



Co-Chairs' 2007-09 Recommended Budget

Strategic Investments for Sustained Prosperity

March 22, 2007

Senator Kurt Schrader

Representative Mary Nolan

Co-Chairs Process

- **Principles**

- Emphasize investments that promote self sufficiency and community vitality
- Fund outcomes that improve lives, not just activities
- Reward innovation, customer service, efficiency, collaboration
- Lead by example: energy conservation, diversity, family friendliness
- Expect continuous improvement

- **Subcommittee Role**

- Make the best use of all funds – discretionary and dedicated
- Focus agencies on achieving and reporting results
- Meet total expenditure target for program area
- Include Co-chairs' investment priorities in agency budgets
- Make other adjustments as subcommittees deem appropriate

Major Investments and Initiatives

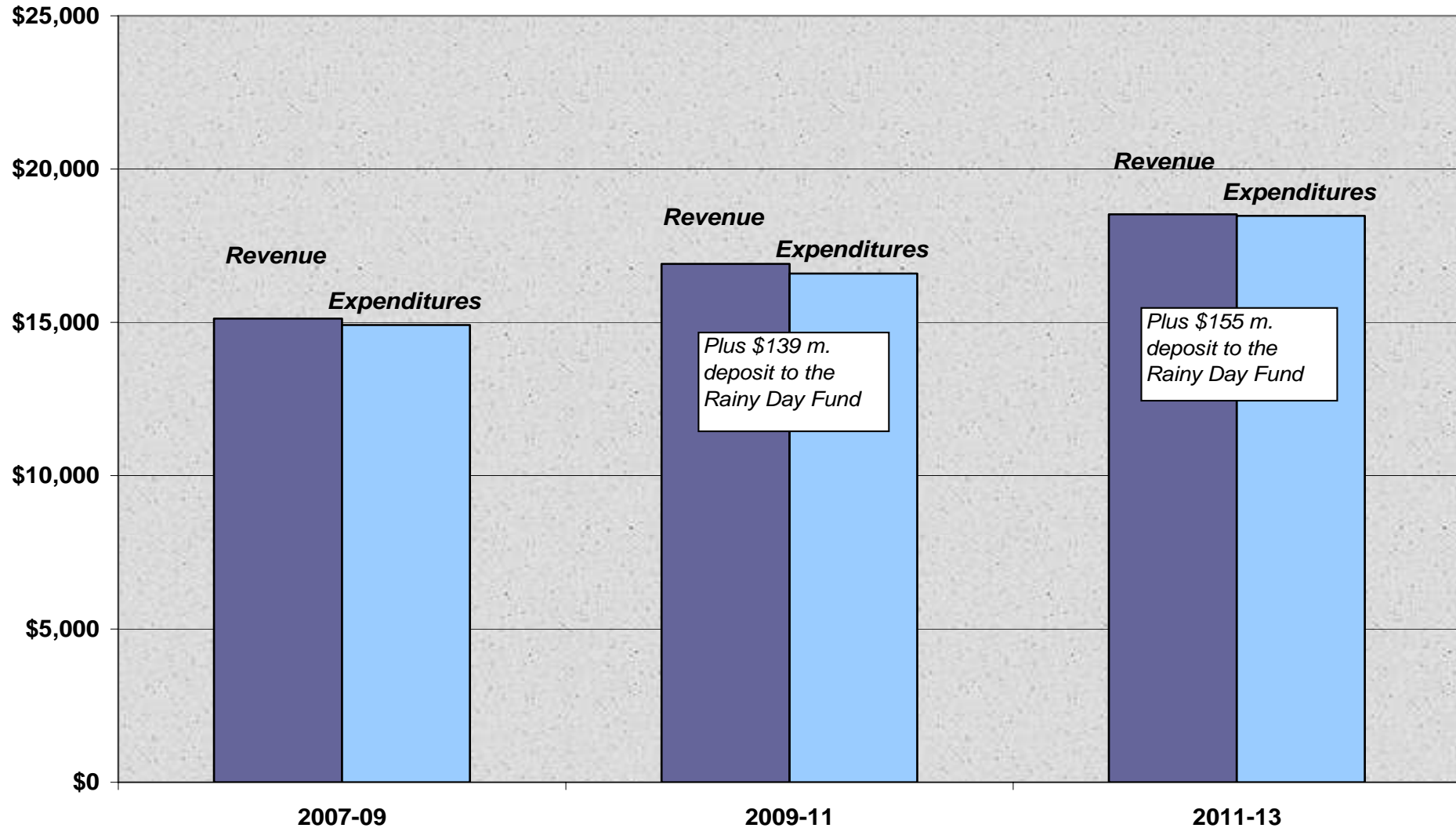
- The Co-chairs Recommended Budget is fully sustainable.
- It reaffirms our commitment to strengthening education, creating safe communities, supporting the rural economy, and making sure even the most vulnerable Oregonians have a solid foundation to build on.

This budget makes key investments in these areas by:

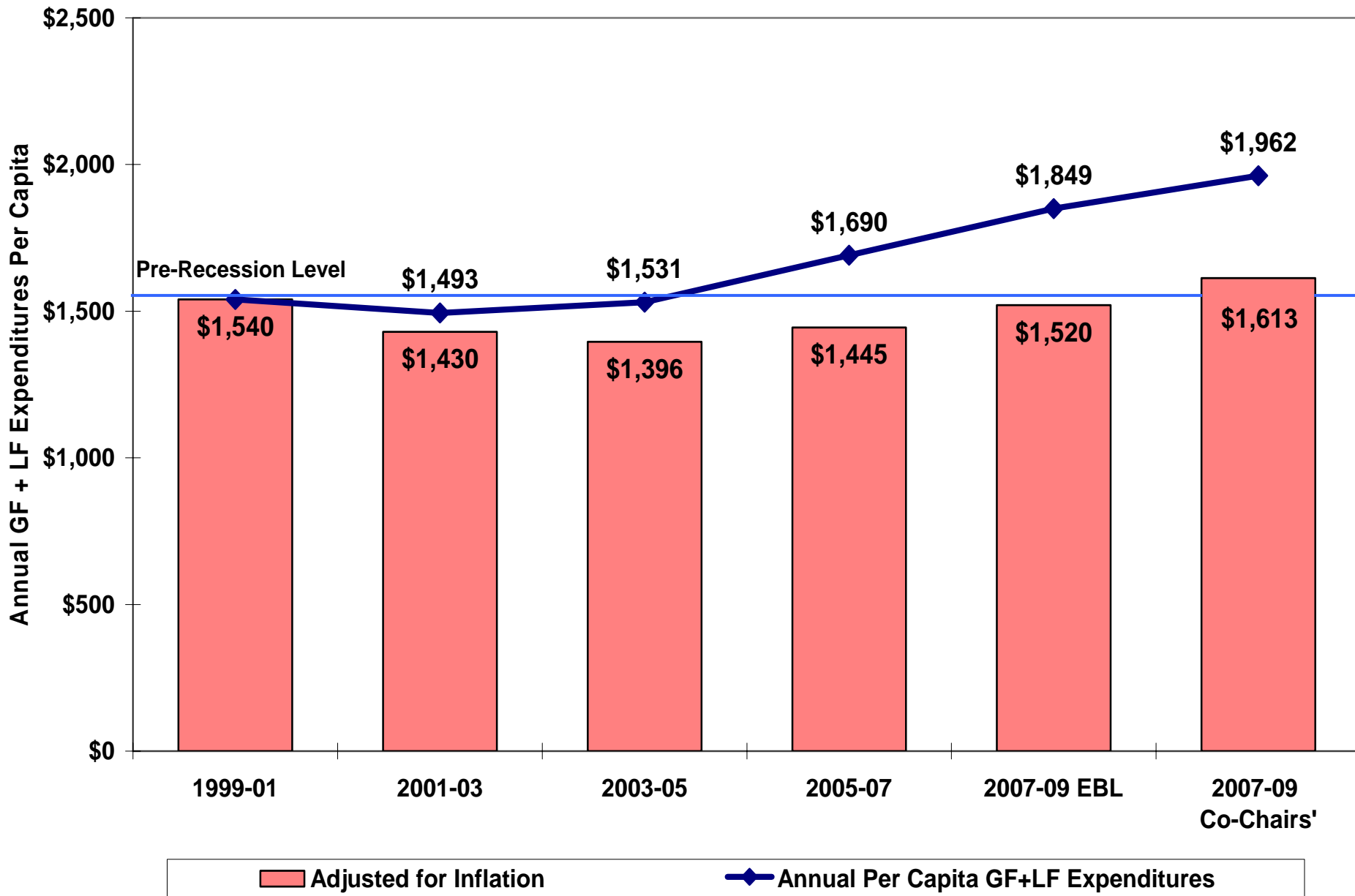
- Guaranteeing \$6,245 million for K-12 education, making sure Oregon's schools have a full school year and reduced class sizes.
- Dedicating \$47 million more for Shared Responsibility grants, making a college education accessible to EVERY Oregonian.
- Dedicating \$100+ million to affordable housing programs. Mental health, seniors and poverty advocates all agree that housing is a crucial issue for our most vulnerable citizens.
- Adding 100 sworn officers to the Oregon State Police, to fight meth and make Oregon's highways safer for everyone.
- Directing \$50 million to counties suffering from the loss of federal timber payments to make needed road repairs, plus additional funds to help them keep their school doors open.
- Adding \$139 million to our new Rainy Day Fund, keeping our commitment to save before we spend and protect Oregon during difficult economic times.

