

Administration

PROGRAM AREA AGENCIES

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	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$141,980,974	\$164,940,789	\$202,636,696
Lottery Funds	4,725,675	7,289,553	6,821,861
Other Funds	787,270,123	1,109,943,471	1,251,955,527
Federal Funds	14,370,581	14,447,186	13,747,117
Other Funds (Nonlimited)	5,485,788,489	5,771,212,871	6,476,233,819
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$6,434,135,842	\$7,067,833,870	\$7,951,395,020
Positions	3,018	3,117	3,120
Full-time Equivalent	2,843.88	2,888.98	3,000.56

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 \$8.0 billion total funds. This is a 12.5 percent increase from the 2005-07 Legislatively Approved Budget.

The key element of the 2007-09 Governor's recommended budget is as follows:

- Public Employees Retirement System (PERS) employer contribution rates have started to decline. This is the result of the Governor's initiative to reform PERS and preserve a stable and fair defined-benefits retirement plan for public employees. For the 2007-09 biennium, system-wide rates, not including employee contributions or adjusting for employer side accounts (funded with pension obligation bonds), are expected to be 14.8 percent for Tiers One and Two and 6.03 percent for OPSRP. These are reduced from 2005-07 rates of 15.4 percent and 8.44 percent respectively. After adjusting for employer side accounts, the net Tier One and Tier 2 employer rate will average 8.1 percent for the 2007-09 biennium. As recently as spring 2006, Tier One and Two rates in excess of 20 percent were anticipated.

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DEPARTMENT OF ADMINISTRATIVE SERVICES

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$1,780,512	\$9,437,182	\$23,795,019
Lottery Funds	4,149,139	5,566,945	4,966,807
Other Funds	527,901,822	821,203,364	920,051,165
Federal Funds	316,928	456,467	0
Other Funds (Nonlimited)	260,375,296	120,723,439	185,054,384
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$794,523,697	\$957,387,397	\$1,133,867,375
Positions	910	1,016	985
Full-time Equivalent	889.76	894.86	967.54

Overview

The Department of Administrative Services (DAS) operates as the central administrative agency for Oregon state government. It delivers those support services that can most effectively and efficiently be provided by a central government agency. DAS also 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. 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 management and oversight. The Division also oversees the E-Government program, geographic information systems, information technology security activities, and business continuity planning.
- 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.

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- 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.
- State Services Division provides services in five primary areas. The 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 operates the state's purchasing, motor pool, surplus property, and printing and mailing 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.
- The State Data Center (SDC) was created in 2005 as the result of the Computing and Network Infrastructure Consolidation (CNIC) project. The project centralized the state's 12 largest data centers into a single entity. The goals of the SDC are to reduce costs while maintaining or improving service levels, improving security and recoverability, increasing returns on information technology investments, and freeing agencies from IT infrastructure management to focus on their core programmatic issues.

Funding for the Oregon Health and Sciences University is distributed through the DAS budget. More detail regarding state support for OHSU appears in the Education Program Area narrative. Due to General Fund constraints of past biennia, direct state funding for the Oregon Historical Society (OHS) and Oregon Public Broadcasting (OPB) was cut from the DAS budget. Funding for OHS is restored in the Governor's recommended budget, and is now included in the Parks and Recreation Department's budget. OPB funding is also restored, and distributed through the DAS budget.

The DAS budget 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 \$1.1 billion total funds. This is an 18.4 percent increase from the 2005-07 Legislatively Approved Budget. The agency's position count is reduced from

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1,016 to 985. The most significant position reduction occurred in IRMD, where a reorganization plan transferred the core information technology services to other divisions within the agency and retained only key governance and oversight functions. All programs of the Department are continued.

The Governor's budget begins development of a statewide human resource information system.

