2011-13

State of Oregon
Department of Administrative Services
Budget and Management Division

Budget & Legislative Concepts Instructions

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THEODORE R. KULONGOSKI
Governor

Message from Governor Theodore R. Kulongoski

Before addressing the Budget Instructions for the 2011-13 biennium, I want to first thank you for your service and work in preparing the state budget. Since coming into office in 2003 we have prepared four budgets that were presented to the Legislature. We have weathered two significant downturns in our economy and experienced a brief respite in 2007-09. In spite of these uncertainties, we have worked together to expand access to health care for children. We have improved our state transportation system, increased access for students to education beyond high school and provided services to Oregon citizens during their greatest time of need.

While economists tell us that the recession is now over, the coming years will present significant financial challenges. While we are no longer technically in a recession, we are looking at a prolonged period of slow economic and job growth. Oregon is not expected to restore the jobs that were lost in this recession until sometime in 2013. This slow job growth will translate into slow revenue growth for state programs in the coming years.

On top of the slow revenue growth, our expenditures in the next few years will also be challenged. We will need to replace almost one and a half billion dollars in one-time federal stimulus funds and state reserves that were used to soften the recession’s impact during 2009-11. We will face continuing demand for assistance from struggling families that have not yet returned to full employment.

Finally, the 2011-13 biennium will also be a biennium of transition. New decision-makers will be faced with a very difficult task in balancing the needs of all Oregonians. Through working together, I am confident we can meet these challenges and work to construct a budget that will be balanced and will provide the best services possible for Oregonians

These budget development instructions provide a solid framework for a discussion of our priorities, what it will take to achieve them, and the consequences if we do not act. These instructions also document the technical requirements that all state agencies must use to construct their agency budget requests for the 2011-13 biennium.

You will receive more information in the next few months on how we are going to accomplish this task. I know it means more work for all of us, but it is critical to good decision making. It is also a reasonable expectation of citizens that we have this information and can readily provide it to them and their elected representatives in the Legislature. I know that, if we work together, we can live up to the expectation.

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EXECUTIVE SUMMARY

The budget instructions provide context and technical requirements to state agencies for development of their 2011-13 Agency Request Budgets. Oregon is coming out of the worst recession since the 1930's. We are looking at a prolonged period of modest economic and job growth. Oregon is not expected to regain all the jobs lost in the recession until late in the 2011-13 biennium. In addition, the one-time revenues that were used to balance the 2009-11 budget, such as the federal stimulus and state reserve revenues, will need to be back-filled with General Fund resources during 2011-13. These factors together will create an extremely difficult budget situation for the 2011-13 biennium. Agencies must develop their budget proposals in this context.

Two years ago, significant changes were made to the budget development process and timelines. Work on the Actuals column and the Current Service Level (formerly known as Essential Budget Level) exceptions were moved up in the process. Eliminating the Estimates column reduced workload for agencies. A Current Service Level (CSL) audit was implemented, moving this part of the process up as well. As a result, agencies had more time to focus on the most important parts of budget development, the CSL and development of policy packages. For 2011-13, there will not be any significant changes to either the budget development process or timeline.

Timeliness and deadlines are critical to budget development. Agencies need to focus early on budget planning and policy decisions. This will allow time to convert policy decisions into budget documents. Changes made to the budget process in 2009-11 have made it easier for both agencies and Budget and Management (BAM) to meet critical deadlines. If circumstances change or information arises late in the process that affects an Agency Request Budget, these changes can be made in the final Governor's Recommended Budget.

The basic structure remains the same:

1. The Base Budget is built on the 2009-11 Legislatively Adopted Budget. The adopted budget is adjusted for Emergency Board, special session, and Nonlimited administrative actions through April 2010, resulting in the Legislatively Approved Budget. It is also adjusted for projected Personal Services and scheduled debt service. Capital Construction budgets approved in 2009-11 are not included in the 2011-13 Base Budget.
2. Essential packages describe budget adjustments that bring the base to a current service level, which is an estimate of the cost to continue legislatively approved programs into the 2011-13 biennium. Inflation and phase-ins of legislatively approved program changes are examples.
3. Policy packages reflect other program and policy changes that will affect the budget if adopted.

Determine the budget building blocks early in the process:

1. Cross-reference number changes to start the 2011-13 preparation process are due to BAM by March 31, 2010. BAM, the Legislative Fiscal Office, and the agency must concur on the program units.
2. Forecasts of all Lottery Funds (beginning balance only), Other Funds, or Federal Funds revenues are due by March 31, 2010.
3. Exception request concepts, including ballpark dollar estimates, are due to BAM by March 31, 2010.

Identified inflation factors and the Department of Administrative Services (DAS) Price List of Goods and Services will guide cost and price changes. The standard biennial inflation factors are 2.4 percent for general inflation, 3.1 percent for non-state employee personnel costs, and 3.9 percent for medical services. Other cost increases will be on an exception basis only.

There is no budget “target” for agencies. Each agency will identify 25 percent reduction options from the current service level for programs supported by General Fund and/or Lottery Funds. Ten percent reductions in Other Funds and Federal Funds will also be identified to comply with ORS 291.216. Reduction options at the 25 percent level are needed for General Fund and Lottery Funds in order to provide options for balancing the large budget shortfall anticipated in 2011-13.

New statewide employee compensation increases for the 2011-13 biennium, such as Cost of Living Adjustments (COLAs), will not be in Agency Request Budgets. Any proposed increase will be in the Governor’s Recommended Budget as a statewide request. Merit increases will be calculated by the Position Information Control System (PICS), as in the past. Pension Obligation Bonds, which were issued in 2003-05 to reduce the PERS unfunded actuarial liability, are repaid by agencies. Specific Pension Obligation Bonds budget information will be provided to agencies in a separate communication later.

Agency budgets should be focused on achieving outcomes. Agencies will continue to develop and report Key Performance Measures, and other internal agency measures when appropriate. Agencies will include specific outcome measures with each policy package requested.

Information Technology (IT) investments, current and proposed, should be aligned with the Governor’s goals and initiatives, the Enterprise Information Resources Management Strategy, and other IT-related statewide plans, initiatives, goals and objectives. Proposed IT investments should be clearly linked with agency strategic and business plans and be justified on the basis of a sound business case. Agencies will provide information resources management planning information that includes a list of all IT projects, an IT asset lifecycle replacement plan, and business case documents for major IT projects the agency plans to initiate in the 2011-13 biennium. This information should be provided to the Department of Administrative Service, Enterprise Information Strategy and Policy Division at the same time the agency submits its Agency Request Budget document to BAM.

Agencies should update their revenue estimates with the most current information available at the time they submit their Agency Request Budget. This means that agencies can continue to update their revenues even after they have finished their CSL audit.

Any agency proposing a policy package that affects another agency’s budget should coordinate early in the process. For instance, an agency planning its budget for vehicle purchases should coordinate with the Department of Administrative Services (DAS), Fleet so that DAS can also take those purchases into account. The same holds true if an agency is proposing an office expansion; work with DAS Facilities. Agencies should work with the State Data Center when proposing IT projects that will affect workload or hardware needs in the Data Center.

Changes from the prior biennium’s budget instructions:

- The Summary of 2011-13 Budget form (the old form 107BF03) will now be produced by ORBITS, rather than manually produced by the agency (page 21).

- Packages 031, 032, and 033 have been restructured slightly. Only a few agencies will need to use Package 032 (pages 25-26).
- For the last two biennia, agencies have prepared the Program Prioritization form during the Legislative Session, at the request of the Legislative Fiscal Office. This form is now required for the Agency Request Budget (form 107BF23). Priorities are listed for each Program Unit/Division as well as department-wide (page 51).
- For agencies that pay for fingerprinting services at Oregon State Police, the decision has been made to handle the budget for those payments in a standardized way. All agencies are expected to budget for this in Services and Supplies, consistent with accounting. Agencies that budgeted this as Special Payments in the past will need to transfer this budget from Special Payments to S&S in an Essential Package No. 060 (page 30).
- The threshold between capital improvement and major capital construction or acquisition projects has been increase from $500,000 to $1,000,000 (page 57).
- The expression Essential Budget Level (EBL) has been replaced with Current Service Level (CSL). The definition has not changed.
- For the Governor's Recommended Budget, the Legislature will explore the idea of using electronic copies of the budget documents rather than paper copies whenever possible. This will depend on specific Ways and Means member preferences. It is hoped that agencies will be able to reduce the number of paper documents produced for this phase of the process. Agencies will receive further instruction in January 2011.
- The old 2009-11 interactive Price List report will be available on the web, in addition to the new 2011-13 report. The 2009-11 report has NOT been updated for revisions at the Governor's Recommended or Legislatively Adopted stages of budget development.

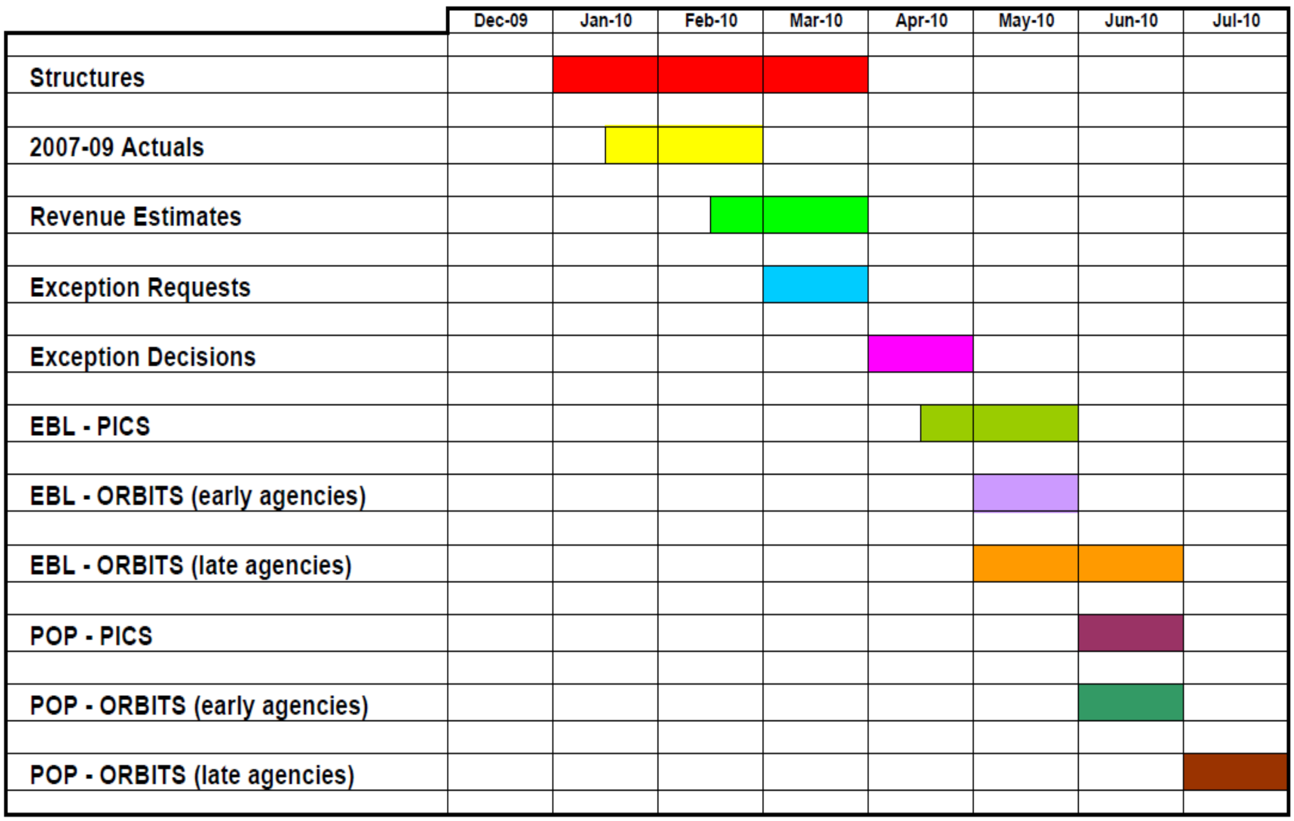
2011-13 Budget Development Schedule

March 1, 2010	Last date for audit request to SABRS for 2007-09 Actuals column
March 17, 2010	Agency Budget Kickoff Meeting at the Fairgrounds.
March 31, 2010	Last date to submit changes to cross-reference numbers and program units to BAM. Agency/BAM/LFO consensus needed on program units for budget development.
	Last date to send revenue estimates and methodology to BAM.
	Last date for current service level exception requests to BAM for Agency Request Budget development.
April 9, 2010	Last date to submit legislative concepts to DAS.
April 30, 2010	Last date for BAM approval on current service level exception requests.
	Last date to submit Performance Measure change request form to BAM
April 30, 2010* or` May 31, 2010	Last date for SDC customer agencies to request SDC involvement in IT project planning and budget development.
May 14, 2010	Last date to submit certificate of participation (COP) Finance Agreement Request forms.
May 31, 2010	Last date for agencies to provide documentation to BAM on all essential packages and on approved exceptions.
	Last date to enter CSL PICS information.
May 31, 2010* or June 30, 2010	Last date to enter CSL ORBITS information.
June 30, 2010	Last date for audit request to SABRS for 2011-13 PICS Agency Request Budget.
June 30, 2010* or July 31, 2010	Last date for audit request to SABRS for 2011-13 ORBITS Agency Request Budget.
Various	Requests for special approvals or special reports due.
August 2, 2010* or September 1, 2010	Last date to submit 2011-13 Agency Request Budget document to BAM. Last date to submit information resource management planning information to EISPD.
	Last date to submit Annual Performance Progress Report.

Dates to be Announced	Agency budget appeals and adjustments.
	Audit request(s) to SABRS for 2011-13 Governor's Recommended Budget.
	Agency's 2011-13 Governor's Recommended Budget document delivered to BAM and the Legislature.
	Audit request(s) to SABRS for 2011-13 Legislatively Adopted Budget.
	Agency's 2011-13 Legislatively Adopted Budget document to BAM.

**** Earlier due date is for "early submittal" agencies -- see Agency Request Budget due dates on page 9.***

2011-13 Budget Preparation Timelines through Agency Request



AGENCY REQUEST BUDGET DUE DATES

The agencies listed below are considered "early submittal" agencies. Agency Request Budgets are due to BAM no later than August 2, 2010 for these agencies. All others are due no later than September 1, 2010.

Accountancy, State Board of
Advocacy Commissions Office, Oregon
Agriculture, Department of
Aviation, Oregon Department of
Blind, Commission for the
Chiropractic Examiners, Board of
Clinical Social Workers
Columbia River Gorge Commission
Construction Contractors Board
Consumer and Business Services, Department of
Counselors and Therapists
Criminal Justice Commission
Dentistry, Board of
District Attorneys and their Deputies
Employment Department
Employment Relations Board
Energy, Department of
Geology and Mineral Industries, Department of
Government Ethics Commission
Health Licensing Agency, Oregon
Health Related Licensing Boards
Housing and Community Services, Oregon
Labor and Industries, Bureau of
Land Conservation and Development, Dept. of
Land Use Board of Appeals
Library, State
Liquor Control Commission, Oregon
Marine Board
Medical Board, Oregon
Military Department, Oregon
Nursing, Board of
Oregon Health and Science University
Parole and Post-Prison Supervision, Board of
Pharmacy, Board of
Private Health Partnerships, Office of
Psychiatric Security Review Board
Psychologist Examiners, Board of
Public Employees' Retirement System
Public Safety Standards and Training, Dept. of
Public Utility Commission
Racing Commission
Real Estate Agency
State Lands, Department of
Tax Practitioners, State Board of
Teacher Standards and Practices Commission
Veterans' Affairs, Department of
Water Resources, Department of

Early submittal State Data Center (SDC) customer agencies, including Consumer and Business Services, Employment, Housing and Community Services, and Veterans Affairs, as well as the Department of Human Services and Transportation must request SDC involvement in the planning and budget development for Information Technology (IT) projects by April 30, 2010. The Department of Administrative Services, Corrections, Forestry, Revenue, and State Police must request SDC involvement in budget development for IT projects by May 31, 2010. For more information, please review the SDC Quote Process and SDC Service Scoping Template and then contact the SDC via email at: SDC.Quotes@das.state.or.us or by phone at (503) 378-6758.

- The Great Recession took a heavy toll on both Oregon and the nation: double-digit unemployment rates, heavy job losses and severe slack, or underutilization, in the economy. With the initial recovery being tepid by historical standards, the nation and Oregon are expected to fare much better during the 2011-13 biennium. Oregon's Gross State Product is projected to return to historical growth rates, while employment growth will remain steady throughout the biennium.

- Inflation is expected to rise moderately during the 2011-13 biennium despite the pressures from high energy and commodity prices. The U.S. Consumer Price Index (CPI) is forecast to rise 3.1 percent during the biennium from the prior biennium. The Gross Domestic Product (GDP) implicit price deflator is expected to increase 2.4 percent over the same period. In most cases, Oregon uses the GDP deflator as the basis for budget development. It is a broader measure and avoids some bias inherent in the CPI measure. The medical price deflator is expected to increase 3.9 percent.

- Although economic growth is expected to return in 2010, employment growth through the second half will be subpar by historical standards. Oregon's economy will continue to grow at a more robust pace in the 2011-13 biennium. Even with such stronger growth, and to add some perspective to effects of the Great Recession, by the end of the biennium, it is projected that Oregon will have nearly regained all the jobs lost during the Great Recession. While the manufacturing sector will see strong gains, the leading industries are expected to be health services and professional and business services. Oregon will also benefit from robust Asian economies with increased levels of international trade. Oregon's economic growth is expected to outpace the nation through 2013 in terms of both employment and wages.

- Oregon's population is expected to continue growing, but at a slower pace than during the 1990s. The total population is forecast to increase by 96,000 during the 2011-13 biennium, with 64 percent of the change coming from net migration. Oregon's population will approach 4 million by July 1, 2013.

- The most rapid growth during 2011-13 is expected in the youngest seniors (age 65-74 years old), followed by oldest seniors (85 years and older). The number of children (under 17) will grow at a rate slower than the state average. Seniors aged 75 to 84 will reverse the declining trend and will start positive growth.

- The prison inmate population is expected to grow at a rate of 4.3 percent during the 2011-13 biennium, from 14,352 in July 2011 to 14,974 in July 2013. This follows a forecast increase of 2.7 percent for the 2009-11 biennium, up from 13,972 in July 2009. Growth rates are influenced significantly by 2008's Ballot Measure 57 and 2009's House Bill 3508 which affect sentences and crime definitions for property crimes, and sentence reductions in general.