Tentative General Fund and Lottery Funds Budgets for 2009-11 & 2011-13

(in millions)

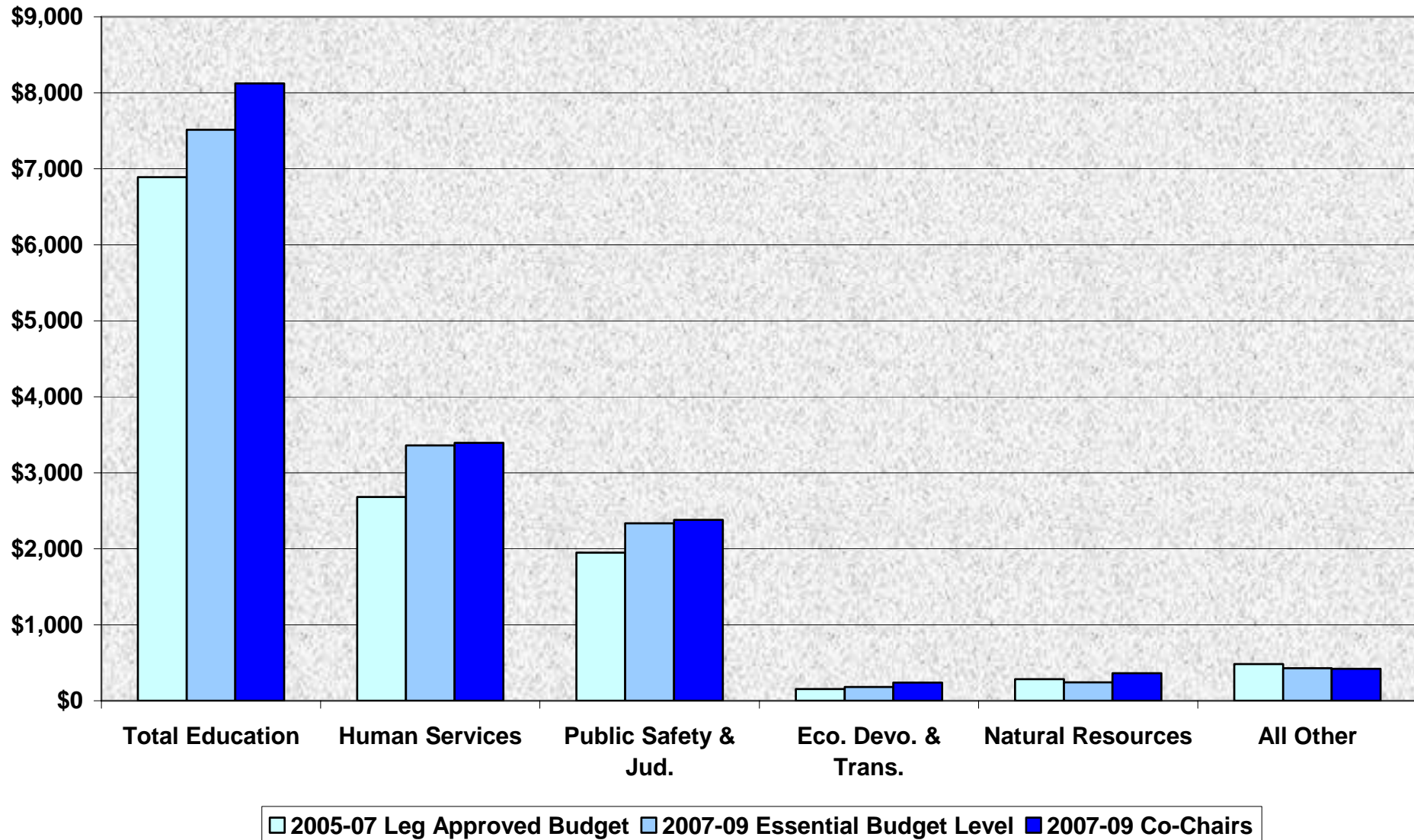


Per Capita General Fund plus Lottery Funds Expenditures

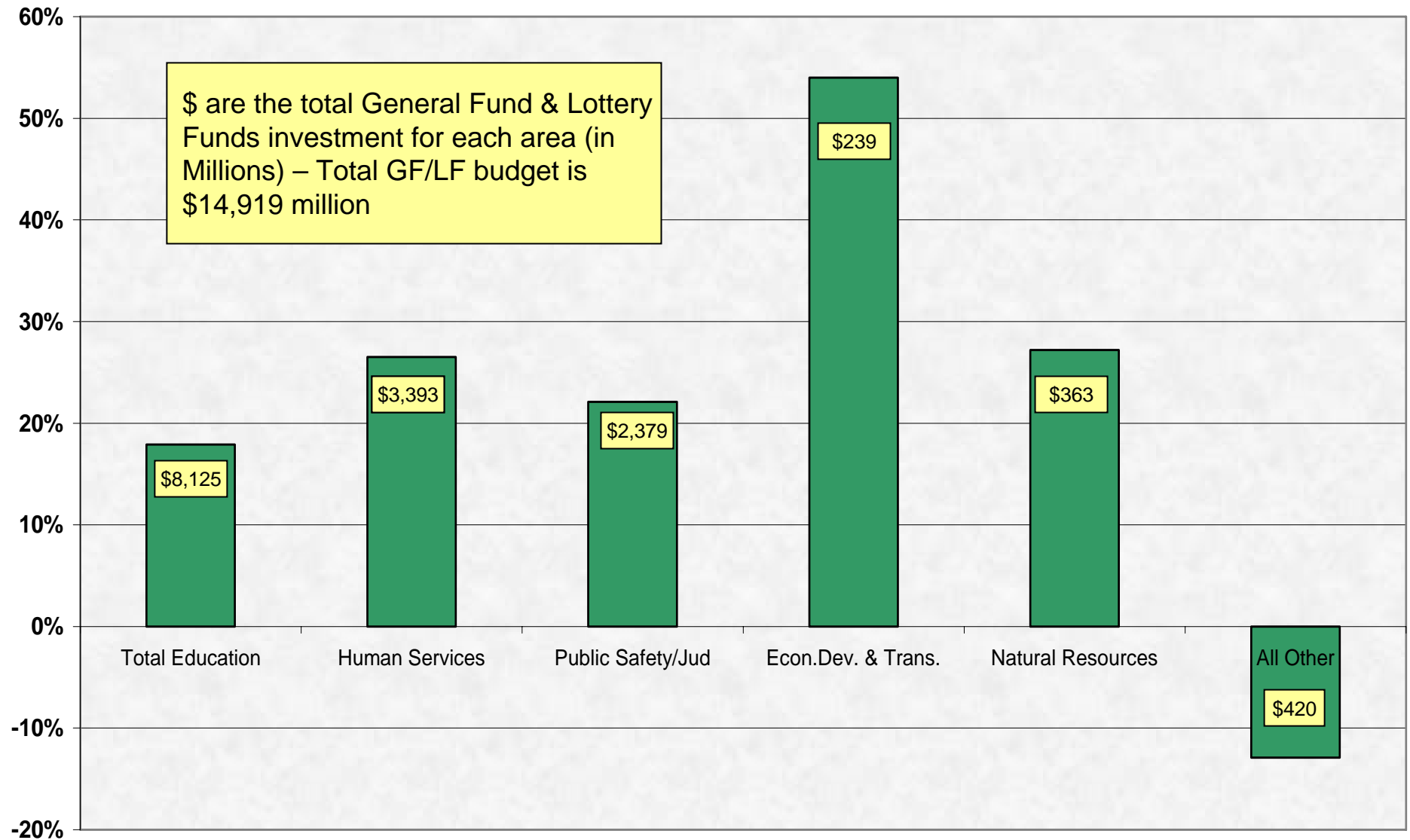


General Fund and Lottery Funds Investments in Oregon

(in millions)



General Fund and Lottery Funds Percent Change From 2005-07



2007-09 Ways & Means Co-Chair Recommended Budget

Resources (in millions)

	General Fund	Lottery Funds Discretionary	Lottery Funds Measure 66	TOTAL GF+LF
March 2007 Forecast Revenues				
Beginning Balance	1,397.9	59.2	25.1	1,482.2
Projected Revenues	12,666.8	1,061.1	185.9	13,913.8
Total Resources	14,064.7	1,120.3	211.0	15,396.0
Less Anticipated Administrative Actions	(64.3)	-	-	(64.3)
Total Available Resources	14,000.4	1,120.3	211.0	15,331.7
Dedicated Distributions				
County Economic Development	-	(44.7)	-	(44.7)
Education Stability Fund	-	(223.1)	-	(223.1)
Education Stability Fund Interest	-	26.7	-	26.7
Agency Beginning Balances	-	23.1	-	23.1
Interest and Other Earnings	-	2.3	-	2.3
Net Current Law Resources	14,000.4	904.6	211.0	15,116.0
Resources Beyond Forecast in C-CRB				
Resources:				
Racing Commission Revenue Increase	0.5	-	-	0.5
State Agency Reversions	25.0	-	-	25.0
Adjustments:				
Biofuel and other Tax Credits	(9.0)	-	-	(9.0)
CFAA Reduction to GF	(12.3)	-	-	(12.3)
ERT Funding (from County Eco. Dev. LF)	-	0.9	-	0.9
Total Resources in C-CRB	14,004.6	905.5	211.0	15,121.1

2007-09 Ways & Means Co-Chair Recommended Budget Expenditures (in millions)

	General Fund	Lottery Funds Discretionary	Lottery Funds Measure 66	TOTAL GF+LF
Total Resources in C-CRB	14,002.2	905.5	211.0	15,118.7
2005-07 Supplemental Expenditures not in GRB				
OJD - Interpreter Costs	1.7	-	-	1.7
PDSC - Caseload and Costs per Case	1.1	-	-	1.1
DOJ - TMSA Litigation	0.6	-	-	0.6
ODF - Eradicate Pathogens for Sudden Oak Death	0.3	-	-	0.3
Governor - Computer Purchases	-	-	-	-
ODE - SB 426 OEBC 05-07 start up costs	0.1	-	-	0.1
Total 2005-07 Supplemental Expenditures	3.8	-	-	3.8
2007-09 Expenditures by Program Area				
Education	7,443.9	681.2	-	8,125.1
Human Services	3,380.7	12.0	-	3,392.7
Public Safety/Judicial	2,371.9	-	6.8	2,378.7