The budget for the Information Resources Management Division (IRMD) represents almost a 70 percent reduction from the 2005-07 Legislatively Approved Budget. The recommended budget reorganizes the state's information technology (IT) infrastructure, transferring all of IRMD's service-related functions to the following DAS divisions: Office of the Director, State Controller's Division, State Services Division, Operations Division, and the State Data Center. The budget also eliminates a number of positions in several program areas. These changes were made after an organizational assessment revealed that the former business model failed to meet service and policy expectations, develop enterprise standards, or operate within budgetary limits. IRMD is renamed the Enterprise Information Strategy and Policy Division (EISPD), and is focused entirely on IT governance and oversight. EISPD includes these programs: geospatial office, E-government, enterprise security, and business continuity planning.

The Governor's recommended budget for Enterprise Information Strategy and Policy Division includes \$5.0 million General Fund to establish three positions and finance the navigatOR initiative. NavigatOR includes the development of a geographic information systems (GIS) utility that will allow access to current, complete geographically referenced information via a web-based application. The goal is to offer current data to state, local, federal, tribal, academic, non-profit and private organizations in support of natural resource management, social service provision, public safety and emergency management and response, and economic development in a coordinated statewide approach by establishing an enterprise infrastructure.

The Governor's budget adds nearly \$5.0 million General Fund to the Public Employees Benefit Board for development of an educators' health insurance pool. The Oregon Educators' Benefit Board will reduce school district health care costs, freeing up additional money for classroom instruction.

The budget adds staff within the Facilities Division to assist with planning and managing the 10-year Oregon State Hospital replacement project.

The budget also enhances the State Procurement Office by establishing six positions to respond to increased demand for statewide price agreements, and growth in the use of the Oregon Procurement Information Network, a web-based electronic application that streamlines transactions for suppliers, state agencies, and local governments.

The budget for Oregon Health Policy and Research adds staffing resources for the Health Services and Health Policy Commissions, as well as the Oregon Prescription Drug Program.

The Capital Construction program budget reflects cost estimates for various projects. The most significant of these is the construction of a new Capital Mall parking structure. The cost projection for this project is \$21.5 million.

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The Governor's budget restores \$3.75 million General Funds in funding for Oregon Public Broadcasting (OPB). OPB did not receive state funding in 2005-07 due to statewide General Fund shortfalls.

The Department will distribute \$145.3 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 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 includes Lottery Funds distributions to county fairs from the County Fair Account, and 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 several variables, ranging from full-time equivalent positions, dollar volume, funding limitation and 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 Fund supports the Office for Health Policy and Research, Progress Board, Measure 37 Claims Unit, 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. New General Fund appropriations are included in 2007-09 for the Oregon Educators' Benefit Board, and navigatOR, the GIS utility.

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OREGON ADVOCACY COMMISSIONS OFFICE

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$333,203	\$401,916
Lottery Funds	0	0	0
Other Funds	871,910	184,672	103,785
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$871,910	\$517,875	\$505,701
Positions	6	4	2
Full-time Equivalent	6.00	2.18	2.00

Overview

The Oregon Advocacy Commissions Office is a new state agency created by the Governor and the 2005 Legislature through passage of Senate Bill 359. The agency was created to provide staff support to the four advocacy commissions, each of which will otherwise continue to function independently. The four advocacy commissions are: Commission on Asian Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women. Each of these commissions is charged in statute with monitoring the impact of legislation and state programs on their respective constituencies, and with working to establish economic, social, legal, and political equality in Oregon.

Recommended Budget

The recommended budget consists of \$401,916 General Fund and \$103,785 Other Funds. The General Fund will finance two staff positions and the per-diem costs to the 36 non-legislative members, and provide for Services and Supplies needed for daily operations. The Other Funds will fund Services and Supplies related to agency programs. The recommended budget maintains current level of operations.

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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EMPLOYMENT RELATIONS BOARD

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$1,307,322	\$1,401,242	\$1,661,913
Lottery Funds	0	0	0
Other Funds	1,315,550	1,383,118	1,619,712
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$2,622,872	\$2,784,360	\$3,281,625
Positions	14	12	13
Full-time Equivalent	12.17	12.00	13.00

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 nearly \$3.3 million total funds. This is about 18 percent higher than the 2005-07 Legislatively Approved Budget. The recommended budget adds one Administrative Law Judge position and increases answer filing and arbitrator panel fees to address workload and equalize fees among parties.

