

**State of Oregon**

**Emergency Board**

**January 19 – 20, 2006**

## EMERGENCY BOARD LETTERS

Item	Agency	Subject	General Fund	Other Funds	Federal Funds	Lottery Funds	Pos/ FTE	Analyst
<b>ELECTED OFFICIALS</b>								
1	Secretary of State	Federal Funds limitation increase for the Help America Vote Act program including continuation of seven limited-duration positions	--	--	4,079,576	--	0 Pos/4.38 FTE	Upadhyay
2	Secretary of State	Establish three state auditor positions	--	315,616	--	--	3 Pos/ 2.01 FTE	Upadhyay
3	Secretary of State	Establish one Fiscal Analyst 1 position in the Business Services Divison	--	83,141	--	--	1 Pos/ 0.67 FTE	Upadhyay
4	Department of Education	Allocate \$1.5 million from a \$1.8 million special purpose appropriation established for the PreK-16 Integrated Data Systems (KIDS) project	1,500,000	--	--	--	1/0.50 FTE	MacGlashan
5	Department of Education	Approve, retroactively, a request to apply for a \$100,000 federal nutrition grant to improve the match-up of DHS and ODE records to verify eligibility of children for certain food programs	--	--	--	--	--	MacGlashan
<b>JUDICIAL</b>								
6	Judicial Department	Increase Other Funds expenditure limitation and establish two limited duration positions for a Violence Against Women grant in Linn County	--	164,299	--	--	2/0.84	Freels
7	Judicial Department	Request authority to apply for a federal mental health courts assistance program grant	--	--	--	--	--	Freels
8	Judicial Department - ODOT	Increase Other Funds expenditure limitation and establish one limited duration position to start a DUII treatment court in the Clackamas Circuit Court from an ODOT grant	--	150,000	--	--	1/0.71	Freels
9	Judicial Department	Increase Federal Funds expenditure limitation and establish two limited duration positions for an Adult Drug Court Enhancement grant in the Multnomah Circuit Court	--	--	198,254	--	2/1.42	Freels
<b>EDUCATION</b>								
10	Department of Higher Education	Report on Article XI-G capital construction projects	--	--	--	--	--	McGee
11	Department of Higher Education	Approve \$10 million in Article XI-F (1) bonds for a Center for Health Professions building at the Oregon Institute of Technology	--	10,000,000	--	--	--	McGee
12	Department of Higher Education	Approve \$525,000 in Article XI-F (1) bonds and \$725,000 in grant funds to purchase Koinonia House at Portland State University from Portland Campus Christian Ministry	--	1,275,000	--	--	--	McGee
13	Department of Higher Education, Department of Community Colleges and Workforce Development, Department of Education	Appropriate \$3 million to three agencies from special purpose appropriations to the Emergency Board for a PreK-20 integrated data system. Increase the Other Funds expenditure limitation for the Department of Community Colleges and Workforce Development by \$209,000	3,045,650	209,000	--	--	--	McGee
14	Department of Community Colleges and Workforce Development	Increase the Other Funds expenditure limitation for operations to \$200,000 to hire a program oversight contractor for community college construction projects	--	199,999	--	--	--	McGee
<b>HUMAN RESOURCES</b>								
15	Office of Private Health Partnerships	Update report on remaining \$1.1 Special Purpose Appropriation and request for OF limitation inadvertently left out of November \$2.9 GF SPA allocation	--	5,256,774	--	--	--	Moore
16	DHS-Health Services	Retroactive approval to apply for the State Outcomes Measurement and Management Systems (SOMMS) subcontract for federal funds up to \$150,000 for one year, with optional additional years if successful	--	--	--	--	--	Moore
17	DHS-Health Services	Update report on Oregon State Hospital Portland 6th floor conversion to treatment space project; request one 12 month LD position and \$1,936,230 GF to establish a capital construction project for the OSH Portland 6th floor remodel ; request 34 positions, \$7,166,123 GF and \$2,999,210 FF to establish 71 community based beds to increase OSH staff-to-patient ratio to 1.31:1	9,102,353	--	2,999,210	--	35/18.18 FTE	Moore
18	DHS-Health Services/Seniors and People with Disabilities	Medicare Modernization Act (MMA) Implementation update report	--	--	--	--	--	Moore/ Johnson