Transportation/Economic Development	55.2	183.5	-	238.7
Natural Resources	162.1	-	201.2	363.3
General Government	255.6	6.8	-	262.4
Emergency Fund	158.3	-	-	158.3
Total 2007-09 Expenditures	13,827.7	883.5	208.0	14,919.2
Total Budgeted Expenditures	13,831.5	883.5	208.0	14,923.0
1% GF Expenditures plus March 07 Forecast	173.0	-	-	173.0

Totals may not add due to rounding.

Education Investments K-12

(in millions)

Total State Support for K-12

\$6,245



- Includes \$260 million for the School Improvement Fund pilot to:
 - Improve graduation rates
 - Achieve 3rd grade reading proficiency
 - Narrow achievement gap
 - Other ODE performance outcomes
- Plus local resources

\$ 2,817

Total Support for K-12

\$9,062

Shared Responsibility Model



- Affordable college education for all Oregonians
 - Require reasonable contribution by student and families
 - Students must maintain good academic standing
 - State provides balance to ensure students who want to attend college can afford to

\$100+ million Housing Initiative



- Investments in affordable housing for seniors and mentally ill Oregonians and low income families
- \$50 million total investment from General Fund, Lottery Funds, and Public Purpose Charges
- Recommend additional \$60+ million from increased document recording fee

Prevention Initiative

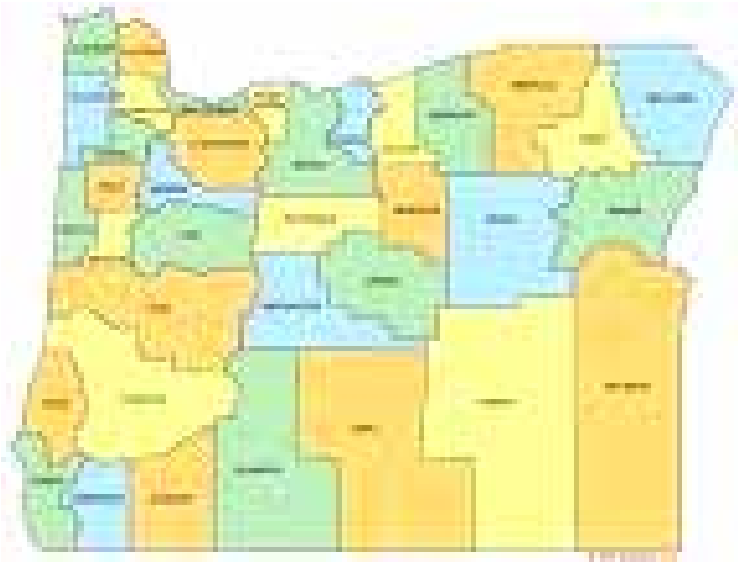


- Keep Oregonians safe
 - Increase highway patrol
 - Increase meth interdiction



- Brighten our children's future
 - Access to health care
 - Build quality day care capacity
 - Services for kids who have been victims of violence and abuse

County Partnership



- Protect schools from loss of federal timber money
- Create \$50 million fund for county roads
- Continue enhanced video lottery distribution
- Community Corrections funding to build toward a county friendly rebasing
- Continue county enhanced services for veterans

Ending Balance/Reserves

(in millions)

1% of appropriations	\$139
March forecast change	<u>34</u>
• Total Ending Balance	\$173
• Education Stability Fund	\$451
• Rainy Day Fund	\$290
• May Forecast Change	<u>?</u>
Ending Balance + Reserves	+/- \$914

