Business Development Department	\$115.4	\$382.0	\$142.5	\$542.5	\$95.6	\$372.7	\$0.0	\$0.0	-32.9%	-31.3%
Employment Department	\$2.8	\$5,838.1	\$3.2	\$3,938.1	\$4.1	\$2,169.7	\$0.0	\$0.0	27.4%	-44.9%
Housing & Community Services Dept	\$18.0	\$1,250.6	\$25.8	\$1,292.0	\$22.2	\$980.2	\$0.0	\$0.0	-13.9%	-24.1%
Veterans' Affairs, Department of	\$5.9	\$544.5	\$6.6	\$525.2	\$6.2	\$389.0	\$0.0	\$0.0	-5.0%	-25.9%
ECONOMIC AND COMMUNITY DEVELOPMENT TOTAL	\$142.0	\$8,015.2	\$178.1	\$6,297.8	\$128.2	\$3,911.7	\$0.0	\$0.0	-28.0%	-37.9%
Percent of State Budget	1.0%	14.0%	1.2%	10.4%	0.8%	6.8%	0.0%	0.0%		
State Government Employment	<u>Positions</u>	<u>FTE</u>	<u>Positions</u>	<u>FTE</u>	<u>Positions</u>	<u>FTE</u>	<u>Positions</u>	<u>FTE</u>	<u>Positions</u>	<u>FTE</u>
	2,084	2,001.45	1,990	1,890.36	1,692	1,649.90	0	0.00	-15.0%	-12.7%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none">• Lottery Funds support the business development programs of the Business Development Department (OBDD) and the Oregon Film and Video Office, and the debt service on lottery revenue bonds issued for community infrastructure projects and to preserve affordable housing.• General Fund supports the programs of the Oregon Arts Commission; the Child Care Division of the Employment Department; emergency housing, homeless assistance and the General Fund Food Program in HCSD; and services to veterans through the ODVA.• Lottery revenue bond proceeds have been	<ul style="list-style-type: none">• Lottery Funds support for business development programs was substantially expanded in the 2011-13 biennium. Lottery Fund debt service costs were especially high in 2011-13 to accommodate bond payment schedules. The additional payments are not again owed in the 2013-15 biennium, and as a result debt service expenses will be \$25.5 million (or 31%) below the prior biennium level.• Employment Department Federal and Other Funds revenue has declined steadily since 2011. The Department anticipates reductions in expenditures (and potentially staffing) to match the projected continued decline in Federal and Other Funds	<div><p>ECONOMIC AND COMMUNITY DEVELOPMENT</p><table><caption>Revenue Data (Millions of Dollars)</caption><thead><tr><th>Year</th><th>General Fund/Lottery</th><th>Other Funds</th><th>Federal Funds</th><th>Total</th></tr></thead><tbody><tr><td>2009-11</td><td>\$142</td><td>\$4,134</td><td>\$3,740</td><td>\$8,016</td></tr><tr><td>2011-13</td><td>\$178</td><td>\$4,004</td><td>\$2,115</td><td>\$6,297</td></tr><tr><td>2013-15 CSL</td><td>\$128</td><td>\$3,093</td><td>\$690</td><td>\$3,911</td></tr></tbody></table></div>	Year	General Fund/Lottery	Other Funds	Federal Funds	Total	2009-11	\$142	\$4,134	\$3,740	\$8,016	2011-13	\$178	\$4,004	\$2,115	\$6,297	2013-15 CSL	\$128	\$3,093	\$690	\$3,911
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Major Revenues	Budget Environment	Comparison by Fund Type
<p>used to capitalize the OBDD infrastructure revolving loan fund programs (including the Special Public Works Fund) and to preserve affordable housing.</p> <ul style="list-style-type: none"> • Loan fees and repayments (Other Funds) support community development programs at OBDD, and the housing and veterans' loan programs. • Oregon's unemployment insurance tax (Other Funds NL) and federal moneys (Federal Funds NL for Emergency Unemployment Compensation) support unemployment benefits. Federal Funds, penalties, interest, and a 0.9% employer tax diversion fund Employment Department administrative activities and job search assistance. • Federal Child Care and Development Funds support planning, standards, credentialing, and improvement incentives for child care providers; 82% of these funds are reallocated to child care-related programs at other state and local agencies. • Federal Funds in the OBDD budget support community development efforts through the Community Development Block Grant, Brownfields redevelopment, and small business finance and export promotion programs. Federal Funds in the HCSD budget support housing assistance and weatherization programs. 	<p>revenue.</p> <ul style="list-style-type: none"> • HCSD continues to face weak demand for its single family loan program due to the economy and low interest rate environment. This lack of revenue combined with the expiration of more profitable bond indentures has stressed available operating funding for the agency, and may require more direct policy direction regarding program prioritization. • Losses in the Oregon Department of Veterans' Affairs home loan program due to weak demand, increased foreclosure, and low competing interest rates have caused loan program reserves to drop precipitously, potentially affecting that program's subsidy of Veterans' Services programs in future biennia. 	