Item	Agency	Subject	General Fund	Other Funds	Federal Funds	Lottery Funds	Pos/ FTE	Analyst
19	DHS-Health Services	Retroactive approval to apply for a 3 year HSRA grant for \$150,000/yr. The grant is to develop innovative approaches to promoting a healthy weight in women with an expected start date of May 1, 2006.	--	--	--	--	--	Moore
20	DHS	Rebalance placeholder letter	--	--	--	--	--	Teschner
21	DHS	Report on Other Funds & Federal Funds revenue tracking	--	--	--	--	--	Teschner
22	DHS	Update on Staffing Study	--	--	--	--	--	Teschner
<b>PUBLIC SAFETY</b>								
23	Department of Justice	Retroactive authority to apply for a federal Victims' Rights Compliance Project grant	--	--	--	--	--	Freels
24	Department of Justice	Retroactive authority to apply for a federal Internet Crimes Against Children grant	--	--	--	--	--	Freels
25	Department of Justice	Increase Other Funds expenditure limitation and establish one investigator position for caseload growth in the Cooperative Disability Investigations program	--	217,862	--	--	1/83	Freels
26	Department of Justice	Increase Other Funds expenditure limitation to establish a Chief Criminal Investigator position and abolish an assistant chief position in the High Intensity Drug Trafficking program based on a review of job duties	--	12,168	--	--	--	Freels
27	Department of Justice	Request General Fund and establish one position to implement SB 850, which creates the Address Confidentiality Program for victims of domestic violence, sexual assault and stalking who have relocated their residence	81,664	--	--	--	1/50	Freels
28	Oregon Military Department	Capital construction limitation increase to pay for design costs of the Ontario Readiness Center	--	--	340,155	--	--	Upadhyay
29	Oregon Military Department	Capital construction limitation increase to complete construction at the Salem Anderson Readiness Center	--	120,000	160,000	--	--	Upadhyay
30	Oregon Military Department	Capital construction limitation increase for construction of the Bureau of Land Management portion of the Lane County Armed Forces Reserve Center, Phase II	--	6,094,000	--	--	--	Upadhyay
31	Oregon Military Department	Increased funding to ensure continued and sustained operation of the Youth Challenge Program	675,117	268,357	231,550	--	--	Upadhyay
32	Criminal Justice Commission	Allocate Special Purpose Appropriation for the Drug Court grant program directed by the 2005 legislature, as approved by the Interim Judiciary Committees December 14, 2005	2,500,000	--	--	--	--	Gilbert
33	Oregon Youth Authority	Allocate funds for Youth Safety and Abuse Prevention Review Committee recommendations on internal investigation, as approval by Interim Judiciary Committees December 14, 2005	214,607	--	7,439	--	2/1.26	Gilbert
34	Dept of Corrections	Authorization to apply for a Serious & Violent Offender Reentry Initiative grant	--	--	--	--	--	Gilbert
35	Oregon State Police	Allocate funds and establish a position - ISS5 - to implement legislation directing dept to post certain sex offender information on website	78,530	--	58,260	--	1/0.71	Gilbert
36	Oregon State Police	Allocate funds for remaining months on limited duration positions established by October E Board for Or Wireless Integrated Network (OWIN) planning. Contingent on two JLCIMT appearances, Nov and Jan.	238,231	--	--	--	0/1.62	Gilbert
37	Oregon State Police	Increase OF exp limitation for ODOT funds to purchase mobile breath alcohol testing equipment, training for new intoxilyzers	--	200,000	--	--	--	Gilbert
<b>ECONOMIC AND COMMUNITY DEVELOPMENT</b>								
38	Dept of Veterans' Affairs	Report on distribution of \$2.6 million GF to County Veterans' Service Officer program throughout the state	--	--	--	--	--	Miedema
<b>NATURAL RESOURCES</b>								
39	Department of Forestry	Fire Program - Report on availability of federal grants to be used for: a) increased initial attack capabilities and b) implementation of state laws relating to the urban -rural interface solutions to reduce the risks of fire	--	--	--	--	--	Upadhyay
40	Department of Forestry	Semi-annual report on the outcomes of the harvesting model project	--	--	--	--	--	Upadhyay
41	Parks and Recreation	Retroactive Authorization to apply for a grant	--	--	--	--	--	Pearson
42	Parks and Recreation	Increase Lottery Funds and Other Funds expenditure limitation to defease (prepay) bonds	--	1,582,747	--	400,000	--	Pearson
43	Parks and Recreation	Establish one Limited Duration position	--	--	--	--	1/0.71	Pearson
44	Parks and Recreation	Report on State Fair Transition	--	--	--	--	--	Pearson
45	State Lands	Increase Other Funds expenditure limitation for building maintenance	--	762,552	--	--	--	Pearson
46	State Lands	Increase Other Funds expenditure limitation for beach monitoring grant	--	54,336	--	--	1/0.55	Pearson

Item	Agency	Subject	General Fund	Other Funds	Federal Funds	Lottery Funds	Pos/FTE	Analyst
47	Fish and Wildlife	Increase Other Funds expenditure limitation for implementing a new Point of Sale System	--	574,650	--	--	--	Pearson
48	Geology and Mineral Industries	Increase General Fund appropriation for SB 2 (2005) seismic assessment work	100,000	--	--	--	--	Pearson
<b>TRANSPORTATION</b>								
49	ODOT	Report on Highway Div. ending cash balance (budget note)	--	--	--	--	--	Teschner
50	ODOT	Permission to apply for Scenic Byways federal grant	--	--	--	--	--	Teschner
<b>CONSUMER AND BUSINESS SERVICES</b>								
51	Oregon Health Licensing Agency	Requesting an increase in expenditure limitation to develop and implement online renewal services through DAS	--	101,700	--	--	--	Kleiner
52	DCBS	Report on Workers' Compensation premium assessments per ORS 656.612. Employers rate decrease from 6.8% in 2005 to 5.5% in 2006. Self-insured rate decrease from 7.0% to 5.7%.	--	--	--	--	--	Erickson
53	DCBS	Report on \$250,000 direct federal appropriation for One-Stop Permitting Portal, internet enhancement for building codes information	--	--	--	--	--	Erickson
54	CCB	Report on licensing application fee reduction (effective Oct. 05) as directed in Budget bill	--	--	--	--	--	Erickson
<b>ADMINISTRATION</b>								
55	DAS	Request approval of facilities 2007-09 Uniform Rent rate per ORS 276.390. Office space increase of \$0.04 per sq ft; no increase in storage space.	--	--	--	--	--	Erickson
56	DAS	Report on Computing and Network Infrastructure Consolidation (CNIC) project per HB 5166 budget note	--	--	--	--	--	Erickson
57	DAS	Request increase in OF limitation for phase 2 of E-procurement (ORPIN) project due to split-biennium implementation. Approved in 2003-05; COP sold in May 2005.	--	3,300,000	--	--	--	Erickson
58	DAS	Report on comp plan changes per ORS 291.371	--	--	--	--	--	Erickson
59	DAS	Report on OYA hiring/training report per Oct. 05 E-Board request	--	--	--	--	--	Erickson
60	DAS	Request to apply for National Institute on Disability and Rehabilitation Development Grant for H.I.R.E. (Hiring Individuals Ready for Employment) entry-level placement program	--	--	--	--	--	Erickson
61	DAS	Retro request to apply for Internship Program for Postsecondary Students Development Grant to provide a College and Career Transitions Internship program	--	--	--	--	--	Erickson
<b>TOTALS</b>			\$ 17,536,152	\$ 30,942,201	\$ 8,074,444	\$ 400,000		

**Budget  
and  
Management  
Analyses**

**January 2006**

**Department of Administrative Services**  
**Analyst: Erickson**

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**Request:** Report on the applicability of the hiring practices and training issues contained in the report of the Youth Safety and Abuse Prevention Review Committee.

**Discussion:** In October 2005, the Emergency Board heard the Oregon Youth Authority (OYA) report on the findings of its Youth Safety and Abuse Prevention Review Committee. The committee was formed in response to issues related to sexual abuse of youth offenders by a former OYA juvenile parole and probation officer. The Department of Administrative Services (DAS) was asked to report to the January 2006 meeting of the Emergency Board on the statewide applicability of the hiring practices and training issues contained in the report.