Jobs and Business Investments



- Keep freight moving with Connect Oregon II and expediting OTIA projects
- Continue investing in innovative technologies
- Enhance ETIC
- Create jobs for Oregonians by building modern infrastructure in small and rural communities

Renewable Energy and Quality of Life Initiative



- Renewable Portfolio Standard legislation
- Catalyst investments in biofuels, solar, geothermal, wind and wave energy production
- Projects that reduce CO₂ emissions and reliance on fossil fuels

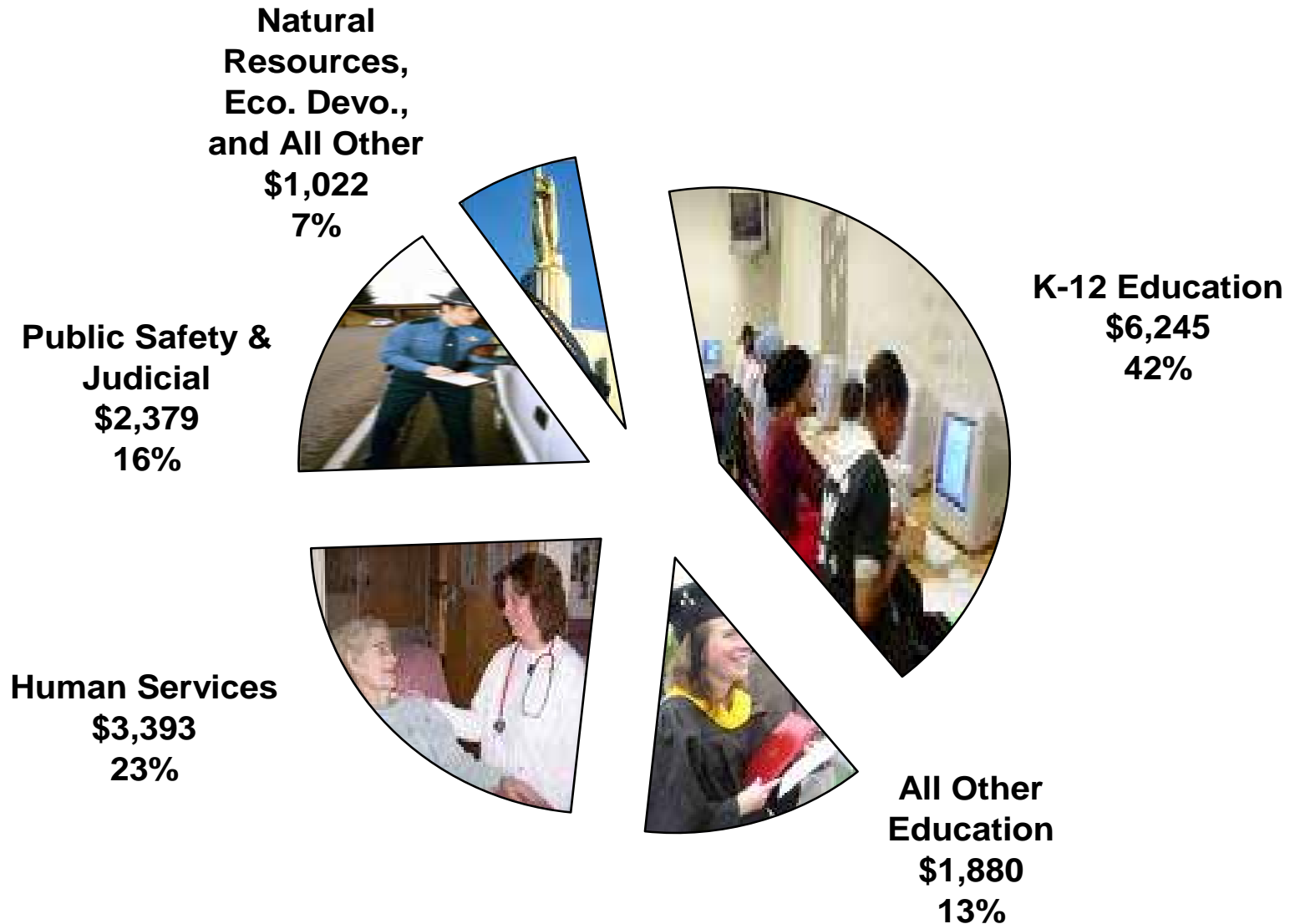
Veterans Initiative



- Additional assistance for loans for veterans
- Increase funds for services to veterans – emergency needs and long-term
- Increase funding for education programs serving veterans
- Nationally recognized reintegration program for returning soldiers

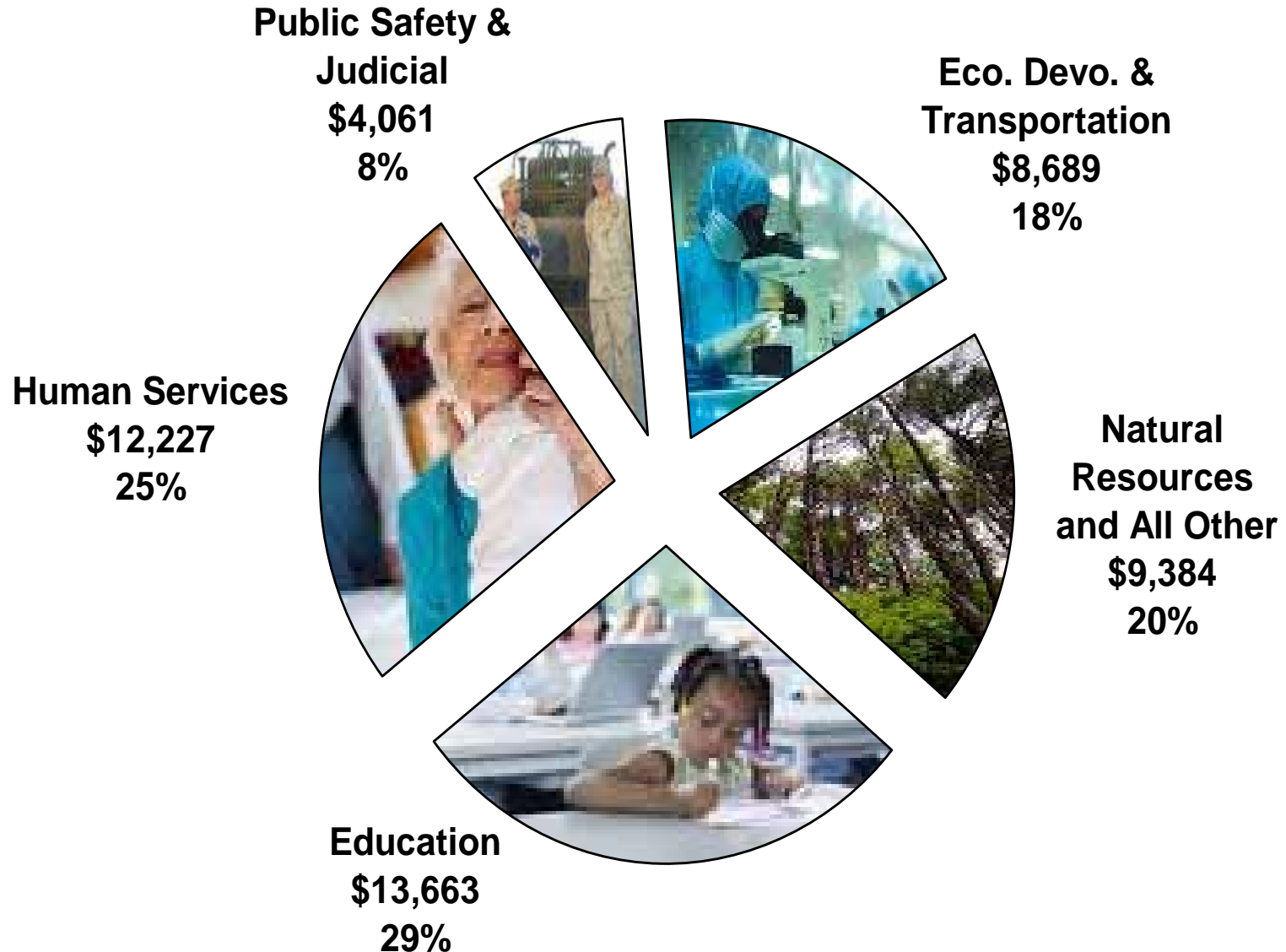
2007-09 General Fund & Lottery Funds

\$14,919 Million



2007-09 Total Funds

\$48,024 Million



Education Investments

(in millions)