MAJOR CHALLENGES AND DECISION POINTS

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| <ol style="list-style-type: none">1. The number of jobs created and retained by Business Development Department (OBDD) business development programs are well below target, and are declining from prior biennium levels. OBDD reports that in 2012, its programs helped businesses create 1,510 jobs (down from 2,003 in 2010) and helped businesses retain 4,999 jobs (down from 5,035 in 2010). Because funding was significantly increased in 2011-13, the 2012 target for jobs created was 2,700 jobs and the target for jobs retained was 7,500 jobs.2. The Legislature significantly increased funding for OBDD's Strategic Reserve Fund program in the 2011-13 biennium, to \$14.5 million Lottery Funds. Only one-third of the funding has been distributed to firms so far this biennium, and only one-half of the funds have been committed. The number of new jobs supported by the program fell from 1,725 in 2010 to 741 in 2012. The agency is requesting an additional \$26.5 million (for a total of approximately \$40 million) for the Strategic Reserve Fund/ Business Expansion Program for 2013-15.3. Funding for the Oregon Innovation Council's initiatives is provided in the OBDD budget on a one-time basis each biennium, and is phased-out in the calculation of the agency CSL. The initiatives, which accounted for 112 jobs created in retained in 2012, received \$15.4 million Lottery Funds in the 2011-13 biennium. The agency is requesting \$25 million for 2013-15.4. OBDD is requesting \$110 million of lottery revenue bond proceeds to provide \$100 million of added capital to the Special Public Works Fund and \$10 million of added capital to the Brownfields Redevelopment Fund.5. * The Employment Department is experiencing challenges in completing information technology projects and retaining IT staff; this issue is being monitored by the Department itself, DAS, and the Legislative Fiscal Office (and Joint Committee on Ways and Means). The Employment Department has asked for additional staffing and | <p>expenditure limitation to complete outstanding IT projects, update the agency's mainframe, and test, maintain and modify existing systems on a regular basis; and the Department is also asking for limitation and temporary staffing for several new IT projects as well. The Governor's budget did not include expenditure limitation for IT-related requests. (This issue is going before JWM).</p> <ol style="list-style-type: none">6. Whether child care continues to be considered a "workforce" issue or classified as "early learning" may determine the Child Care Division's placement and oversight in future biennia.7. The passage of SB 1552 has created the demand for ongoing General Fund support in the HCSD budget for outreach and housing counselors to assist homeowners in avoiding foreclosure. The Legislature may want to evaluate whether there is continued value in additional housing counselors and program promotion, given the lack of participation in foreclosure mediation.8. The Governor's budget proposes one year of funding for HCSD, with the understanding that the agency return in February 2012 with a plan regarding administrative and programmatic efficiencies, up to and including moving programs to other agencies. The Governor recommends that funding for the second half of the biennium is included in a special purpose appropriation.9. The Legislature may be asked to authorize fee authority to recover ODVA's administrative costs of the Educational Aid program, Emergency Financial Assistance Program, Small Business Repair Loan Program, and veterans' services provided by county and national service offices.10. A decision needs to be made regarding whether to carry over authorization for \$10.5 million in lottery bonds for the purpose of acquiring, developing, constructing, and equipping the Roseburg Veterans' Home. Debt service costs would equal approximately \$2.1 million Lottery Funds in the 2013-15 biennium. |
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| <p>11. ODVA has proposed a Lottery scratch-off game, the proceeds of which would benefit veterans' education and economic development.</p> <p>12. Loan program losses of \$3.1 million in 2012 have led ODVA to request shifting the portion of veterans' service officers and associated support personnel funded with loan program reserves to General Fund support. Prior to 1991, the Veteran Services program had been funded entirely with GF. The Governor's budget included General Fund to support this request.</p> | |
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* See attachment for additional information on this item.