Revenue Outlook

General Fund/Lottery

- Based on the December 2009 forecast, General Fund revenues are projected to grow 15.3 percent to $15,448.3 million. Personal income tax constitutes 87.1 percent of the total, with corporate income tax contributing an additional 6.9 percent.

- Lottery resources are expected to be $1,185.7 million for the 2011-13 biennium. Video lottery will account for slightly more than 90 percent of lottery resources.

- Risks to the overall revenue forecast are similar to those for the economy in general. It should be noted that due largely to its dependence on the volatile personal income tax, changes in economic conditions can have dramatic effects on revenue collections.

Tobacco/Health Plan

- Cigarette and Other Tobacco taxes dedicated to the General Fund are forecast to total $105.4 million in the 2011-13 biennium.

- Cigarette and Other Tobacco taxes dedicated to the Oregon Health Plan are forecast to total $301.3 million for the 2011-13 biennium. An additional $13.9 million in tobacco taxes will be available to fund the Tobacco Use Reduction Account.

- The greatest risk to tobacco taxes are continued increases in the wholesale price or the federal excise tax, which would decrease consumption and in turn could decrease cigarette tax revenues to the state.

The Biennial Budget Process

The budget process has three major cycles.

Agency Request Budget – Agencies start the budget process early in even-numbered years. The Agency Request Budget is the first document in the process. It lays out the policies and finances the agency asks the Governor to recommend to the Legislature. Prepared under guidelines set by DAS, the document consists of descriptive narratives, budget forms, and audited ORBITS reports. It is due by either August 2 or September 1 to BAM. (See the agency request due dates on page 9.)

Governor's Recommended Budget – The Governor and BAM review Agency Request Budgets to compile the Governor's Recommended Budget. That budget reflects the Governor's priorities and the policies set in statute. It includes data on statewide revenue and expenditures and on all agencies' budgets. A Tax Expenditure Report, compiled by the Department of Revenue, is published with the Governor's Recommended Budget. Each agency prepares a Governor's Recommended Budget document to show the changes the Governor made to the Agency Request Budget. The Governor's Recommended Budget is the starting point for budget discussions during the Legislative Session.

Legislatively Adopted Budget – The Governor's Recommended Budget is presented to the Legislature as it convenes at the start of the next year. The proposed revenues and expenditures are reviewed by committees. They hold public hearings to hear from each agency and the public. The committee recommendations are presented in budget reports for each budget bill. Votes on each bill produce the Legislatively Adopted Budget. Budget bills set out General Fund appropriations; Lottery Funds allocations and expenditure limitations; and Other Funds and Federal Funds expenditure limitations for agencies. Position authority for agencies is included in budget reports. Each agency prepares a Legislatively Adopted Budget document to show the changes the Legislature made to the Governor's Recommended Budget.

Agencies implement, or execute, the budget over the biennium. The Emergency Board can make certain changes to the budget between legislative sessions. Special sessions may also be called to deal with budget issues. During the last two budget cycles, there has been a Supplemental Legislative Session in February of the interim year.

Process Resources

Several budgeting resources are available to agencies. The budget instructions describe state policy and the procedures to build a clear and complete budget. The ORBITS/PICS User's Manual has instructions for the Position Information Control System (PICS) and ORBITS systems. The DAS Price List of Goods and Services details assessments, service charges, and other costs.

Budget development is a long and often changing process. Agencies can expect more instructions on some elements of budget development. For example, final information on content or format for presentations to the Legislature can come as late as January 2011, after the Legislative Assembly meets and organizes itself.

Identify Program Units

Agency budgets are organized by program unit. Program units contain an agency's major program and policy issues. In some cases, one unit may cover an entire agency. An agency may also have program units for Capital Improvement, Capital Construction, Debt Service, and Nonlimited Expenditures. Program units are represented in ORBITS by Summary Cross Reference (SCR) and Detail Cross Reference (DCR) numbers. SCR and DCR numbers generally show the relationship between the agency organization and the budget structure.

To start the budget preparation cycle, an agency must first decide whether the program units used for the last budget are still appropriate. BAM will work with agencies and Legislative Fiscal Office (LFO) to ensure that program units adequately present the major policy issues and budget data. In some cases, agencies may have to revise their program units to better portray their programs and policy issues, or for cross-agency issues.

Beginning with the 2007-09 biennium, agencies' accounting data were cleanly aligned with ORBITS program units. When reviewing ORBITS detail cross references for 2011-13 budget development, agencies should keep in mind that any requested changes to cross reference structures must be accompanied by the necessary accounting structure changes.

Refer to the ORBITS/PICS User's Manual for the technical details for developing program units and the underlying cross-reference numbers. Cross-reference numbers must be in place early to allow the Agency Request Budget to be submitted on time.

Proposed program units are due by to BAM by March 31, 2010 for budget analyst approval. BAM, LFO, and the agency must work on proposed changes in advance of the deadlines, since they must concur on all changes.

Estimate Revenues

Revenues must cover requested expenditures. Agencies that receive Other Funds, or Federal Funds must project their revenues early in the budget process and update these estimates as needed. Revenue projections should be completed for both Limited and Nonlimited expenditures.

All agencies must submit a spreadsheet with detailed revenue information, as well as an attached narrative document, to BAM by March 31, 2010. For each Other Funds and Federal Funds revenue source, the spreadsheet must include:

- Actual revenues for 2007-09.
- Updated revenue estimates for the 2009-11 biennium.
- Preliminary revenue estimates for the 2011-13 biennium.
- Estimated Beginning Balance for 2011-13.
- For fee-related revenues, data on rates and numbers of units expected for both 2009-11 and 2011-13.

For Lottery Funds, agencies need to report only estimated beginning balance for 2011-13. However, agencies should include Lottery Funds on their final revenue form (107BF07) at Agency Request.

Templates have been developed that agencies can use if they choose (forms 107BF06a and 107BF06b). These templates might also be useful for budget staff who are requesting information internally. If agencies choose to use their own formats, the data reported should be at least as comprehensive as these templates.

For each Other Funds and Federal Funds revenue source, the attached narrative document should include:

- Highlight of major issues, if any.
- Forecast methods and assumptions.
- Fee schedules (if any), with any proposed fee increases or new fees.
- List of any programs where anticipated revenues are not expected to be sufficient to support current service level expenditures, if known this early.
- Revenue trends through 2015.

Agencies should work with their analyst to determine the level of detail reported, i.e. which programs should be reported separately and which can be combined. This is especially important for agencies with numerous revenue sources. If an agency has a few key programs that have significant revenue issues or changes, these should be split out separately.

Work with your BAM analyst if your agency has special circumstances, such as federal entitlement revenues that will not be known until later in the process.

Agencies should update these preliminary revenue estimates with the most current information available at the time they submit their Agency Request Budget. Updated detailed spreadsheets should be submitted to the BAM analyst. **This means that agencies can continue to update their revenues even after they have finished their CSL audit.** If estimates change significantly between July and October, agencies should submit new information to their BAM analyst who can incorporate it into the Governor's Recommended Budget. Agencies should also be prepared to provide further updates to their legislative fiscal analyst during legislative session.

Agency Request revenues should be consistent with the June state revenue forecast for those agencies that produce General Fund revenues.

There are four revenue categories used for budgetary purposes – General Fund, Lottery Funds, Other Funds, and Federal Funds. Agencies should estimate and budget all revenues at the program unit level. The BAM analyst must approve any request to combine revenues across program units or agency-wide.

General Fund – These are revenues that an agency collects, including tax collections and some fees and fines, that go into the state General Fund. These funds are recorded in the ORBITS system by the collecting agency as General Fund revenue, with a matching revenue transfer to the General Fund.

General Fund appropriations are used for program operations. In ORBITS, they are accounted for separately from General Fund revenue.

General Fund appropriations must match the program expenditures they fund. Appropriations cannot cross biennia, so there is no General Fund beginning or ending balance in any agency budget. General Fund for Capital Construction is appropriated for six years; however, it is shown in ORBITS as having been fully spent in the biennium in which it is appropriated. Unspent Capital Construction General Fund is not included in beginning or ending balances in agency budgets.

Lottery Funds – Lottery Funds include any of the following: 1) funds allocated to an agency by the Legislature as Lottery Funds; 2) Lottery Funds revenue transfers between agencies, i.e., Lottery Funds transferred by an agency must be receipted by the receiving agency as Lottery Funds; and 3) all interest earned on Lottery Funds while held by an agency.

Ballot Measure 66 (1998) requires a greater level of reporting and accountability for the 15 percent of net lottery proceeds directed to parks and salmon restoration. Agencies receiving these funds should expect to provide additional detailed expenditure information beyond that which is recorded in their budget. Of the 7.5 percent net lottery proceeds for salmon restoration, at least 65 percent must be spent on capital project expenditures. Up to 35 percent may be spent for administrative purposes.

The Transfer In from DAS or Oregon Watershed Enhancement Board (OWEB) accounts are used to reflect new 2011-13 biennium revenue allocations. Unspent lottery fund balances proposed to be carried forward from earlier allocations should be shown in ORBITS as Lottery Funds beginning balance(s) in Base Budget. Lottery Funds beyond the June forecast for requested policy packages are budgeted as generic Transfers In – Lottery Proceeds at Agency Request. By the Legislatively Adopted Budget, all these generic transfers must be replaced by transfers from specific agencies.

Other Funds – These are revenues to an agency that it can spend directly under an Other Funds expenditure limitation or as Nonlimited Other Funds. They include revenues received from the public, other agencies, cities, or counties. Examples include licenses and fees, loan repayments, and charges for services. Federal Funds transferred from another agency are usually considered Other Funds in the receiving agency budget.

Agencies with programs supported by Other Funds revenues must retain enough ending balance to cover cash flow needs and contingencies. They must be sure to allow for enough ending balance to accommodate statewide salary and benefit increases that may be included in the Governor's Recommended Budget. An excessive ending cash balance, however, may suggest a need for revenue reductions. Agencies should work with BAM analysts to determine ending balance needs.

Current law fee and assessment levels are the basis for estimating revenues for existing Other Funds sources. These current law fee and assessment revenues should be budgeted in an agency's Base Budget. Any fees established or increased administratively during the 2009-11 biennium that were not approved by the 2009 Legislature must be estimated separately in the budget document's Revenue Forecast Narrative. Also, any proposed new sources of Other Funds revenues and any proposed increases in existing fees must be called out in the Revenue Forecast Narrative, even if the proposed increases are within current legal limits.

Before 2007, any fees established or increased administratively during the previous biennium were considered temporary, and had to be ratified by the upcoming Legislature. However, the 2007 Legislature partially changed that in Senate Bill 1032. New or increased fees that were anticipated in the budgeting process and were included in the Legislatively Adopted Budget for the agency are now considered permanent. These revenues should be included in the Base Budget.

However, any fees established or increased administratively during the 2009-11 biennium that were not included in the Legislatively Adopted Budget are still considered temporary. **Do not include these revenues in Base Budget projections**. These revenues are to be included in a fee increase policy package, if applicable. They automatically cease at the end of the 2011 Legislative Session or July 1, 2011, whichever is later. They continue only if they are put into law, or "ratified." This includes fees established or increased through the Emergency Board process. (See ORS 291.055 for the requirements related to changing fees administratively.) If an agency established or increased fees administratively during the 2009-11 biennium that were not included in the legislatively adopted budget, then a fee ratification bill will be drafted by DAS. This fee ratification bill will "accompany" an agency appropriation bill through the legislative process. However, if an agency's fees are explicitly listed in statute, then any proposal to establish or increase fees during the 2011 Legislative Session must be submitted to DAS in the legislative concept process (see page 73).

Here are a few examples to help clarify the preceding discussion:

Question: My agency raised a fee administratively in January, 2010. We had been planning this for a long time, and so the fee increase was already included in our 2009-11 Legislatively Adopted Budget. What do we do for 2011-13 budget development?

Answer: Include the 2011-13 revenue resulting from the fee increase in your Base Budget.

Question: My agency raised a fee administratively in January, 2010. We had not anticipated this increase during the 2009-11 budgeting process, and so the fee was not included in our 2009-11 Legislatively Adopted Budget. What do we do for 2011-13 budget development?

Answer: In your Base Budget, remove the 2011-13 revenue resulting from the fee increase. Include that revenue in a fee increase policy package. BAM will draft a fee ratification bill (a budget bill) that will accompany your regular budget bill through the legislative process.

Question: My agency wants to raise a fee during 2011-13. We can do this administratively, since our statutes already allow the increase. What do we do for 2011-13 budget development?

Answer: Include the 2011-13 revenue resulting from the fee increase in a fee increase policy package.

Question: My agency wants to raise a fee during 2011-13. We need a change to our statutes in order to raise this fee. What do we do for 2011-13 budget development?

Answer: Submit a Legislative Concept to change your statute to allow the new fee level requested. Legislative Counsel will draft a substantive bill for you. Include the 2011-13 revenue resulting from the fee increase in a fee increase policy package.

Agencies must report detailed information on all fee increases, establishments, or decreases included in the 2011-13 Agency Request Budget, using form 107BF22 Fee Change Detail Report. The form and accompanying cover memo must be submitted electronically to the agency's BAM analyst at the same time that the Agency Request Budget is submitted.

Note: By statute, DAS must report all current fees to the Legislature at the beginning of each legislative session. To do this, agencies will be required to update the statewide fee database during the Fall of 2010. This will allow agencies to include any fees that were changed during the 2009 Legislative Session or changed administratively during the interim. This database should not include fee changes being proposed in the 2011-13 budget but not yet implemented. Instructions for using the database are at: http://www.bam.das.state.or.us, under the Government heading.

***Federal Funds* –** These are revenues received from the federal government. They are spent under a Federal Funds expenditure limitation or as Federal Funds Nonlimited expenditures. Federal Funds may come as direct revenue or as matching fund reimbursement for state expenditures. Federal Funds received from another agency instead of from the federal government, in general, are received and expended as Other Funds.

Use the most recently completed congressional action to estimate Federal Funds revenues. As soon as the funds are documented as authorized and appropriated, provide that information to the BAM analyst. Agencies must revise Federal Funds revenue estimates periodically as federal authorizations and appropriations change, and notify the BAM analyst.

Because most Federal Funds are provided on a reimbursement basis, most agencies include the necessary Federal Funds revenues in each Essential and Policy Package. There is no Beginning or Ending Balance. However, there are a number of exceptions to this policy. Work with your BAM analyst and SABRS staff if you have questions.

Revenue Transfers and Special Payments between State Agencies

Agencies must communicate early in the budget process if they send revenues to or receive revenues from another agency. The two agencies need to agree on the amount of funding being transferred and the budget treatment of the transfer. Prior transfers might not continue unchanged into the next biennium. Generally, the agency sending the funds determines the transfer amount. However, budget and program staff from all affected agencies should be in on the discussions.

ORBITS has an on-line report (AUD004) to help agencies review transfers for budget development. Instructions for using this screen are in the ORBITS/PICS User's Manual. Agencies must balance, or at least have documented agreement with other agencies, on all interagency Revenue Transfers and Special Payments before requesting an ORBITS audit.

Note: *For agencies that pay for fingerprinting services at Oregon State Police, the decision has been made to handle the budget for those payments in a standardized way. All agencies are expected to budget for this in Services and Supplies, consistent with accounting. If you are an agency that budgeted this as Special Payments in the past, you will need to transfer this budget from Special Payments to S&S in an Essential Package No. 060.*

Budget Presentation

The ORBITS/PICS User's Manual describes the technical process to budget revenues in the ORBITS system. How to present revenue data in the budget document is explained on page 52 of these budget instructions.

Review Expenditure Categories/Groupings

Oregon's budget system uses defined expenditure categories and budget groupings. ORBITS has detail accounts for line item expenditures within those categories. Agency budget staff should review the categories and ascertain that expenditures are correctly recorded.

Personal Services are employee gross compensation. This includes wages, benefits, temporary state staff, unemployment assessments, pay differentials, vacancy savings, and other personnel costs.

Services and Supplies are non-personnel expenditures for agency operation and maintenance. This includes office supplies, professional services contracts, rent, telephones, personal computers, software, routine building repairs, and the like. Debt issuance costs related to certificates of participation (COPs) and bonds should be budgeted in the Services and Supplies category in the agency's operating budget, not in Capital Construction.

Capital Outlay refers to expenditures for items not consumed in routine agency operations. These expenditures have a useful life of more than two years with an initial value of $5,000 or more.

Special Payments are pass-through transfers and payments. They include benefits payments to individuals; distributions to governments and others; distributions of contributions, loans, deposits, or collections; and other transfers or payments where goods and services are not received in return.

Debt Service includes expenditures for principal, interest, discounts, and premiums related to payment of state debt. Debt includes financing agreements such as COPs. The Special Approvals section of these budget instructions explains the approval process for debt financing. Discretionary bond-related program expenditures may relate to debt, but are not debt service. They include trust agreements, audit and compilation fees; travel costs; Bond Counsel, and general financial consulting, and should be budgeted in Services and Supplies.

Capital Improvement and ***Capital Construction*** are expenditures for land, buildings and support systems, and equipment/information technology-related projects or systems. (These categories should not include routine maintenance and repairs.) While these are not expenditure categories, these two are treated as separate program units in agency budgets. See the Capital Budgeting and Special Approvals sections of these budget instructions for details.

Information Technology (IT) Projects are expenditures for network and computer information systems (hardware, software and/or services, etc) other than routine maintenance. IT projects have a definite beginning and end date and are aimed at solving specific business problems, or improving the way that the organization achieves its mission. While this is not an expenditure category, agencies must complete Form 107BF14 for all IT projects that exceed $150,000 and develop a business case document for all major IT projects as part of the Information Resources Management (IRM) planning information agencies submit to DAS Enterprise Information Strategy and Policy Division (EISPD). (See pages 37-40 for more detail.)

Nonlimited Expenditures. As a rule, agencies can only spend within the limitations given them in the law enacting their budgets. General Fund and Lottery Funds expenditures are always limited. However, some Other Funds and Federal Funds expenditures are approved by the Legislature as Nonlimited Expenditures. Nonlimited Expenditures have been approved for cases when an agency's expenditures and corresponding revenues are driven by external factors. Examples are federal unemployment claim payments and repayment of bonded debt. Nonlimited Expenditures may be reported in a separate program unit. Use the normal categories, such as Personal Services, Services and Supplies, Capital Outlay, and Special Payments. See the ORBITS/PICS User's Manual for more information.

Input Historical Data in ORBITS

The ORBITS documents show historical budget data in columns, including the 2007-09 Actual Revenues and Expenditures and the Emergency Board/Special Session Actions through April 2010. The 2007-09 Actuals column data will come from accounting data. Like last biennium, agencies will not enter data into the Estimates column. For this budget cycle, the Statewide Audit and Budget Reporting Section (SABRS) will key all information related to the 2009-11 biennium into the Emergency Board Actions column, based on data provided by agencies. For the 2011-13 budget cycle, this responsibility will transition back to the agencies.