\$7,443.9 General Fund
\$ 681.2 Lottery Funds
54.5% of Total GF/LF

GF/LF Cost to continue previous services \$7,505.3

PreK-20 holistic view of Education and lifelong learning

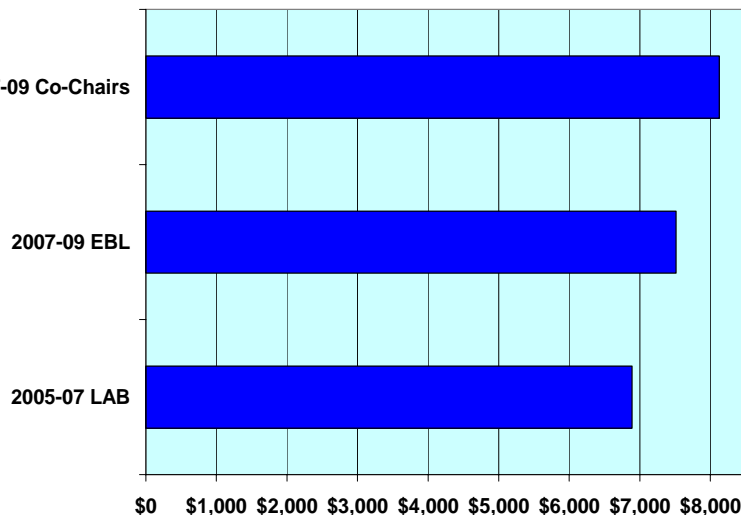
Highlights –

- 16% increase in K-12 Funding, including \$260 million for the School Improvement Fund pilot
- Dramatically expand Head Start and start ramp up to serve all eligible children
- Affordable access to college for every Oregonian who maintains good grades
- Increase per student support for Community Colleges
- Increase support and flexibility for public Universities
- Graduate more health care professionals
- Continued capital investment to maintain infrastructure and create jobs
- Build data systems to ensure great results
- Other strategic investments

Total General Fund/Lottery Funds

\$8,125.1

Education



Human Services Investments

(in millions)

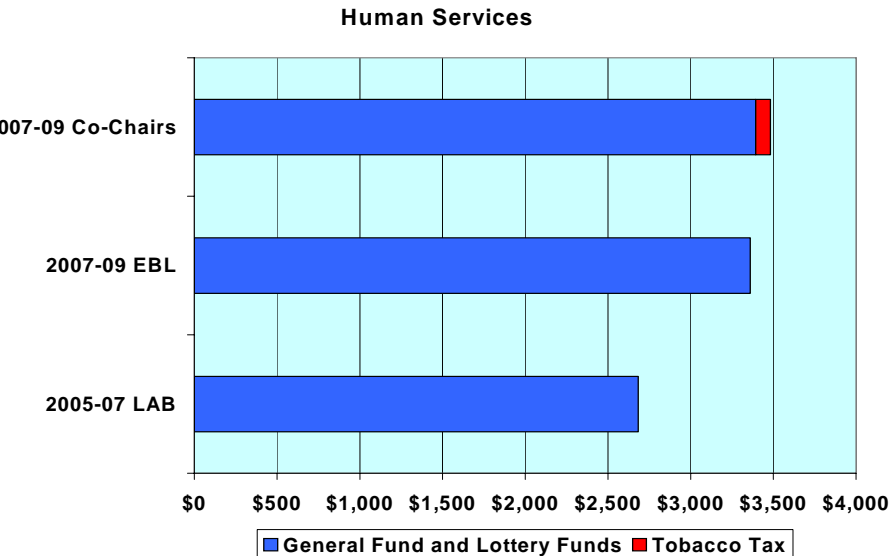
\$3,380.7 General Fund
\$ 12.0 Lottery Funds
22.7% of Total GF/LF

GF/LF Cost to continue previous services \$3,360.6

Promote independence, self sufficiency, and dignity
Put health back into health care

Highlights

- Expand employment related day care for low income working families
- Expand support for abused and at-risk children
- Ensure access to health and long term care providers—provider taxes, increase DRG rates, improve AAA equity
- Ensure sustainability for Oregon Project Independence
- Invest more in school based health centers
- Make our Healthy Kids program sustainable
- Replace the State hospital and add community services for Oregonians with mental illness
- Data systems to support transparency and fiscal responsibility
- Other strategic investments



Total General Fund/Lottery Funds

\$3,392.7

Public Safety/Judicial Investments

(in millions)

\$2,371.9 General Fund
\$ 6.8 Lottery Funds
15.9% of Total GF/LF

GF/LF Cost to continue previous services \$2,333.6

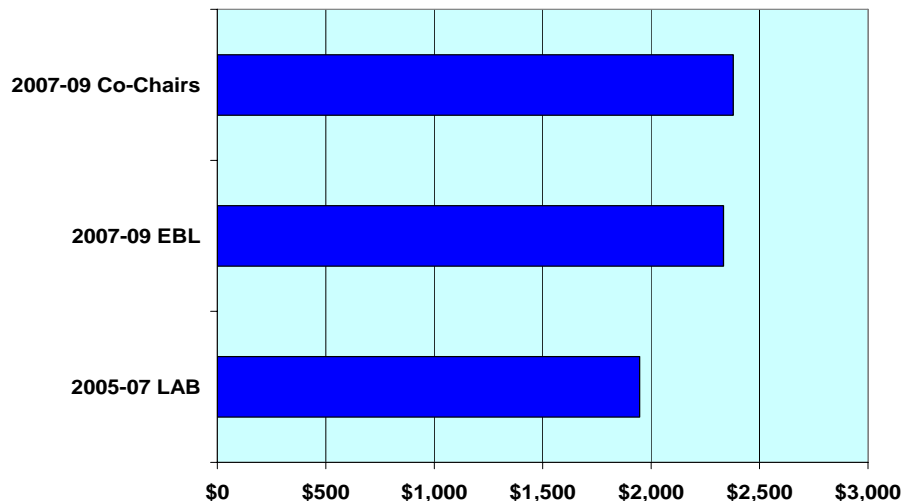
Effective prevention backed up by enforcement

Highlights

- Increase juvenile crime and gang prevention grants
- More beds and services for juveniles
- Expand services to prevent and treat victims of child abuse and domestic violence
- Add 100 new Oregon State Police officers
- Enhance statewide forensics capability
- Bolster community corrections and initiate a path to fully fund a new partnership formula
- Assures equal access to justice under the law
- Enhanced support for our military troops and our veterans
- Other strategic investments

Total General Fund/Lottery Funds \$2,378.7

Public Safety & Judicial



Economic Development and Transportation Investments

(in millions)