DAS identified four recommendations in the Youth Safety and Abuse Prevention Review Committee (Committee) report with statewide applicability. These recommendations are summarized below:

- Committee recommendation #1: Improve hiring practices by requiring a background investigation, and a post-employment-offer psychological examination of employees who will have contact with state supervised youth.
- Committee recommendation #4: Provide training to reinforce the reporting requirements of mandatory and non-mandatory reporting; the dispelling of perceptions that inhibit reporting of abuse; the mechanisms by which abuse can be reported; professional boundary issues; and knowledge of pedophile grooming behavior.
- Committee recommendation #12: Re-emphasize policy and training related to employees' duty to disclose inappropriate conduct, including specific examples of prohibited employee/youth relationships.
- Committee recommendation #14: Increase supervisor training to enhance knowledge, skills and abilities and to measure comprehension.

DAS found that agencies are currently utilizing these approaches as appropriate to their specific needs and cited several examples. The agency reaffirmed its commitment to continue to coordinate and share with agencies recruiting and hiring practices that have statewide applicability.

DAS reported that it presently offers general management training, leadership training, technical training, and other work skills training that support the Committee's recommendations and are available to state agencies. DAS will continue to work with OYA and all agencies to determine their management training needs and to expand the availability of such training.

**Department of Administrative Services**  
**Analyst: Erickson**

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**Request:** Increase Other Funds expenditure limitation by \$3,300,000 to complete phase 2 of the Department of Administrative Service's e-procurement project.

**Recommendation:** Approve the request.

**Discussion:** The Oregon Procurement Information Network (ORPIN) is a browser-based internet platform designed to allow access to state and local government public bidding opportunities. It allows suppliers and agency customers to:

- Register on-line and customize their business profile.
- View and retrieve solicitation opportunities, bid documents and historical information.
- Search and review state contracts and price agreements.

ORPIN launched in March of 2005 and replaced the state's Vendor Information Program (VIP). The system has registered more than 10,000 suppliers and 3,000 government employees since its inception. The first phase of the project was successfully completed in June 2005; phase 2 is projected to be completed by the end of the 2005-07 biennium. This phase of ORPIN adds "back office" functions including reporting, order management, and supplier and contract performance evaluation.

The 2003 Legislative Assembly approved the sale of Certificates of Participation (COPs) and the related expenditure limitation for the development of the second phase of ORPIN. However, this phase was not completed by the end of the 2003-05 biennium as anticipated. The COPs were sold in May 2005 and work on phase 2 began late in the 2003-05 biennium. Although COP revenue is available for continuation of the project, the expenditure limitation was not included in the 2005-07 Legislatively Adopted Budget. The Department of Administrative Services requests an increase in Other Funds expenditure limitation to complete phase 2 of the ORPIN project.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 601, section 2(2), Oregon Laws 2005, for the Department of Administrative Services, State Services Division, by \$3,300,000 for the 2005-07 biennium.

**56**  
**Department of Administrative Services**  
**Analyst: Erickson**

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**Request:** Report on the Computing and Networking Infrastructure Consolidation (CNIC) Project.

**Discussion:** The purpose of the CNIC project is to consolidate the state's 12 largest computing and networking infrastructures to improve the efficiency, effectiveness and security of state government information assets. The CNIC-participating agencies, those currently operating independent data centers, are: Department of Administrative Services, Human Services, Transportation, Revenue, Corrections, Consumer and Business Services, Veterans' Affairs, State Police, Housing and Community Services, Education, Forestry, and Employment.

The Department of Administrative Services is required by the budget note in House Bill 5166 (2005) to provide project updates on the status of the twelve participating agencies' consolidation efforts compared to the project plan presented during the budget hearing.

Project History and Update

Work on this project began in early 2004, when the Department of Administrative Services (DAS) initiated an investigation to determine whether a compelling business case existed to support the consolidation of the state's networks and data centers.

Completed project milestones include:

- The business case was presented to the Governor and adopted by the CNIC Governing Board in July 2004. The Joint Legislative Committee on Information Management and Technology (JLCIMT) and the Legislative Emergency Board approved the project and capital construction expenditures of \$20.3 million Other Funds limitation in September 2004.
- The Legislature approved \$7.9 million Other Funds for further planning and development activities in March 2005. Accenture, LLP was retained to assist with information technology architecture and design.
- Network and computing infrastructure design, hiring of the State Data Center (SDC) Administrator, and the initiation of detailed implementation planning occurred in July 2005. Construction of the State Data Center began in November 2004 and was completed in September 2005. Network connectivity was established in October 2005.

Milestones to be met in the next six months are:

- Consolidate management of the CNIC-participating agencies' networks at the SDC by December 2005.
- Complete the detailed implementation planning for the Department of Human Services (DHS), Department of Transportation (ODOT) and DAS by February 2006.
- Conclude an analysis of the 2003-05 information technology-related expenditures of the 12 participating agencies by March 2006.

- Procure, install and configure the mainframe elements by April 2006.
- Move the DHS, ODOT and DAS data centers to the SDC by July 2006.

### Project Budget

The CNIC Project and SDC budget is made up of three components, the facility construction budget, the transition budget and the new consolidated data center operating budget:

- **Capital Construction Budget:** The Legislature authorized \$20.3 million in Certificate of Participation (COP) financing to construct the SDC facility, which will be retired over a 25-year period using rent revenue. Through November 29, 2005, \$17.4 million (86%) of this budget has been expended. DAS expects that the final construction bills will be paid in the next several months, within the legislatively-authorized budget.
- **2005-07 CNIC Project Transition Budget:** The Legislature authorized \$38.1 million Other Funds expenditure limitation and 72 limited duration positions (19.38 full-time equivalent) for one-time consolidation and transition costs. These expenses are COP-financed. DAS has expended \$1.8 million (5%) of these one-time costs.
- **2005-07 SDC Operating Budget:** The Legislature authorized \$61.3 million Other Funds expenditure limitation and 93 permanent positions (48.54 full-time equivalent) for operational costs of the SDC. These expenses are financed by redirecting resources from the participating agencies' budgets. Through October 31, 2005, DAS has expended \$0.40 million (1%) of this limitation.