Estimate Current Service Level (CSL)

The current service level (formerly known as the essential budget level) is required by law and is an estimate of the cost to continue current legislatively approved programs into the 2011-13 biennium. Current service level is built on the base budget plus essential packages.

Base Budget: The 2009-11 Legislatively Adopted Budget is adjusted for:

- Emergency Boards, Special Sessions, and approved ongoing Nonlimited administrative actions through April 2010.
- Personal Services projections for the 2011-13 biennium generated by PICS.
- Debt Service for existing commitments (not new debt service requests) and Nonlimited expenditures for existing programs.
- Capital Construction expenditure authority approved for the 2009-11 biennium, that should be eliminated as a base budget adjustment.

Essential Packages: These packages adjust the base for removal of one-time expenditures, program phase-in and phase-out cost changes, vacancy factor calculations, and non-PICS Personal Services cost changes and inflation. They also show changes for inflation, cost changes in the DAS Price List of Goods and Services, fund shifts, and mandated caseload changes. Agency reorganization changes, category realignments and other miscellaneous technical changes are also presented in essential packages. Revenue shortfalls that affect an agency’s ability to support current service level expenditures are shown in Policy Package No. 070 (see Modified Current Service Level).

The Summary of 2011-13 Budget form (ORBITS) presents the agency budget, including the current service level estimate. The form is presented at the program unit level and summarized at the agency-wide level. Although agencies have prepared this form manually in the past, ORBITS has now been programmed to produce the form. Following is more detail on the current service level:

Base Budget

The starting point for the base budget is the 2009-11 Legislatively Adopted Budget, as approved by the 2009 Legislature. Any Special Sessions, Emergency Boards, or Nonlimited administrative changes approved by DAS, through April 2010, are added to the Legislatively Adopted Budget. The result is the 2009-11 Legislatively Approved Budget. (The 2009-11 Legislatively Approved Budget will be updated with succeeding Emergency Board and Special Session actions.)

Emergency Board actions or other changes after April 2010 are not included in the current service level during the agency request phase. Agencies may request continued funding for these actions in Policy Package(s) No. 08X. In some cases, adjustments to the current service level may be made at later phases of budget development, if BAM, EISPD (if IT-related), and LFO concur in the adjustment. The base budget also includes adjustments for Personal Services generated by PICS, scheduled debt service payments, Nonlimited expenditures and Capital Construction expenditures.

Personal Services Adjustments – PICS generates the Personal Services dollars for the base budget. Salaries and related Other Payroll Expenses (OPE) expenditures are calculated from PICS position data on the PICS freeze date. That date is projected to be mid-April 2010, after all changes are entered into the system for the February 2010 Supplemental Session.

To determine a position's budgeted step for 2011-13, the PICS freeze process looks at the position incumbent's salary rate, step, and salary eligibility date. The process factors in estimated merit increases for the remainder of the 2009-11 biennium. It will also add the equivalent of one salary step increase for the 2011-13 biennium. Smaller agencies, having 10.00 or less full-time equivalent positions, will receive full-funding of 2011-13 biennium salary step increases. These agencies tend to have less staff turnover or other budget savings; the full-funding adjustments are entered manually by SABRS after freeze.

During agency request development, SABRS will provide agencies with the Estimated Cost of the 2011-13 Merit Increase. The Net Cost of 2009-11 Position Actions is calculated as follows:

2011-13 Base Personal Services Costs (PICS and non-PICS)
less 2009-11 Personal Services Costs (ORBITS Legislatively Approved Budget including PICS and non PICS)
less Estimated Cost of 2011-13 Merit Increase (from PICS reports)
equals Net Cost of 2009-11 Position Actions

See the ORBITS/PICS User's Manual for more detail. ORBITS will now calculate the Net Cost of 2009-11 Position Actions for the Summary of 2011-13 Budget report.

PICS will base funding for vacant positions on the next to lowest step of the salary range. Do not include position reclassifications or other changes not yet administratively or legislatively approved in the current service level.

Base Debt Service Adjustment – This shows any expected change in scheduled debt service for the 2011-13 biennium, for financing already done or authorized by the Legislature. The base budget should not include debt service for any financing that is not already authorized. Requests for new debt service authority should be included in policy packages.

Base Nonlimited Adjustments – Changes in programs with approved Nonlimited Other Funds and Nonlimited Federal Funds expenditures should be shown here. Requests for new Nonlimited expenditure authority should be requested in policy packages.

Capital Construction Adjustment – Capital Construction expenditure authority approved by the 2009 Legislature, the February 2010 Supplemental Session, or by the Emergency Board prior to April 2010, should be eliminated here so that it is not included in the base budget or current service level. Requests for new Capital Construction authority should be included in policy packages.

Essential Packages

The essential packages in budget development are assigned the ORBITS package numbers shown here. Agencies should work with their BAM analyst to put issues in the correct packages, and to document all packages by the end of May 2010. The documentation must be provided by Summary Cross Reference, by Category, and by Fund Type. In some cases, account level detail may be required, as determined by the analyst.

- Essential Package No. 010: Vacancy Factor and Non-PICS Personal Services

  The goal of the vacancy factor calculation is to project budget savings reasonably expected from staff turnover in the 2011-13 biennium. BAM will provide data on employee transfers and separations to use in projecting savings from vacancies. Work with your BAM analyst to document any necessary adjustments. It does not require an exception request. The change in projected vacancy factor savings is entered into ORBITS as an adjustment to the vacancy factor amount already included in the 2011-13 Base Budget. It is also reported on the Summary of 2011-13 Budget form.

  Non-PICS Personal Services cost adjustments inflate personal service accounts that are not PICS-generated. They include unemployment assessments, overtime, temporaries, and shift differentials. Apply the general inflation factor outlined in the Package 031 discussion on page 25 for these items. Cost increases for these items above the standard inflation rate must be requested in a policy package. The one exception is for agencies that have both mandated caseload and 24/7 facilities, such as the Department of Corrections and Oregon Youth Authority. These agencies should work with their BAM analyst to negotiate adjustments based on specific bargaining units. A formal exception request is not required. For Pension Obligation Bonds (POB), BAM will supply each agency the 2011-13 amount to use in the Agency Requested Budget. Agencies should not apply inflation factors. Package 010 will represent the difference between the 2011-13 Base POB amount and the value supplied by BAM. In the case of mass transit taxes, use the formula outlined in the DAS Price List of Goods and Services, in the Other Payroll Expenses section. There should be no PICS driven changes in this package.

- Essential Package(s) No. 021/022: Cost of Phased-in and Phased-out Programs and One-time Costs

  Agencies are responsible for identifying budget adjustments due to programs that phase in or phase out, and other one-time costs. These will generally be in Services and Supplies, Capital Outlay, and Special Payments expenditures. A description of each program phase-in or phase-out must be included in the narrative portion of this package. Include the assumptions used to calculate the adjustment. Agencies should enter phase-ins in essential package 021 and phase-outs and one-time cost eliminations in essential package 022.

Phased-in program costs are for programs funded for less than 24 months during the 2009-11 biennium, but needing a full 24 months in the 2011-13 biennium. Package 021 should reflect the added cost of the program above the 2011-13 Base Budget level, after adjustments are made for start-up costs or other one-time expenditures funded in 2009-11. PICS will adjust for most legislatively approved position phase-ins or eliminations in its Personal Services calculation for the 2011-13 biennium. All other adjustments to reflect full costs are calculated by the agency. **Note: Include inflation on the phased-in programs in Package 021, NOT in Essential Package No. 030**.

Decreased costs result from phased-out programs, elimination of pilot programs, and other one-time costs that will not be funded in the 2011-13 biennium. PICS will adjust for legislatively approved position phase-outs in its Personal Services calculation. Find and deduct any other costs that should be phased out from the 2011-13 Base Budget level (for example, Services and Supplies costs associated with 2009-11 limited duration positions). Be sure to deduct programs approved by the Legislature under the expectation that a review would occur before further funding. Also deduct other one-time expenditures, like a new computer system or other large IT projects that have been completed. Capital Construction expenditure authority established in the 2009-11 biennium should be eliminated as a base budget adjustment rather than an Essential Package No. 022 adjustment.

The 022 package for phase outs should be used to remove excess/empty limitation. It should not be used to bring CSL to within existing revenues – Package 070 is designated to bring expenditure levels down to within existing revenues. Packages 021 and 022 should not contain any PICS driven changes. Position phase-ins and phase-outs should be completed during the PICS startup period. If an agency believes they must include position changes in this package, they should work with their analyst and SABRS.

These packages do not require exception requests. However, they do require agency documentation and analyst approval by the end of May.

- Essential Packages No. 031, 032 and 033: Inflation and Price List Adjustments

The inflation factors in these instructions and the DAS Price List of Goods and Services are the basis for calculating cost increases in Services and Supplies, Capital Outlay, and Special Payments. Changes in volume or usage are not allowed as part of inflation packages.

Biennial inflation factors for 2011-13 include 2.4 percent for general inflation, 3.1 percent for non-state employee personnel costs (contract providers), and 3.9 percent for medical services. Agencies need to notify their BAM analyst if they plan to use the medical services inflation factor.

Only programs that have annual appropriations in statute (such as the State School Fund) may use an annual inflation factor. The annual rates are 1.5/1.6 percent for general inflation, 2.1/2.0 percent for non-state employee personnel costs, and 2.6/2.5 percent for medical inflation.

Agencies should use the Base Budget to move amounts among line items in order to “true up” their budget. This should **not** be done in Package 030. The net result of such moves must equal $0, and generally must not affect the higher inflation line items of Attorney General, Rent, State Government Service Charges, and Professional Services.

To apply the various inflation factors, package 030 is broken into three parts in order to isolate the incremental impacts of certain inflation factors. This has been restructured slightly since last biennium. Conceptually, packages 031 and 032 are the same in that they both involve pre-determined allowable rate increases that agencies can use. They are separated only because, for audit purposes, package 032 requires more documentation. Only a few agencies will need to use package 032.

031 – Standard inflation and State Government Service Charge: This package will include the following allowable inflation factors at the rates published in the budget instructions and do not require any special approval:

- A general inflation factor that applies to most Services and Supplies and non-PICS Personal Services costs, Capital Outlay, and some Special Payments. The standard inflation factor for 2011-13 development is 2.4 percent.
- The non-state employee personnel costs (contract providers) rate, as applied to the Professional Services line item. This rate is 3.1 percent for 2011-13.
- Increases in costs of Attorney General services up to the maximum rate. Using a weighted average of Attorney General services used statewide applied to the rate increase between 2009-11 and 2011-13, the Attorney General inflation increase cannot be more than 11 percent above the 2011-13 Base Budget amount.
- Published rates for both uniform and non-uniform rent. As in the past, DAS Facilities has identified a non-DAS office rent inflation factor for the biennium. With documentation, analysts can approve increases above standard inflation, up to this rate.
- All items reported in the State Government Service Charge line item (including Treasury charges that are usage-based). This consists of certain DAS Price List items that include assessments and charges by DAS; Secretary of State; Minority, Women, and Emerging Small Business; State Library; the Law Library; Central Government Service Charges; and Oregon Government Ethics Commission. A complete list is provided below.
- The standard rate portion (2.4 percent) of the following:
    - Medical cost increases.
    - Non-state employee personnel costs, as applied to Special Payments.
    - Price List items that are usage-based.

032 – Above standard inflation with BAM analyst approval: This package includes the amount above, not including, standard inflation for a limited set of factors set out in the budget instructions. The agency must get analyst approval and provide detailed documentation in order to apply these inflation factors. An exception request is not required. This package includes the following:

- Medical services inflation that applies to medical costs, such as Oregon Health Plan provider expenditures, amounts above standard inflation up to 3.9 percent. It is also for medical service costs in child foster care, programs for the developmentally disabled, mental health services, and nursing home and residential care. The medical services inflation factor will be allowed only in programs that rely heavily on skilled medical staff (doctors, dentists, and registered nurses), advancements in medical technology, or high cost prescription drugs.

- DAS Price List items that are usage-based such as motor pool and printing services, amounts above standard inflation.
- Non-state employee personnel costs (contract providers), as applied to Special Payments, amounts above standard inflation up to 3.1 percent.

033 – Exception committee decisions above analyst approval. This package includes the amount above, not including, standard **and** analyst approved inflation amounts in packages 031 and 032. An exception request is required. These changes are above established maximums, such as medical inflation, and are limited to extraordinary factors as determined by the BAM Exceptions Committee. See the Exceptions Committee section below for more information on Exceptions.

Below is a table summarizing the items included in each package, and how that compares to last biennium.

2009-11	**Revised for 2011-13**
Pkg 031 • Standard	• Standard (2.4%)
	• Non-state employee personnel costs (3.1%) - applied to Professional Services line item
• All AG	• All AG
• All Uniform rent	• All Rent - Uniform and Non-uniform
• All SGSC	• All SGSC (including Treasury)
• Standard portion of Medical	• Standard portion of Medical
	• Standard portion of Non-state employee personnel costs - applied to Special Payments
	• Standard portion of Price List items that are usage based
Pkg 032 • All Non-uniform rent	
• Price List items that are usage based	• Price List items that are usage based - above standard inflation
• Medical - above standard up to Medical rate	• Medical - above standard up to Medical rate (3.9%)
	• Non-state employee personnel costs - applied to Special Payments - above standard up to published rate (3.1%)
Pkg 033 • Exceptions	• Exceptions
• Medical-above Medical rate	• Medical-above Medical rate

Example

Here is an example of how the inflation packages fit together. The Oregon Health Plan (OHP) is required by statute to use an actuarial service to set rates. Therefore an additional inflation or utilization factor will be agreed upon for the Oregon Health Plan above the standard and medical inflation factor. Because it is above medical inflation, the agency would need to gain approval from the Exception Committee to include it in their budget. So, assuming standard inflation is 2.4 percent, medical inflation is 3.9 percent and the OHP inflation rate is approved at 14 percent, the agency would include in package 031 the amount of 2.4 percent inflation, package 032 would include the amount of 1.5 percent inflation and package 033 would include 10.1 percent inflation for an 030 package total of 14 percent.

Reporting

The Summary of 2011-13 Budget form (ORBITS) will report the total net change as a result of Packages 031, 032 and 033. This is reported in two separate parts. First, the Cost of Goods and Services increase/decrease is the net inflation calculation for everything except State Government Service Charges. This is the inflation amount above the 2011-13 base budget, excluding Personal Services and program phase-outs and one-time expenditures eliminated in Essential Package No. 022.

Second, the Summary of 2011-13 Budget form includes a State Government Service Charges line. This is the net amount by which agency-specific charges in that ORBITS account are more or less than the 2011-13 Base Budget amount. An inflation factor is not applied to these charges. Note: Not all Price List charges are State Government Service Charges. Rent and other costs budgeted under other ORBITS accounts are included on the Cost of Goods and Services line.

DAS Price List

The DAS Price List includes assessment charges by DAS and others and interagency charges for the Department of Justice and Secretary of State Audits Division. It includes costs for some central services such as state motor pool cars and for other selected items. An electronic version of the Price List will be available on-line (see Appendix D). Note that items in the Price List may change, based on more current information, during the budget development period.

The following charges and assessments should be budgeted in ORBITS account 4225 State Government Service Charges:

- Central Government Service Charges
- Secretary of State, Archives Division
- Secretary of State, Administrative Rules Charges
- Secretary of State, Audits Division
- Minority, Women, and Emerging Small Businesses
- Oregon State Library
- State of Oregon Law Library
- Oregon Government Ethics Commission
- DAS Service Charge - Director's Office
- DAS Service Charge - Budget and Management Division

- DAS Service Charge - State Controller's Division
- DAS Service Charge - Human Resource Services Division
- DAS Service Charge - EISPD - E-Government Program
- DAS Service Charge - EISPD - IT Investment and Planning
- DAS Service Charge - EISPD - Geospatial Enterprise Office
- DAS Service Charge - EISPD - Enterprise Security Office
- DAS Service Charge - SSD - State Procurement Office
- DAS Service Charge - SSD - Interagency Shuttle Mail (State Mail)
- DAS Service Charge - Facilities Division - Statewide Facilities Coordination
- DAS Service Charge - Facilities Division - Capitol Mall Security Services
- DAS Service Charge - Facilities Division - Capitol Planning Commission
- DAS Service Charge - Facilities Division - Mall Plaza Debt Service
- DAS Service Charge - Legislative Information Notification Update System (LINUS)
- DAS User Fees - Risk Charges
- DAS User Fees - SCD - Estimated Direct Charges for Services
- DAS SCD Client Services Charges
- Treasury Banking Services Charges
- Treasury Debt Management Charges
- DAS State Data Center Estimated Charges (except Voice) (10 agencies)

The 11 primary customer agencies of the State Data Center will continue to budget their State Data Center charges for 2011-13 in State Government Service Charges, with the exception of the Department of Administrative Services. These include the following agencies: Human Services, Transportation, Revenue, Corrections, Consumer and Business Services, Veterans' Affairs, State Police, Housing and Community Services, Forestry, and Employment.

- Essential Package No. 040: Mandated Caseload

Mandated caseload changes included in this essential package are based on caseload changes for programs that are required by the federal government (federal entitlement programs), the state constitution, or court actions. Mandated caseload costs include the cost of the additional staff required, although the level of appropriate staffing levels is subject to further analysis.

Mandated caseload programs include:

- Oregon Health Plan – Medicaid only.
- Other Medicaid expenditures within medical assistance programs.
- Crisis services for adults with developmental disabilities.
- Crisis services for children with developmental disabilities.
- Non-crisis in-home care for adults with developmental disabilities.
- Non-crisis, comprehensive care for adults with developmental disabilities.
- Civil and criminal commitments for people with either mental illness or developmental disabilities.
- Community-based and nursing home care.
- Adoption Assistance.
- Children's Foster Care.

- Other foster care placement alternatives:
  - Subsidized Guardianship.
  - Statewide Residential Treatment Programs.
  - Treatment Foster Care.
  - Family Shelter Care.
  - Family Group Home.
  - Native American Relative Foster Care.
  - Other Tribal Programs.
- Food Stamps.
- State School Fund.
- Early Interventions/Early Childhood Special Education.
- Juvenile Corrections, DOC youth and Public Safety Reserve population only (at population forecast level).
- Adult corrections, including community corrections (at population forecast level).
- Department of Justice Criminal Appeals.
- Unemployment Insurance.

This list covers programs in the Executive branch. The Judicial branch reports its own mandated caseload programs.