\$ 55.2 General Fund
\$ 183.5 Lottery Funds
1.6% of Total GF/LF

GF/LF Cost to continue previous services \$183.2

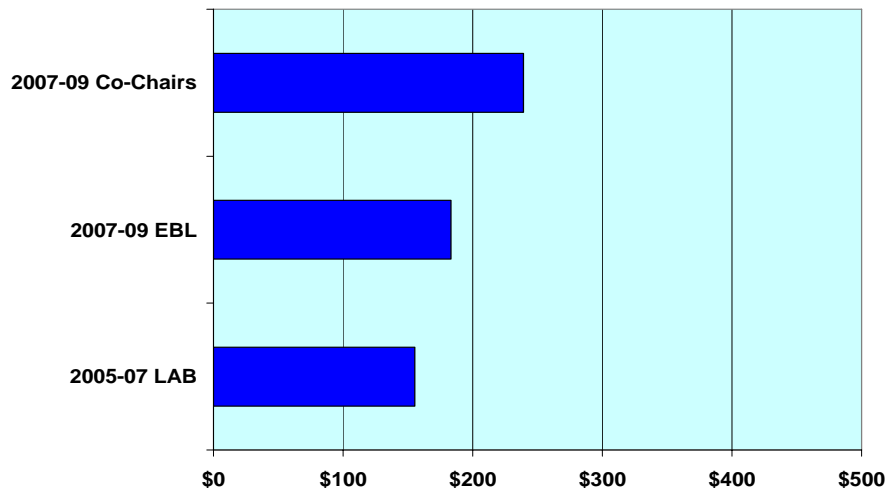
Support businesses that invest in Oregon & provide jobs to Oregonians

Highlights

- Make targeted sustainable investments in the Innovation Economy
- Continue investing in Women, Minority and Small Business
- Continue investing in Oregon's roads and bridges
- Connect Oregon II for freight mobility
- Reinvest in Oregon's Arts Community
- Major investment in housing for Oregon's vulnerable populations, including seniors
- Other strategic investments

Total General Fund/Lottery Funds \$238.7

Economic Development & Transportation



Natural Resources Investments

(in millions)

\$162.1 General Fund
\$201.2 Lottery Funds
2.4% of Total GF/LF

GF/LF Cost to continue previous services \$241.2

Restoring our commitment to Oregon's natural splendor

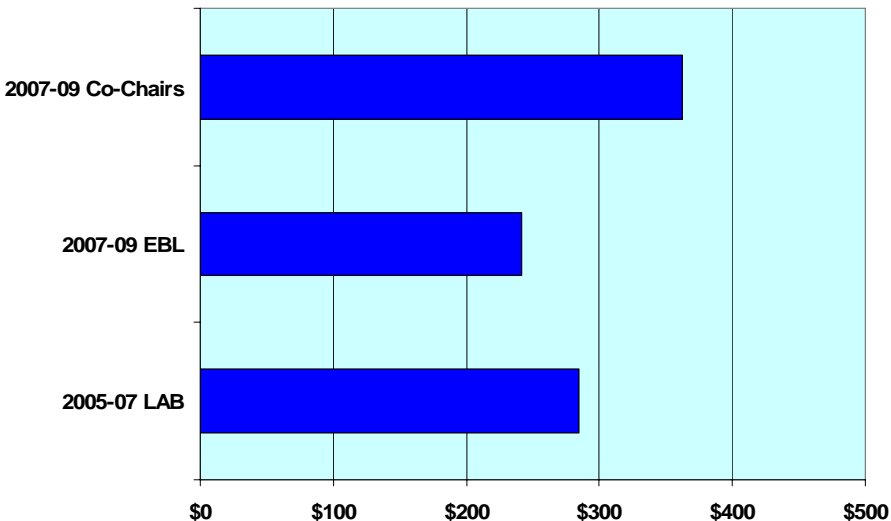
Highlights

- Restores General Fund for regulatory activities
- Establishes Oregon as a leader in renewable energy
- Reinvestment in Oregon's air and water quality
- Enhance fire protection of forests with Oregon's landmark early attack system
- Double OWEB investments from 4 years ago to restore habitat
- Assistance to rural Oregon through grants
- Provides funds for forest monitoring in E. Oregon
- Commitment to reach park grant and land acquisition goals to ensure Oregon communities' quality of life as we grow
- Begin to inventory water resources to support sustainable development
- Other strategic investments

Total General Fund/Lottery Funds

\$363.3

Natural Resources



General Government Investments

(in millions)

\$413.9 General Fund
\$ 6.8 Lottery Funds
2.8% of Total GF/LF

GF/LF Cost to continue previous services \$428.6

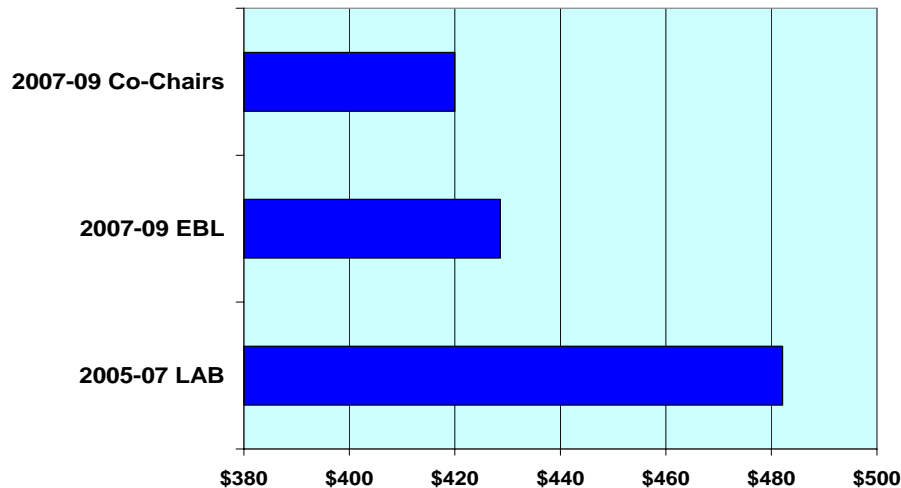
Reducing percentage of the budget spent on administrative costs

Highlights

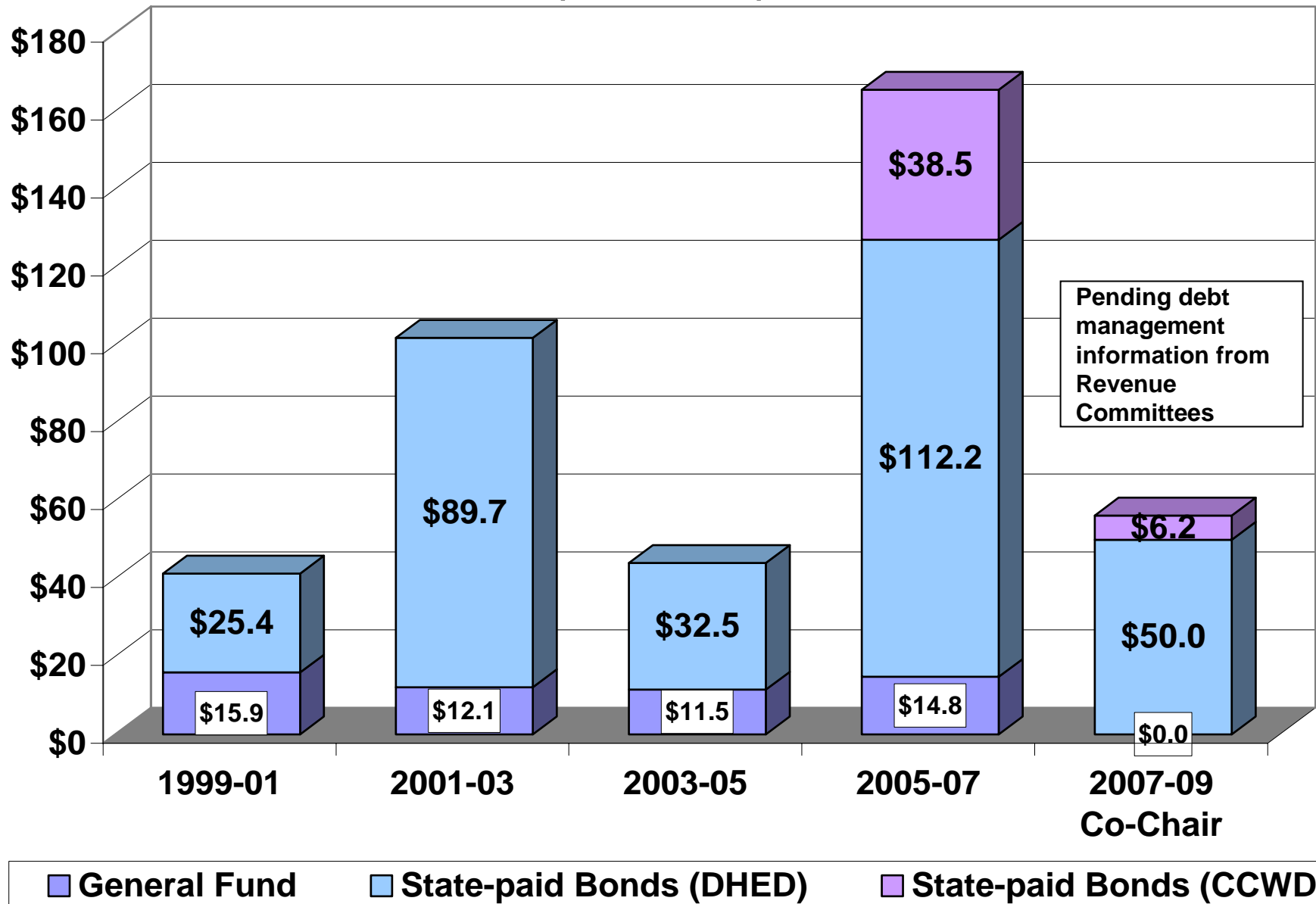
- Clean government initiative and ethics reform
- Provide resources to help Oregon's seniors navigate prescription drug issues, especially Medicare Part D
- Enhance apprenticeship training coordination
- Ensure a reliable, secure IT infrastructure
- Audit outcomes, continuous improvement, and agency performance
- Other strategic investments