Transportation Program Area

The Transportation Program agencies are responsible for a wide range of programs and activities related to Oregon's transportation systems. The Department of Transportation (ODOT) develops highways, roads, and bridges; railways, public transportation services, and bicycle and pedestrian paths. ODOT also implements transportation safety programs, administers driver and vehicle licensing, and motor carrier regulation. The Department of Aviation directly manages and maintains 28 state airports and registers pilots and aircraft in the state.

TRANSPORTATION	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
(Millions of Dollars)	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF
Aviation, Department of	\$0.0	\$11.0	\$0.0	\$9.8	\$0.0	\$8.9	\$0.0	\$0.0	N/A	-9.6%
Transportation, Department of*	\$97.4	\$3,851.1	\$74.6	\$4,098.8	\$116.4	\$3,530.7	\$0.0	\$0.0	56.0%	-13.9%
TRANSPORTATION TOTAL	\$97.4	\$3,862.1	\$74.6	\$4,108.6	\$116.4	\$3,539.6	\$0.0	\$0.0	56.0%	-13.8%
Percent of State Budget	0.7%	6.7%	0.5%	6.8%	0.7%	6.1%	0.0%	0.0%		
State Government Employment	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE
	4,709	4,563.44	4,625	4,533.29	4,620	4,530.84	0	0.00	-0.1%	-0.1%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none">Fuels (gas) tax paid by drivers of vehicles and light trucks - \$1.1BWeight-mile tax, charged on trucks 26,000 pounds or heavier - \$0.6BDriver and vehicle licenses - \$0.7BFederal highway, transit, rail, and safety funding - \$0.8BTransportation licenses and fees – \$0.1BBond proceeds - \$1.4BJet fuel and aviation gas taxes - \$4.4MPilot and aircraft registration – \$0.9M	<ul style="list-style-type: none">Recession’s influence on personal driving/gas buyingIncrease in vehicle miles traveled (trucks)Increase in general population and aging populationHigh base cost of gasolineDecreasing Federal revenue levels (federal gas tax not increased since early 1990’s)Jet Fuel and Avgas taxes revenue potentially not keeping up with Aviation expenses	<div><p>TRANSPORTATION</p><table border="1"><thead><tr><th>Period</th><th>General Fund/Lottery</th><th>Other Funds</th><th>Federal Funds</th></tr></thead><tbody><tr><td>2009-11</td><td>\$97</td><td>\$3,645</td><td>\$119</td></tr><tr><td>2011-13</td><td>\$75</td><td>\$3,873</td><td>\$161</td></tr><tr><td>2013-15 CSL</td><td>\$116</td><td>\$3,298</td><td>\$126</td></tr><tr><td>2013-15</td><td>\$0</td><td>\$0</td><td>\$0</td></tr></tbody></table></div>	Period	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$97	\$3,645	\$119	2011-13	\$75	\$3,873	\$161	2013-15 CSL	\$116	\$3,298	\$126	2013-15	\$0	\$0	\$0
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MAJOR CHALLENGES AND DECISION POINTS

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| <ol style="list-style-type: none">1. * Aging highway and bridge infrastructure needs are outpacing revenue growth. While there are increasing vehicle miles traveled, and while the gas tax was increased from 24 to 30 cents in 2011, those increases do not yield sufficient gas tax revenue for needed repairs and maintenance. There are enough moving parts to challenge an exact shortfall calculation. (maintenance, bridge, preservation, new construction, etc.)2. The State Radio Project (SRP) project budget is \$155.5 million. The SRP is replacing aging public safety communications systems statewide. Efforts to complete the project extend into 2013-2015 and include completing microwave modernization, trunked radio repeater installations, and final site work for narrowbanding and microwave components.