Mandated caseload programs should reflect changing costs from caseload or cost-per-case fluctuations, plus any inflation. Examples include changes in the number of clients served or in the cost of services purchased. The costs associated with phasing-in a new mandated caseload program should be placed in Essential Package No. 021. Policy changes that increase or decrease costs in mandated caseload programs should be included in a policy package. Examples of policy changes include adding services, restricting eligibility, or increasing reimbursement rates. For instance, increasing the level of reimbursement for DRG hospitals under the Oregon Health Plan above current levels would be included in a policy package.

Methods used to forecast caseload or cost-per-case must be clearly articulated in the narrative portion of this package and discussed with/approved by BAM analysts prior to CSL finalization. Comparative data from other jurisdictions for similar caseloads is useful.

Workload increases are not considered caseload increases, even in a statutorily required program. A policy package may be used to request expenditure increases for increased workload.

Adjustments for standard Mandated Caseloads listed in the Budget Instructions require agency documentation and analyst approval by the end of May 2010. No exception request is required. Expansion to the approved mandated caseload list will not be considered. Additional adjustments based on updated information may be included by the analyst in the Governor’s Recommended Budget.

- Essential Package No. 050: Fund Shifts

  This package is for significant revenue changes in existing programs. The change may have occurred during the 2009-11 biennium, or may be expected during the 2011-13 biennium. An example: a legislatively approved budget planned on Other Funds for a program, but Federal Funds are being used instead. These packages should be net zero in Total Funds cost.

  Agencies should request General Fund replacement of Lottery Funds, Other Funds or Federal Funds only for a mandated caseload program (see above) or if those funds have been interchanged with General Fund in past biennia. Any other request for General Fund backfill must be in a policy package, not this essential package.

  Do not use this package to reduce expenditures below current service level due to revenue shortfalls. If revenues are insufficient to maintain current service level, reduce expenditures in Policy Package No. 070 (see Modified Current Service Level).

  This package requires agency documentation and analyst approval by the end of May 2010. It **may** require an exception request if the proposal is new or unusual. Agencies should work with their analyst to determine if an exception request is necessary.

- Essential Package No. 060: Technical Adjustments

  This package is to be used for technical budget adjustments, such as agency reorganizations and expenditure category shifts that do not fit into the standard Essential Packages No. 010 - 050. Use of this package requires prior approval by the BAM analyst and SABRS manager. Agencies must provide documentation and obtain final analyst approval by the end of May 2010.

  Note: For agencies that pay for fingerprinting services at Oregon State Police, the decision has been made to handle the budget for those payments in a standardized way. All agencies are expected to budget for this in S&S, consistent with accounting. If you are an agency that budgeted this as Special Payments in the past, you will need to transfer this budget from Special Payments to S&S in an Essential Package No. 060.

Approval for Budget Exception Requests

Exceptions are documented evidence of extraordinary conditions and cost drivers above defined inflation factors. Not funding such exceptions prevents agencies from maintaining current operational (LAB) levels in the next biennium. Budget Instructions address standard conditions and cost drivers such as inflation, mandated caseloads, funding splits and phase-ins and outs. Standard drivers do not require an exception request; agencies work directly with their BAM analyst to develop specific dollar amounts for standard drivers and technical adjustments.

Most exception requests will not reach the approval threshold of the Exception Committee, but may be serious enough to compel the agency to include additional policy packages as part of their Agency Request Budget.

Exceptions to Standard Inflation:

- Arise from extraordinary conditions and cost drivers.
- Are specific to an agency or small group of agencies.

- Differ from generic drivers, which are applied via budget instructions, across all agency lines and have been included in standard inflation factors.
- Are fact based and not reliant on worst-case scenarios or anticipation of what might or could occur.
- Are beyond the control and authority of agency management.

The Exception committee process begins with the formation of the committee in March 2010. The committee discusses potential hot topics and exceptional cost drivers. The Committee may decide that special inflation factors be applied to select agencies. An example might include fuel costs. Fuel is a volatile commodity subject to extraordinary inflation and becomes a substantial cost increase to agencies that are fuel intensive such as the State Motor Pool and the Oregon State Police.

Agencies should submit exception request concepts, including ballpark dollar estimates by fund type before the end of March 2010. The Exception Committee will review concepts early in April 2010 and will approve or deny the concept. If approved, the analyst will request full documentation of proposed dollar amounts from the agency. Documentation must be provided by Summary Cross Reference, by Category, and by Fund Type. Account level detail may be necessary, as determined by the analyst. The analyst will fully review the documentation and work with agency to clarify final dollars. The analyst is responsible for certifying the amount and communicating to both the agency and SABR section for audit purposes.

Only exceptions with sufficient documentation sent to agencies and SABRS before May 31, 2010 can be included in the Agency Request Budget. However, agencies may need to continue to work with analysts after the deadline to include, or if necessary modify, Essential Packages as part of the CSL budget for the Governor's Recommended Budget.

Exception requests are required for certain items in Packages 030, 050 and 060, as described under those packages previously. The following will not be accepted as an exception request:

- Annual inflation. The lone exception is for annual appropriations as directed in Legislatively Adopted Budgets (State School Fund).
- Postage – now tied to inflation by the U.S. Postal Service.
- Rent above maximum non-state owned rate.
- AG above maximum rate as established by BAM.
- Request to "catch up" due to previous denials, etc.

This does not prohibit requests from being submitted as policy packages.

Significant disputes between analysts, agencies, or SABRS regarding amounts and approval authority will be resolved by the Exception Committee.

Estimate Modified Current Service Level

The Current Service Level is the estimated cost of continuing current programs into the next biennium, as required by law. The modified current service level reduces current service level expenditures to accommodate available Other Funds and Federal Funds revenues. These expenditure reductions due to revenue shortfalls will be included in Policy Package No. 070. The Summary of 2011-13 Budget form (ORBITS) will include a subtotal for modified current service level that includes base budget, Essential Packages No. 010 - 060 and Policy Package No. 070.

- Policy Package No. 070: Revenue Shortfalls

  This package should include only Other Funds and Federal Funds expenditure reductions necessary to adjust the current service level to available revenues which are normally budgeted in the Base and/or Essential Packages 010-060 (for Federal Funds). Reductions should be sufficient to leave ending balances where appropriate. Agencies will need to propose traditional policy packages to increase revenues and restore expenditures that are reduced in Policy Package No. 070.

Develop Policy Packages

Policy packages reflect policy and program changes affecting an agency's budget. The sum of an agency's base budget, essential packages, and policy packages constitute its Agency Request Budget. As in the past, policy packages requested by an agency will be adjusted throughout the budget development process to reflect decisions made by the Governor and the Legislature.

- Policy Package No. 08X: Emergency Board Actions after April 2010.

  Actions taken by the Emergency Board after April 2010 that carry forward to the 2011-13 biennium should be included in Policy Package Nos. 08X. Agencies must enter all expenditure and revenue actions taken by the Emergency Board at its May 2010 meeting that carry forward to the 2011-13 budget. The amount in Policy Package No. 08X is to be biennialized and inflated, using the standard inflation rates. BAM analysts will work with agencies to enter similar, appropriate Emergency Board actions taken at the September/October 2010 meeting as the Governor's Recommended Budget is developed.

- Policy Packages No. 100 and Above

  Agencies should develop policy packages for each affected program unit to:

  - Form new programs or expand existing ones.
  - Reduce or end programs.
  - Implement partnership programs among agencies. This includes actions to formalize interagency program coordination efforts.
  - Transfer programs between agencies, if the transfer has not been legislatively approved.
  - Shift from one fund type to another, if the shift does not match past budget policy.
  - Establish or increase fees, including fees changed administratively during the 2009-11 biennium that were not approved by the Legislature. Modified current service level budgets cannot include revenues or expenditures supported by fees that require legislative ratification in the 2011 Legislative Session. If an agency raised fees administratively during the interim and those fees were not already approved by the Legislature, then CSL expenditures must be reduced in Policy Package No. 070 to match revenues budgeted in Base without the increased fees. Restoration of these expenditures and increased revenues can be requested in a policy package contingent upon legislative ratification of the fee increase.
  - Implement reorganization or reinvention proposals. This includes establishing, abolishing, and reclassifying positions.
  - Fund legislative concepts to be considered by the 2011 Legislative Assembly. A legislative concept with a fiscal impact must be linked to a policy package or the concept will not be approved for pre-session filing, even if the concept has been approved conceptually. An agency proposing any legislative concept with a fiscal impact on another agency (such as

proposals to establish new crimes or increase the penalties for existing crimes that increase the Department of Corrections prison population) must ensure that the concept is linked to a policy package in the affected agency's budget.

- Propose Capital Construction projects. These packages should be included in the Capital Construction program unit.
- Request new debt service authority. Debt service authority for debt that will be issued in the 2011-13 biennium must be included in a policy package(s) along with any related issuing and financing costs. For Capital Improvement and Capital Construction projects, requests for new debt service authority should be placed in a policy package(s) in agency operating program units/SCRs rather than in the Capital Improvement or Capital Construction program units/SCRs. For other types of projects that require debt financing (such as information technology and systems development related projects), agency may include the request for debt service authority and any related issuing and financing costs in the same package as the request for project funding in the operating budget.
- Request new Nonlimited authority. Requests to shift limited expenditures to Nonlimited or to shift Nonlimited to limited expenditures must be included in a policy package.
- Implement or expand Information Technology-related Projects/Initiatives. Agencies will be expected to separately track all expenditures in IT policy packages for future reporting purposes, including portions of projects that are continued in base budget in future biennia. (Large IT projects should be phased out when the project has been completed.) All new or expanded IT-related projects/initiatives that require new funding, new expenditure limitation, or new positions must be included in policy packages. Information Technology-related Projects/Initiatives in excess of $1,000,000 require additional documentation (a business case) discussed on pages 37-40. Primary State Data Center customers must involve the Data Center in IT project planning and budget development.

The following primary State Data Center (SDC) customer agencies must request SDC involvement in IT project planning and budget development: Department of Administrative Services, Consumer and Business Services, Corrections, Employment, Housing and Community Services, Forestry, Human Services, Revenue, State Police, Transportation, and Veterans Affairs. For more information, please review the SDC Quote Process and SDC Service Scoping Template and then contact the SDC via email at: SDC.Quotes@das.state.or.us or by phone at (503) 378-6758. All other SDC customer agencies are encouraged (but not required) to contact SDC on IT project planning and budget development.

The ORBITS/PICS User's Manual describes the process for entering data for policy packages into the PICS and ORBITS systems. The presentation of policy packages for the budget document is described in The Budget Document section of these instructions.

Develop Reduction Options

The Governor or the Legislative Assembly may need to consider revenue or expenditure plans that require program reductions. In addition, ORS 291.216, as amended by House Bill 3182 (1999), requires the Governor to submit an alternative budget plan funding agencies at 90 percent of their Modified Current Service Levels.

Because the anticipated budget shortfall for the 2011-13 biennium is so large, agencies will need to lay out 25 percent reduction options for General Fund and Lottery Funds programs. The few Other Fund agencies whose budgets affect General Fund expenditures or revenues will also be included. As in the past, agencies must propose reduction options of 10 percent for Other Funds and Federal Funds programs.

Reduction options are based on the Modified Current Service Level (Base Budget plus Essential Packages, including Policy Package No. 070). Reductions should be presented separately for General Fund, Lottery Funds, Other Funds, and Federal Funds, and reported on form 107BF17.

For the first 10 percent reduction, options should be presented in five percent increments. For reductions above 10 percent, agencies have the option of presenting larger increments if it is appropriate; for instance, they are proposing the elimination of complete programs.
For each fund type, the reduction needs to be described in terms of activities or programs that will not be undertaken. Each activity or program not undertaken must be ranked on the basis of lowest cost for benefit obtained. The criteria and method(s) used to determine costs and benefits obtained must be explained.

Explain the impacts if reductions would affect other revenues, expenditures, or programs. For example, would a General Fund reduction lose matching Federal Funds? As with revenue transfers, discuss possible reduction options with any other entities that might be affected.

Debt service requirements must be met. For most agencies, reduction options can be found in budgets other than debt service. If an agency has no other General Fund or Lottery Funds programs in which to make the reductions, this should be clearly stated.

Given the magnitude of reduction options being requested for the 2011-13 biennium, agencies will not be required to submit Legislative Concepts to implement the proposed reduction options. Agencies, however, will need to provide the required legislative changes necessary to implement the reduction options if so requested by the Governor or BAM analysts. Analysts may request more, or different, options if the options proposed are not feasible or are not consistent with other statewide efforts or policy.

Information on the budget reduction options will be included in the agency request narrative and should include summary information to allow consideration of each option. (See The Budget Document section for information on presentation.) ORBITS policy packages will be created if a reduction option is recommended by the Governor or adopted by the Legislature.

Finally, in preparing the Governor's Recommended Budget document, agencies should update Budget Form 107BF17 to show which, if any, proposed reductions were used by BAM to develop the 2011-13 balanced budget for the Governor. Agencies should use the strikethrough font format to indicate items and dollars that were used.

PICS/ORBITS Audits

Agency budgets are built using PICS and ORBITS. These systems also provide statewide data for decision makers. Agencies enter the data. It is audited by SABRS before final documents can be completed. Deadlines for agencies to request audits are outlined on page 5 of these budget instructions. ORBITS has audit tools for both agencies and audit staff to speed up the processing of audits. However, agency actions are critical to make sure the process flows smoothly. To help your audit process:

- Complete policy and program decisions well in advance of deadlines. If needed, schedule board or commission meetings for discussion of budget issues early in the budget development process.
- Allow enough time or overtime for agency staff to enter detail into PICS and ORBITS.
- Make sure data input in ORBITS is correct before asking for an audit.
- Respond promptly to requests from BAM during the audit process.

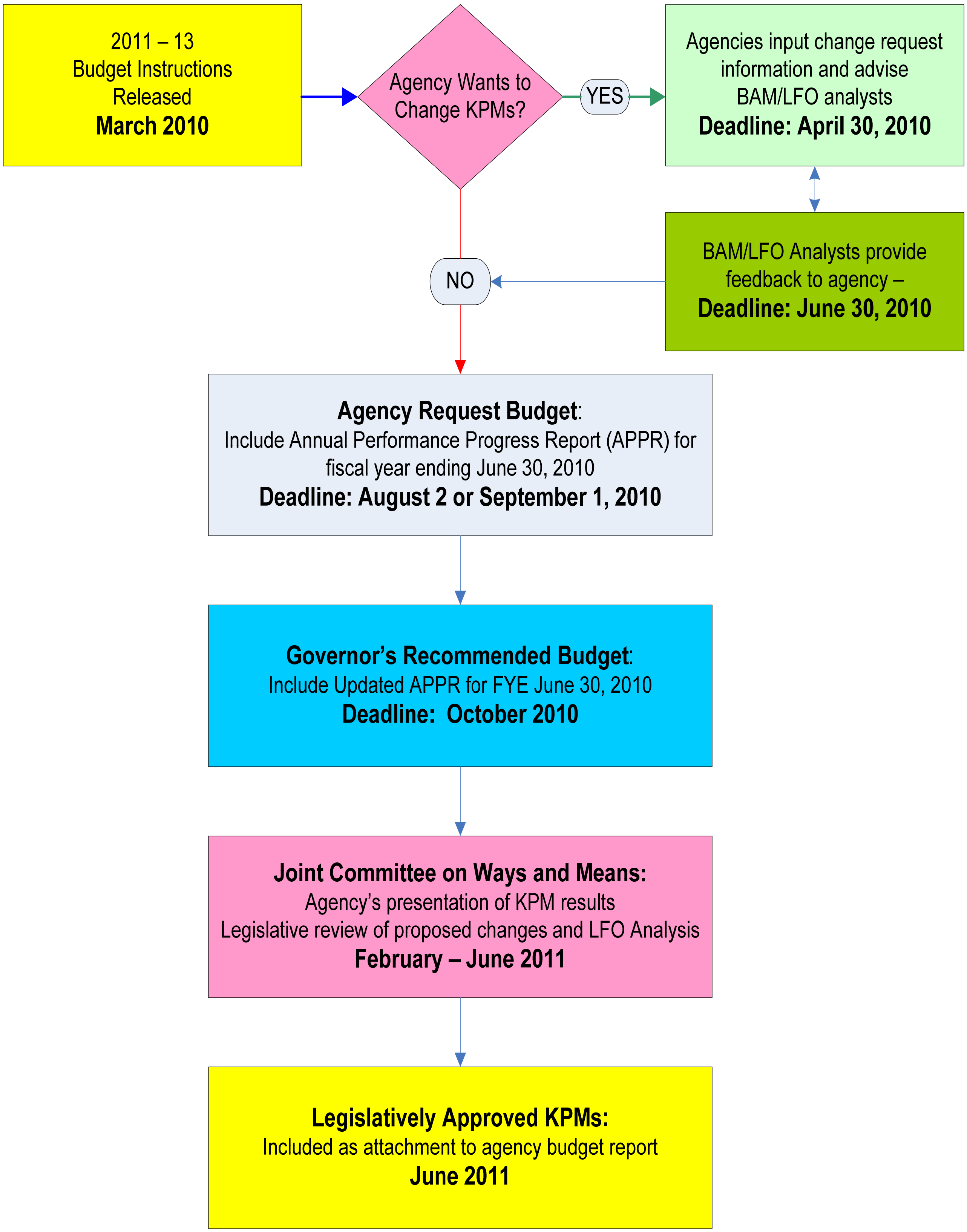
Other Considerations

Oregon Benchmarks and Performance Measures

In 1993, the Legislative Assembly required agencies to include benchmark-based planning in performance measurement and budget policy. In 2001, the Legislative Assembly added specific requirements for how performance measures should be developed and reported. ORS 291.110 specifies that DAS, in consultation with the Legislative Fiscal Office, shall ensure the development of a statewide system of performance measures designed to improve the efficiency and effectiveness of state programs and services. State agencies are expected to continue to track and report annually on a set of Legislatively Approved Key Performance Measures (KPMs), and request changes to improve their KPMs as part of the budget development process. State agencies are to continue to align key performance measures with pertinent Oregon benchmarks, where appropriate.

Oversight of the KPM system transferred from the Oregon Progress Board to BAM on July 1, 2007. As a result of this change, the KPM review and reporting processes were modified to align more closely to the budget development, and KPM reporting processes were automated. Budget limitations have prohibited BAM from making improvements to the automated KPM system, so the process for proposing and approving agency KPMs for the 2011-13 biennium will be the same as for the 2009-11 biennium. What follows is a flowchart that illustrates KPM process steps and deadlines for the 2011-13 budget development.