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 per employee per month. The Governor's recommended budget

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would leave the State Government Labor Relations program with \$272,541 Other Funds ending balance. This is equivalent to about five months of average operational expenditures.

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OREGON GOVERNMENT STANDARDS AND PRACTICES COMMISSION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$572,817	\$634,757	\$927,210
Lottery Funds	0	0	0
Other Funds	2,111	3,285	3,368
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$574,928	\$638,042	\$930,578
Positions	3	3	5
Full-time Equivalent	2.80	3.00	5.00

Overview

The Government Standards and Practices Commission:

- Interprets and applies Government Standards and Practices Commission's laws, and 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 \$930,578 total funds. This is nearly a 46 percent increase from the 2005-07 Legislatively Approved Budget. The recommended budget restores funding cut in recent biennia to address statewide General Fund shortfalls. The Governor's budget strengthens the commission by establishing two new positions: an administrative support position to perform basic office and reception duties, and a trainer to increase educational sessions for public officials and lobbyists on ethics law.

Revenue

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

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OFFICE OF THE GOVERNOR

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$8,125,041	\$7,905,686	\$10,915,109
Lottery Funds	576,536	1,722,608	1,855,054
Other Funds	1,270,087	1,137,334	1,120,460
Federal Funds	50,323	129,143	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$10,021,987	\$10,894,771	\$13,890,623
Positions	47	46	49
Full-time Equivalent	45.46	45.50	48.50

Overview

The Office of the Governor provides leadership and direction to state agencies that are in the Executive Branch. 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.
- Office of Rural Policy.
- Sustainability.
- Federal Office.

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

Recommended Budget

The Governor's recommended budget of \$13.9 million total funds is about a 27 percent increase from the 2005-07 Legislatively Approved Budget. The recommended budget continues all services of the Governor's Office. It also adds resources to continue the Federal Office, to add policy staff, to continue the Office of Rural Policy, and to invest in technology.

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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.

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OREGON LIQUOR CONTROL COMMISSION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	85,798,639	107,649,115	123,988,091
Federal Funds	0	0	0
Other Funds (Nonlimited)	4,420,240	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$90,218,879	\$107,649,115	\$123,988,091
Positions	213	224	238
Full-time Equivalent	205.61	215.02	229.68

Overview

The Oregon Liquor Control Commission (OLCC) works to promote the public interest through the responsible sale and service of alcoholic beverages. The OLCC envisions balancing services to stakeholders (both internal and external), revenue optimization, and social responsibility. It accomplishes its mission by working to:

- Educate the industries and individuals who manufacture and sell alcoholic beverages, and the public who may want to consume them.
- Work 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.
- Make alcohol available to legal users through quality customer service.
- Provide optimal revenue in support of state and local governments.
- Promote OLCC employee growth through creating and nourishing a rich environment.

Oregon is one of the 18 states (besides two counties in Maryland that are control districts) that sell hard liquor through state-controlled stores. Private agents contract with OLCC to operate 243 liquor stores in the state.

Recommended Budget

The Governor's recommended budget is \$124 million total funds. This is 15 percent higher than the 2005-07 Legislatively Approved Budget. The budget adds nine positions in the distribution center for increased liquor sales. It adds 10 positions for liquor laws enforcement and liquor license application investigations. It reclassifies upward 10 positions based on increased job duties. The budget includes additional funding for agents' compensation due to anticipated increases in sales, and additional funding to pay for bank transaction fees from increased credit card and debit card sales. It includes funding for information technology enhancement efforts. It also includes funding to tear down and remove a water tower which is a potential safety hazard.

Liquor agents are paid on commission, which stays at 8.88 percent of sales on average. Total agent pay is expected to be \$75.7 million in 2007-09. This is an increase of almost 18 percent over the 2005-07 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 the 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, 5.0 percent to counties, and 7.0 percent to city revenue sharing.

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

The Governor's recommended budget dedicates 2.0 percent of the gross liquor sales revenues for alcohol and drug substance abuse prevention and addictions treatment.