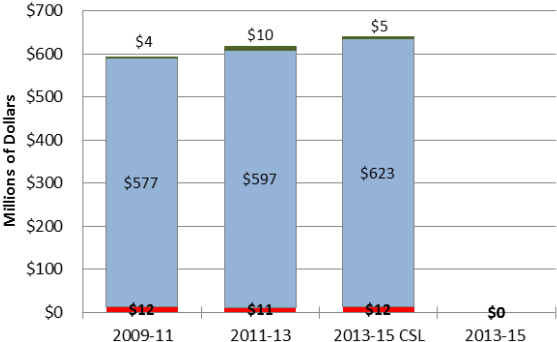
The Governor recommends \$39.9 million bond funding in 2013-15. Debt Service was requested at half General Fund and half highway funds. In the Governor's budget, however, debt service is all Highway Fund, which raises a constitutional question. Total project expenses will be higher than originally estimated. ODOT is evaluating project scope, timing, and resource options. Beyond 2013-15 there will be additional costs, unknown at this time, for the broadband development phase.3. The Columbia River Crossing (CRC) project would erect a new bridge on Interstate 5. The current estimate is \$3 to \$3.5 billion, shared among the federal government, Washington, and Oregon. The Governor recommends \$450 million for six-year capital construction limitation in his 2013-15 budget; the first biennium's debt service would be \$43 million from an unidentified combination of highway fund, tolls, federal funds, and bond proceeds. The project could take 7 to 9 years to complete. | <ol style="list-style-type: none">4. At current service level, ODOT Other Funds and Federal Funds Debt Service is 12 percent of Other and Federal Funds limitation. That means \$404 million in highway funds are not available for needed highway and bridge work. Conversely, the associated borrowing provided around \$3 billion for highway and bridge jobs and projects. The Governor is recommending \$45.7 million new debt service for CRC and SRP borrowing.5. The Department of Aviation faces increased costs due to the state match rate on federal funds doubling from 5% to 10% (February 2012) as well as general inflation. Revenues are generally flat or trending down. Revenues include fuel taxes and airport and pilot registrations. Declines in commercial and private flights have affected these revenues. The Department has eliminated 5.50 FTE through 2011-13 and transferred administrative duties to ODOT. They continue to look for management efficiencies and are deferring needed maintenance. While not at immediate risk of spending down their ending balance, the agency requested increases in fuel taxes. The Governor, however, is not recommending increases. This issue is likely to become more pressing as maintenance and safety needs accumulate, if not in 2013-15, then in the following biennium.6. DMV proposes legislation to increase fees for dealer, dismantler, and related business certifications to cover costs in the Business Regulation Section. |
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* See attachment for additional information on this item.

Consumer and Business Services Program Area

The Consumer and Business Program agencies provide regulatory, consumer protection, and licensing of a wide variety of businesses, trades, and occupations in Oregon. In addition to licensing a vast array of professions, industries, and trades directly, agencies administer laws and rules governing workers' compensation benefits, workplace safety and health, building codes, operation of both insurance and financial institutions, civil rights, wages and hours, and public utility services.