KEY PERFORMANCE MEASURES APPROVAL PROCESS AND TIMELINES



Step 1: March – April

Agencies who wish to make changes to their KPMs need to input their change requests into the automated KPM system and notify their BAM/LFO analysts that they are requesting changes by April 30th, 2010. BAM/LFO analysts will review the requests and provide feedback by June 30, 2010. Agencies can make adjustments to proposed changes based on feedback received.

Step 2: August—September

Agencies will submit a copy of their *Annual Performance Progress Report* (APPR) for the fiscal year ending June 30, 2010, with their Agency Request Budget (either August 2, 2010 for early submittal agencies, or September 1, 2010). Agency Summary narratives should summarize the outcomes sought, the measures used, and the results achieved based on the agency's most recent APPR. It is possible that agencies will not have complete data on some measures for this submission. In this event, update the data in the automated system as soon as possible and include an updated APPR with your Governor's Recommended Budget request.

Step 3: January—June 2011

Agencies provide KPM presentations to Joint Committee on Ways and Means. The Committee reviews proposed changes and makes a determination of the final Legislatively Approved KPMs as part of the budget approval process.

Step 4: June 2011

A list of legislatively approved KPMs for 2011-13 will be attached to each agency's final Budget Report.

More information and guidance about the KPM system is available at: http://www.oregon.gov/DAS/BAM/KPM_mainpage.shtml. If you have questions about the KPM process or deadlines, please contact your BAM analyst.

2010-2015 Enterprise Information Resources Management Strategy (EIRMS)

The 2010 EIRMS supports the accomplishment of the Governor's goals, as well as the common, strategic business objectives of state agencies. It represents a common vision for planning, staffing, acquisition, management and shared use of IT resources throughout Oregon government. Proposed agency IT projects should, to the greatest extent possible, align with and support the 2010-2015 EIRMS goals and objectives.

A description of the Enterprise IRM Strategy is provided in Appendix C (Information Resources Management Supplement).

The full electronic version of the 2010-2015 Enterprise IRM Strategy can be found at: http://www.das.state.or.us/DAS/EISPD/cioc_index.shtml.

Agency Information Resource Management (IRM) Planning and Reporting

Enterprise and agency business strategies set forth a vision and a direction for the future. The enterprise and agency IRM plans must consider information, and the people, processes and technologies that support them, as assets to be managed and leveraged to achieve those business strategies.

The purpose of IRM planning is to provide guidance as more detailed information technology tactical plans and initiatives are developed. The focus of IRM planning, at the agency level, is the agency's IT projects and infrastructure but must be developed with an awareness of enterprise IT projects and infrastructure, planned, underway or in use. IRM planning has the following characteristics:

- Supports enterprise and agency vision, mission, goals and objectives.
- Aligns the IT budget and budget proposals with the business plan.
- Identifies and tests innovative ways to use technology to serve customers and expand opportunities for public access.
- Improves agency efficiency by effectively managing information and technology.
- Promotes partnerships with other agencies, local/regional jurisdictions and the private sector to create mutually beneficial IRM communities.
- Demonstrates compliance with state's technical architecture and standards through IT asset inventory and the creation of application portfolios.
- Identifies IT and technical staff resources and training needs.

There are a number of reporting requirements related to information resources management planning, as discussed below.

As required by the DAS Statewide IT Asset Inventory/Management Policy (IRM 107-004-010) – http://www.oregon.gov/DAS/EISPD/ITIP/ITAM_index.shtml, agencies are required to establish standard lifecycles for agency IT assets. Further, agencies are required to develop and submit a **lifecycle replacement plan** for all assets included in the agency IT asset management program to DAS EISPD at the same time the agency submits its 2011-13 Agency Request Budget document. Agencies that have not yet developed a lifecycle replacement plan should contact Sean McSpaden, Deputy State Chief Information Officer, at (503) 378-5257 or by email at: sean.l.mcspaden@state.or.us. For more information go to: http://www.das.state.or.us/DAS/EISPD/ITIP/IT_Lifecycle_Planning.shtml.

Agencies are encouraged but are not required to develop and submit an **IRM plan** to DAS, EISPD. However, it may be beneficial for agencies to develop an IRM plan to clearly communicate the importance of particular projects and initiatives to BAM and to support the agency's budget presentation to the 2011 Legislative Assembly.

Agencies are required to complete and submit **Form 107BF14** for all IT projects the agency has underway or plans to initiate (new or carryover from previous biennium) in 2011-13 that exceed $150,000. Agencies should work with DAS, EISPD, IT Investment and Planning Section to complete this form. Agencies are required to submit this information to DAS, EISPD, IT Investment and

Planning Section at the same time they submit their Agency Request Budget to BAM. This form should be included in the budget document under Special Reports.

The Estimated Cost Summary on Form 107BF14 must include the total cost estimate for hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs for 2011-13 regardless of whether the agency intends to fund the project through its base budget or a policy package. The following primary State Data Center customer agencies should also work with the SDC to complete Form 107BF14: Department of Administrative Services, Consumer and Business Services, Corrections, Employment, Housing and Community Services, Forestry, Human Services, Revenue, State Police, Transportation, and Veterans Affairs. In completing the form, these primary SDC customer agencies must **confirm SDC involvement** in creating the total cost estimate and separately identify the estimated costs related to SDC provided products and services for the 2011-13 biennium.

For more information regarding SDC involvement in SDC customer agency IT project planning and budget development, please review the SDC Quote Process and SDC Service Scoping Template and then contact the SDC via email at: SDC.Quotes@das.state.or.us or by phone at (503) 378-6758. All other SDC customer agencies are encouraged (but are not required) to contact SDC on IT project planning and budget development.

Agencies are required to develop a **business case** document for each major IT projects/initiatives that is expected to cost $1,000,000 or more. The business case should clearly describe how the project/initiative:

- Aligns with and supports agency strategic/business plans
- Aligns with and supports the Governor's goals, priorities and initiatives, the 2010-2015 Enterprise Information Resources Management Strategy, and other IT-related statewide plans, initiatives, goals and objectives.

This document should be included in the budget document under Special Reports, and submitted to DAS, EISPD at the same time agencies submit their Agency Request Budgets to BAM.

The business case should also include the following information:

- Subject, Purpose and Scope.
- Projected cash flows across timeline (lifecycle or other).
- Alternatives Analysis (to the extent possible at this point in the project lifecycle).
- Assumptions and Methods that the investment is based on.
- Costs and Benefits – Financial and Non-financial (to the extent possible at the point in the project).

  Estimated costs must include the total cost estimate for hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs for 2011-13 regardless of whether the agency intends to fund the project through its base budget or a policy package. SDC customer agencies must confirm SDC involvement in creating the cost estimate and separately identify the estimated costs related to SDC provided products and services.
- Critical Success Factors.
- Risk Assessment (to the extent possible at this point in the project lifecycle).

Business case development resources (Training, Templates, Guidelines, etc.) can be found at: http://www.das.state.or.us/DAS/EISPD/Business_Case.shtml.

Agencies are required to submit all the information listed above to EISPD at the same time they submit their Agency Request Budget to BAM.

Key dates for IT-related reporting are listed below:

April 30, 2010	Last date for the following SDC customer agencies to request SDC involvement in IT project planning and budget development: Consumer and Business Services, Employment, Housing and Community Services, Human Services, Transportation, and Veterans Affairs.
May 31, 2010	Last date for the following SDC customer agencies to request SDC involvement in IT project planning and budget development: Department of Administrative Services, Corrections, Forestry, Revenue, and State Police.
June 30, 2010	Last date for special approvals for specific IT-related projects (page 69).
August 2, 2010 or September 1, 2010	Last date to submit 2011-13 Agency Request Budget document to BAM and information resource management planning information (i.e. IT project list, lifecycle replacement plan, and business case documents for major IT projects) to EISPD.

For additional information regarding business case development, requirement of Form 107BF14, IRM planning guidance, or sample lifecycle replacement plans, please contact Sean McSpaden, Deputy State CIO, at (503) 378-5257 or by email at: sean.l.mcspaden@state.or.us. An expanded narrative on IRM planning is also provided in Appendix C (Information Resources Management Supplement).

Other Requirements/Alternatives

A number of other requirements or alternatives may affect agency budgets. Agencies are reminded to consider these as they develop their budgets.

- Ballot Measure 30 (1995) – Article XI, Section 15 of the Oregon Constitution requires that the state pay the costs of new work the state requires of local governments, under certain circumstances.
- Ballot Measure 17 (1994) – Article I, Section 40 of the Oregon Constitution requires inmates to work and be engaged in workforce development. State agencies are required to give priority to inmate services and products. Visit the Oregon Corrections Enterprises website at www.oregon.gov/OCE/ for more information.
- Dispute Resolution – ORS 183.502 gives agencies the authority to use alternative means of dispute resolution.

Special Reports/Special Approvals

Please read the "Special Reports" and "Special Approval" sections for information on reports needed in the budget document, and other approval processes. Check these sources to avoid overlooking budget issues. Financial and performance audits may call for management action. Agency affirmative action reports may point to the need for change. Information resources management plans and training reports should be considered as the budget is formed. Some proposed budget elements require special prior approval from other state agencies. See the "Special Approvals" section beginning on page 69.

Bargaining Concepts, Compensation Concepts, and Human Resources Policy Change Concepts

As part of the budgeting cycle, agencies are asked to anticipate and propose any needed changes to collective bargaining contracts. Agencies are also asked to bring to our attention any changes they believe are needed in relation to employee compensation and personnel policy changes. These concepts are needed at this time because of the possible budget implications for 2011-13. It is also critical to explore these concepts as we develop plans for bargaining the next round of labor contracts. Agency managers should work with their Human Resources managers to develop and document these issues. Concept forms for bargaining, compensation and policy/rule changes are available at the DAS Human Resource Services Divisions (HRSD) Web page, http://www.oregon.gov/DAS/HR/forms.shtml. HRSD will also be sending electronic notifications to agency Human Resource Services Managers for distribution to management and executive service staff in the agency. The concept forms are due back to HRSD by May 31, 2010.

Preparing the Document

Budget documents are submitted at three points in the process. See the following page for details on when to submit. These guidelines will help you prepare your documents:

- All budget pages, including ORBITS produced forms, must be 11 x 8 1/2 inches. Orient pages in "landscape."
- All typing and graphics should be landscape-oriented. Lines should run all the way across or be in two columns.
- Agencies may photocopy the forms provided or may find electronic forms at: http://www.das.state.or.us/DAS/BAM/forms.shtml.
- Do not write or type on ORBITS reports other than to add page numbers.
- Use 20-pound bond paper to make photocopies. Double-side all copies.
- All forms and narratives must be three-hole punched at the top 11-inch edge. Organize them in three-ring, vinyl binders. Do not use pressboard binders. Anything added later must also be three-hole punched and two-sided.
- Use staggered divider tabs between sections along the document's bottom 11-inch edge. Use plastic dividers only if they are recyclable.
- Label binders on both the outside front cover and spine. Binders with title page inserts in a clear plastic cover are useful to keep labels from falling off.
- Produce budget documents at the lowest cost that yields readable, informative documents. Customer service representatives from DAS Printing and Distribution Services (P&D) can help with page layout or production issues to control costs. You may contact DAS at (503) 378-3397.

Due Dates, Document Titles, and Copy Requirements

Agencies must update forms, narratives, and graphics in the agency request document at each step to reflect decisions by the Governor and the Legislature. The document format remains the same. The due dates, document titles, and copy requirements for each are:

Agency Request Budget

- Due to BAM by August 2, 2010 from early submittal agencies. All others are due no later than September 1, 2010.
- Title: "Agency Name" 2011-13 Agency Request Budget.
- Number of copies to be submitted: **6 total**. One binder must include certification page with an **original** authorized signature.

Governor's Recommended Budget

- Due to BAM in early January 2011. Actual due date will be supplied before then.
- Title: "Agency Name" 2011-13 Governor's Recommended Budget.
- Number of copies to be submitted: To be determined. One binder must include certification page with an **original** authorized signature. The number of copies will depend on the number of members in a designated budget committee, as well as the number of member that would prefer electronic copies only. Check with your BAM analyst.

Legislatively Adopted Budget

- Due to BAM within 30 days of the date the agency is through SABRS audit process and receives ORBITS budget support documents.
- Title: "Agency Name" 2011-13 Legislatively Adopted Budget.
- Number of copies to be submitted: **4 total**. One binder must include certification page with an **original** authorized signature.

BUDGET DOCUMENT FORMAT

The budget document presents budget and policy issues to decision makers. It must be clear and understandable. Using the formats and forms in this manual gives all budgets a common framework, making it easier for readers to find and understand the information. Within that framework, agencies should tailor their documents to their needs.

The "Agency Summary" section of the budget document identifies the major issues and context of the agency's activities. The "Program Unit" sections provide supplemental budget and program detail.

It is helpful to review past budget documents and legislative presentation materials early in the budget development cycle. That allows time to make changes before the budget document is due. Graphics can replace or explain text to help decision makers understand complex or controversial issues or programs. The goal is a concise presentation that makes complex facts and issues easy to understand.

Agencies submit three separate budget documents in the budget process. They are: the Agency Request Budget, the Governor's Recommended Budget, and the Legislatively Adopted Budget. All are public records when published. Agencies will need to update the Agency Request Budget at the right times to reflect changes and decisions by the Governor and the Legislature.

The budget document is a compilation of narrative, ORBITS reports, budget forms, and agency-supplied information. Agencies may enter budget narrative directly into ORBITS, or may choose to use the old narrative form (107BF02). The applicable ORBITS component(s) and/or budget form(s) are noted in the instructions for each section of the document.

All of the BAM-supplied materials are available in ORBITS, from BAM, or on the web at http://www.das.state.or.us/DAS/BAM/forms.shtml

The following pages explain how to assemble the budget documents.

Indicates that a divider "TAB" should be used at this point in the document.

INTRODUCTORY INFORMATION

1. Table of Contents
2. Certification (107BF01)

LEGISLATIVE ACTION

1. Budget Report(s)
2. Emergency Board Minutes (if applicable)

AGENCY SUMMARY

1. Agency Summary Narrative (ORBITS Narrative or use form 107BF02)
    - Budget Summary Graphics
    - Mission Statement and Statutory Authority
    - Agency Plans
    - Program Descriptions
    - Environmental Factors
    - Initiatives
    - Criteria for 2011-13 Budget Development
    - Annual Performance Progress Report
    - Major Information Technology Projects/Initiatives
    - Sustainability
    - Other Considerations
2. Summary of 2011-13 Budget (Agency-wide and Program Unit levels) (ORBITS)
3. Program Prioritization for 2011-13 (107BF23)
4. Reduction Options (ORBITS Narrative or 107BF02, and 107BF17)
5. 2009-11 Organization Chart
6. 2011-13 Organization Chart (if changes proposed)
7. Agency-wide Appropriated Fund Group (ORBITS BPR001)
8. Agency-wide Program Unit Summary (ORBITS BPR010)

REVENUES

1. Revenue Forecast Narrative/Graphics (ORBITS Narrative or 107BF02)
2. Detail of Fee, License, or Assessment Revenue Proposed for Increase (107BF08)
3. Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (Agency-wide level) (ORBITS BPR012 **and** form 107BF07)
4. Agency-wide Revenues and Disbursements Summary (ORBITS BPR011)

PROGRAM UNITS

1. Program Unit Organization Chart(s).
2. Program Unit Narrative (ORBITS Narrative or 107BF02).
3. Essential and Policy Package Narrative and Fiscal Impact Summary (ORBITS BPR013).
4. Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (Program Unit level) (ORBITS BPR012 **and** form 107BF07).
5. Program Unit Appropriated Fund and Category Summary (ORBITS BPR007A).

CAPITAL BUDGETING

1. Financing Agreements and COPs.
2. Capital Improvement.
   - Capital Improvement Narrative (ORBITS Narrative or 107BF02, and 107BF10).
   - Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (ORBITS BPR012).
   - Program Unit Appropriated Fund and Category Summary (ORBITS BPR007A – Summary Cross Reference 088).
3. Capital Construction (Major Construction/Acquisition).
   - Major Construction/Acquisition Narrative (ORBITS Narrative or 107BF02 and 107BF11).
   - Major Construction/Acquisition Six-Year Plan (107BF13).
   - Capital Financing Six-Year Forecast Summary (107BF12).
   - Project Narrative.
   - Detail of Lottery Funds, Other Funds and Federal Funds Revenue (ORBITS BPR012 and 107BF07).
   - Program Unit Appropriated Fund and Category Summary (ORBITS BPR007A – Summary Cross Reference 089).
4. Facilities Maintenance and Management
   - Facilities Maintenance Narrative (ORBITS Narrative or 107BF02).
   - Facilities Maintenance Summary Report (107BF16a).
   - Facilities Operations and Maintenance Report (107BF16b).
   - Facilities Deferred Maintenance Detail Report (107BF16c).

SPECIAL REPORTS

1. Information Technology-related Projects/Initiatives (107BF14).
2. Major IT project business case documents.
3. Facility Proposal Impact on Work Space Requirements.
4. Audit Response Report.
5. Affirmative Action Report.

THE BUDGET DOCUMENT

INTRODUCTORY INFORMATION

The first two items in the budget document are the Table of Contents and the Certification. They precede the Legislative Action tab.

1. **Table of Contents** (no form).
2. **Certification page** (use form 107BF01). With this form, the agency certifies the accuracy of the budget document.
   - This must be completed and signed by the agency head or, if the agency is under control of a board or a commission, by the chairperson.

The agency head or chairperson must sign the certification **each** time the budget document is updated. An **original** signed certification form must be included in the Agency Request Budget, the Governor's Recommended Budget, and the Legislatively Adopted Budget documents.

LEGISLATIVE ACTION

The agency must include copies of reports showing legislative actions that affect its budget. These include:

1. All **Budget Reports** from the 2009 Legislative Session, that set the agency's 2009-11 Legislatively Adopted Budget.
2. All **Budget Reports** from any special sessions, as well as **Emergency Board minutes** affecting the agency from the 2009-11 interim to date.

<u>For the 2011-13 Legislatively Adopted Budget document, this section must be updated after the session. Replace items 1 and 2 above with Budget Reports for all legislative activity during the 2011 Session</u>.

AGENCY SUMMARY

1. **Agency Summary Narrative** (ORBITS Narrative or 107BF02) – This section presents policy issues and agency business plans for the 2011-13 biennium. An outline can be used if the information is complete.

   The following headings and information must be in the narrative:

   a. <u>Budget Summary Graphics</u> – This section must provide pie charts or other graphics that depict the proposed budget, including:
      - How the budget is allocated among programs or activities.
      - Distribution by fund type.
      - Comparison of 2009-11 Legislatively Approved Budget (as of April 2010) with the 2011-13 Agency Request Budget.