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PUBLIC EMPLOYEES RETIREMENT SYSTEM

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	79,935,333	81,703,709	87,976,297
Federal Funds	0	0	0
Other Funds (Nonlimited)	5,215,042,382	5,646,765,074	6,286,947,122
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$5,294,977,715	\$5,728,468,783	\$6,374,923,419
Positions	420	380	403
Full-time Equivalent	366.36	379.00	401.63

Overview

The Public Employees Retirement System (PERS) is responsible for administering retirement programs for public employees. PERS distributes approximately \$3 billion in retirement benefits annually. PERS manages the Tier One-and Tier Two Retirement plans, the Oregon Public Service Retirement Plan (OPSRP), the Individual Account Program (IAP), retiree health insurance programs, Social Security Administration functions, and a deferred compensation program.

Approximately 885 public employers in Oregon participate in the retirement programs administered by PERS. This includes all state agencies, all public school districts, and the majority of local government entities – making PERS the provider of retirement programs for the vast majority of public employees in the State.

Tier One and Tier Two program membership totals approximately 183,000 non-retired members and 105,000 retirees and beneficiaries receiving monthly benefits. These programs were closed to new members August 29, 2003, corresponding to the passage of House Bill 2020 (2003).

The OPSRP program was created for employees entering the system after August 2003 and currently has about 27,000 members. OPSRP includes both defined benefit and defined contribution type components. The defined benefit component is funded solely by employer contributions and any earnings. It is designed to generally provide a benefit that approximates 45 percent of a member's final average salary. The defined contribution component requires PERS members to contribute an amount equal to six percent of eligible salary to an IAP. At retirement, members will receive the balance of this account, either as a lump-sum or in equal installments over a specified period. All active Tier One-Tier Two members are also participants of the IAP plan, as their employee contributions after January 1, 2004 are directed to their IAP account rather than the employee account associated with the Tier One-Tier Two programs.

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Operationally, the agency is organized into six primary functional areas:

- Central Administration manages other divisions, as well as internal audit, personnel, deferred compensation, and health insurance programs. It also supports the agency's governing board.
- The Customer Services Division provides education, counseling, and communication services and manages employer reporting activities and member demographic, employment, and account data.
- The Benefits Payment Division provides retirement benefit estimates and calculates and issues retirement, death, and disability benefits. It has the primary responsibility for implementation of the *Strunk* and *City of Eugene* cases.
- 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. It has the primary responsibility for replacement of the legacy information management system.
- 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 \$6.4 billion total funds. This is an 11.3 percent increase from the 2005-07 Legislatively Approved Budget. The increase is primarily due to growth in retirement payments; operations costs are increased by 8.3 percent from the prior biennium. The budget includes resources to complete implementation of the *Strunk* and *City of Eugene* cases, continue replacement of the legacy Retirement Information Management System, manage the continuing high levels of retirement, improve customer service, strengthen core agency functions, and fund anticipated legal costs. Of the agency's 403 positions, 101 are established as limited duration; much of the work that requires these positions is expected to be completed by the end of the 2007-09 biennium.

As a result of the PERS statutory changes, improved investment returns, deployment of \$1.6 billion in reserves, and revisions in actuarial methodologies, PERS' unfunded actuarial liability (UAL) has been reduced from an estimated \$11 billion as of December 31, 2003 under pre-reform assumptions, to \$4.6 billion as of December 31, 2005. Side accounts of \$6.7 billion, funded from the sale of pension obligation bonds by state and local employers, are not reflected in that UAL valuation. Including side accounts shows the system with a \$2.1 billion surplus; employers still have debt service obligations on the pension obligation bonds.

Employer contribution rates have started to decline although not yet to the levels in effect in the 1970s through the 1990s. For the 2007-09 biennium, system-wide rates, not including employee contributions or adjusting for employer side accounts, are expected to be 14.8 percent of salaries for Tiers One and Two and 6.03 percent for OPSRP. These are reduced from 2005-07 rates of 15.4 percent and 8.44 percent respectively. After adjusting for employer side accounts, the net Tier One and Tier 2 employer rate will

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average 8.1 percent for the 2007-09 biennium. As recently as spring 2006, Tier One and Two rates in excess of 20 percent were anticipated.