The SDC will ultimately be funded via direct billings to its customers. The chargeback model will be developed by the CNIC Accounting Workgroup and implemented in the 2007-09 biennium.

CNIC expenditures are displayed in the following table.

	2003-05		2005-07		Total Expended	%
	Authorized	Expended	Authorized	Expended		
<b>June 2004 E-Board</b>						
Bldg plan and design	\$ 450,000	\$ (445,139)			\$ (445,139)	99%
<b>Sept 2004 E-Board</b>						
Capital construction	\$ 20,000,000	\$ (10,499,892)		\$ (6,687,648)	\$ (17,187,540)	86%
Cost of COPs issued	\$ 320,000	\$ (242,379)			\$ (242,379)	76%
<b>HB 5068</b>						
Architecture and design	\$ 7,986,605	\$ (4,336,000)			\$ (4,336,000)	54%
<b>HB 5166/ 5176</b>						
Transition costs			\$ 38,152,704	\$ (1,803,417)	\$ (1,803,417)	5%
SDC operating costs			\$ 61,261,803	\$ (405,029)	\$ (405,029)	1%
<b>TOTAL</b>	<b>\$ 28,756,605</b>	<b>\$ (15,523,410)</b>	<b>\$ 99,414,507</b>	<b>\$ (8,896,094)</b>	<b>\$ (24,419,504)</b>	

\$42.2 million of the expenditure authority is currently unscheduled pending a request from the Emergency Board to DAS to reschedule the funds.

The hiring of the SDC Administrator, the availability of information over time, the final agreement on in-scope activities, and the development of detailed implementation plans have influenced the project plan. The preliminary plan presented during the 2005 budget hearing has

been revised to adopt a different approach to transitioning the infrastructures of the three largest agencies into the new data center. Instead of consolidating on an agency by agency basis – first ODOT, then DHS, then DAS, and so on – with all functional areas being moved at once, the plan now provides for the transition of the three largest agencies into the SDC on a function by function basis (i.e., all networks, then all mainframes, and so on). The project schedule supporting this strategy was completed at the end of October 2005. The plan shows that the project is on time and slightly under budget.

DAS is currently reevaluating CNIC in-scope expenditure and personnel information (as anticipated in HB 5166), and plans to report recommended adjustments to the April 2006 meetings of the Emergency Board and JLCIMT. The analyst suggests that changes to the project scope, project schedule and implementation strategy be included in this presentation.

Now that infrastructure design is complete and implementation has begun, the analyst recommends that the agency link the major project milestones to an expenditure plan to create transparency in project status reporting.

**55**  
**Department of Administrative Services**  
**Analyst: Erickson**

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**Request:** Approve proposed 2007-09 biennium uniform rent rates.

**Recommendation:** Approve the request.

**Discussion:** Oregon Law (ORS 276.390) requires the Department of Administrative Services (DAS) to submit to the Emergency Board for approval a schedule of proposed rental rates, not later than June 30 of each even-numbered year for the biennium beginning on July 1 of the next calendar year. Changes to existing rental rates, or rates for new buildings, are subject to approval by the Emergency Board. The Emergency Board recommends appropriation levels to the next regular session of the Legislative Assembly sufficient for subject agencies to pay rents as required by the schedule.

The following table compares the current biennium *per square foot per month* rates to those proposed for the 2007-09 biennium:

<b>Facility Rental Type</b>	<b>2005-07 Biennium</b>	<b>2007-09 Biennium</b>	<b>\$ Change</b>	<b>% Change</b>
Office Space	\$1.32	\$1.36	+\$0.04	+3.3%
Storage Space	\$0.47	\$0.47	-----	-----
Newly Constructed Office Space	\$1.42	\$1.36	-\$0.06	-4.2%

Rents fund building costs including construction, management, insurance, operation, repair, utilities and security. The proposed modest increase in the rental rate for office space covers the costs of projected inflation in direct services and supplies and debt service. The Department will not increase rates for storage space. The \$0.10 per square foot surcharge for newly constructed office space is phased out in 2007-09 utilizing a new rate model that calculates all costs for all buildings rather than tracking new facilities separately.

The uniform rent rates continue to be below current market rates as evidenced by DAS Facilities' performance measure data.

**Withdrawn by Agency**

**Department of Transportation**  
**Analyst: Teschner**

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**Request:** Report on managing the ending cash balance as directed by a budget note within Senate Bill 5547 (2005).

**Discussion:** The Department of Transportation was directed by a budget note in Senate Bill 5547 to manage the ending cash balance for highway programs and maximize the use of its resources for projects. The highway Other Funds ending balance was approximately \$411.0 million in 2001-03, \$440.0 million in the 2003-05 Legislatively Approved Budget and \$306.0 million in the 2005-07 Legislatively Adopted Budget. The Department established \$100.0 million as a prudent ending cash balance and proposed to manage to that target through a number of different strategies.

The Department reports the following strategies being employed to manage revenue changes:

- Adjusting state revenues based on the six-month revenue forecast. The ending balance will be updated on the six-month forecast schedule. These updates will enable the Department to optimize the amount of funds available for expenditure on a more frequent basis. This will result in a more timely allocation of available funds to projects rather than being carried forward in an ending balance.
- Reconciling projected and actual revenues annually. If revenues come in higher than anticipated, as they did in fiscal year 2004, these additional funds can be channeled into highway construction projects. The higher revenue in 2004 was due in part to a federal limitation rate of 88.65 percent which was 1.65 percent higher than expected. The Department now estimates that 92 percent of the total federal funds authorized will be available. This will allow more projects to be scheduled and will reduce the ending balance.
- Reprogram funds when projects are delayed or cancelled. Two preservation projects scheduled for 2009 will be slipped into 2010-11 (I-405 and I-205 – 181<sup>st</sup> on I-84). The \$17.6 million identified for these projects will be moved into 2005-07 to replace culverts. Analysis is underway to identify culverts posing the greatest risk.
- Reduce the amount of project slippage through outsourcing, decentralization and design-build processes. With a significant growth in construction projects, the Department plans to utilize the private sector to do more of the project design work. Historically, only 30 percent of the design work has been outsourced. In 2003-05, about 54 percent was outsourced. The Department has set a goal to increase this to 70 percent. In addition, the Highway Division implemented a decentralized project delivery approach and moved staff from the central office in Salem to the highway regions throughout the state. This increases oversight and accountability and is expected to result in the more timely and efficient delivery of projects.
- Shift delivery strategies from design/bid/build to design/build to accelerate project delivery. Under the design/bid/build approach, the Department completes the design prior to the award of the contract. Under the design/build approach, private sector contractors are responsible

for both design and construction of a project. This is a more efficient and timely process because the design and construction can occur concurrently.