CONSUMER AND BUSINESS SERVICES	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF
(Millions of Dollars)										
Accountancy, Board of	\$0.0	\$1.6	\$0.0	\$2.0	\$0.0	\$2.0	\$0.0	\$0.0	N/A	-4.7%
Chiropractic Examiners, Board of	\$0.0	\$1.2	\$0.0	\$1.3	\$0.0	\$1.4	\$0.0	\$0.0	N/A	8.7%
Licensed Social Workers, Board of	\$0.0	\$1.0	\$0.0	\$1.2	\$0.0	\$1.3	\$0.0	\$0.0	N/A	1.2%
Construction Contractors Board	\$0.0	\$13.8	\$0.0	\$15.1	\$0.0	\$16.3	\$0.0	\$0.0	N/A	7.8%
Consumer and Business Services, Dept of	\$0.0	\$384.8	\$0.0	\$402.3	\$0.0	\$417.2	\$0.0	\$0.0	N/A	3.7%
Dentistry, Board of	\$0.0	\$2.2	\$0.0	\$2.5	\$0.0	\$2.6	\$0.0	\$0.0	N/A	5.9%
Health Licensing Agency	\$0.0	\$6.4	\$0.0	\$6.6	\$0.0	\$7.5	\$0.0	\$0.0	N/A	13.9%
HRLB - Mortuary and Cemetery Board	\$0.0	\$1.2	\$0.0	\$1.3	\$0.0	\$1.4	\$0.0	\$0.0	N/A	8.7%
HRLB - Naturopathic Examiners	\$0.0	\$0.5	\$0.0	\$0.6	\$0.0	\$0.6	\$0.0	\$0.0	N/A	-7.5%
HRLB - Occupational Therapy Licensing Bd	\$0.0	\$0.3	\$0.0	\$0.4	\$0.0	\$0.4	\$0.0	\$0.0	N/A	3.0%
HRLB - Medical Imaging	\$0.0	\$0.6	\$0.0	\$0.7	\$0.0	\$0.8	\$0.0	\$0.0	N/A	10.4%
HRLB - Speech-Language Path. and Audio.	\$0.0	\$0.4	\$0.0	\$0.4	\$0.0	\$0.4	\$0.0	\$0.0	N/A	4.7%
HRLB - Veterinary Medical Examiners Bd	\$0.0	\$0.5	\$0.0	\$0.7	\$0.0	\$0.8	\$0.0	\$0.0	N/A	7.5%
Labor & Industries, Bureau of	\$11.8	\$21.2	\$11.1	\$23.7	\$12.1	\$24.4	\$0.0	\$0.0	8.3%	2.8%
Licensed Prof Counselors and Therapists, Bd	\$0.0	\$0.9	\$0.0	\$0.9	\$0.0	\$1.0	\$0.0	\$0.0	N/A	7.0%
Medical Board, Oregon	\$0.0	\$9.4	\$0.0	\$10.0	\$0.0	\$10.7	\$0.0	\$0.0	N/A	6.5%
Nursing, Board of	\$0.0	\$12.2	\$0.0	\$14.0	\$0.0	\$13.8	\$0.0	\$0.0	N/A	-1.1%
Pharmacy, Board of**	\$0.0	\$4.5	\$0.0	\$5.1	\$0.0	\$5.5	\$0.0	\$0.0	N/A	8.2%
Psychologist Examiners, Board of	\$0.0	\$0.9	\$0.0	\$1.0	\$0.0	\$1.0	\$0.0	\$0.0	N/A	7.6%
Public Utility Commission	\$0.0	\$121.9	\$0.0	\$119.5	\$0.0	\$122.2	\$0.0	\$0.0	N/A	2.3%
Real Estate Agency	\$0.0	\$6.8	\$0.0	\$7.5	\$0.0	\$7.3	\$0.0	\$0.0	N/A	-2.5%
Tax Practitioners, Board of	\$0.0	\$1.0	\$0.0	\$1.1	\$0.0	\$1.2	\$0.0	\$0.0	N/A	7.6%
CONSUMER AND BUSINESS SERVICES TOTAL	\$11.8	\$593.2	\$11.1	\$618.1	\$12.1	\$639.8	\$0.0	\$0.0	8.3%	3.5%
Percent of State Budget	0.1%	1.0%	0.1%	1.0%	0.1%	1.1%	0.0%	0.0%		
State Government Employment	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE
	1,623	1,587.95	1,469	1,446.25	1,450	1,433.42	0	0.00	-1.3%	-0.9%

Major Revenues	Budget Environment	Comparison by Fund Type																									
<ul style="list-style-type: none">Primarily supported by Other Funds, Federal Funds, and Nonlimited Other Funds.<ul style="list-style-type: none">Workers Compensation Insurance Taxes, Insurance Taxes, and other Employer/Employee Taxes comprise 53% of the total revenues in this program,Licenses and Fees comprise 37%, andMiscellaneous Other Funds and Federal Funds revenue comprise 9% of the total combined revenues.The only agency in the program area that receives General Fund is the Bureau of Labor and Industries which is its primary source of revenue.	<ul style="list-style-type: none">Revenues are sensitive to the level of economic activity and have fallen during the recession.Major revenue sources in the Consumer Business Program have stabilized.The volatility in the construction industry has had a particularly strong impact on DCBS, the CCB, and BOLI.The construction industry is expected to experience growth over the next few years.The current environment continues to impact the number of licensees and therefore revenues available to the agencies.	<div><p>CONSUMER AND BUSINESS SERVICES</p><table><thead><tr><th>Fiscal Year</th><th>General Fund/Lottery</th><th>Other Funds</th><th>Federal Funds</th><th>Total</th></tr></thead><tbody><tr><td>2009-11</td><td>\$12</td><td>\$577</td><td>\$4</td><td>\$593</td></tr><tr><td>2011-13</td><td>\$11</td><td>\$597</td><td>\$10</td><td>\$618</td></tr><tr><td>2013-15 CSL</td><td>\$12</td><td>\$623</td><td>\$5</td><td>\$640</td></tr><tr><td>2013-15</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td></tr></tbody></table></div>	Fiscal Year	General Fund/Lottery	Other Funds	Federal Funds	Total	2009-11	\$12	\$577	\$4	\$593	2011-13	\$11	\$597	\$10	\$618	2013-15 CSL	\$12	\$623	\$5	\$640	2013-15	\$0	\$0	\$0	\$0
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MAJOR CHALLENGES AND DECISION POINTS