Total General Fund/Lottery Funds \$420.7

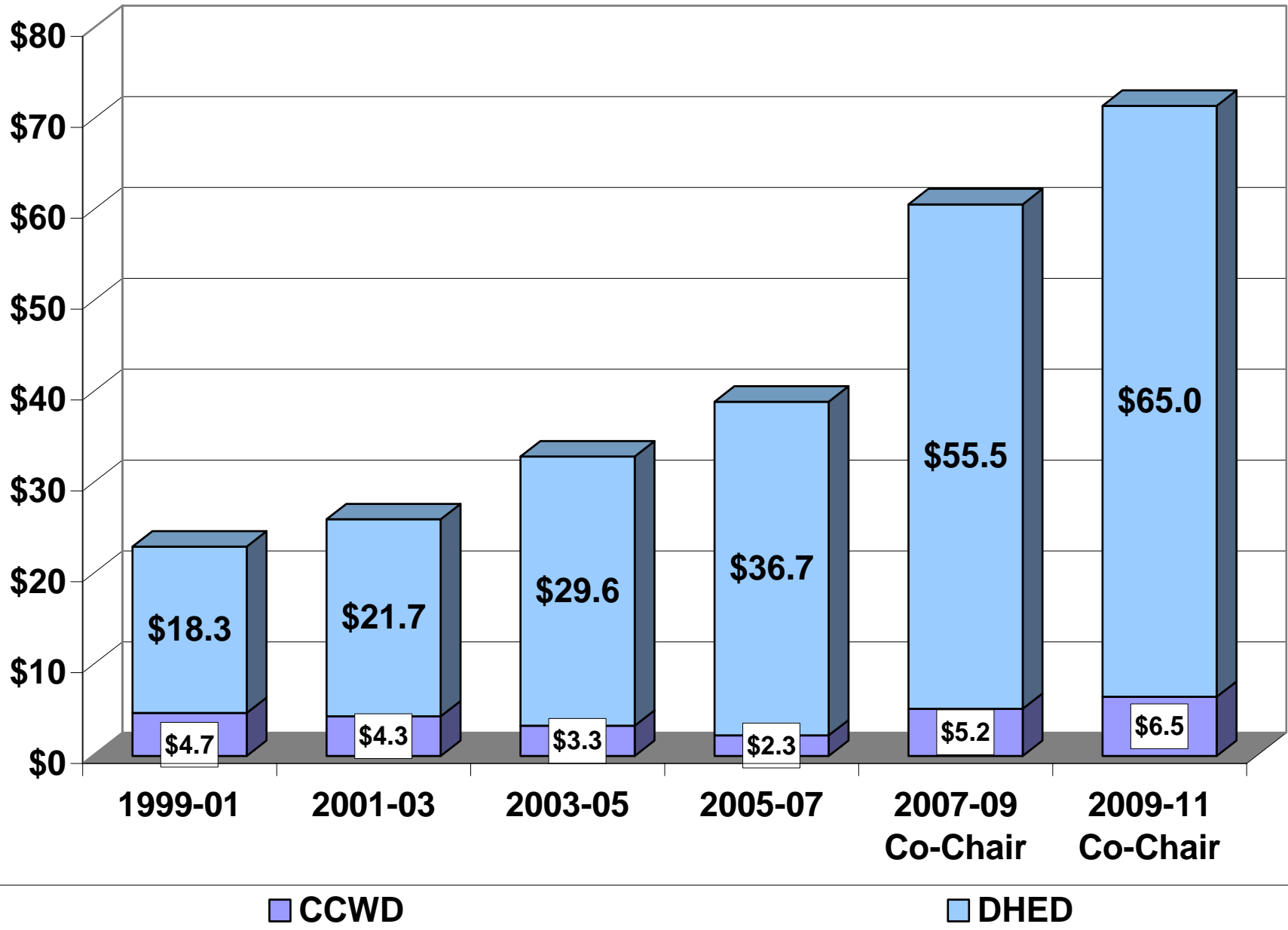
General Government



State-supported DHED/CCWD Capital Construction Budget (in millions)



State-paid DHED/CCWD Capital Construction Debt (in millions)



Other Issues

- Federal Budget and Policy Changes
 - Human Services
 - Technology
 - Local government
- Lawsuits and initiatives
- Revenues
 - Economic Volatility
 - Tobacco Taxes
 - Provider “Self” Taxes
 - Insurance Surcharge
 - Corporate Minimum
- Health care issues
 - Inflation
 - Demographics



Education Program Area Investments - Highlights (in millions \$ GF/LF)

Agency	Description	Co-Chairs' Recommended Enhancements
Department of Education - State School Fund	K-12 - Increase over EBL (including Statewide Virtual School District and Mentoring)	196.0
	K-12 - School Improvement Fund Pilot	260.0
	\$6,245.0 million GF/LF total	
Department of Education	Data integration project and Growth Model development/implementation	10.2
	Oregon Pre-K expansion	29.0
	Early Intervention/Early Childhood Special Education (EI/ECSE) caseload	3.0
	\$371.1 million GF/LF total	
Community Colleges & Workforce Development	Community College Support Fund enhancement	30.0
	Integrated Management Information System - data system consolidation	1.7
	\$468.6 million GF total	
Higher Education	Basic University Support	28.5
	Regional University Support	2.0
	Healthcare Initiative - Allied Health and Nursing Programs	7.4
	ETIC - increase in engineering programs	7.0
	\$843.1 million GF/LF total	
Oregon Health & Sciences Univ.	MD class expansion from 108 to 120	4.1
	Nursing Program Partnerships Expansion (including BS, Master's, WOU)	5.6
	State student enrollment 75% in-state in MD program (from current 50-50)	1.2
	\$86.6 million GF total	
Student Assistance Commission	Opportunity Grant Shared Responsibility Model	47.0
\$111.0 million GF/LF total		