- Develop a list of “shelf-ready” projects that could be accelerated. The Development section in the Statewide Transportation Improvement Program (STIP) commits funds to get specific projects ready for construction. This will ensure that as funds become available, projects will be ready to advance.
- Quarterly reporting to the Oregon Transportation Commission on costs and performance management on highway construction projects. The Department is implementing a performance management system to track and report the performance of the Highway Division and the delivery of cost effective and timely projects. Measures have been approved and will be reported quarterly. The Quarterly Report is under development and will be implemented April 2006.

By employing these strategies, the Department anticipates the 2005-07 ending balance to be approximately \$219 million. This will continue to decrease down to approximately \$127 million by the end of the construction season on November 30, 2007.

**Department of Geology and Mineral Industries**  
**Analyst: Pearson**

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**Request:** Allocate \$100,000 from the State Emergency fund for conducting seismic assessments required by Senate Bill 2 (2005).

**Recommendation:** Approve as requested, with the following modification: Allocate \$98,000 from the State Emergency Fund for conducting seismic assessments required by Senate Bill 2.

**Discussion:** The 2005 Legislative Assembly passed Senate Bill 2, which requires the Department of Geology and Mineral Industries (DOGAMI) to conduct a statewide seismic assessment of public school buildings and emergency response facilities. This assessment is to be completed by July 1, 2007. The assessment must include:

- Buildings with a capacity of 250 or more persons and are routinely used for student activities by K-12 public schools, community colleges and Education Service Districts;
- Acute inpatient hospitals;
- Fire stations; and
- Police stations, sheriff's offices and similar facilities used by state, county, district and municipal law enforcement agencies.

The assessment method is to consist of rapid visual screenings in accordance with "Rapid Visual Screening of Buildings for Potential Seismic Hazards: A Handbook," FEMA-154, 2002 Edition; in addition, other techniques to supplement the rapid visual screening and aid in the ranking of rapid visual screening results in risk categories may be used. The assessment may include the use of contractors to perform screenings, the use of questionnaires and training for persons interested in conducting rapid visual screenings. The end product is to include a ranking of the rapid visual screening results in risk categories and a Geographic Information System database of survey data and the sharing of that data with interested parties. The ranking criteria includes:

- Need,
- Importance of the building to the community,
- Risk to the building posed by its location,
- Risk posed to the community by the collapse of the building during a seismic event,
- Projected cost of the necessary seismic rehabilitation,
- Other criteria DOGAMI recommends.

During the autumn of 2005, DOGAMI sought input from the Seismic Safety Policy Advisory Commission, the Office of Emergency Management, the Department of Human Services, Education and Higher Education, and other agencies or organizations responsible for the buildings identified in Senate Bill 2. The Seismic Rehabilitation Grant Committee authorized by Senate Bill 3 (2005) has not been constituted yet, so input from that group was not possible.

Input from the administrator of that group, the Office of Emergency Management, was available however.

The preliminary estimate of the number of facilities affected by Senate Bill 2 was 3,415, which resulted in a cost estimate of \$1.3 million. The 2005 Legislature appropriated \$500,000 General Fund to DOGAMI and established three limited-duration positions for this project. A substantial portion (45 percent) of this appropriation was allocated to professional service contracts to conduct the work.

With input from these organizations, DOGAMI reviewed data on public buildings identified in Senate Bill 2. This data review resulted in a lower estimate of the number of buildings that would be affected by Senate Bill 2. The lower estimate resulted from combing through data and applying constraints, such as assumptions about student enrollment, and risk from location (such as coastal schools being more vulnerable than schools in less seismically risky areas). The assumptions include:

- Setting school capacity at 200 to capture staff as well as students within the criteria listed in Senate Bill 2
- Including a minimum of 90 percent of any county's schools
- Including 100 percent of highest risk location (Oregon coastal communities)
- Conducting no Federal Emergency Management Administration (FEMA) 154 surveys on buildings built after 1994 (reflecting increased building code restraints for seismic hazard)
- Conducting no FEMA 154 surveys on building with previous superior surveys – if data are available
- Not repeating previous DOGAMI surveys from 2002 to the present

This prioritization winnowed the number of buildings requiring a field assessment to 1,372, with the total number of buildings affected by Senate Bill 2 ranging between 2,004 and 2,250. The review highlighted the difficulty of obtaining accurate counts of the number of buildings that fit within each Senate Bill 2 category; for example, an accurate count of the number of police stations is especially difficult since there is no statewide centralized control over these facilities.

Based on this revised estimate, the expected total cost for the project decreased from \$1.3 million to \$598,000. Since Senate Bill 2 already appropriated \$500,000 for this project, the Department needs \$98,000 to fund the project. If approved, this request would provide the additional funding needed to fully fund the project, based on the revised estimate of the number of buildings requiring surveys. The Department has requested \$100,000, rounding up by \$2,000, since the estimate does make several assumptions. The additional funding will be used for contracted services.

It would be possible to eliminate any General Fund need above the existing \$500,000 appropriation by eliminating acute care hospitals and eastern Oregon from the project based on strict adherence to published seismic hazard maps for the state. The Department does not recommend this alternative, though, since it does not address risks in eastern Oregon and eliminating acute care hospitals does not yield much project cost saving.

**Legal Reference:** Allocation of \$98,000 from the State Emergency Fund to supplement the appropriation made by chapter 763, section 3, Oregon Laws 2005, for the Department of Geology and Mineral Industries, statewide seismic needs assessment for the 2005-07 biennium.

**Department of Fish and Wildlife**  
**Analyst: Pearson**

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**Request:** Increase Other Funds expenditure limitation by \$574,650 to implement a modern Point of Sale (POS) system.

