

# Administration

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	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$149,264,043	\$129,238,228	\$168,787,812
Lottery Funds	275,805	4,763,047	5,616,230
Other Funds	504,397,373	782,427,840	913,163,180
Federal Funds	4,924,672	11,903,740	10,368,307
Other Funds (Nonlimited)	4,206,070,573	5,975,462,085	5,936,816,194
Federal Funds (Nonlimited)	0	0	0
<b>Total Funds</b>	<b>\$4,864,932,466</b>	<b>\$6,903,794,940</b>	<b>\$7,034,751,723</b>
Positions	2,919	3,020	3,017
Full-time Equivalent	2,740.00	2,853.35	2,894.77

### Overview

The Administration Program Area includes statewide elected officials, commissions, and state agencies. They provide policy direction and core central services to agencies, including:

- Directing state operations and ensuring accountability of public officials and agencies.
- Providing central support services for some state agencies.
- Managing elections and tax collections activities.
- Regulating the sale of alcoholic beverages.
- Working to eliminate social barriers due to race and gender.

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## Recommended Budget

The Governor's recommended budget is \$7 billion total funds. This is a two percent increase from the 2003-05 Legislatively Approved Budget.

Key elements of the 2005-07 Governor's recommended budget include:

- Oregon Liquor Control Commission. Provides funding and additional staff for technology modernization; increases distribution center staff and agents compensation funding due to anticipated increase in liquor sales; and increases staff to meet the increasing demand of licensing from the private sector.
- Office of the Governor. Continues all services of the Governor's Office, including the Office of Rural Policy that was created to better represent rural Oregon issues.
- Department of Revenue. Eliminates about \$1.8 million in General Fund expenditures through technology and other efficiencies; adds tax auditors to pursue tax avoidance schemes, and revenue agents to help collect the backlog of taxes owed. These enhancements are expected to increase tax collections by \$23 million during the 2005-07 biennium. The Elderly Rental Assistance and Senior Citizens Property Tax Deferral programs will continue at current levels. This budget reinstates the General Fund for agency operations that was removed last biennium. The additional tobacco tax revenue that was expected to fund those operations has not materialized.
- Public Employee Retirement System (PERS). Supports initiatives to address short-term demands placed on the system by a variety of forces, including 2003 reform legislation, rapid growth in retirements, and internal technology and infrastructure needs. The budget includes limited-duration resources to continue implementing the reform legislation. It also includes funding to resolve accumulated workload in several areas, as well as to stabilize and strengthen the agency's core operating infrastructure. Finally, the budget includes resources to address PERS' information technology initiatives, including replacement of its existing Retirement Information Management System (RIMS).
- The Department of Administrative Services (DAS). Focuses on the efficient and effective administration of state government. The budget includes funding for a number of initiatives aimed at generating savings for other agencies and the public. These initiatives include centralization of the state's data and networking infrastructure, strategic procurement activities, fleet consolidation, and continued work on development of a prescription drug program.
- Oregon Advocacy Commissions Office. Provides General Fund support including two staff positions to provide advocacy for the Asian, Black, and Hispanic communities, and advocacy for Women, through the newly established Oregon Advocacy Commissions Office.
- Employment Relations Board. Adds one Employment Relations Board Hearings Officer position and 0.33 full-time equivalent Legal Secretary position to address workload. It also provides additional funds for training.

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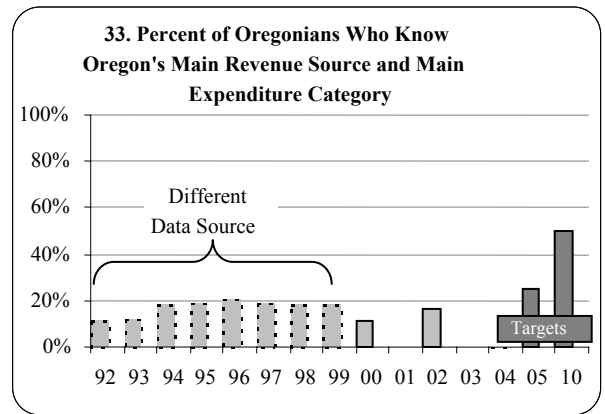
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- Oregon State Library. Includes additional federal resources and a Gates Foundation grant to assist local libraries with new technology. The Ready-to-Read grant program to local libraries continues at \$0.84 per child per year.
- Government Standards and Practices Commission. Restores an Investigator position that was eliminated in the 2003-05 budget, and brings a current 0.80 full-time equivalent administrative support position to full-time.
- Racing Commission. Continues current services and increases its support to fair race meets by \$365,440 due to projected hub revenue increases.
- Other Adjustments. The Secretary of State and State Treasurer are elected, constitutional officials. The Governor does not have budget authority for these agencies. The law, however, requires the Governor to submit a balanced budget for the state. For this reason, the recommended budget continues these agencies at their current level of operations.

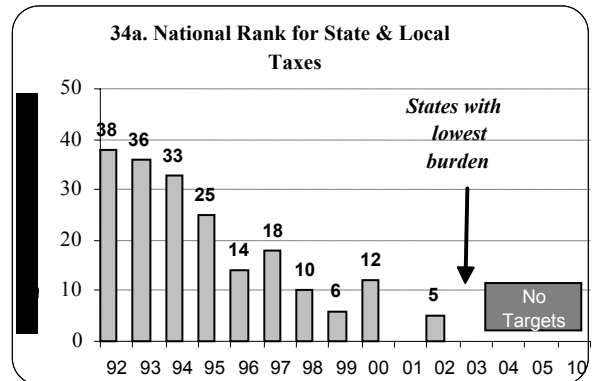
## ADMINISTRATION BENCHMARKS

Government strives to be stable, responsive, and accountable to Oregonians. The following benchmarks reflect how Oregon is doing in this area.