Update these graphics for the Governor's Recommended Budget and the Legislatively Adopted Budget.

b. Mission Statement and Statutory Authority – This section explains the authority and direction of the agency. It must:

- Clearly and concisely state what the agency seeks to achieve.
- Cite Oregon Revised Statutes and Oregon Administrative Rules chapters containing the agency's authorities and duties.

c. Agency Strategic or Business Plans – This section requires development of short-term and long-term strategic goals and plans. Agencies should link the long-term goals to pertinent Oregon Benchmarks and/or similar high-level outcomes, and identify associated performance measures.

- Long-Term Plan Identify the long-term strategic goals and efforts that will advance the agency mission. Identify pertinent Oregon Benchmarks and/or key performance measures and other high-level outcomes and, where appropriate, provide that data as context for agency goals and efforts. Describe partnerships among agencies and other governments. Identify intermediate outcome measures that will be used to measure progress toward achievement of each long-term strategic goal.
- 2011-13 Short-Term Plan
  - Agency Programs – Briefly, but adequately, describe what the agency does. List each primary program, its purpose, customers, and source of funding (e.g., federal versus state). Include its expenditures by fund type, positions and full-time equivalent, revenue sources, and caseload or workload for each program. Program descriptions should normally match with budget program units.
  - Environmental Factors – Briefly discuss factors that aid and hinder achievement of desired results. Factors could be demographic, economic, social, legal, administrative, interagency, intergovernmental, and others.
  - Agency Initiatives – Identify initiatives that the agency will address in the 2011-13 budget. These initiatives should support achievement of the intermediate outcome targets in the long-term plan and, where applicable, contribute to achieving targets of pertinent Oregon Benchmarks and/or key performance measures and other high-level outcomes. Agency IT-related initiatives should, where applicable, support achievement of the Governor's goals and initiatives, and the goals and objectives outlined in the 2010-2015 Enterprise IRM Strategy. Describe the changes these initiatives will create in the agency programs described above. For each initiative, include the performance measures against which its success will be gauged. Include a list of all proposed legislation brought forward by the agency. (This will take the form of proposed legislative concepts for the Agency Request Budget, and bills submitted by the Governor at the Governor's Recommended Budget.)
  - For programs not directly tied to the Oregon Benchmarks or key performance measures and other high-level outcomes, identify specific results expected from the requested funding. Compare them with historical results. Include information on performance or outcome measures. Graphics will help.

d. Criteria for 2011-13 Budget Development – Using the short-term and long-term plans, identify the goals, objectives and/or outcomes used as a basis to develop the budget proposal.

e. Performance Measures – Include the Annual Performance Progress Report for the fiscal year ending June 2010. See page 35 for more details.

f. Major Information Technology Projects/Initiatives – Identify and develop a business case document for major information technology-related projects/initiatives, equal to or exceeding $1,000,000. Describe how those major projects/initiatives:

- Align with and support agency strategic/business plans.
- Align with and support the Governor's goals, priorities and initiatives, the 2010-15 Enterprise Information Resources Management Strategy, and other IT-related statewide plans, initiatives, goals and objectives.

The full business case document for these projects should be included in the Special Reports section of the budget document. This agency narrative section should be a summary of that document. See pages 37-40 for more details.

g. Sustainability – This section presents sustainability policy issues and their relationship to agency strategic/business plans for the 2011-13 biennium and through calendar year 2013. *This section must be completed by those agencies specifically mentioned in Governor Kulongoski's Executive Order 03-03 and superseded by Executive Order 06-02. Agencies not mentioned in the Orders are encouraged to include this section in their budget document.*

The following headings and information must be in the narrative:

- 2009-11 Sustainability Plan – This section must include the agency plan or agency-specific sustainability benchmarks as approved by the Oregon Sustainability Board.
- 2009-11 Agency Sustainability Plan Progress Statement – This section requires a succinct statement of the agency's progress in achieving the goal(s) outlined in its sustainability plan. This must include an item by item accounting of each listed agency action and a statement of progress made. Risks or barriers that hamper or prevent progress must be discussed here.
- 2011-13 Sustainability Plan – Using the short-term and long-term strategic plans, identify the goals, objectives and outcomes that will be used as a basis to develop the agency's 2011-13 Sustainability Plan. The agency's sustainability training efforts must be discussed in this section as well as a discussion of its integration strategy with other state agencies to accomplish planned objectives efficiently.
- Governor's Priorities and Initiatives – Agencies must describe how their sustainability plans and progress align with and support the Governor's priorities and initiatives for sustainability.

2. **Summary of 2011-13 Budget** (ORBITS) – This form will now be produced directly out of ORBITS. It reports the base budget, the essential packages that bring the budget to the current service level, and any policy packages in the budget. Both the agency summary and program unit levels are reported. Rerun the report, as stages are completed, for the Governor's Recommended Budget and the Legislatively Adopted Budget.

3. **Program Prioritization for 2011-13** (form 107BF23) – For the last two biennia, agencies have prepared the Program Prioritization form during the Legislative Session, at the request of the Legislative Fiscal Office. This form is now required for the Agency Request Budget. Priorities are listed for each Program Unit/Division as well as agency-wide.

4. **Reduction Options** – Present General Fund, Lottery Funds, Other Funds, and Federal Funds reduction options (see pages 33-34 for details). Rank them in order, by lowest cost for benefit obtained. Number the first option to be implemented as number one, the second as two, etc.

   10/25% Reduction Options Form (ORBITS Narrative or 107BF02, and form 107BF17) – For each option, provide:

   - Activity or Program – Describe the activity or program that would not be undertaken if the reduction were adopted.
   - Describe Reduction – Describe the reduction and tell how it would be implemented. Describe program impacts from the option, including how the proposed action would affect the agency's mission, strategic plan, any Oregon Benchmarks, other agencies, and local governments. Identify any statutory changes needed to implement the reduction and whether a legislative concept has been filed. List positions and full-time equivalent affected by the option. If the option would be phased in, show the 2011-13 impact and the full 24-month projected 2013-15 impact.
   - Amount and Fund Type – Identify the amount of the reduction and the fund type. If Other Funds or Federal Funds are affected, identify the amount and source, and indicate if there are restrictions on use of the funds for other activities or programs.
   - Rank and Justification – Each activity or program not undertaken must be ranked on the basis of lowest cost for benefit obtained. Explain the criteria and methods used to determine costs and benefits obtained.

   If one option includes multiple elements, provide this information for each element.

   Although dollar amounts for reduction options are not entered into ORBITS in the Agency Request Budget, agencies should be prepared to provide their BAM and LFO analysts detailed information by category. This will allow analysts to form policy packages quickly if the options are recommended by the Governor or adopted by the Legislature. See page 34 for instructions on displaying reduction options that were actually used in the Governor's budget.

5. **Organization Chart(s) 2009-11 –** Include a copy of the agency's current organization chart.

6. **Organization Chart(s) 2011-13 –** If the 2011-13 budget includes organizational changes, include a chart of the proposed structure.
   - A chart should summarize the agency structure in one or two pages.
   - Include the number of positions and full-time equivalent (FTE) in each unit of the agency.
   - Note any positions eliminated from or added to the 2009-11 Legislatively Adopted Budget to date.
   - Show proposed 2011-13 biennium changes by shaded or dashed boxes.
   - Use summary footnotes to save space. More detailed charts will be included in the program unit sections of the budget.

7. **Agency-wide Appropriated Fund Group** (ORBITS BPR001) – This report will summarize expenditure and position data. It will show the base budget and packages.

8. **Agency-wide Program Unit Summary** (ORBITS BPR010) – This report will summarize the budget by program unit and fund type. It will show Capital Improvement and Capital Construction (Major Construction/Acquisition) as program units.

REVENUES

This section presents revenues at the agency-wide level.

1. **Revenue Forecast Narrative** (ORBITS Narrative or 107BF02) – Explain the total estimated Lottery Funds, Other Funds, and Federal Funds revenues. For <u>each</u> source of Lottery Funds, Other Funds, and Federal Funds describe:

   - The source of funds. For Federal Funds, name the federal program and agency.
   - Any required matching funds, including the percentage and type of match.
   - Agency programs funded with the revenue.
   - General limits on use of funds.
   - Basis for 2011-13 biennium estimates. For fees or assessments, describe who pays, the number of payers, and rates.
   - Proposed changes in revenue sources or fees.
   - Proposals for new legislation.

   For Lottery Funds received or requested in the 2007-09, 2009-11, or 2011-13 biennia, identify the amounts received, expended, and carried forward for each biennium. Present this information separately for each program for which Lottery Funds were received or are being requested.

   Include graphics or other aids to provide a clear, concise report. A more detailed revenue narrative is required for each program unit.

2. **Detail of Fee, License, or Assessment Revenue Proposed for Increase** (prepare form 107BF08) – Describe the fees, licenses, and assessments to be <u>established or increased</u> in the 2011-13 budget. Include those established or increased administratively during the 2009-11 biennium, only if they were not approved by the Legislature and included in the Legislatively Adopted Budget. In the explanation section, describe and contrast any increases in volume versus any increases in rate.

   Although not included in the budget binder, agencies must report detailed information on all fee increases, establishments, or decreases included in the 2011-13 Agency Request Budget. This is reported on form 107BF22 Fee Change Detail Report. The form and accompanying cover memo must be submitted electronically to the agency's BAM analyst at the same time that the Agency Request Budget is submitted.

3. **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (Both ORBITS BPR012 and form 107BF07 must be included.) – Itemize Lottery Funds, Other Funds, and Federal Funds for the agency as a whole by type of funds and source. Entries must match fund sources in the Revenue Forecast Narrative.

4. **Agency-wide Revenues and Disbursements Summary** (ORBITS BPR011) – This report summarizes revenues and disbursements by fund for the agency as a whole. It includes beginning balance, General Fund revenues, Lottery Funds revenues, Other Funds revenues, Federal Funds revenues, revenue transfers, total expenditures, and ending balance.

PROGRAM UNITS

Present each program unit under a separate tab in the budget. Generally, a program unit has a base budget and may have essential or policy packages.

An agency that presents its entire budget as a single program unit may combine this section with the Agency Summary section as long as all required information is included.

Program Unit (Title)

Organize each program unit under its tab as follows:

1. **Program Unit Organization Charts** – Include a copy of the current organization chart for each program unit. If the 2011-13 budget makes organizational changes, include a chart of the 2009-11 structure and one of the proposed 2011-13 structure.

   - Charts should summarize the program unit's structure in one page if possible.
   - Include the number of positions and FTE in each unit of the program unit.
   - Note any positions eliminated, added, or transferred during the 2009-11 biennium to date between program units from the 2009-11 Legislatively Adopted Budget.
   - Show proposed 2011-13 biennium changes by shaded or dashed boxes.
   - Use summary footnotes to save space.

2. **Program Unit Narrative** (ORBITS Narrative or 107BF02) – Present the budget information for the major program and policy issues of the program unit. Discuss the base budget, essential packages, and policy packages for the unit. Agencies with questions about writing the narrative should check with their BAM analyst for examples or suggestions.

   The base budget narrative must concisely describe:

   - Purpose, customers, and source of funding (e.g., federal versus state).
   - Expenditures by fund type, positions and full-time equivalents.

- Activities, programs, and issues in the program unit base budget.
- Important background for decision makers. Include trends in caseload and workload.
- Expected results from the 2011-13 budget for the program unit. Link these to agency performance measures and to pertinent Benchmarks when relevant.
- Revenue sources and proposed revenue changes. For Lottery Funds, Other Funds, and Federal Funds revenues, discuss:

    1. The source of funds. For Federal Funds, name the federal program and agency.
    2. Any required matching funds. Include the percentage and type of match.
    3. Programs in the program unit funded with each revenue source.
    4. General limits on use of funds.
    5. Basis for 2011-13 estimates. For fees or assessments, describe who pays, the number of payers, and the rates.
    6. Proposed changes in revenue sources or fees.

- Proposed new laws that apply to the program unit.

Balance the amount of detail against the need to be brief and to discuss key issues. An outline format can be used if it provides complete information. Use graphics or charts as aids to understanding.

3. **Packages** (ORBITS narrative or 107BF02, and BPR013) – Packages propose budget, policy, and program changes. Packages are of two kinds: essential or policy packages. Place the unit's essential packages first and then its policy packages. Rank policy packages in overall agency-wide priority order. Number one would be the highest priority to the agency, number two next, etc. Present them in that order.

- A package based on new or increased Federal Funds should be based on completed congressional action with documentation that funds are authorized and appropriated. Exceptions may be made if funding is reasonably certain.
- Highlight any actions that would:
    - Produce substantial matching revenues from other jurisdictions.
    - Generate new or increased revenues.
    - Eliminate revenues received by the agency during the 2009-11 biennium.
- Note whether package revenues are available only for the purposes described or could be used to finance other programs.

Descriptions of a program unit's essential packages can be combined on one or two pages, but each policy package should be on its own page. The Policy Package narrative should summarize the agency's business case for new funding proposals. The narrative should describe the issue to be addressed, the solution proposed by the agency, the resources needed to implement the solution and how the agency proposes to quantify its success if the package is approved. Each package should be presented as follows:

a. Package Narrative (ORBITS Narrative or 107BF02) – Include these headings and information:

- Purpose – Describe the issue or problem that needs to be addressed and the agency's proposed solution. Explain how the proposed action advances the agency's mission, strategic plan, and any applicable Benchmarks or key performance measures.
- How Achieved – Explain how the proposed action will address the problem. This explanation should include the agency's implementation strategy with a detailed timeline for key activities. Summarize the planning activities leading to the development of the proposal, including employee or stakeholder involvement in the planning process. Describe the alternatives that were considered and why the agency's proposed action is preferred. If the proposal requires new statutory changes, include them in the legislative concept process. Describe any impacts on other agencies or governments and how the proposal is being coordinated with them.
- Staffing Impact – List positions and full-time equivalent required for the proposed action. For phased actions, show the 2011-13 impact and the full 24-month projected impact for 2013-15.
- Quantifying Results – Describe how your agency will quantify your results if the proposal is approved (policy packages only). Once the method of quantifying the results has been described, include a timeline with periodic performance target milestones. These measurements do not need to be limited to agency Key Performance Measurements, but could include agency operational measures.
- Revenue Source – Show the revenue sources that would fund the package and the amount assumed from each source. Highlight any new revenues expected, any revenue savings, or any change in fees assumed in the package.

If a package includes multiple elements, provide this information for each element.

b. Essential and Policy Package Fiscal Impact Summary (ORBITS BPR013) – Show fiscal details for each package by category and fund type. Include Personal Services, Services and Supplies, Capital Outlay, Special Payments, Positions, FTE, and all related costs of the package. Estimate the fiscal impact in the 2013-15 biennium for any phased actions or if the funding base will change.

c. For policy packages involving IT projects/initiatives:

- Agencies must complete and submit form 107BF14 for each IT project/initiative that exceeds $150,000 in total estimated cost. This form should be included in the Special Reports section of the budget document. See pages 37-40 for more detail.
- Agencies must complete and submit a formal business case document for each IT project/initiative that exceeds $1,000,000 in total estimated cost. This document should also be included in the Special Reports section of the budget document. See pages 37-40 for more detail.

4. **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (Both ORBITS BPR011 and form 107BF07 must be included.) – Itemize Lottery Funds, Other Funds, and Federal Funds revenues for the program unit by type of funds and source. The total revenues described for all program units should equal the totals in the Revenue section of the agency budget document.

5. **Program Unit Appropriated Fund and Category Summary** (ORBITS BPR007A) – This report summarizes the program unit expenditures by classification and category.

CAPITAL BUDGETING AND FACILITIES MAINTENANCE

Capital Budgeting

Introduction

Capital budgeting refers to planning for and establishing General Fund appropriations, Other Funds and Federal Funds expenditure limitations for capital improvement projects and major construction or acquisition projects. Major capital projects require advance planning. Often external financing is required for major projects. This section describes budget request information required for capital projects.

What are Capital Projects?

Capital Projects include land, building, and major facility renovations, additions, or improvement projects. They change a use, function, or cost in such magnitude that approval by the Governor and the Legislative Assembly is warranted. Project costs may include planning, design, land acquisition, and construction or implementation costs. Generally, capital projects must conform to the Oregon Accounting Manual (OAM) (section 15.60.10) of the DAS State Controller's Division (SCD) as it applies to capitalization of fixed assets.

Capital Projects are divided into two unique categories: Capital Improvements and Major Construction/Acquisition. The ORBITS/PICS User's Manual shows how to present these categories in the agency budget. Each capital project request should present the total project and construction costs. In addition, the agency should discuss the long-term operation and maintenance costs, or savings, of the project. DAS will prepare a separate appropriation bill or bills for capital construction projects in the Governor's Recommended Budget.

Capital Improvements Defined

A capital improvement project must meet the following criteria:

- The total project cost will be less than $1 million including anticipated requests in future biennia, and
- Costs will be capitalized in accordance with OAM 15.60.10 (i.e. (a) the expenditure is for acquisition (including land) or construction of a new asset, or, (b) for existing assets, the expenditure significantly increases the value, extends the useful life, or makes it adaptable to a different use); or;
- Costs are for substantial (non-routine) maintenance, or repair.

Land acquisition for a project that has total, complete project costs of less than $1 million should be requested as a Capital Improvement Policy Package.

Major Construction or Acquisition Projects Defined

A Major Construction or Acquisition project must meet the following criteria:

- Costs will be capitalized as required by the OAM of the DAS SCD.
- The complete project cost will be $1 million or more ($3 million or more for Oregon University System projects). Major projects normally follow a two-phase process. Phase one is planning and design; phase two is construction. This criterion applies to the combined total estimated costs of all phases of a project.
- It must build, acquire, adapt, replace, or change the use or function of an information technology-related system(s), a facility or group of related facilities (see reconstructions under Operating Expenditures.)

Capital Construction Project Limitation Expiration

Limitation Expiration Dates:
Major Construction or Acquisition Project budget approvals have a life of six years from the effective date of the first approval of any element of the project, i.e. six years following the initial approval. *Note: Capital Construction Projects approved at $1 "Placeholder" level are subject to this limit.* If an agency's six-year spending limitation is expected to expire before the project will be completed, the agency must request an extension as part of the agency's 2011-13 capital project budget requests. **Requests for extension of capital construction limitation expiration dates must also be made by email to Jack Kenny at jack.kenny@state.or.us.** Any recommended extension is subject to legislative approval. Speak to your BAM analyst if you have any questions.

Project expenditures cannot exceed amounts authorized for a specific capital construction limitation.