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| <ol style="list-style-type: none">1. Budget resources for investigating civil rights and wage and hour complaints have decreased while at the same time complaints have held constant or increased; eroding BOLI's ability to provide adequate enforcement of laws protecting Oregonians from unlawful discrimination, working conditions, and wage and hour payment. Options are to continue curtailment of acceptance of wage claims and types of investigations conducted, increase the amount of General Fund allocated to the Department, increase fees, redirect fee revenues paid into the wage security fund and prevailing wage rate program to fund staff required to resume curtailed workload. The Governor's budget adds back \$1.3 million General Fund in the base budget to restore 12 positions.2. The Governor's Ten Year Energy Plan may result in proposed legislation or policies that could impact utility investments, infrastructure, and regulation.3. Fee increases are being considered in eight of the 22 agencies to maintain current levels of service.4. Increases in the State Government Service Charge, Attorney General rate, and Criminal Background Check fees, as well as statewide program fees (e.g., Electronic Prescription Drug Monitoring Program, Impaired Health Professional Monitoring Program, and the Healthcare Workforce Database) may result in additional new pass-through fees or fee increases for several of the licensing agencies.5. Workload increases in several of the licensing agencies require additional investigative and administrative resources. Options being considered include hiring additional positions, converting current part-time positions to full-time, reclassifying positions in order to add duties to experienced staff, converting limited duration positions to permanent positions, and contracting with other agencies or private investigative agencies. | <ol style="list-style-type: none">6. An online licensing project undergoing due diligence review may require contract renegotiation and additional funding for the Board of Accountancy.7. There is proposed legislation in the Health Licensing Agency that would make Sex Offender Treatment and Direct Entry Midwives a mandatory license. Both are currently voluntary. |
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Administration Program Area

The Administration Program is comprised of 10 Executive Branch agencies and the three independently elected constitutional offices of the Governor, Secretary of State, and Treasurer. The agencies within this program area provide services to state agencies and local governments and can be *broadly* categorized as follows:

Central Services (5): Retirement administration (Public Employees Retirement System); central administrative support and coordination (Department of Administrative Services); labor relations (Employment Relations Board); government ethics and standards and lobby regulation (Government Ethics Commission); and library, early learning, and research services (State Library).

Revenue (2): administering the state's income and property tax programs (Department of Revenue) and alcohol regulation (Oregon Liquor Control Commission).

Constitutional (3): executive branch management (Governor's Office); financial and performance auditing, elections, and archives or records management (Secretary of State); and financial and investment activities of the state (State Treasurer).

Small Commissions (3): Pari-mutuel racing regulation (Racing Commission); liaison between minority communities and government (Advocacy Commission); and the review of initiative measures (Citizens' Initiative Review Commission).

Pass-Through Recipient Entities (3): County Fairs; Historical Society; and Oregon Public Broadcasting (Department of Administrative Services).