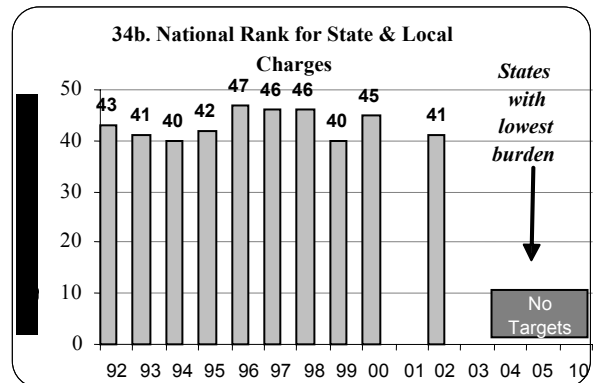
**Understanding the tax system** – Benchmark 33: Few Oregonians know both the main source of state general fund revenue (personal income tax) and the largest category of general fund expenditures (education). From 2000 forward, the Oregon Population Survey, a 5,000 household survey conducted every two years by the state, supplies data for this benchmark. Prior to 2000, the data came from a mail survey by Oregon State University.



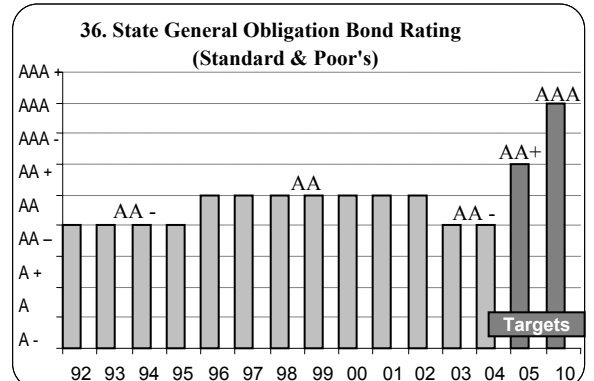
**National ranking for public management quality** - Benchmark 35: Oregon's grade in public management quality is determined and published by *Governing* magazine. The most current data for this Benchmark is 2001, when Oregon received a C+ in managing for results. The state launched a new performance measurement system that year, which will hopefully improve this in the future.



**Voter turnout** – Benchmark 31: Oregon has ranked in the top 10 states in the last three presidential elections. (The 2004 rank is based on a preliminary estimate.)



**State and local revenue** – Benchmark 34: Oregon's national rank for state and local revenue (taxes and charges) per \$1,000 of personal income. During the recent recession, Oregon's sole source of tax revenue – income taxes dropped significantly, leading to a dramatic fall in Oregon's rank for overall burden to 17<sup>th</sup> (1<sup>st</sup> - lowest burden) in 2002. For taxes alone, Oregon was fifth lowest in the nation. In contrast, Oregon was 10th highest for charges (for a rank of 41<sup>st</sup>) which include those for colleges, hospitals, highways, airports, parking, ports, natural resources, and sewage.



Data and reports for all Oregon Benchmarks can be found at <http://www.oregon.gov/DAS/OPB/obm.shtml>.

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## DEPARTMENT OF ADMINISTRATIVE SERVICES

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$3,193,409	\$1,525,112	\$8,012,086
Lottery Funds	275,805	4,153,047	4,952,774
Other Funds	309,540,315	493,697,042	634,638,694
Federal Funds	877,272	380,000	59,000
Other Funds (Nonlimited)	318,775,306	257,832,855	279,470,012
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$632,662,107	\$757,588,056	\$927,132,566
Positions	955	907	885
Full-time Equivalent	925.38	898.23	875.03

### Overview

The Department of Administrative Services (DAS) operates as the central administrative agency for Oregon state government. It delivers those support services to state agencies that can most effectively and efficiently be provided by a central government agency. In addition, DAS provides management oversight and direction on behalf of the Governor.

The agency's operational divisions include:

- The Director's Office provides leadership and support to DAS divisions and to state agencies generally. The Director's Office also houses the Office of Economic Analysis, which provides the state's economic and revenue forecasts, criminal justice population projections, and demographic forecasts.
- The Budget and Management Division creates and enforces statewide budget standards. It monitors agencies to ensure that funds are spent within legal and budgetary requirements. The Division prepares the Governor's recommended budget. It also helps to coordinate statewide bonded debt programs, including Certificates of Participation (COP), Tax Anticipation Notes, and Lottery revenue bonds.
- The State Controller's Division acts as the state's accountant. It provides state financial and accounting services, policies, and controls.
- The Information Resources Management Division (IRMD) provides statewide information technology resources. IRMD services include statewide technology management and oversight, as well as voice and data network services. The Division also oversees the E-Government program, technology security activities, and oversees the state's printing and mail processing services.