Operating Expenditures for Facilities are not Capital Projects.
Generally, activities and projects that keep the facility operating without increasing asset value or operating life, such as maintenance, repairs, replacement of components, or adaptation, are not capital projects. Projects that reduce maintenance costs or increase efficiency are generally not considered capital projects. However, major repair or maintenance initiatives such as substantial roof or flooring repairs, large scale painting projects or carpet replacements may be included in the Capital Improvements budget. Note however, that projects that do not qualify as capital under the OAM cannot by financed using COPs.

Projects that enhance a facility beyond maintaining or restoring proper operating condition should be requested in the appropriate capital construction project program unit. Some asset protection items are of sufficient size or complexity to be presented as capital construction projects. Talk with the DAS Statewide Accounting and Reporting Section (SARS) and your assigned BAM analyst to determine how to categorize a large asset protection project.

Review of Major Construction or Acquisition Projects Prior to Budget Submission

The 1997 Legislature established the central Capital Projects Advisory Board (CPAB) to review all major construction projects and large lease projects prior to any agency's submission to BAM or introduction of a bill or Emergency Board request. In 2009, the Legislature re-established the Capitol Planning Commission (CPC) and transferred to it, from the CPAB, the responsibility for review of major construction projects within the boundaries of the City of Salem and the City of Keizer for compliance with the development standards and policies contained in the CPC adopted Area Plans.

During calendar year 2010, the CPAB will review space need plans, construction project plans, building maintenance need plans, and facility inventories from each state agency (excluding OUS) that owns facilities anywhere in the state. During this same time period, the CPC will review project plans for major construction projects within the boundaries of the City of Salem and the City of Keizer for compliance with the Area Plans. The CPAB is also responsible for reviewing new space leases of 10,000 square feet or more with a lease term of 10 years (initial term plus possible extensions) or more. The information provided by agencies and the Board's and Commission's comments are shared with BAM and LFO for use in budget preparation and analysis.

Major construction or acquisition projects ($1 million and more) must be publicly reviewed by CPAB, and if within the boundaries of the City of Salem or Keizer, the CPC prior to the agency's budget submission to BAM or introduction of a legislative bill, or an Emergency Board request. The Oregon University System projects are exempt from these requirements as are community college projects requested by the Department of Community Colleges and Workforce Development

The DAS Facilities Division is staff and coordinator for the CPAB and for the CPC. Contact Robin Kirkpatrick, State Facilities Coordinator at (503) 373-7112 to request any information regarding this effort. See Special Approvals on page 69 for additional instructions.

Long-Term Construction Budget Requirements

- **Four-Year Major Construction Budgets**

  State agencies are now required to request four-year major construction budgets (ORS 276.229). Four-year major construction budgets begin with a request for planning funds, which lead to project construction requests. Request planning funds with your 2011-13 budget request for major projects scheduled for construction in 2013-15. Your four-year budget request will consist of project construction approvals for the 2011-13 biennium for planned projects, and planning funds for projects you expect to request for construction approval in the 2013-15 biennium. Projects included in these budgets may be accelerated or deferred with Emergency Board approval.

  This four-year requirement does not apply to an institution of higher education (defined in ORS 352.002), to the Oregon Health and Science University, or to community colleges (defined in ORS 341.005).

- **Major Construction/Acquisition Six-Year Plan**

  ORS 291.224 requires the Governor's Recommended Budget to include estimated biennial construction requirements for not less than six years. This plan should reflect the agency's four-year budget request and show major construction or acquisition projects expected two years beyond that. Present your six-year plan in the form of a table (use form 107BF13). Show requested and potential major construction or acquisition projects and planning funds for the 2011-13, 2013-15, and 2015-17 biennia.

  This requirement does not apply to highway and bridge construction or repair by the Department of Transportation; park improvements; or road infrastructure done under timber sale contracts with the State Forester.

- **Capital Financing Six-Year Forecast**
  ORS 291.216(11) requires that the Governor's Recommended Budget compare the State Debt Policy Advisory Commission's report of net debt capacity to state agencies' capital financing six-year forecast. This is in addition to the major construction/acquisition six-year plan.

  Use the Capital Financing Six-Year Forecast Summary (form 107BF12) to show your agency's six-year forecast of financing needs, by debt type and repayment source. Provide projected financing needs by use as follows:

  - Major construction or acquisition projects including highway and bridge repair projects that will be financed by debt issuance.
  - Equipment purchases or information technology-related projects or systems that will cost $1 million or more and will be financed by debt issuance.
  - Other state agency debt issuance for grant or loan purposes.

  Debt type means certificates of participation, general obligation bonds, or revenue bonds. Repayment source means General Fund, Lottery Funds, Other Funds, or Federal Funds. If your agency has more than one financing program, please identify debt issuance plans by program.

  Contact your BAM analyst or the BAM Capital Investment Section if you have questions.

Financing Agreement and Certificates of Participation (COPs) Financing

Oregon law and the COP program procedures provide a centralized structure to process requests by state agencies for financing projects. The COP program is managed as a central service function by DAS. It operates as part of BAM. Centralized control assures that financing agreements and COPs are used only for projects approved by the Legislature and the Executive Branch. COPS can be used to finance real or personal property (includes software) that will be owned and operated by the state.

If your agency plans to use a COP or other financing agreements (e.g. capital lease) in an amount exceeding $100,000, approval by DAS and the Legislature is required. Your budget must include revenue source (e.g. COP proceeds) and necessary expenditure limitations, including debt service. Work with your assigned BAM Analyst and CIS to obtain debt service estimates.

To request COP authority complete the COP Financing Request Form (107BF15). Itemize each stand-alone project for which financing is requested in 20011-13. ***COP Financing request forms must be completed and returned to BAM on or before May 14, 2010***. The requests are evaluated on factors including priority of need, effectiveness, and repayment source. This review determines which requests are included in the Governor's Recommended Budget. Questions should be directed to Jack Kenny at (503) 378-3107.

- **<u>Financing agreements to restore or acquire real property must meet the following criteria</u>:**
  - The project will acquire, construct or restore the safe, economic operation of the property.
  - The property will be essential to state services.
  - The property will have a useful operating life at least commensurate with the term of financing.

- The property is free and clear of all liens and financial security claims.
- The amounts for restoration or renovation will substantially improve the property.
- The financing has specific, stable sources of repayment.

- **Financing agreements to finance equipment acquisition or system development projects must meet the following criteria:**
  - The equipment or system will contribute substantially to a more effective or cost-saving method of delivering state services.
  - The equipment or system will be essential to priority state services.
  - The equipment or system will have a useful at least commensurate with the term of financing.
  - The project components are free and clear of all liens and financial security claims.
  - The financing has specific, stable sources of repayment.

Accounting and Budgeting Requirements:
Accounting and budgeting for purchases using financing agreements and COPs is done at the agency level. Each agency is responsible for recording revenues and expenses associated with the issuance of these obligations. Where COPs are used, the COP trustee holds COP funds in trust until expended as budgeted at the request of the agency. These transactions need to be recorded on the agency books. The Oregon Accounting Manual (OAM) provides instructions of accounting for COPs.

Project Budget – Base or Policy Package?
Projects acquired with financing agreements and COPs are not included in an agency's base budget. They must be phased out at the end of each biennium. Address each project in one or more separate policy packages that discuss use of COP sale proceeds, interest income, acquisition or construction costs, and COP issuance costs. Record the asset acquisition cost in the appropriate Capital Outlay account, ORBITS account number series 5XXX. COP issuance costs and related fee expenditures are current biennium operating costs and are budgeted as Services and Supplies in ORBITS account number 4625, *Other COP costs*. *COP sale proceeds* (revenue) are budgeted in ORBITS account number 0580. COP interest income estimates are budgeted in ORBITS account number 0610 *Interest Income COP*.

For Capital Improvement and Capital Construction projects, asset acquisition (project) costs and the COP sale proceeds (revenues) and interest income to cover those costs are budgeted in the Capital Improvement or Capital Construction program units. For other type of projects, project costs, COP revenues, and interest income are included in the appropriate operating budget program unit. COP issuance costs and related fee expenditures and the COP revenues and interest income to cover those costs and expenditures are always budgeted in the appropriate operating budget program unit.

Debt Service – Limited or Nonlimited?
2011-13 Debt Service requirements for finance agreements can be requested in agency budgets as limited or nonlimited, depending on the funding source. Repayment from General Fund appropriations and Lottery Funds must be budgeted as Limited Debt Service. Repayment from Other Funds or Federal Funds revenues may be budgeted as Nonlimited Debt Service; your BAM Analyst should confirm this.

If repayment is from multiple fund types and General Fund or Lottery Funds are involved, the entire repayment expenditure limitation must be requested as limited debt service.

Limited Debt Service and Nonlimited Debt Service are budgeted in ORBITS using unique appropriated fund types and accounts. The debt service aspect of a project can be included in the policy package that requests the actual project expenditures and revenues, with the exception of Capital Improvement and Capital Construction packages. The debt service for these packages must be requested in a policy package in an operational program unit.

Debt Service Revenue and Expenditure Accounts

Revenues to pay debt service may be budgeted in a variety of ways. Agencies might record Other Funds and Federal Funds revenues in the debt service policy package as 1010 Transfer In – Intrafund with an off-setting 2010 Transfer Out – Intrafund in the budget unit from which the revenue is being transferred. In the case of General Fund appropriation, Lottery Funds, or new Other Funds or Federal Funds revenues, these are to be recorded directly in the debt service policy package using appropriate ORBITS appropriated fund types and revenue accounts.

A unique series of ORBITS appropriated fund types and expenditure accounts (series 7XXX) are available for use in recording budget requests for Debt Service. For COPs, use ORBITS accounts 7200 Principal – COP and 7250 Interest – COP. Refer to the ORBITS/PICS User's Manual Chart of Accounts in the Appendix for the full account listing. Use of these accounts is required when entering data in ORBITS. (Note that these accounts are different than SFMS or agency account classifications for accounting entries).

Financing Agreements Other Than COPs

Agencies involved in leases or financing agreements other than COPs should be familiar with the guidelines provided in the OAM. It is critical that agencies inform the Capital Investment Section of any planned financing agreements for capital items so that authority can be requested in the biennial "Bond Bill." Estimates for non-COP financing agreements (e.g.captial leases) should be provided to Jack Kenny by May 14, 2010. The OAM explains in detail requirements for capitalizing or expensing components of these transactions. Capitalized components and related debt service presentation are also clearly discussed. Agencies with capital leases are required to budget debt service accordingly.

Leases that do not contain purchase provisions should continue to be budgeted as operating lease payments in the appropriate Services and Supplies account.

Questions?

For questions concerning financing agreements, COPs, and form 107BF15, contact Jack Kenny, DAS Finance Manager at (503) 378-3107.

For questions concerning how to request capital projects, work with your BAM analyst. For questions on how to record within the budget system capital projects, financing agreements, and debt service refer to the ORBITS/PICS User's Manual.

Forms to be completed

- **Financing Agreements and COPs:**
  - **COP Financing Activity 2011-13 Biennium** (form 107BF15) *If your agency is requesting COP financing, these forms must be completed and returned to Jack Kenny, on or before May 14, 2010.*
  - **Real Property Acquisition or Restoration Financing**
  - **Equipment Acquisition Financing**
- **Capital Improvements:**
  - **Capital Improvement Narrative** (ORBITS Narrative or 107BF02, and 107BF10) -- See form for instructions.
  - **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS BPR012 and 107BF07) **–** List each source and amount of Lottery Funds, Other Funds, or Federal Funds.
  - **Program Unit Appropriated Fund and Category Summary** (ORBITS BPR007A) --This report summarizes the program unit expenditures by classification and category.
- **Major Construction/Acquisitions:**
  - **Major Construction/Acquisition Narrative** (ORBITS Narrative or 107BF02, and 107BF11) **–** Provide a general description of the agency's business plan or facilities master plan that is the basis for the request. Describe the basic assumptions that support the request. These might include demographic changes, trends, economic factors, federal mandates, etc. A separate form is included for the Oregon University System and the Department of Community Colleges and Workforce Development to use for reporting (form 107BF11a). All other agencies will continue to use form 107BF11.
  - **Major Construction/Acquisition Six-Year Plan** (form 107BF13) – Show each requested project by biennium. Put them in numbered priority (No. 1 being highest). Include the estimated cost to complete. List all costs by fund source (General, Lottery, Other, Federal) and show totals. For projects in future biennia, list a planning cost estimate in the appropriate biennium. Include a discussion of operating and maintenance costs. A cost breakdown by program or institution is acceptable.
  - **Capital Financing Six-Year Forecast Summary (**form 107BF12) – There is a separate summary form for each biennium of the forecast. Show the total principal amount of COPs or bonds to be issued for major construction/acquisition projects, equipment/information technology-related projects or systems costing over $1 million, and loan and grant programs.

Show your issuance plans for each financing program. For each category, provide total project costs to be repaid by General Fund, Other Funds, or Lottery Funds. Do not show debt service on this form.

Please attach a sheet to the summary form detailing your planned debt issuance. Include specific information on the source of Other Funds used to repay debt. For example, you might show Other Funds - loan repayments, or Other Funds - licensing fees, if applicable.

This information will show planned use of debt capacity. It will be compared to the debt capacity recommendations issued by the State Debt Policy Advisory Commission.

- **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS BPR012 and 107BF07) – List each source and amount of Lottery Funds, Other Funds, or Federal Funds.

- **Program Unit Appropriated Fund and Category Summary** (ORBITS BPR007A – Summary Cross Reference 089) – This report summarizes the program unit expenditures by classification and category.

Facilities Maintenance and Management

Introduction

ORS 276.229(2) requires state agencies to include the biennial costs associated with maintenance, major repairs or building alterations in their regular budget presentations to the Legislative Assembly. Agencies are required to include in their budget presentations short-term and long term plans to reduce or eliminate any existing backlog of deferred maintenance. ORS 276.227(5) requires state agencies to establish and implement long-range maintenance and management plans for facilities for which this state is responsible to ensure that facilities are maintained in good repair and that the useful lives of facilities are maximized. *Note: The provisions of ORS 276.229 do not apply to institutions of Higher Education.*

Facilities Maintenance forms have been designed to address statutory requirements for maintenance budget reporting using established requirements, such as Capital Projects Advisory Board (CPAB) and Risk Management reports to the greatest extent possible.

These forms are required only for agencies that own buildings (excluding the Oregon University System).

What is Facilities Maintenance?

The International Facilities Management Association (IFMA) indicates that maintenance costs can be described in four major categories for non-manufacturing entities:

Interior System Maintenance – This category includes electrical systems (including elevators, alarm systems, lighting, etc.); mechanical systems (HVAC, boilers, plumbing, refrigeration, etc.); base building general maintenance (interior walls, doors, ceilings, pest control, etc.); and administrative support services (trouble desks, etc.)

External System Maintenance – Costs to maintain roof, skin (siding, masonry, windows), signage, etc.

Roads and Ground Maintenance – Costs associated with landscaping, parking structures and lots, roadways, sidewalks, parking lots, storm sewers, underground fire systems and hydrants, etc.

Utility/Central System Maintenance – This category includes costs to maintain internal systems to generate/distribute electricity and internal mechanical systems such as steam plants and hot and cold water systems.

Agencies with significant facilities operations may include support staff if directly associated with facilities maintenance activities. Do not include other overhead items such as accounting, central government charges, etc.

What is an Operations and Maintenance Budget?

Industry standards generally include two other closely related cost categories when evaluating facilities management. In addition to the maintenance categories described above, a facilities operations and maintenance budget includes utilities and janitorial costs.

What is Deferred Maintenance?

Deferred Maintenance is maintenance that was not performed when it should have been. It may also include maintenance needs resulting from unforeseen circumstances such as wind storms, premature failure of facilities components, etc. It is typically measured in terms of a budget cycle. It is widely believed that deferred maintenance costs are significantly higher than corresponding routine maintenance costs in achieving the same stewardship objectives.

Categories of Deferred Maintenance

Policymakers benefit from having deferred maintenance needs prioritized. DAS Facilities Division has developed the following categories to be used for budget presentation:

Priority One: Currently Critical

Priority One projects are conditions that require immediate action in order to address code and accessibility violations that affect life safety. Building envelope issues (roof, sides, windows and doors) that pose immediate safety concerns should be included in this category.

Priority Two: Potentially Critical

Priority Two projects are to be undertaken in the near future to maintain the integrity of the facility and accommodate current agency program requirements. Included are systems that are functioning improperly or at limited capacity, and if not addressed, will cause additional system deterioration and added repair costs. Also included are significant building envelope issues (roof, sides, windows and doors) that, if not addressed, will cause additional system deterioration and added repair costs.

Priority Three: Necessary - Not Yet Critical

Priority Three projects could be undertaken in the near to mid-term future to maintain the integrity of a building and to address building systems, building components and site work that have reached or exceeded their useful life based on industry standards, but are still functioning in some capacity. These projects may require attention currently to avoid deterioration, potential downtime and consequently higher costs if corrective action is deferred.

Priority Four: Recommended Improvements

Priority Four projects are future planning considerations required to bring a facility to an appropriate standard, recognizing inefficiencies of systems or structures in current condition. These standards include system upgrades and aesthetic issues which represent sensible improvements to the existing condition. These projects improve the overall usability and reduce long-term maintenance requirements.

Priority Five: New Code Requirements / Standards

Priority Five projects identify deficiencies that do not conform to current codes, but are ‘grandfathered’ in their existing condition. No immediate actions are required, although items will need to be addressed if any significant work is performed on the building. The amount of work that triggers code compliance is typically at the discretion of regulatory authority.

Forms to be completed

- **Facilities Maintenance Narrative** (ORBITS Narrative or 107BF02) – Discuss any facilities maintenance initiatives, methodology for estimating operations and maintenance budget amounts, unique circumstances that have caused anomalies in maintenance requirements compared to “rules of thumb” or industry standards and other information important to analysis of your budget for maintenance and deferred maintenance.
- **Facilities Maintenance Summary Report** (form 107BF16a) – Provide the total dollar values for cost of buildings and replacement costs as reported to the Risk Management Division in the most recent *Building Information Report*. Report the total square feet of all buildings as reported to the CPAB in *2010 State Facility Plan – Real Property Plan Profile.* The Facilities Operation and Maintenance (O & M) Budget should be brought forward from form 107BF16b. Divide the maintenance budget by the total square feet in the space provided. Deferred Maintenance information should be brought forward from form 107BF16c. Answer the questions at the bottom of the form in the space provided or attach additional pages if necessary
- **Facilities Operations and Maintenance Report** (form 107BF16b) – Provide information on your O & M budget by biennium and fund type. This **does not** include deferred maintenance or Capital Improvements. Use the definition of maintenance described in the *Budget Instructions* above. If staff performing maintenance functions also performs other duties, make your best estimate of the portion of time and costs to allocate to maintenance. Your maintenance budget should be comparable to the Maintenance and Repair Budget portion of your *2010 State Facility Plan – Real Property Plan Profile* submitted to CPAB. **Include amounts for janitorial and utilities costs by biennium and fund type only for state-owned facilities.** If maintenance

costs are not included in a distinct DCR, please retain worksheets used to estimate your O & M budget. The Legislative approved column should reflect approved amounts as of April 2010.