**Recommendation:** Approve the request.

**Discussion:** The Oregon Department of Fish and Wildlife (ODFW) manages wildlife to prevent serious depletion of any indigenous species and to provide optimum recreational and aesthetic benefits. A key technique in managing wildlife is the issuance of hunting and angling licenses and tags; these are purchased through remittance of a fee. Licenses may be purchased directly from ODFW or through agents such as sporting goods stores.

Since 1994, the department has used a Point of Sale (POS) system to conduct its licensing business. The POS consists of agent terminals connected to the department's central system through a telecommunications network. All of the existing system components were purchased at the same time, and no new terminals or printers have been purchased. Some of the problems with the current system include:

- Spare parts for hardware are difficult to find anymore.
- Old dot-matrix printers require a certain kind of paper that is not generally available.
- The current system cannot support Internet sales.
- More sales outlets cannot be added.
- Data sharing with law enforcement and other agencies must be processed off-line.
- Legislative changes cannot be programmed into the system without a lot of effort.

The department estimates that these issues will result in an annual average of 2,300 service disruptions to one or more agents. The current system requires the department, the agents and customers to make a greater effort and to be more patient.

To address the long-term need for an efficient system that provides good customer service and is responsive, the department began planning for a new POS in January 2004. ODFW worked with the Department of Administrative Services to issue a Request for Information and a Request for Proposal, and these efforts resulted in the selection of a hosted system with a \$0.72 per transaction fee. Based on an expected January 2007 system availability date, the project is projected to cost \$787,500 in the 2005-07 biennium, but this is expected to be offset by \$212,850 in savings from reduced use of telecommunications and paper handling. Between the cost of the project and the projected savings, a total of \$574,650 additional Other Funds expenditure limitation is needed.

This additional Other Funds expenditure limitation will be covered by the department's ending balance. The department is projecting sufficient ending balance to absorb the costs without accelerating the need for hunting or angling license fee increases into the 2007-09 biennium.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 717, section 2(3), Oregon Laws 2005, for the Department of Fish and Wildlife Administrative Division, by \$574,650 for the 2005-07 biennium.

**46**  
**Department of State Lands**  
**Analyst: Pearson**

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**Request:** Increase Other Funds expenditure limitation by \$54,336 to implement a beach monitoring grant available to the South Slough National Estuarine Research Reserve (SSNERR). Establish one limited duration full-time Natural Resource Specialist 2 (0.54 full-time equivalent) for grant work.

**Recommendation:** Approve the request.

**Discussion:** This request involves funding available from the Department of Environmental Quality (DEQ) to the SSNERR through the Oregon State Extension Service. The SSNERR is on the southern Oregon coast near Charleston. The reserve is a 4,770 acre natural area. It was the first one established in the United States and is one of 26 designated sites today. It functions as a research, education and stewardship facility.

DEQ receives federal grant funds under section 319 of the Clean Water Act; these funds are used to implement programs involving pollution sources that are not restricted to a specific source, such as a factory. The funds can be used for watershed protection and improvements, education, public outreach, technical assistance, and Total Maximum Daily Load development and implementation.

In this case, DEQ granted the federal funds to the Curry Soil and Water Conservation District which will administer the grant. The local Oregon State Extension Service and SSNERR will conduct the field work for the Curry Soil and Water Conservation District. SSNERR will conduct monitoring at Sunset Beach as part of a larger project on bacterial contamination along three south coast beaches. A Memorandum of Understanding specifies the tasks to be completed by the Extension Service and the SSNERR. The grant requires \$21,320 non-federal match which will be provided through the performance of existing duties by current staff.

The 2005 Legislature set Other Funds operations expenditure limitation at \$995,421. In the past two biennia, the agency has used nearly all of its expenditure limitation, and expects to use the amount established in the Legislatively Adopted Budget for existing activities. At this point it appears that there will be no excess Other Funds expenditure limitation that SSNERR could use to absorb the expenses of this grant.

The Department of Administrative Services Human Resources Services Division reviewed the requested position classification and agrees the duties are consistent with a Natural Resource Specialist 2. A dedicated position for this project is specified in the grant budget and Memorandum of Understanding between SSNERR and the Curry County Extension Service-Oregon State University.

Department of State Lands asked for a limited duration position for 13 months (0.54 full-time equivalent) starting February 1, 2006; however, if the Emergency Board approved the request, the position would not be available to fill until March 1, 2006. Since the request is for 13

months, it is still possible to approve the 0.54 full-time equivalent position and fill the position March 1, 2006. This will require an amendment to the existing agreements between the extension service, SSNERR and DEQ that moves the deadline for deliverables from February 28, 2007 to March 31, 2007. DEQ has stated that these amendments to the agreements will not cause problems with any federal requirements. So, it is recommended that the position request be established at 0.54 full-time equivalent with the understanding that the position is not available to be filled until March 1, 2006.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 776, section 2(2), Oregon Laws 2005, for the Department of State Lands, South Slough National Estuarine Research Reserve, by \$54,336 for the 2005-07 biennium.

**45**  
**Department of State Lands**  
**Analyst: Pearson**

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**Request:** Increase Other Funds expenditure limitation by \$762,552 for six maintenance projects at the Department of State Lands headquarters building in Salem.

**Recommendation:** Approve as requested, with the following modification: Increase Other Funds expenditure limitation by \$762,552 for six maintenance projects at the Department of State Lands headquarters building in Salem with the understanding that the Department of Administrative Services (DAS) will unschedule the expenditure limitation until invoices have been received and agreed upon between DAS and the Legislative Fiscal Office (LFO).

**Discussion:** The Department of State Lands (DSL) owns a building, built in 1990, that serves as its headquarters in Salem. The building is one of the assets of the Common School Fund. The following table summarizes the request.