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- The Public Employees Benefit Board manages health and benefit plans for state employees. The goal is to provide high-quality plans at an affordable cost.
- The Human Resource Services Division maintains the state's personnel and compensation systems. The Division also negotiates with unions and provides training and recruitment services.
- The Facilities Division builds and maintains state structures, including landscaping activities. It also negotiates leases for state agencies. The Division pays utility costs for all the buildings it owns or manages.
- The Risk Management/State Services Division acts as the state's insurance agent. It buys insurance and manages the state's self-insurance. It investigates and resolves claims against the state and its employees. It also helps the state find ways to minimize risk and related costs. This Division also operates the state's purchasing, motor pool, and surplus property services.
- The Office for Oregon Health Policy and Research administers research and policy activities related to various elements of health reform.
- The Oregon Progress Board monitors the state's 20-year strategic vision, Oregon Shines. The 12-member panel, chaired by the governor, is made up of citizen leaders and reflects the state's social, ethnic, and political diversity.

Funding for the Oregon Health and Sciences University is distributed through the DAS budget. More detail regarding state support for OHSU is included in the Education Program Area narrative. In the past, funding for the Oregon Historical Society (OHS) and Oregon Public Broadcasting (OPB) were also distributed through the DAS budget. Due to General Fund constraints, no direct state funding is included in the recommended budget for either OPB or OHS.

The DAS budget also houses the Economic Development Fund, the Education Stability Fund, the Parks and Natural Resources Fund, and the Oregon Education Fund. Lottery proceeds flow through these funds to state agencies. In addition, DAS manages the collection and distribution of tobacco settlement funds, and oversees outstanding appropriation and pension bonds.

DAS distributes funds to mass transit districts. State agencies pay these funds instead of payroll or transit taxes under ORS 291.407. DAS also distributes a variety of funds, including Federal Funds, to Oregon cities and counties. Other distributions to cities and counties include portions of Oregon Liquor Control Commission revenues, cigarette taxes, amusement device taxes, and video poker receipts.

### Recommended Budget

The Governor's recommended budget for DAS is \$927.1 million total funds. This is a 22.4 percent increase from the 2003-05 Legislatively Approved Budget. The agency's position count is reduced from 907 (898.23 full-time equivalent) to 885 (875.03 full-time equivalent). Several divisions eliminated positions or shifted them to other divisions. The most significant position reduction is in IRMD where an ongoing review of deliverables and needed resources is underway.

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The 2005-07 budget for the Director's Office essentially continues funding for existing operations. It transfers funding for one position from IRMD to formalize an action that took place during the 2003-05 biennium.

The budget for the Budget and Management Division continues funding for existing operations. It also maintains resources for the Oregon Budget Information Tracking System (ORBITS) development project. The project is funded with COP proceeds.

The budgets for the State Controller's Division and Human Resource Services Division (HRSD) essentially provide funding to continue existing programs and services in 2005-07. Additional funding is included, however, to account for new services that will be provided to a number of other small state agencies. The HRSD budget also includes resources to evaluate the state's ongoing human resources related information needs.

The budget for the Information Resources Management Division (IRMD) represents a 16.3 percent reduction from the 2003-05 Legislatively Approved Budget. The recommended budget recognizes a need to evaluate the state's information technology infrastructure, including appropriate funding and staffing levels. The budget eliminates a number of positions for systems development and consulting activities and certain publishing and distribution functions. It transfers a number of business services positions to the Operations Division, and transfers positions from that division for internal DAS technology support and helpdesk activities. Funding is included in the budget for costs related to the Legislative Information Notification Update System (LINUS). Resources are also included for statewide cyber security related activities. With the help of the Director's Office and the Operations Division, IRMD is developing an operational plan for carrying out its mission and directives. The plan will include an evaluation of core business functions and the staffing and resources necessary to deliver those functions. This plan is not fully developed for inclusion in the recommended budget, however, it will need to be considered during the legislative review and approval process.

The recommended budget also reflects initial projections for operating and one-time investments related to the state's Computing and Networking Infrastructure Consolidation (CNIC) initiative. Under the initiative, 12 state agencies are collaborating to consolidate much of the state's data center and networking infrastructure. The CNIC initiative will ultimately require realignment of participating agency budgets, including expenditure limitation and position authority. The Governor's recommended budget sets the stage for that realignment.

The Public Employees Benefit Board budget maintains funding for ongoing operations. It also provides support for continued development of an online benefit management system.

The budget for the Facilities Division reflects a 16.5 percent increase over the 2003-05 biennium. The increase is largely because of increased debt service costs for the state's new environmental and public health laboratory and new consolidated data center. Costs for those buildings will be recovered from other agencies.

The Risk Management/State Services Division budget incorporates funding for functions previously contained in the Procurement, Fleet, and Surplus Services Division. The merging of these divisions allowed the Department to eliminate a division administrator position. The recommended budget includes COP funding for vehicle replacement and fleet consolidation. Use of COP funding should

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reduce vehicle charges to other agencies. The budget also includes resources to continue the state's strategic sourcing initiative, Oregon Smart Buy. This initiative will reduce agencies' procurement costs in a number of areas.

The Operations Division budget reflects a 23.4 percent reduction from the Legislatively Approved Budget. The budget transfers positions and funding for internal DAS technology support and helpdesk activities to IRMD. It also shifts a number of positions from IRMD to oversee business services activities related to that division.

The budget for Oregon Health Policy and Research essentially continues funding for existing programs. It reflects continuation of existing private and federal grant funds, and shifts some costs from General Fund to Other Funds. The budget also provides additional staffing resources for the Health Services and Health Policy Commissions, as well as the Oregon Prescription Drug Program.