Human Services Program Area Investments - Highlights

(in millions \$ GF/LF, except where OF noted)

Agency	Description	Co-Chairs' Recommended Enhancements
Dept. of Human Services		
Children, Adults & Families	Self Sufficiency/Substitute Care Health and Safety Initiatives	51.0
Seniors and People with Disabilities	Long Term Care Services to DD Clients - Equity rate increases for providers	20.0
	Program Support - Medicare Part D enrollment and quality of care in community-based facilities	2.3
	Extend Long Term Care provider tax (Other Funds)	40.4
	Continue Oregon Project Independence using property tax deferral account transfers (Other Funds)	12.0
Health Services	Community mental health programs	21.5
	OHP extends MCO and Hospital Provider Taxes expiring Jan. 2008 (Other Funds)	191.4
	CHIP Healthy Kids program/TURA (using increased cigarette tax; Other Funds)	62.0
\$3,308.0 million GF/LF - DHS Total		
Office of Private Health Partnerships	Healthy Kids program (using increased cigarette tax; Other Funds)	22.6
\$26.5 million GF total		
State Commission on Children and Families	Expanded programs for court appointed special advocates; Healthy Start; Relief Nurseries	4.6
\$54.7 million GF total		
Commission for the Blind		
\$1.6 million GF total		
Long Term Care Ombudsman		
\$0.8 million GF total		
Psychiatric Security Review Board		
\$1.0 million GF total		

Public Safety / Judicial Program Area Investments
(in millions \$ GF/LF, except where OF noted)

Agency	Description	Co-Chairs' Recommended Enhancements
Corrections	Mental Health Staffing/Services/A&D Compensation/Re-Entry Coordination	8.0
	Community Corrections	12.3
\$1,285.1 million GF total		
Oregon Youth Authority	Facility Program staffing safety and security/young women services/medical and pharmacy costs	2.7
	Community Program - juvenile crime prevention grants and provider rates	4.1
	Gang Prevention Grants	1.6
\$252.9 million GF total		
Oregon State Police	Essential patrol infrastructure adds evidence techs, field support, equipment	1.9
	Oregon Wireless Interoperability Network (OWIN) development	4.8
	Forensics Staffing and DNA backlog; infrastructure and field support	3.4
	100 new officers for patrol and drug interdiction	13.4
	46 existing troopers funded with GF rather than OF from auto insurance surcharge	6.3
\$222.3 million GF/LF total		
Department of Justice	Domestic and Sexual Violence services	1.0
	Victim Services compensation and Child Abuse Multidisciplinary Intervention (CFAA; Other Funds)	4.0
\$47.9 million GF total		
Criminal Justice Commission	Drug Court program	2.5
\$6.4 million GF total		
Military Department		
\$23.1 million GF total		
District Attorneys & Deputies		
\$9.2 million GF total		
Bd. of Parole & Post Prison Supervision		
\$3.7 million GF total		
Dept. of Public Safety Standards and Training		
\$11.3 million GF total		
Council on Court Procedures		
\$0.01 million GF total		
Judicial Department		
\$304.6 million GF total		
Public Defense Services Commission		
\$212.1 million GF total		
Commission on Judicial Fitness		
\$0.2 million GF total		

Transportation/Economic Development Program Area Investments - Highlights

(in millions \$ GF/LF, except where OF noted)

Agency	Description	Co-Chairs' Recommended Enhancements
Economic and Community Development Dept.	Oregon InC investment	19.0
	Workforce Investment - targeted training in industry clusters (LF)	5.0
	Small Business Services - restores base for minority, women, small bus dev center (LF)	4.3
	Arts, Culture, and Tourism (GF)	1.4
\$125.9 million GF/LF total		
Housing and Community Services	Affordable housing investment (GF and LF); additional OF assumed in initiative	11.7
	Oregon Food Bank network increased capacity	1.2
\$28.6 million GF/LF total		
Veterans' Affairs	County Veterans' Services Offices funding	2.7
	Emergency Assistance program	0.5
\$5.9 million GF total		
Consumer and Business Services	Senior Assistance for Medicare Part D (OF)	0.8
(no direct GF)		
Transportation	Connect Oregon II; \$100 million multi-modal investment (lottery-backed bonds)	5.5
	Commuter Light Rail; \$250 million (lottery-backed bonds; debt begins in 2009-11)	-
\$60.4 million GF/LF total		
Employment Department		
\$3.9 million GF total		
Bureau of Labor and Industries		
\$12.6 million GF total		
County Fairs		
\$3.5 million LF total		
OPB/Historical Society		
\$3.1 million GF/LF total		

Natural Resources Program Area Investments - Highlights

(in millions \$ GF/LF)

Agency	Description	Co-Chairs' Recommended Enhancements
Agriculture	Ag Development - developing renewable energy sources	0.5
	Natural Resources - fund shift from PCSRF to GF due to FF declines	2.0
	Natural Resources - CAFO - use GF instead of M66 LF	1.2
	\$30.7 million GF/LF total	
Environmental Quality	Air Quality program investments	4.0
	Water Quality program investments	2.4
	Water Quality fund shift from PCSRF to GF due to FF declines	0.9
	\$37.8 million GF/LF total	
Fish & Wildlife	Natural Prod - M66 operating LF for Lower Columbia Monitoring Program (16 positions)	1.4
	Natural Prod - fund shift from PCSRF to GF due to FF declines	3.8
	Habitat - fund shift from PCSRF to GF due to FF declines	0.5
	Coastal monitoring program	0.7
	\$24.5 million GF/LF total	
Forestry	Fire - Severity resources, insurance premium, system redesign	6.0
	\$47.1 million GF total	
Land Conservation & Development	Measure 37 claim processing and 30-Year Land Use Review	5.2
	\$16.0 million GF total	
Oregon Watershed Enhancement	Non-capital grant program (monitoring, watershed education, technical asst) (M66 LF)	4.0
	Non-capital grant program (split out Restoration and Protection Research Fund)	2.7
	Capital construction grants (M66 LF)	55.8
	Capital construction grants (M66 LF) - (split out Restoration and Protection Res. Fund)	4.8
	\$77.1 million LF total	
Parks & Recreation	Additional funding for Grants, Acquisition, and Recreation programs (M66 LF)	26.9
	\$98.9 million LF total	
Water Resources	Field Services restoration and Technical Services (measurement and supply)	1.6
	\$24.1 million GF total	
Columbia River Gorge Commission		
	\$1.0 million GF total	
Dept. of Energy		
	\$1.5 million GF total	
Dept. of Geology and Mineral Industries		
	\$3.2 million GF total	
Land Use Board of Appeals		
	\$1.4 million GF total	
Dept. of State Lands		
	\$0.2 million GF total	

General Government Program Area Investments - Highlights

(in millions \$ GF/LF)

Agency	Description	Co-Chairs' Recommended Enhancements
Dept. of Administrative Services	BM 37 claims processing costs	0.7
	Oregon Prescription Drug Program staff and related costs	0.7
	\$10.1 million GF total*	
Dept. of Revenue	Verification of refundable credits eligibility staff	0.5
	Electronic document management system	0.8
	\$148.6 million GF total	
Secretary of State	Voters' Pamphlet funding	1.2
	\$11.8 million GF total	
Government Standards & Practices Commission	Implement ethics reforms	1.1
	\$1.8 million GF total (including Emergency Fund)	
Emergency Fund	Continuous Improvement Projects	2.5
	\$157.5 million GF total (including special purpose)	
Advocacy Commissions Office		
	\$0.4 million GF total	
Employment Relations Board		
	\$1.7 million GF total	
Office of Governor		
	\$11.6 million GF/LF total	
State Library		
	\$3.4 million GF total	
Legislative Branch		
	\$68.9 million GF total	

* \$5.2 million LF in DAS shown in Transportation/Economic Development