- **Facilities Deferred Maintenance Detail Report** (form 107BF16c) – This form enables an agency to highlight its required plan to address outstanding deferred maintenance. Agencies currently report on conditions of buildings with a value of over $1 million both to Risk Management and CPAB. These facilities should be listed individually on this budget form together with the 2011-13 budget request amount for that facility and projected deferred maintenance outstanding at June 30, 2011 (in total and with subtotals for categories 1-2 and 3-5 as described above). To meet budget submittal deadlines, agencies may use estimates of amounts to be reported to Risk Management and CPAB. Attach additional sheets as necessary if your agency has more facilities with a replacement value of $1 million than can be included on the form. Provide one summary total for all buildings valued at less than $1 million.

SPECIAL REPORTS

What Else Should Be Included in Your Budget Request?

- **Information Technology-related Projects/Initiatives in 2011-13**
  Agencies are required to complete and submit Form 107BF14 for all IT projects that exceed $150,000 in total costs. The report format is in the Budget Forms section of these instructions (107BF14). Agencies are also required to complete business case documents for all major IT projects that exceed $1,000,000. Business case development resources (Training, Templates, Guidelines, etc) can be found at: http://www.das.state.or.us/DAS/EISPD/Business_Case.shtml. Details can be found on pages 37-40. Completed forms and business case documents should be included in this section of the budget document.

- **Facility Proposal Impact on Work Space Requirements**
  In the program unit presentation, describe any increases, decreases, and relocations of workspace due to the proposed project. Include closing offices, consolidating functions, leasing storage space, or moving at the end of a lease. Also describe any cost savings or increases (like rent and moving expenses) that affect the budget request.

- **Audits Response Report**
  In the budget request, include a written summary of responses to any financial or performance audits by the Secretary of State or the Joint Legislative Audit Committee finished in the 2007-09 or 2009-11 biennia to date. Report any major findings or recommendations, and the agency response to the audit. Outline options for addressing the issues raised. Discuss management actions the agency has taken, and any related policy packages in the Agency Request Budget. Update this report for the Governor's Recommended Budget document.

- **Affirmative Action Report**
  Each agency must keep affirmative action records (ORS 659A.012 – 659A.015). Agencies must budget resources to support agency affirmative action goals. The Governor's Affirmative Action Director will use each agency's report to prepare a statewide summary report to the Legislature.

  The Governor's Affirmative Action office will provide an update on each agency's progress toward goals for the 2011-13 biennium and projected goals for the 2013-15 biennium. Each agency's affirmative action report should contain proposed affirmative action programs and outcomes in two-year and six-year plans. The report should include a brief discussion of progress over the past two years in reaching the parity percentage calculated by the Affirmative Action office. (For details, see "Current vs. Baseline Analysis Affirmative Action Report from DAS Personnel Services," report NAAPRGRS-G.) Agencies that did not meet those percentages must explain the circumstances and the agency's plans to meet them in the future. Call Peggy C. Ross, Affirmative Action Director, Office of the Governor, at (503) 378-3544 with any questions.

SPECIAL APPROVALS

Agencies are responsible to obtain any needed special approvals within the given deadlines. The approvals include:

Capital Financing – If your agency plans to issue bonds for loans or grants, or purchase equipment or technology with bonds or COPs during the 2011-13, 2013-15, or 2015-17 biennia, please review the Capital Budgeting Section for requirements.

Lease Financing and Certificates of Participation – The DAS Director enters into financing agreements on behalf of any state agency (ORS 283.085 - 283.092). The DAS Capital Investment Section oversees the use of all financing agreements by agencies, including COPs. Appendix A includes the COP Financing Agreement Requests form (107BF15) for the 2011-13 biennium. Call Jack Kenny at (503) 378-3107 for more information.

Major Construction and Acquisition Projects in Salem – In addition to the normal material submitted to the Capital Projects Advisory Board, submit a supplemental listing of proposed Capital Improvement and Major Construction/ Acquisition requests that are located in Salem within the boundaries defined by ORS 276.054. Contact Robin Kirkpatrick, Statewide Facilities Coordinator at (503) 373-7112 to request information about this submittal.

Purchase of Printing and Copying Equipment – ORS 282.050 authorizes DAS to control and regulate the performance and production of state agency duplicating work and the purchase and use of related equipment. Requests for approval of agency purchase and use of all state printing and copying and equipment must be submitted to the DAS Publishing and Distribution program by June 30, 2010. Additional information regarding equipment subject to evaluation under this statute and approval guidance is available by emailing order.info@das.state.or.us

Purchase of Mailing Equipment – ORS 283.140 authorizes DAS to approve or disapprove all state agency mail equipment or mail service acquisitions. Requests for approval of agency purchase and use of all state mailing equipment must be submitted to the DAS Publishing and Distribution program by June 30, 2010. Additional information regarding equipment subject to evaluation under this statute and approval guidance is available by emailing order.info@das.state.or.us

Acquisition and Modification of Specific Information Systems
In support of the goals and objectives contained within the 2010-2015 Enterprise IRM Strategy (EIRMS), agencies proposing system acquisition or modification for the following types of information systems must submit written requests for review to the DAS EISPD IT Investment and Planning Section by June 30, 2010.

- Geospatial Information Systems
- Administrative Information Systems – e.g. Finance, Human Resources, Procurement
- E-mail Systems
- Help Desk Systems
- IT Asset Management Systems
- Electronic Records Management, Document Management and Imaging Systems
- Professional, occupational or health-related Licensing Systems
- Grant Management Systems

SPECIAL APPROVALS

Contact the EISPD Deputy State CIO, Sean McSpaden at (503) 378-5257 or at sean.l.mcspaden@state.or.us as early as possible to consult on proposed system modifications or acquisition.

The following State Data Center (SDC) customer agencies must request SDC involvement in the planning and budget development for IT projects by April 30, 2010: Consumer and Business Services, Employment, Housing and Community Services, Human Services, Transportation, and Veterans Affairs.

The following State Data Center (SDC) customer agencies must request SDC involvement in the planning and budget development for IT projects by May 31, 2010: Department of Administrative Services, Corrections, Forestry, Revenue, and State Police.

For more information, please review the SDC Quote Process and SDC Service Scoping Template and then contact the SDC via email at: SDC.Quotes@das.state.or.us or by phone at (503) 378-6758. All other SDC customer agencies are encouraged (but are not required) to contact SDC on IT project planning and budget development.

Acquisition and Modification of Fiscal Systems – Submit written requests for review to the DAS State Controller's Division (SCD) as soon as the acquisition and/or modification of the fiscal system(s) is defined. The division must review all new and proposed major modifications to existing fiscal systems. The State Controller defines fiscal systems as:

1. General ledger accounting and financial reporting systems that duplicate any functionality currently provided by Statewide Financial Management Application (SFMA) or interface data into SFMA.
2. Payroll and/or time and attendance systems that duplicate any functionality currently provided by Oregon Statewide Payroll Application (OSPA) or interface data into OSPA.
3. Financial data marts that duplicate any functionality currently provided by the SFMA and OSPA data marts.
4. Purchasing systems that duplicate any functionality currently provided by Advanced Purchasing and Inventory System (ADPICS).

Call SCD as early as possible to consult on proposed systems or modifications. Call SCD-Statewide Financial Management Services (SFMS) Manager, Joy Sebastian at (503) 373-1044 ext. 228 for system application changes in accounting or purchasing. Call SCD Oregon Statewide Payroll Services (OSPS), Sharon McKeehan at (503) 378-3156 ext. 230 for system application changes to payroll. Call Kathryn Ross for SFMA and OSPA financial data marts at (503) 373-7277 ext. 253.

Compensation Plan Adjustments – Submit proposed compensation plan changes (represented, management service, unrepresented) to the DAS Human Resource Services Division (HRSD) by April 15, 2010. These are handled separately from the agency budget request. Approved changes will be included in a DAS compensation plan proposal. Do not add funding for these adjustments in the agency budget request. Call HRSD for help as early in the process as possible. A list of agency assigned Classification & Compensation Consultants can be found at http://www.oregon.gov/DAS/HR/classcomp.shtml.

Position Actions – When agencies are preparing requests for positions they should prepare and have ready to submit upon request position descriptions, organization charts, and classification analyses for position actions, including reclassifications and new positions. If the BAM analyst is considering approval of the positions requested, the analyst will instruct the state agency to forward the supporting information for those positions. The BAM analyst will then submit the information to DAS HRSD to be reviewed.

A single position description will be sufficient for multiple positions with the same classification and duties (e.g., only one position description is necessary for all corrections officer positions with identical responsibilities requested by the Department of Corrections). Agencies without expertise to allocate positions to classes should call HRSD for help as early in the process as possible. A list of agency assigned Classification & Compensation Consultants can be found at http://www.oregon.gov/DAS/HR/classcomp.shtml.

Space Planning -- To determine work space square footage requirements, use the State Office Standards (DAS Policy 125-6-100, dated July 23, 2003) published by the Facilities Division. For changes to work space owned by or leased through the Facilities Division, or other space planning services, notify the DAS Planning and Construction Management Section at (503) 378-2865 ext. 245 or ext. 246.

DAS Interior Project Managers will provide space-planning services at no charge to agencies housed in Uniform Rent buildings owned by DAS, to the extent workload allows. On a fee basis, DAS may also supply space planning services to agencies housed in self-support-rent buildings owned by DAS, in their own buildings, and in leased offices. These services will be performed by DAS Interior Project Managers or through professional consultant contracts.

Vehicle Purchases – When planning to make vehicle purchases, refer to the DAS Statewide Fleet Management Standards (DAS Policy 107-009-040) published by the State Services Division. DAS Fleet has statutory authority to control and regulate the acquisition, operation, use maintenance and disposal of, and access to motor vehicles used for State business. For additional information, contact the DAS Fleet Operations manager at (503) 378-2132, who can provide vehicle costing and delivery information.

Be sure to work with DAS Fleet Operations as you are planning your budget for vehicle purchases, so that the Fleet budget request can also take those purchases into account.

For a successful 2011 Legislative Session, legislative concepts and budgets should be developed together, both of which must be measured against the Governor's policy priorities and the Oregon Benchmarks. The budget and legislative concept processes should be used to examine priorities, look for solutions and outcomes rather than programs and activities, and look for partnerships that can achieve outcomes more effectively and economically than going it alone.

To help with this process, DAS and the Governor's Office will review and approve all legislative concepts. During these reviews, agencies may be asked to provide more information or documentation. Complete submittals will help the process. Contact Marjorie Taylor at (503) 378-3118, if you have questions.

The last day to submit legislative concepts to DAS is April 9, 2010. It helps to submit concepts and supporting information as they are prepared rather than to wait for the final date.

Placeholders will be accepted only when it can be shown that the concept is essential and that timely completion was beyond the control of the agency and its governing body. For example, placeholders may be necessary to provide for proposed initiatives that may be approved by voters at an upcoming election, to provide for anticipated changes in federal laws, or in anticipation of the results of a governor's or legislatively mandated task force. Placeholders still need an explanation of the policy objective of the concept, and draft language. An agency should have a good idea of what they are trying to affect even though they may be waiting on input from a task force. Additional placeholder information must be submitted to DAS by July 14, 2010. All information submitted for placeholders must be within the scope of the placeholder as originally described.

Agencies may ask the Department of Justice to draft language for them. Although this may be helpful, it does not affect the schedule requirements for submitting information to DAS or Legislative Counsel. Also, Legislative Counsel may draft language different than that prepared by the Department of Justice.

Legislative Concept Policy Guidelines

No executive branch agency may cause a bill or measure to be introduced before the Legislative Assembly without the approval of the Governor. Concepts that have been approved during the early stages of the process may be disapproved prior to pre-session filing.

A concept should accomplish some of these goals:

- Achieving the Governor's policy priorities.
- Achieving solutions and outcomes rather than adding programs and activities.
- Replacing systems and programs that do not produce results.
- Achieving more effective and economical essential services.
- Developing or expanding partnerships across levels of government to achieve better results.
- Making necessary changes required by court decisions and federal changes.
- Fostering public trust and participation in government.

No concept should be proposed if it:

- Moves or creates programs without needed resources.
- Contains needless red tape.
- Charges fees or assessments without comparable benefit.
- Puts power in one agency when collaboration among entities is needed.
- Will not be supported by adequate data in time for the session.

Concepts usually fall into three categories: 1) major policy and program changes, 2) minor program changes, and 3) housekeeping. Housekeeping means purely technical adjustments or corrections with no policy issues.

The estimated fiscal and revenue impact of a legislative concept must be identified at the time the concept is proposed. If the concept is approved for legislative filing, the amount of the fiscal impact <u>must</u> be included in the Agency Request Budget.

The fiscal impact of a legislative concept must be included in the Governor's Recommended Budget in a policy package or the concept will not be approved for pre-session filing, even if the concept has been approved conceptually. This includes concepts with fiscal impacts on other state agencies. For example, proposals to create new criminal penalties or increase the penalties for existing crimes that would increase populations in the Department of Corrections or Oregon Youth Authority must be linked to policy packages in those agencies.

Conversely, policy packages that require statutory changes for which legislative concepts have not been submitted will not be included in the Governor's Recommended Budget.

Please remember that passage of House Bill 3174 (1999) eliminated state agencies' authority to pre-session file bills. As a result, the Governor will file all approved agency bills. The name of the requesting state agency will also appear on the face of the bill. Some bills related to budget will be filed by DAS.

Legislative Concept Form Instructions

Clear ideas and a detailed explanation of what you are trying to achieve are absolutely necessary to produce a bill that meets your intent. Obtain all internal reviews and approvals before submitting a concept to DAS. Consult with the Department of Justice General Counsel Division as needed. Develop the concept in concert with any state and local agencies and all entities affected by it.

The Concept Form

Use the Agency Legislative Concept Request Form to submit concepts to DAS. Include all the detailed information necessary to draft a bill, including draft statutory language. Submitting proposed statutory language **<u>does</u>** **<u>not</u>** **<u>substitute</u>** for a clear explanation of the problem and the proposed solution.

Legislative Counsel's experience over the years is that rewriting unclear language is more time-consuming and less accurate than starting from a clear statement of the problem and solution. However, your best attempt at preparing draft statutory language is especially helpful for DAS and the Governor's internal review process.

Draft language can be a photocopy of the statute with hand-written changes. If a hand-written version is not clear, type a document with brackets and underlines (similar to any bill). The draft need not be in perfect format. You can also copy and paste current statutes from the legislative web site. Make sure to use the 2009 Oregon Revised Statues.

Please also include contact information for persons in your agency who have direct information about the problem and solution that the concept is to address.

Use the interactive Agency Legislative Concept Request form available on the web at:
http://www.das.state.or.us/DAS/BAM/BudgetInstr.shtml.

Notes on Concept Contents

Be sure to read the instructions with the form. They are not repeated here.

Unfunded Mandates: Attach a fiscal impact and full explanation for any concept that creates a local government mandate. Budgets and legislative concepts must comply with Article XI, Section 15 of the Oregon Constitution. In effect, it requires that the state pay the costs of new work the state requires of local governments. See the law for details.

Fees and Assessments: If a concept would increase a fee or assessment, you must attach form 107BF22 providing detailed information on the fee increase. Attach required narratives (see form instructions). Explain whether the agency can make the change by rule or only through legislation.

Fiscal Impacts: Include a complete Fiscal Impact Estimate form (prepare form 107BF20) and attachments for each concept. Be sure approved concepts with a fiscal impact are included in the Agency Request Budget.

The Concept Process

DAS will notify agencies as concepts are approved or denied. DAS will send approved concepts to Legislative Counsel for bill drafting. Counsel will send its draft directly to the agency. **After receiving Legislative Counsel's first draft, the agency may send it back to Counsel for changes only ONCE.** This request for a revision must be made by October 29, 2010 or 14 calendar days from the date on the bill draft, whichever is sooner. This is to allow time for Counsel to finish drafting all the bills by the filing deadline. Work with Legislative Counsel to reach a final draft. Send the original and six copies of the final to DAS for review and approval by the Governor's Office. Upon final approval, DAS will coordinate pre-session filing of agency bills. DAS will file major budget-related concepts.

Read the development schedule on the next page carefully! Meeting the deadlines is the only way to assure that a concept becomes part of a legislative package supported or authorized by the Governor.

Legislative Concept Development Schedule

Prior to April 9, 2010	• Develop concept in conjunction with state and local agencies and others that could be affected by the statute or program change. • Submit concept, detailed explanation, draft language, and Fiscal Impact Estimate to DAS.
April 9, 2010	**LAST DAY to submit concepts to DAS.**
April 9, 2010 to May 28, 2010	• DAS legislative coordinator and BAM analyst(s) review concepts for policy and fiscal issues and contact agency if needed. • DAS sends concepts to Governor's Office with recommendation to approve or deny concept for drafting. • DAS notifies agency of final action. • DAS sends approved concepts to Legislative Counsel for drafting.
June 1, 2010	**LAST DAY for DAS to submit approved concepts to Legislative Counsel for drafting.**
June 1, 2010 to July 13, 2010	Agencies continue to work on placeholder concepts (additional substantive or administrative details for concepts submitted to DAS by April 9, 2010.)
July 14, 2010	**LAST DAY to submit additional placeholder information to DAS.**
July 14, 2010 to July 29, 2010	• DAS legislative coordinator and BAM analyst(s) review additional information for policy and fiscal issues and contact agency if needed. • DAS sends additional information to Governor's Office for review. • DAS notifies agency of final action. • DAS sends approved placeholder information to Legislative Counsel.
July 30, 2010	**LAST DAY for DAS to submit approved placeholder information to Legislative Counsel for drafting.**
July 30, 2010 to December 1, 2010	Continue to work with Legislative Counsel to finish bill drafting. Counsel will allow **ONLY ONE REVISION** after the first draft.
October 29, 2010 **OR** 14 calendar days from the date on the bill draft, whichever is sooner	**LAST DAY** to request revisions to first draft of legislative concepts. One revision opportunity per concept.
No Later than December 1, 2010	• Legislative Counsel stops ALL drafting on agency concepts. • Final concepts, and updated fiscal impact estimates and "one-page" bill summaries due to DAS for final review and approval by DAS and the Governor's Office. • With approval from Governor, DAS pre-session files agency concepts.
December 15, 2010	**LAST DAY to pre-session file bills for 2011 Legislative Session.**
January 10, 2011	2011 Legislative Session begins.