The recommended budget restores expenditure limitation for the Oregon Progress Board. The Board's operational budget will be covered by assessments to other state agencies. Funding for Oregon Shines, the state's strategic vision initiative, would be provided by private grants and donations.

The Capital Construction program budget reflects cost estimates for various projects. The most significant of these is acquisition and renovation of the Department of Transportation building. The cost projection for this project is \$20 million.

The Department will distribute \$143.9 million Other Funds from the Tobacco Settlement Funds Account. The bulk of those funds will be used to pay debt service on outstanding state appropriation bonds, as well as outstanding Oregon Opportunity bonds that were issued on behalf of the Oregon Health and Science University. The Department of Human Services will also receive \$24.5 million for the Oregon Health Plan.

The budget includes Lottery Funds distributions from the Economic Development Fund, Education Stability Fund, Oregon Education Fund, and Parks and Natural Resources Fund. A more detailed discussion of these resources is provided in the Revenue section of this document. Currently, the bulk of Lottery Funds distributions are made to the Department of Education for the State School Fund, the Oregon State Police for patrol activities and fish and wildlife enforcement, and the Oregon Economic and Community Development Department for various program expenditures. During the 2005-07 biennium, debt service requirements will comprise approximately 27 percent of the allocations from this account.

The recommended budget also includes debt service payments on outstanding Article XI-O pension obligation bonds. Funding for the payments is provided by state agencies. The budget continues includes Lottery Funds distributions to county fairs from the County Fair Account. No funding is provided to OHS or OPB due to General Fund constraints. However, the budget continues Lottery debt service on outstanding bonds for OPB and Southern Oregon Public Broadcasting.

## Revenue

The Department is financed primarily through two sources of Other Funds: proportional assessments on state agencies and fees-for-service charged to state agencies for program usage. Agency assessments rely on a number of variables ranging from full-time equivalent positions, dollar volume, or funding limitation

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to square footage of office space occupied or utilization of resources. The source of Other Funds received by DAS from assessed agencies is a combination of General Fund, Other Funds, and Federal Funds.

Capital Improvement and Capital Construction projects are financed out of the Capital Projects Fund. The Fund receives the majority of its funding from the “depreciation” component of Uniform Rent and Service Agreements. Certificates of Participation are usually used for larger construction projects.

General Funds supports the Office for Health Plan Policy and Research and a portion of corrections population forecasting activities in the Office of Economic Analysis. A General Fund appropriation will also support payments to the Federal government for charges related to pension rates.

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## EMPLOYMENT RELATIONS BOARD

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$1,280,057	\$1,299,312	\$1,556,444
Lottery Funds	0	0	0
Other Funds	1,513,208	1,345,626	1,347,405
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$2,793,265	\$2,644,938	\$2,903,849
Positions	16	14	14
Full-time Equivalent	16.00	12.50	13.33

### Overview

The Employment Relations Board works to resolve disputes concerning labor relations for an estimated 3,000 different employers and 250,000 employees in public and private employment in the state. The agency performs the following three primary functions:

- Administers the collective bargaining law that covers public employees of the State of Oregon and its cities, counties, school districts, and other local governments.
- Hears and decides appeals from state employees concerning personnel actions.
- Administers the collective bargaining law concerning private employers who are not covered by the National Labor Relations Act.

### Recommended Budget

The Governor's recommended budget is \$2.9 million total funds. This is about 10 percent higher than the 2003-05 Legislatively Approved Budget. The recommended budget adds 1.00 full-time equivalent Employment Relations Board Hearings Officer position and 0.33 full-time equivalent Legal Secretary position to address workload. It also provides additional funds for training.

### Revenue

General Fund supports the majority of the Local Government Labor Relations program. This program also receives fees for services. The State Government Labor Relations program is supported through an assessment on state government agencies of \$1.35 per employee per month. The Governor's recommended budget would leave the State Government Labor Relations program with \$238,271 Other Funds ending balance. This is equivalent to over five months of average operational expenditures.

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## OREGON GOVERNMENT STANDARDS AND PRACTICES COMMISSION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$860,622	\$559,701	\$763,527
Lottery Funds	0	0	0
Other Funds	6,978	5,902	3,500
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$867,600	\$565,603	\$767,027
Positions	4	3	4
Full-time Equivalent	4.00	2.80	4.00

### Overview

The Government Standards and Practices Commission:

- Interprets and applies government standards and practices laws as well as public meetings laws.
- Reviews public official and lobbyist conduct for all citizens of the state.
- Provides training to state and local governments on government standards and practices, and public meetings laws.

### Recommended Budget

The Governor's recommended budget for the Commission is \$767,027 total funds. This is a 36 percent increase from the 2003-05 Legislatively Approved Budget. The recommended budget allows the agency to sustain a minimal level of services. It brings the agency's current 0.80 full-time equivalent Executive Support Specialist 2 position to full-time. It also restores an Investigator 3 position that was eliminated in the 2003-05 budget.

### Revenue

General Fund is the main source of funding for the Commission. Other Funds are charges to pay the cost of publications.