Revenue

PERS is funded entirely with Other Fund revenues. Principal revenue sources include investment earnings on the \$57 billion PERS fund, employer contributions, member contributions, and fees. Employee contributions are now 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 that provide premium subsidies for eligible retirees 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 member, employer and various reserve accounts.

Revenues to fund administrative activities for deferred compensation programs come largely from participant fees. For the 2007-09 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 their accounts and are eventually returned to participants, often at retirement.

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OREGON RACING COMMISSION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	4,945,952	4,253,696	4,704,272
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$4,945,952	\$4,253,696	\$4,704,272
Positions	23	16	16
Full-time Equivalent	17.50	12.98	14.52

Overview

The Racing Commission licenses race meets and participants. It regulates live and simulcasts 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 \$4.7 million Other Funds. This is a 10.6 percent increase over the 2005-07 Legislatively Approved Budget. The budget adds funding to reclassify a position upward based on job duties and adds one position to meet an adequate level of service.

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 2007-09 totals \$880,000. After expenses and transfers, the agency is left with an ending balance of \$400,846 Other Funds. This amount is approximately two months of operating expenses.

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DEPARTMENT OF REVENUE

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$114,586,226	\$132,677,797	\$149,961,692
Lottery Funds	0	0	0
Other Funds	33,166,231	29,238,461	34,053,182
Federal Funds	0	0	0
Other Funds (Nonlimited)	202,180	224,358	231,313
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$147,954,637	\$162,140,616	\$184,246,187
Positions	1,057	1,094	1,066
Full-time Equivalent	976.15	1,004.91	985.62

Overview

The Department of Revenue's (DOR) 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.

The agency also represents the State of Oregon on the Multistate Tax Commission, which works to make corporate income taxation more uniform between states.

Recommended Budget

The Governor's recommended budget for DOR is \$184.2 million total funds. This budget is an increase of 13.6 percent over the 2005-07 Legislatively Approved Budget. The increase is the result of inflation and a few selected enhancements. These include additional resources to verify eligibility for refundable tax credits and some infrastructure replacements and improvements.

With the advent of refundable credits, DOR has seen a significant increase in the number of questionable claims for refund. The department's goal is to quickly and efficiently process those returns claiming refundable credits, while still preserving the General Fund. It screens and sometimes audits refundable credit returns as they are received. This process helps ensure the accuracy of refunds and avoids the need to later recover funds that may be difficult to collect. Additional resources in this program will provide

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added up-front screening and auditing of these returns, as well as public education about the availability of refundable credits and how to accurately file claims.

This budget also allows for additional investments in agency infrastructure to ensure continued reliability and to improve future services. These improvements will provide an integrated solution to modernize DOR's payment processing. Also, the department will begin the first phase of an electronic document management system. This is expected to reduce the cost of processing documents and enhance the productivity of employees who access the documents to do their work. It will also improve service to taxpayers by reducing the time to process documents and enable DOR to be more responsive to taxpayers' inquiries.

The department has received additional resources to implement and effectively administer two changes to Oregon's tax law. An increase to the cigarette tax and other tobacco tax and an increase in minimum payments under the Corporate Income tax will require administrative support including additional collection and audit resources. These are included in this budget.

The Tobacco Tax Compliance Task Force will be continued through the biennium, supported by the funds that are generated by the program. This is a multi-agency partnership that includes: State Police (OSP), Department of Justice (DOJ) and DOR. DOR administers the Cigarette and Other Tobacco taxes, including first-tier compliance enforcement activities. OSP investigates situations where it appears noncompliance is criminal in nature. DOJ pursues the legal process to stop, deter, or punish criminal violations of Oregon's tobacco laws.

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 are generated from the services it provides to other governmental units. This includes collection, mapping, assessment, and taxation services.