Project	Requested Amount
1. Remove/replace headquarters roofing	\$ 426,539
2. Install new transformers/disconnects	67,011
3. Replace boiler flue stack on heating water boiler	12,931
4. Add power distribution panels	90,621
5. Re-coat cooling tower (corrosion)	27,950
6. Replace carpet 1st/3rd floors	137,500
	\$ 762,552

The 2005 Legislative Assembly provided \$487,009 Other Funds expenditure limitation for facilities maintenance. A \$610,042 Other Funds policy package to provide additional expenditure limitation for the six projects was not approved; however, the budget report directed the agency “to appear before the Emergency Board to request expenditure limitation for projects once a plan, including timelines and costs, for the necessary projects is developed. “

The department has provided a timeline and documents from DAS Facilities Division indicating these projects are the highest maintenance priorities. The requested amount for each project is 25 percent higher than the original cost estimate, which was developed by DAS in March 2004 and was the basis of the policy package that was not approved during the 2005 Legislative Session. By the time the projects actually start, nearly two years will have passed since the original estimates were developed, and there are expectations that building material costs will increase at a higher rate of inflation as New Orleans and the Gulf Coast rebuild following hurricanes Katrina and Rita.

Since the degree of inflationary pressure is still not absolutely known, it is recommended that the Emergency Board approve the request for the \$762,552 Other Funds expenditure limitation increase, but with the understanding that DAS will unschedule the funds until invoices are

received and DAS and LFO review them and agree to reschedule the expenditure limitation. This approach should give the department the flexibility to proceed with these maintenance projects while also recognizing that there is a great deal of uncertainty about what the actual costs may be.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 776, section 2(4), Oregon Laws 2005, for the Department of State Lands, Capital Improvements, by \$762,552 for the 2005-07 biennium.

**Parks and Recreation Department**  
**Analyst: Pearson**

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**Request:** Report on transition of the State Fair to the Oregon Parks and Recreation Department.

**Discussion:** House Bill 3502 transfers the State Fair to the Oregon Parks and Recreation Department (OPRD) effective January 1, 2006. Also, it allows the OPRD director to take action, when necessary, on State Fair business before January 1, 2006.

OPRD reports the following actions have occurred as part of the transition of the State Fair to the Department:

- Created a State Fair Interim Workgroup and identified transfer issues.
- Established a State Fair Integration Team to implement the transfer.
- Developed a plan with specific tasks and timelines for integration activities.
- Hired a new State Fair Manager.
- Analyzed existing State Fair business practices, including contracting, revenue projections, budgeting and accounting.
- Requested the Secretary of State to conduct a change of director and a financial audit of the State Fair.
- Reviewed personnel practices, including existing State Fair positions, classifications, training plans, and union negotiations.
- Integrated State Fair business and personnel functions in OPRD organization charts.
- Evaluated capital improvement project lists.
- Began prioritizing capital improvement projects.
- Inventoried the State Fair facilities.
- Identified maintenance management tasks with an expectation of developing staffing models for efficient and effective service delivery.
- Conducted outreach with business leaders about reinventing the State Fair to increase its appeal to Oregonians.
- Refocused on developing sponsorships.
- Identified short-term improvements for the 2006 State Fair.
- Continued practice of polling of State Fair attendees and people who did not attend to determine where improvements could be made.
- Reviewed all State Fair and department policies for consistency and began drafting changes when necessary.
- Inventoried State Fair information technology and began detecting compatibility issues, as well as capacity and connectivity issues.

This is a progress report and requires no action on the department's budget. During the first six months of the 2005-07 biennium, OPRD has provided cash to the State Fair due to operating deficits and pre-existing shortfalls. Between \$800,000 and \$900,000 Other Funds from OPRD ending balances will be transferred to the State Fair to cover October, November and December operating expenses. A review of 2005 State Fair revenues revealed a 13.4 percent revenue

decrease from the 2004 revenue report. OPRD plans to bring a plan to rebalance its 2005-07 biennium budget to the April meeting of the Emergency Board. At that time the agency may request authority to expend funds on six capital improvement projects that have been identified by OPRD as the highest priorities for State Fair property upkeep. OPRD plans to request that these products be funded using interest earnings on Lottery Bond proceeds. The budget report for House Bill 5023 (2005) states that these funds would not be spent until the Parks and Recreation Commission developed a plan for the State Fair, so it is expected a request will be ready for the April 2006 meeting.

43  
**Parks and Recreation Department**  
**Analyst: Pearson**

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**Request:** Establish one limited duration full-time position (0.71 full-time equivalent) to address contracts and procurement workload.

**Recommendation:** Approve as requested, with the following modification: establish one limited duration full-time Procurement and Contract Specialist 3 position (0.67 full-time equivalent) to address contracts and procurement workload.

**Discussion:** This request is to establish one Procurement and Contract Specialist 3 position to address workload resulting from the addition of the State Fair to the Oregon Parks and Recreation Department's (OPRD) portfolio, increased in-house processing of contracts for the Facilities Investment Program, and additional funding for the Facilities Investment Program.

- State Fair. The 2005 Legislature made the State Fair part of the department. As part of the transition, the department has reviewed a variety of State Fair operations and practices which are detailed in a progress report also being presented to the Emergency Board in January 2006. One area of review was the contracting process, which is particularly urgent because contracts for the 2006 State Fair must be processed nearly a year in advance. Otherwise there is no guarantee that vendors will be available for the State Fair.

The review of current contracting processes suggested that greater oversight and effort should be made in this area. This translates into more staff time working through the contracting process. OPRD estimates that it will process about 120 contracts per biennium for the State Fair, and will also process agreements throughout the biennium for other events at the fairgrounds. The State Fair has a half-time Office Specialist position that was used for some contract processing, but historically the position was not consistently used to provide contracting coordination and oversight. OPRD has concluded that this half-time position is not adequate to the task, so it is requesting the Procurement and Contract Specialist 3 limited duration position to address the issue for the remainder of the 2005-07 biennium. OPRD may also seek to continue the position in its 2007-09 biennium budget request. A recommendation regarding the State Fair Office Specialist position will be made when OPRD brings its State Fair integration/rebalance plan before the Emergency Board, most likely in April 2006.

- In-house contract processing. In addition, the Department of Administrative Services (DAS) has modified its contracting rules following statutory changes; these adjustments allow state agencies greater choice in whether to process contracts in-house or through DAS. OPRD estimates 94 additional contracts per biennium will be processed in-house. The department has concluded it would be best to handle more of the Facilities Investment Projects internally because:

- The Facilities Investment Program generates a significant volume of contracts,

- Measure 66 Lottery Funds are used to pay for these projects for the most part,
  - Committing the Measure 66 Lottery Funds for projects as quickly as possible can reduce the need for tracking financing across biennia – if the funding commitment is made late in a biennium, it requires more accounting and budget tracking since the financing will cross biennia,
  - Facilities Investment Program contracts can be processed more quickly since OPRD can focus on those contracts.
- Finally, the Facilities Investment Program received a \$6.5 million increase to its expenditure limitation base, which will also generate more contracting activity.