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## OFFICE OF THE GOVERNOR

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$9,952,667	\$8,087,646	\$8,465,814
Lottery Funds	0	610,000	663,456
Other Funds	1,020,701	1,581,417	1,775,434
Federal Funds	0	65,000	129,996
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$10,973,368	\$10,344,063	\$11,034,700
Positions	54	45	46
Full-time Equivalent	53.00	44.50	45.50

### Overview

The Office of the Governor provides leadership and direction to state agencies that are in the Executive Branch. It makes sure agencies comply with the law. The Office includes:

- Program area policy advisors.
- Affirmative Action program.
- Minority, Women, and Emerging Small Business (MWESB) advocacy.
- Executive Appointments.
- Citizens' Representative Office.
- Extradition services for all law enforcement agencies.
- Economic Revitalization Team.
- Rural Policy Office.

The Governor's policy staff work in the areas of education and workforce, natural resources, health and human services, public safety, transportation and intergovernmental liaison.

### Recommended Budget

The Governor's recommended budget of \$11.0 million total funds is about a seven percent increase from the 2003-05 Legislatively Approved Budget. The recommended budget continues all services of the Governor's Office, but eliminates a half-time position and cuts funding for new extradition service vans. It continues the Office of Rural Policy that was created by the Governor to better represent rural Oregon issues.

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## Revenue

Most of the Office of the Governor is financed with General Fund. The Affirmative Action program and the Minority, Women, and Emerging Small Business program are financed by state agency assessments. Funding for the Economic Revitalization Team is from Lottery Funds and agency support. The Rural Policy Office is financed with federal grant funds and agency support.

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## OREGON ADVOCACY COMMISSIONS OFFICE

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$0	\$0	\$375,000
Lottery Funds	0	0	0
Other Funds	0	0	84,129
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$0	\$0	\$459,129
Positions	0	0	4
Full-time Equivalent	0.00	0.00	2.26

### Overview

The Oregon Advocacy Commissions Office is a newly established state agency. The agency will provide administrative support to the following four advocacy commissions:

- The Commission on Asian Affairs promotes equality for Asian Americans who live in Oregon. It identifies the issues and needs confronting this population. These needs are then relayed to policymakers. The Commission helps other agencies interact more effectively with Asian Americans. The agency also participates in special events such as the annual Asian American Heritage Month celebrations.
- The Commission on Black Affairs promotes equality for African-Americans who live in Oregon. It identifies the issues and needs confronting this population. These needs are then relayed to policymakers. The Commission helps other agencies interact more effectively with African-Americans. The agency also participates in special events such as Black History Month.
- The Commission on Hispanic Affairs promotes equality for Oregon's Hispanic community. It identifies the issues and needs confronting this population. These needs are then relayed to policymakers. The Commission helps other agencies interact more effectively with the Hispanic community. The agency also holds an annual Latino Youth Summit.
- The Commission for Women promotes equality for women through education and communication with policymakers at all levels of government and the private sector. The Commission also participates in special events including the annual Women of Achievement Dinner, celebrations of Oregon women, and Women's History Month. Starting the 2001-03 biennium, the Commission has served as the administrator of the statewide AmeriCorps program, Communities in Partnership to Stop Violence Against Women and Children.

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## Recommended Budget

The Governor's recommended budget for the Oregon Advocacy Commissions Office is \$459,129 total funds. The budget provides the agency with \$375,000 General Fund. This is enough to pay for two staff positions and necessary office expenses. The budget establishes an Other Funds expenditure limitation of \$84,129, which is mainly to enable the Commission for Women to administer the statewide AmeriCorps program, Communities in Partnership to Stop Violence Against Women and Children, until September 2005, with two limited-duration positions.

## Revenue

Core agency functions are funded with General Fund. It is anticipated that the individual commissions will raise Other Fund revenues through donations and grants for their programs.

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## OREGON LIQUOR CONTROL COMMISSION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	75,810,800	82,523,767	92,762,679
Federal Funds	0	0	0
Other Funds (Nonlimited)	3,135,148	2,160,045	4,506,960
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$78,945,948	\$84,683,812	\$97,269,639
Positions	221	207	221
Full-time Equivalent	216.77	202.27	214.27

### Overview

The Oregon Liquor Control Commission (OLCC) works to effectively regulate the sale, distribution, and responsible use of alcoholic beverages in order to protect Oregon's public health, safety, and community livability. The agency:

- Educates the customers, and industries and individuals who manufacture and sell alcoholic beverages.
- Works in partnership with local governments, other agencies, private industry, and members of the public to achieve a high quality of life in Oregon, free of the dangers of alcohol misuse.
- Makes alcohol available to legal consumers through quality customer service.
- Provides optimal revenue in support of state and local governments.

Oregon is one of only 18 states that sell hard liquor through state-controlled stores. Private agents contract with the Commission to operate 239 liquor stores in the state.

### Recommended Budget

The Governor's recommended budget is \$97.3 million total funds. This is 15 percent higher than the 2003-05 Legislatively Approved Budget. The budget:

- Provides funding and includes three new Information Systems Specialist positions for technology modernization.

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- Includes eight new positions for the agency's distribution center to enable the agency to handle the increase in liquor sales.
- Includes additional funding for agents' compensation due to anticipated increase in sales.
- Includes three new Liquor License Investigator positions to meet the increasing demand of licensing from the private sector.
- Includes provisions for the agency to assist the University of Oregon and Oregon State University in enforcing liquor laws during sports events.
- Continues all existing liquor stores.

Liquor agents are paid on commission, which stays at 8.88 percent of sales on average. Total agent pay is expected to be \$55 million in 2005-07. This is more than a 10 percent increase over the 2003-05 approved budget.

### Revenue

The major sources of income for this agency are:

- Liquor sales income.
- Taxes on beer and wine sales.
- License fees.
- Fines and other income.