ADMINISTRATION (Millions of Dollars)	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF
Administrative Services, Dept of	\$16.0	\$1,039.4	\$15.7	\$1,078.7	\$15.3	\$954.6	\$0.0	\$0.0	-2.2%	-11.5%
Citizens' Initiative Review Commission	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	N/A	-90.4%
County Fairs	\$2.8	\$2.8	\$3.6	\$3.6	\$3.6	\$3.6	\$0.0	\$0.0	0.0%	0.0%
Historical Society	\$0.6	\$0.6	\$0.2	\$2.8	\$0.2	\$0.2	\$0.0	\$0.0	-9.8%	-92.4%
Oregon Public Broadcasting	\$2.0	\$2.7	\$1.6	\$1.6	\$0.5	\$0.5	\$0.0	\$0.0	-65.1%	-65.1%
Advocacy Commissions Office	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5	\$0.0	\$0.0	11.5%	10.6%
Employment Relations Board	\$1.6	\$3.1	\$1.9	\$3.8	\$2.1	\$4.2	\$0.0	\$0.0	8.9%	11.9%
Government Ethics Commission	\$0.2	\$1.4	\$0.0	\$1.6	\$0.0	\$1.6	\$0.0	\$0.0	N/A	-0.6%
Governor, Office of the	\$12.0	\$15.8	\$33.0	\$51.9	\$54.5	\$81.2	\$0.0	\$0.0	65.1%	56.5%
Oregon Liquor Control Comm	\$0.0	\$128.1	\$0.0	\$140.1	\$0.0	\$148.4	\$0.0	\$0.0	N/A	5.9%
Public Employees Retirement System	\$0.0	\$6,809.7	\$0.0	\$7,517.9	\$0.0	\$9,355.6	\$0.0	\$0.0	N/A	24.4%
Racing Commission, Oregon	\$0.0	\$5.1	\$0.0	\$5.2	\$0.0	\$5.4	\$0.0	\$0.0	N/A	4.8%
Revenue, Dept of	\$140.2	\$171.2	\$147.8	\$184.0	\$163.3	\$202.6	\$0.0	\$0.0	10.5%	10.1%
Secretary of State	\$13.2	\$53.6	\$12.5	\$62.2	\$12.6	\$63.2	\$0.0	\$0.0	0.6%	1.6%
State Library	\$3.1	\$13.5	\$2.9	\$13.9	\$3.2	\$14.9	\$0.0	\$0.0	11.4%	6.8%
Treasury, Oregon State	\$0.0	\$35.5	\$0.0	\$38.7	\$0.0	\$43.6	\$0.0	\$0.0	N/A	12.5%
ADMINISTRATION TOTAL	\$192.1	\$8,282.7	\$219.5	\$9,106.5	\$255.7	\$10,880.2	\$0.0	\$0.0	16.5%	19.5%
Percent of State Budget	1.4%	14.4%	1.5%	15.0%	1.5%	18.9%	0.0%	0.0%		
State Government Employment	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE
	2,963	2,850.10	2,866	2,784.38	2,816	2,740.18	0	0.00	-1.7%	-1.6%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none">Primarily supported by Other Funds (\$10.6 billion (97.5%).Significant portion of Other Funds revenue originates as General, Lottery, or Federal Funds.Majors sources of Other Funds revenue, which includes payments from local government:<ul style="list-style-type: none">PERS employer contributionsDAS central assessmentsState Government Service ChargesState agency assessmentInvestment returnsLiquor salesMunicipal Audit ChargePari-mutuel wageringOther sources of program funding:<ul style="list-style-type: none">General Fund (\$241.8 million)Lottery Funds (\$15 million)Federal Funds (\$18 million)(with only the State Library subject to a maintenance of effort and matching funds requirements)Distinctions/dedicated program funding:<ul style="list-style-type: none">Nonlimited expenditures (\$9.4 billion)Debt Service (\$6.8 million General Fund and \$9 million Lottery Funds)Capital Improvement (\$6 million)Capital Construction (\$0 @ CSL)Fee revenue transferred to the General Fund:<ul style="list-style-type: none">A portion of Corporate Registration feesA portion of liquor salesA portion of race wager receipts	<ul style="list-style-type: none">Significant Public Employee Retirement System rate increases for state agencies, judges, school districts, university system, and participating cities, counties, and special districts.Impact of state agency assessments on state agencies and local government.Increasing need for information technology investment and agency process reengineering.Legislation passed in 2009 increased tort cap limits for state and local governments and the potential increased risk fund costs over time are only now beginning to be understood.Almost all of the General Fund (\$6.8 million) and most of the Lottery Funds (\$9 million) in the DAS budget are for debt service. Almost all remaining LF is passed through to dedicated recipients.Reorganization of the Department of Administrative Services.Constitutional offices of the Secretary of State and Treasurer not subject to Governor’s budget review or oversight.	<div><p>ADMINISTRATION</p><table><thead><tr><th>Fiscal Year</th><th>General Fund/Lottery</th><th>Other Funds</th><th>Federal Funds</th></tr></thead><tbody><tr><td>2009-11</td><td>\$192</td><td>\$8,080</td><td>\$10</td></tr><tr><td>2011-13</td><td>\$220</td><td>\$8,869</td><td>\$18</td></tr><tr><td>2013-15 CSL</td><td>\$256</td><td>\$10,606</td><td>\$18</td></tr><tr><td>2013-15</td><td>\$0</td><td>\$0</td><td>\$0</td></tr></tbody></table></div>	Fiscal Year	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$192	\$8,080	\$10	2011-13	\$220	\$8,869	\$18	2013-15 CSL	\$256	\$10,606	\$18	2013-15	\$0	\$0	\$0
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MAJOR CHALLENGES AND DECISION POINTS

The 2013-15 current service level budget of \$10.9 billion is \$1.8 billion, or 19.8%, more than the 2011-13 legislatively approved budget (LAB) of \$9.1 billion and includes 2,816 positions (2,740.18 FTE).