DOR transfers personal and corporate income taxes, 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 department 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

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$13,024,284	\$9,639,608	\$11,614,930
Lottery Funds	0	0	0
Other Funds	29,005,381	33,345,432	39,712,282
Federal Funds	10,085,707	9,230,737	9,158,195
Other Funds (Nonlimited)	91,914	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$52,207,286	\$52,215,777	\$60,485,407
Positions	205	203	208
Full-time Equivalent	204.50	202.46	207.50

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 other customers over recent years, particularly through the use of technology. The recommended budget would continue that effort.

Recommended Budget

The Governor's recommended budget is \$60.5 million total funds. This is about 16 percent higher than the 2005-07 Legislatively Approved Budget. The recommended budget continues all existing programs. The budget includes funding for the Voters' Pamphlet in the 2008 Primary and General elections, and resources to continue to meet the ongoing Help America Vote Act requirements and program. It includes funding and resources for four new Information Technology projects and three new auditor positions to conduct school district performance audits. It includes resources to deal with identity theft and fraud issues, to handle the increase in budget-related workload, and for the Archives Division to provide

Administration

support to local governments on their public records issues. It also includes reclassification of ten positions agency-wide.

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 to the General Fund \$30 of each business registry filing. 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

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$2,584,772	\$2,911,314	\$3,358,907
Lottery Funds	0	0	0
Other Funds	5,946,514	6,569,000	6,843,722
Federal Funds	3,917,623	4,630,839	4,588,922
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$12,448,909	\$14,111,153	\$14,791,551
Positions	45	44	44
Full-time Equivalent	43.47	42.47	42.47

Overview

The Oregon State Library:

- Provides research and reference assistance to state government.
- Circulates library materials in cassette and Braille formats 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 of \$14.8 million total funds is a 4.8 percent increase from the 2005-07 Legislatively Approved Budget. Funding for the Ready-to-Read program is increased to \$1 per child statewide with minimum grants of \$1,000 per library. Other programs are continued at current levels.

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.

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OFFICE OF STATE TREASURER

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	17,110,593	23,272,285	31,779,191
Federal Funds	0	0	0
Other Funds (Nonlimited)	5,656,477	3,500,000	4,001,000
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$22,767,070	\$26,772,285	\$35,780,191
Positions	75	75	91
Full-time Equivalent	74.10	74.60	83.10

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.

The agency is made up of six program areas:

- The Investments Program manages the investments of the Oregon Public Employees Retirement Fund, the State Accident Insurance Fund, the Common School Fund, and numerous smaller funds.
- The Oregon Short Term Program provides state agencies and local government access to the agency's investment staff for the investment of idle cash.
- The Banking Program provides centralized banking services for all state agencies.
- The Debt Management Program provides central coordination and issuance approval for state agency bonds.
- The Collateral Pool Program oversees the collateralization of all public funds on deposit with qualified financial institutions. It also acts as pool manager for two of Oregon's largest banks. It is responsible for all public funds held by state agencies and deposited to Treasury accounts.
- The Oregon 529 College Savings Network offers tax benefits and flexible investment options to help Oregon families save for qualified higher education expenses.

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Recommended Budget

The Governor's recommended budget for the Treasurer of State is \$35.8 million total funds. This is a 33.7 percent increase over the 2005-2007 Legislatively Approved Budget. The recommended budget continues all programs at their current level and provides for enhancements.

The recommended budget transfers 12 unclaimed property section positions from the Department of State Lands to the Office of the State Treasurer. Operating the unclaimed property section within the Office of the State Treasurer will provide greater visibility, accountability, efficiency and an increased ability to influence national policy.

The Investments Program adds two positions. These positions address needs arising from a larger and more diverse portfolio, with the opportunity for higher returns and the increased activity in private equity investments. In the Debt Management Program, the budget adds one position and reclasses upward two positions. Additionally, one Internal Auditor is reclassified upward. These actions will better align the tasks and responsibilities with the needs of the agency which require broad skill sets to address complex disclosure and reporting requirements, as well as the ability to utilize highly sophisticated financial products. Reclassifying the positions will also help to reduce staff turnover and to recruit for these positions when vacancies occur.

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. Unclaimed Property revenue is derived from interest and other income of the Unclaimed Property Account. 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 professional services to locate unclaimed property.

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