After paying its operating costs, the agency distributes remaining revenues as follows:

- Liquor net receipts—56 percent to the General Fund, 20 percent to cities, 10 percent to counties, and 14 percent to city revenue sharing.
- Beer and wine tax receipts—50 percent to the Department of Human Services Office of Alcohol and Drug Abuse Programs, 28 percent to the General Fund, 10 percent to cities, five percent to counties, and seven percent to city revenue sharing.

Liquor license fees are transferred in the same way as liquor net receipts.

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## PUBLIC EMPLOYEES RETIREMENT SYSTEM

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	44,124,815	87,915,406	80,401,865
Federal Funds	0	0	0
Other Funds (Nonlimited)	3,877,977,560	5,709,547,757	5,646,765,074
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,922,102,375	\$5,797,463,163	\$5,727,166,939
Positions	273	401	369
Full-time Equivalent	226.33	356.09	368.00

### Overview

The Oregon Public Employees Retirement System (PERS) is responsible for administering retirement programs for public employees, including state, school, and local government workers. The agency's mission statement is as follows: We are a well-respected organization that serves our members by enabling informed retirement and health benefit decisions and delivering retirement and health benefits, effectively and efficiently.

In support of its mission, the agency manages a number of programs, including the Tier One-Tier Two Retirement program, the Oregon Public Service Retirement Program (OPSRP), three health insurance programs, Social Security Administration activities, and a deferred compensation program. The agency is also engaged in multiple projects related to implementation and replacement of program technology platforms.

The pension program serves nearly 214,000 non-retired members and just over 100,000 retirees and beneficiaries receiving monthly retirement benefits. PERS also provides insurance services to approximately 35,000 retirees and beneficiaries. The agency is organized into six primary functional areas:

- Central Administration manages other divisions, as well as internal audit, personnel, and health insurance programs.
- The Customer Services Division provides education, counseling, and communication services. Responsibility for deferred compensation activities falls primarily under this division.
- The Benefits Payment Division keeps track of member accounts and issues retirement benefits.

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- The Fiscal Services Division provides business and central support services to the entire agency.
- The Information Services Division provides data processing services for the agency. The division also manages all agency records, including both computerized data and physical records.
- The Policy, Planning, and Legislative Analysis Division coordinates legal services and contested cases. It manages administrative and business rules, as well as legislative analysis.

## Recommended Budget

The Governor's recommended budget for the agency is \$5.73 billion total funds. This is a 1.2 percent decrease from the 2003-05 Legislatively Approved Budget.

The PERS system has received considerable attention over the last several years. The agency has experienced unstable financial market conditions, a significant Unfunded Actuarial Liability (UAL), and a number of legal challenges. It has also seen rapid growth in the number of retirements at the same time that its operational and infrastructure capability is reaching capacity. During the 2003 Legislative Session, the Legislature and the Governor made several revisions to existing statutes and established a new retirement system for public employees hired after August 29, 2003. These actions addressed a number of the concerns surrounding the long-term stability of the retirement system. Over the long-term, OPSRP rates will reduce the cost of the pension system on whole. Tier One-Tier Two demographic and market forces will continue to be the largest driver of rates in the near-term.

In a variety of ways system reforms actually placed additional short-term pressure on the agency with respect to oversight and administration of the programs. The recommended budget supports several initiatives to address these short-term demands. It includes limited-duration resources to continue implementing the reform legislation. It also includes funding to resolve accumulated workload in several areas, as well as to stabilize and strengthen the agency's core operating infrastructure. Finally, the budget includes resources to address PERS' information technology initiatives, including replacement of its existing Retirement Information Management System (RIMS).

## Revenue

PERS is funded entirely with Other Fund revenues. Principal revenue sources include investment earnings, employer contributions, member contributions, and fees. State agency employer contributions are made up of several sources including General Fund. Employee contributions are credited to Individual Account Program accounts. Employer contributions are credited primarily to individual employer accounts or employer pools as appropriate. A portion of the employer contribution is also credited to Retirement Health Insurance Accounts per statutory directives. Historically, the largest source of revenue for the PERS system has been investment earnings. It is from this source that the PERS operating budget is funded. Net earnings, if any, are then distributed to employer and reserve accounts.

Revenues to fund administrative activities for deferred compensation programs come largely from participant fees. For the 2003-05 biennium, this fee will be 0.08 percent of participant assets held in the trust. Participant contributions, all of which are voluntary, and interest earnings are credited to the fund and are eventually returned to participants, often at retirement.

# Administration

## OREGON RACING COMMISSION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	3,986,857	4,675,855	5,296,621
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,986,857	\$4,675,855	\$5,296,621
Positions	25	23	23
Full-time Equivalent	17.68	17.50	17.50

### Overview

The Racing Commission licenses race meets and participants. It regulates live and simulcast horse and greyhound races. It also regulates off-track betting sites and multi-jurisdiction totalizator operations, known as hubs. These hubs allow subscribers to place race bets over the telephone or the Internet.

The racing industry is declining. This is mainly because other forms of gaming are now available. Fewer people are going to live race meets and are betting less than in the past. However, bets placed through hubs are on the increase and revenue from this source continues to increase.

### Recommended Budget

The Governor's recommended budget for the Commission is \$5.3 million Other Funds. This is a 13.3 percent increase over the 2003-05 Legislatively Approved Budget. This increase is primarily due to growth in hub revenues. The budget allows the Commission to continue current services and increase its support to fair race meets.