The GF portion of the CSL budget totals \$241.8 million and is \$36.2 million, or 17%, more than the LAB; LF budget is \$15 million, or 8%, more than LAB, OF is \$10.6 billion, or 17%, more than the LAB, FF is \$18 million, or 9%, more than LAB.

The CSL budget is comprised of \$498 million in personal services (5%), \$657.5 million in services and supplies/capital outlay (6%), \$9.3 billion in special payments (86%), and \$411.3 million in debt service (4%). The most significant category of special payments is \$8.9 billion to PERS retirees.

Notable agency budget changes include: employer rate increases (PERS); the phase-in a 2-year budget for Early Learning and Youth Development Councils for the Commission on Children and Families (Governor), and the phase-out of Capital Construction (DAS).

At this time, no material adjustments to the current service level have been identified other than the relatively nominal PERS rate adjustment. There are no known 2011-13 rebalance issues.

The overarching emphasis of this program area continues to be the legislative review of administrative agencies' assessments, fees, and charges paid by state and local governments and the corresponding services received.

The following is a list of other currently identified challenges and decision points for this program area, which does not include a discussion of all agency-proposed policy package enhancements and their impact on assessments, fees, and charges.

1. State and local government's ability to fund PERS system costs and

system reform efforts to reduce employer rates (**PERS**).

2. Review of assessments/charges for service and how they have changed under the agency's reorganization (**DAS**). Information technology and/or other modernization project approvals as well as funding options for (noted cost figures are only for the 2013-15 biennium): (a) \$21.6 million Core System Replacement (**DOR**); (b) \$40.1 million personnel system (**DAS**), \$2 million business registry system (**SOS**); \$4.5 million "sortation" (**OLCC**); \$1.2 million cash management (**OST**); and \$800,000 electronic reporting system (**OGEC**).
3. If the Commission continues to impose the \$.50 per bottle surcharge an additional \$31 million could be available for distribution to the GF (requires statutory language) (**OLCC**).
4. Interim policy committee discussions indicate some stakeholders may promote an initiative or legislative effort to modify or potentially privatize liquor distribution and sales in Oregon, which may have an impact on liquor sales revenue distributed to the General Fund, cities, counties, and mental health programs (**OLCC**).
5. OLCC requested authority to invest in a \$4.5 million warehouse liquor sortation system to enable faster and larger shipments to stores to meet demand for distilled spirits. The Governor's budget assumed that liquor sales would increase regardless of whether the sortation system was implemented, and did not include expenditure limitation for the project. Whether \$19.8 million in additional revenue can be realized in absence of the sortation system needs further analysis (**OLCC**).
6. Expansion of the Oregon Investment Council's authority to include autonomy over appropriations/resources and the hiring, evaluation, and compensation of the Chief Investment Officer and investment staff (requires statutory language) (**OST**).

7. Expansion of investment and related staff to be commensurate with other states at a cost of \$6.4 million (**OST**).
8. Review of *proposed* program transfers: the Early Learning Council and Youth Development Council for the Commission on Children and Families (from **Governor** to TBD) and the Elderly Rental Housing Assistance Program (requires statutory language) (from **DOR** to Housing and Community Services).
9. Capital Construction project or acquisition funding totaling \$15.5 million (**DAS**) (also refer to Capital Construction section).
10. Library consolidation effort follow-up (**Library/SOS/OJD**)
11. Labor relations (non-mandated) caseload growth for mediation and hearings office (**ERB**).
12. Shift Archives Division from General Fund to Other Funds. Although this reduces the agency's General Fund request by \$3.6 million, assessments to other state agencies would be increased to offset this reduction (**SOS**).
13. Level of pass-through entity funding for County Fairs, Historical Society, and Oregon Public Broadcasting (**DAS**).
14. Limited vs. Nonlimited budgeting for various agencies.
15. Review of the **Citizens' Initiative Review Commission** as a stand-alone state agency considering that it only functions for approximately 4 months out of every 24 month biennial period and has no guaranteed or dedicated ongoing source of revenues.
16. Elections Division costs increase whenever special elections are called, or when large numbers of statements require the Voters Pamphlet to be published in more than one volume. These extraordinary costs, which cannot be predicted, are not approved in the agency's regular budget but are instead funded by the Emergency Board after the costs are incurred (**SOS**).

17. The Secretary of State is requesting to establish a new assessment to state agencies to support the Archives Division. The assessment would replace General Fund support for the Division, and add charges totaling \$3.8 million to state agency budgets (**SOS**).