

# Administration Program Area

## 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).

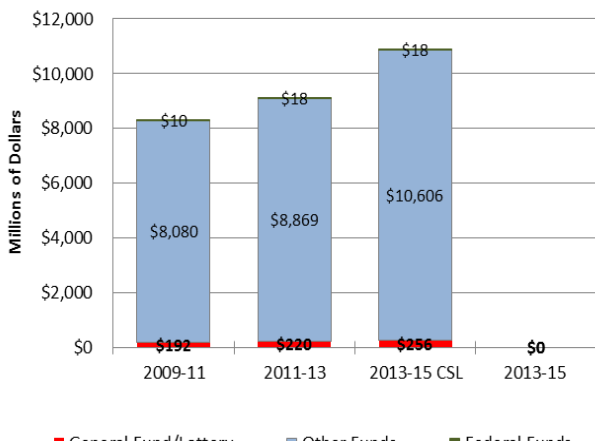
Revenue (2): administering the state's income and property tax programs (Department of Revenue) and alcohol regulation (Oregon Liquor Control Commission).

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 Co-Chairs'	
	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	-100.0%	-100.0%
Citizens' Initiative Review Commission	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	N/A	-100.0%
County Fairs	\$2.8	\$2.8	\$3.6	\$3.6	\$3.6	\$3.6	\$0.0	\$0.0	-100.0%	-100.0%
Historical Society	\$0.6	\$0.6	\$0.2	\$2.8	\$0.2	\$0.2	\$0.0	\$0.0	-100.0%	-100.0%
Oregon Public Broadcasting	\$2.0	\$2.7	\$1.6	\$1.6	\$0.5	\$0.5	\$0.0	\$0.0	-100.0%	-100.0%
Advocacy Commissions Office	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5	\$0.0	\$0.0	-100.0%	-100.0%
Employment Relations Board	\$1.6	\$3.1	\$1.9	\$3.8	\$2.1	\$4.2	\$0.0	\$0.0	-100.0%	-100.0%
Government Ethics Commission	\$0.2	\$1.4	\$0.0	\$1.6	\$0.0	\$1.6	\$0.0	\$0.0	N/A	-100.0%
Governor, Office of the	\$12.0	\$15.8	\$33.0	\$51.9	\$54.5	\$81.2	\$0.0	\$0.0	-100.0%	-100.0%
Oregon Liquor Control Comm	\$0.0	\$128.1	\$0.0	\$140.1	\$0.0	\$148.4	\$0.0	\$0.0	N/A	-100.0%
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	-100.0%
Racing Commission, Oregon	\$0.0	\$5.1	\$0.0	\$5.2	\$0.0	\$5.4	\$0.0	\$0.0	N/A	-100.0%
Revenue, Dept of	\$140.2	\$171.2	\$147.8	\$184.0	\$163.3	\$202.6	\$0.0	\$0.0	-100.0%	-100.0%
Secretary of State	\$13.2	\$53.6	\$12.5	\$62.2	\$12.6	\$63.2	\$0.0	\$0.0	-100.0%	-100.0%
State Library	\$3.1	\$13.5	\$2.9	\$13.9	\$3.2	\$14.9	\$0.0	\$0.0	-100.0%	-100.0%
Treasury, Oregon State	\$0.0	\$35.5	\$0.0	\$38.7	\$0.0	\$43.6	\$0.0	\$0.0	N/A	-100.0%
<b>ADMINISTRATION TOTAL</b>	<b>\$192.1</b>	<b>\$8,282.7</b>	<b>\$219.5</b>	<b>\$9,106.5</b>	<b>\$255.7</b>	<b>\$10,880.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>-100.0%</b>	<b>-100.0%</b>
Percent of State Budget	1.4%	14.4%	1.5%	15.0%	1.5%	18.9%	0.0%	0.0%	-100.0%	-100.0%
<b>State Government Employment</b>	<b>Positions</b>	<b>FTE</b>	<b>Positions</b>	<b>FTE</b>	<b>Positions</b>	<b>FTE</b>	<b>Positions</b>	<b>FTE</b>	<b>Positions</b>	<b>FTE</b>
	2,963	2,850.10	2,866	2,784.38	2,816	2,740.18	0	0.00	-100.0%	-100.0%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none"><li>Primarily supported by Other Funds (\$10.6 billion (97.5%).</li><li>Significant portion of Other Funds revenue originates as General, Lottery, or Federal Funds.</li><li>Majors sources of Other Funds revenue, which includes payments from local government:<ul style="list-style-type: none"><li>PERS employer contributions</li><li>DAS central assessments</li><li>State Government Service Charges</li><li>State agency assessment</li><li>Investment returns</li><li>Liquor sales</li><li>Municipal Audit Charge</li><li>Pari-mutuel wagering</li></ul></li><li>Other sources of program funding:<ul style="list-style-type: none"><li>General Fund (\$241.8 million)</li><li>Lottery Funds (\$15 million)</li><li>Federal Funds (\$18 million)(with only the State Library subject to a maintenance of effort and matching funds requirements)</li></ul></li><li>Distinctions/dedicated program funding:<ul style="list-style-type: none"><li>Nonlimited expenditures (\$9.4 billion)</li><li>Debt Service (\$6.8 million General Fund and \$9 million Lottery Funds)</li><li>Capital Improvement (\$6 million)</li><li>Capital Construction (\$0 @ CSL)</li></ul></li><li>Fee revenue transferred to the General Fund:<ul style="list-style-type: none"><li>A portion of Corporate Registration fees</li><li>A portion of liquor sales</li><li>A portion of race wager receipts</li></ul></li></ul>	<ul style="list-style-type: none"><li>Significant Public Employee Retirement System rate increases for state agencies, judges, school districts, university system, and participating cities, counties, and special districts.</li><li>Impact of state agency assessments on state agencies and local government.</li><li>Increasing need for information technology investment and agency process reengineering.</li><li>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.</li><li>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.</li><li>Reorganization of the Department of Administrative Services.</li><li>Constitutional offices of the Secretary of State and Treasurer not subject to Governor’s budget review or oversight.</li></ul>	<div><p>ADMINISTRATION</p><table><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>\$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>	Period	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**).

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| <ol style="list-style-type: none"> <li>7. Expansion of investment and related staff to be commensurate with other states at a cost of \$6.4 million (<b>OST</b>).</li> <li>8. Review of <i>proposed</i> program transfers: the Early Learning Council and Youth Development Council for the Commission on Children and Families (from <b>Governor</b> to TBD) and the Elderly Rental Housing Assistance Program (requires statutory language) (from <b>DOR</b> to Housing and Community Services).</li> <li>9. Capital Construction project or acquisition funding totaling \$15.5 million (<b>DAS</b>) (also refer to Capital Construction section).</li> <li>10. Library consolidation effort follow-up (<b>Library/SOS/OJD</b>)</li> <li>11. Labor relations (non-mandated) caseload growth for mediation and hearings office (<b>ERB</b>).</li> <li>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 (<b>SOS</b>).</li> <li>13. Level of pass-through entity funding for County Fairs, Historical Society, and Oregon Public Broadcasting (<b>DAS</b>).</li> <li>14. Limited vs. Nonlimited budgeting for various agencies.</li> <li>15. Review of the <b>Citizens' Initiative Review Commission</b> 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.</li> <li>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 (<b>SOS</b>).</li> </ol> | <ol style="list-style-type: none"> <li>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 (<b>SOS</b>).</li> </ol> |
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