### Revenue

The Commission's operations are entirely funded with Other Funds. One-third of hub revenues, along with other revenues exceeding the agency's operating budget, are transferred to the General Fund. The estimated transfer for 2005-07 totals \$1.5 million. After expenses and transfers, the agency is left with an ending balance of \$622,078 Other Funds. This amount is approximately three months of operating expenses.

About 54 percent of agency revenues come from non-hub activities, including fees and the state's share of pari-mutuel betting. The state's share is one percent of wagers on horse races and 1.6 percent of wagers on greyhound races. The remaining 46 percent comes from hub wagers and related fees.

# Administration

## DEPARTMENT OF REVENUE

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$116,288,504	\$104,734,536	\$138,510,750
Lottery Funds	0	0	0
Other Funds	18,476,886	53,091,342	28,648,232
Federal Funds	0	0	0
Other Funds (Nonlimited)	194,969	219,100	224,358
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$134,960,359	\$158,044,978	\$167,383,340
Positions	1,035	1,087	1,101
Full-time Equivalent	947.74	987.73	1,007.06

### Overview

The Department of Revenue's major duties are to collect taxes pursuant to the state's tax laws. The agency:

- Administers the state income tax program.
- Helps counties assess and collect property taxes.
- Collects and distributes taxes and fees for other state agencies and local governments.
- Operates three tax relief programs for low-income, elderly persons who rent or own their homes, and low-income, disabled individuals who own their homes.

Serves as a member of the Multistate Tax Commission, to help make corporate income taxation more uniform between states.

### Recommended Budget

The Governor's recommended budget for the Department is \$167.4 million total funds. This budget is an increase of about six percent from the 2003-05 Legislatively Approved Budget. The increase is a result of program enhancements that provide additional tax auditors to pursue tax avoidance schemes, and additional revenue agents to help collect the backlog of taxes owed. These enhancements are expected to increase tax collections by \$23 million during the 2005-07 biennium. The budget also includes additional staff for the program that collects delinquent accounts for other state agencies.

## Administration

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The Tobacco Tax Compliance Task Force was established by the 2001 Legislature. The Department partners with the Department of Justice and the Department of State Police to address non-compliance of cigarette and other tobacco taxes. This program was expanded by the 2003 Legislature, who also removed \$25 million General Fund from the agency operations budget. The agency was expected to fund those operations using the additional revenues from the tobacco tax compliance work. That additional revenue has not materialized, and this budget reinstates the General Fund for operations. The budget also removes the enhancements that were added in 2003. The agency is currently evaluating their tobacco tax compliance program to determine the optimum staffing level.

The recommended budget eliminates about \$1.8 million in General Fund expenditures due to the Department's use of technology and other efficiencies. This reduction will not affect the agency's ability to collect taxes.

The Elderly Rental Assistance program pays benefits to low-income renters who are 58 and older. This program will remain at the 2003-05 approved level.

The Senior Citizens Property Tax Deferral program will continue as a self-supporting program. Under this program, eligible seniors can defer their property tax payments. The lien is repaid when they die or sell their home. There are currently about 10,000 active accounts. The Disabled Property Tax Deferral program was added by the Legislature in 1999. This program allows low-income, disabled citizens receiving Social Security disability benefits, to participate in a program similar to the Senior Citizens' program. There are currently about 550 participants in this program.

## Revenue

The Department transfers most of the money it collects to other users. It goes to the General Fund, other state agencies, and local governments. The Department uses General Fund to pay for most of its operations. Other Fund revenues is generated from the services it provides to other governmental units. This includes collection, mapping, assessment, and taxation services.

The Department transfers personal and corporate income taxes, and gift and inheritance taxes to the General Fund. Some of the state's cigarette and other tobacco taxes go to the General Fund, cities, counties, and the Department of Transportation. Other cigarette tax revenues are dedicated for the Oregon Health Plan and tobacco use reduction programs. These go to the state agencies that run those programs.

The agency collects tax revenue from electric cooperatives, private railcar companies, and rural telephone exchanges. It collects and distributes local transit taxes to the Tri-Met and Lane County Transit Districts.

The Department collects and distributes 9-1-1 tax receipts. It also collects and transfers Criminal Fines and Assessments Account revenue as directed by law.

# Administration

## SECRETARY OF STATE

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Agency Request *
General Fund	\$14,029,181	\$10,437,295	\$8,071,283
Lottery Funds	0	0	0
Other Funds	27,526,654	31,286,191	41,115,784
Federal Funds	102,137	7,330,177	5,555,479
Other Funds (Nonlimited)	101,345	172,328	174,790
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$41,759,317	\$49,225,991	\$54,917,336
Positions	207	208	231
Full-time Equivalent	205.67	207.50	230.50

\* The Governor makes no recommendation for this budget, as it is a separately elected official. For statutory purposes, the Governor included \$9,524,868 General Fund, \$31,691,159 Other Funds, \$174,790 Other Funds Nonlimited, and \$390,969 Federal Funds for total funds of \$41,781,786 in his budget as a placeholder. The General Fund amount is a calculated average.

### Overview

The Secretary of State is an elected, constitutional office. Its duties include:

- Interpret, apply, and enforce election laws.
- Publish the Voters' Pamphlet.
- Audit state agencies' financial operations and program performance.
- Publish the state's administrative rules.
- Store and preserve public records.
- Make the records accessible to the citizens of Oregon.
- Provide registration and other services to Oregon businesses.

The office has increased its services to citizens and its other customers over recent years, particularly through the use of technology. The requested budget would continue that effort.

### Requested Budget

The Secretary of State requested a \$55.0 million total funds budget. The requested budget is about 12 percent more than the 2003-05 Legislatively Approved Budget, and includes the following:

## Administration

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- Additional General Fund to match the Federal Funds that are appropriated and awaiting distribution to Oregon for the Help America Vote Act.
- Addition of seven positions to complete implementation of the voter registration system.
- Replacement of the General Fund subsidy for the state voters' pamphlet with fees paid by candidates and individuals who purchase arguments in support or opposition to ballot measures.
- Addition of an elections investigator position to research fraud throughout the state. Adding the position responds to complaints about the initiative signature gathering process.
- Addition of three positions and funds to handle increased workload in new information systems development, maintenance, and security.
- Additional resources including 13 positions to conduct legislatively requested audits and school district performance audits.
- Addition of one position for independent legal representation to support audit work.
- Addition of six positions and funds for the Audits Division to conduct fraud investigations.
- Replacement of the Archives Division funding from the Central Government Service Charge with a full-time equivalent-based assessment on all state agencies.
- Addition of one Archivist position to meet workload needs.
- Reclassification of several positions.

## Revenue

The office uses General Fund to cover part of its operational costs, especially for the Elections Division and the Archives Division. It transfers revenue to the General Fund from Voters' Pamphlet fees and election filing fees. The 2003 Legislature passed House Bill 3656 which requires the agency to transfer \$30 for each business registry filing to the General Fund. The bill also requires the Corporation Division to transfer to the General Fund on July 1 of each year any unexpended or un-obligated balance from fees collected for business registry services. The agency collects Other Fund revenues from document sales and fees for service, such as charges to state agencies for audits.

# Administration

## STATE LIBRARY

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$3,022,929	\$2,594,626	\$2,942,475
Lottery Funds	0	0	0
Other Funds	4,926,116	6,112,874	6,712,480
Federal Funds	3,945,263	4,128,563	4,635,649
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$11,894,308	\$12,836,063	\$14,290,604
Positions	45	44	44
Full-time Equivalent	44.38	43.63	42.72

### Overview

The Oregon State Library:

- Provides research and reference assistance to state government.
- Circulates library materials in cassette and braille to approximately 6,700 Oregonians who are blind or have disabilities that prevent them from reading printed materials.
- Provides grants and assistance to help develop and improve local library services.

### Recommended Budget

The Governor's recommended budget for the State Library is \$14.3 million total funds. This is an 11 percent increase over the 2003-05 Legislatively Approved Budget. Much of the increase results from additional federal resources available and a Gates Foundation grant to assist local libraries with new technology.

This budget maintains most other services at their current level. The Ready-to-Read grant program to local libraries continues at \$0.84 per child per year. General Fund is once again used to help fund central administrative staff, after a one-time change in that policy during the current biennium.

### Revenue

General Fund is the main source of financing for the Talking Books and Braille Services and Ready-to-Read programs. Other Fund revenues come from state agency assessments, donations, and a Gates Foundation grant. Federal Funds from the Library Services and Technology Act support local library services.

# Administration

## TREASURER OF STATE

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Agency Request *
General Fund	\$160,973	\$0	\$0
Lottery Funds	0	0	0
Other Funds	16,704,829	18,486,357	20,393,914
Federal Funds	0	0	0
Other Funds (Nonlimited)	5,886,245	5,530,000	5,675,000
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$22,752,047	\$24,016,357	\$26,068,914
Positions	78	75	75
Full-time Equivalent	77.25	74.60	74.60

\* The Governor makes no recommendation for this budget as the Treasurer of State is a separately elected official.

### Overview

The Treasurer of State is an elected, constitutional office. The office is responsible for the sound management of state money and assets. The Treasury is a multi-billion dollar cash and investment management center. It is the “bank” for the State of Oregon.

The agency is made up of six program areas:

- Investment manages the General Fund. It also manages many smaller funds, such as the Insurance Fund and the Common School Fund.
- Oregon Short Term Fund provides state agencies and local governments access to the agency’s investment staff.
- Finance provides central banking for all state agencies.
- Debt Management provides central coordination and issuance approval for state agency bonds.
- Collateral Pool oversees the collateralization of all public funds on deposit with qualified financial institutions. It also acts as pool manager for four of Oregon’s largest banks. It is responsible for all public funds held by state agencies and deposited to Treasury accounts.
- Oregon's 529 College Savings Network offers tax benefits and flexible investment options to help Oregon families save for qualified higher education expenses.

# Administration

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## Requested Budget

The agency request budget for the Treasurer of State is \$26.1 million total funds. This is an 8.6 percent increase over the 2003-2005 Legislatively Approved Budget. It continues all programs at their current program level, with expanded education and outreach initiatives for the Oregon College Savings Network.

## Revenue

The Treasurer of State is financed entirely with Other Funds. Some of the revenue comes from fees charged against investment earnings for administrative costs. Other revenues come from the direct billing of customers for actual costs of banking services, bond and coupon redemption services, and bond issuance activities. The College Savings Network is funded by program administrative fee revenues. Nonlimited funds pay for the purchase of goods and services directly related to banking services and investments.

# Administration

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