Currently, there are 4.00 full-time equivalent in the OPRD contract unit; each full-time equivalent handles about 300 contracts, including soliciting for competitive bids to do the work, getting the contract written, signed, tracking all invoices, insuring work is completed and all deliverables are received. The addition of over 200 State Fair and Facilities Investment Projects would strain existing staff resources if a limited duration position is not added. This could result in slower processing time and a greater chance of mistakes. The requested Procurement and Contract Specialist 3 position has been reviewed by DAS Human Resources Services Division and found to be appropriately classified. As recommended, this position would be established effective March 1, 2006.

OPRD intends to finance this position internally, so there is no need to adjust expenditure limitation.

**Parks and Recreation Department**  
**Analyst: Pearson**

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**Request:** Increase Lottery Funds expenditure limitation by \$400,000 and increase Other Funds expenditure limitation by \$1,582,747 to defease outstanding Lottery Bonds issued in 1998.

**Recommendation:** Approve the request.

**Discussion:** The 2005 Legislature approved House Bill 5139 with additional Lottery Funds expenditure limitation to defease Lottery Bonds issued in 1998. Defeasance involves using available cash to purchase securities which are held in escrow; the securities provide an alternative funding source to pay debt service on the defeased bonds until the bonds can be prepaid in 2010 without penalty. This allows prepayment of the debt without penalty, resulting in savings over the long term.

In February 1998 the state sold \$16.54 million of Lottery Bonds for parks maintenance projects, bond issuance costs, and a \$1.582 million reserve. The final repayment for these bonds is scheduled for April 2013. The Department's 2005-07 Legislatively Adopted Budget provides \$13.19 million Lottery Funds for debt service, but this includes funding for State Fair debt service. Also, a debt service payment has been made on the existing Parks 1998 bonds, further reducing the available Lottery Funds debt service expenditure limitation. The defeasance is expected to save an estimated \$1.82 million in debt service costs between 2006 and 2013. The following table summarizes the request:

<b>Parks Lottery Revenue Bond Defeasance</b>	
Estimated Costs	
Available 2005-07 debt service limitation	8,715,798
Estimated Cost of Securities to Defeas Outstanding Bonds	<u>10,597,675</u>
Additional expenditure limitation needed	<u>(1,881,877)</u>

The request to increase Lottery Funds expenditure limitation by \$400,000 for an interest payment and administrative costs is recommended with the understanding that the Department of Administrative Services will unschedule any of this expenditure limitation in excess of the actual amount needed for defeasance administrative costs.

**Legal Reference:** Increase the Lottery Funds Debt Service expenditure limitation established by chapter 697, section 2(7), for the Parks and Recreation Department, Debt Service, by \$400,000 for the 2005-07 biennium. Establish an Other Funds expenditure limitation of \$1,582,747 for the payment of expenses from fees, moneys, or other revenues including Miscellaneous Receipts, excluding lottery and federal funds, collected or received for the biennium beginning July 1, 2005, for debt service.

**38**  
**Department of Veterans' Affairs**  
**Analyst: Miedema**

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**Request:** Report on distribution of funding to expand County Veterans' Service Officer Programs.

**Discussion:** The 2005 Legislative Assembly passed Senate Bill 1100 with the intent to expand and enhance services to veterans in Oregon. The program was funded with \$2.6 million General Fund appropriated in Senate Bill 5629. A budget note incorporated into Senate Bill 5629 directed the Department of Veterans' Affairs to report to the Emergency Board on its progress in implementing the provisions of Senate Bill 1100 that related to the expansion and enhancement of county veterans service officer program. By rule, the Department was to develop a formula to distribute the \$2.6 million General Fund to the counties based on a fixed amount per county and an amount based on the veteran population of the county.

The Department reports that they have developed the rule that will distribute funds based on those parameters with the goal to expand services and comply with ORS 406.330 not to duplicate services in the State. They had several meetings with interested parties taking input on the development of the distribution formula. The Department adopted a temporary rule on December 22, 2005 that provides the formula for the quarterly distribution of the \$2.6 million. They distributed the first and second quarter allotments of the funds on December 28 after the temporary rule was adopted, with quarterly distributions to counties hereafter.

**Oregon Department of Transportation/Department of State Police**  
**Analyst: Gilbert**

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**Request:** Increase Federal Funds expenditure limitation by \$200,000 for the Department of Transportation and increase Other Funds expenditure limitation by \$200,000 for the Department of State Police for the purchase of a mobilized impaired driving processing center and for training.

**Recommendation:** Approve the request, modified as follows: Increase Other Funds expenditure limitation by \$200,000 for the Department of State Police (Department) for the purchase of a mobilized impaired driving processing center and for training and request the Department of Administrative Services (DAS) to unschedule the Department's limitation pending a final design and implementation plan.

**Discussion:** The National Highway Transportation Safety Administration (NHTSA) makes funds available to state transportation agencies for the purpose of improving driver safety in order to reduce highway traffic deaths. One type of funding addresses behavioral issues, including driver impairment due to controlled substance or alcohol use while driving.

In September the Oregon Transportation Commission approved a \$200,000 grant from NHTSA funds for the Department for equipment and training related to driving while impaired. The Oregon Department of Transportation, Transportation Safety Division (ODOT) requested a \$200,000 increase in Federal Funds expenditure limitation in order to send the grant funding to the Department by Special Payment. Further investigation, however, shows that ODOT has sufficient Federal Funds expenditure limitation to process the grant payment; only an internal change in the Special Payment account number and description is needed to clarify that the funds will be paid to the Department. No action is required by the Emergency Board.

The purpose of a mobile unit is targeting events known to attract large crowds such as Oktoberfest or Spring Break at Seaside where participants might be drinking alcohol to the point of impairment. If a driver were found by a field sobriety test to be incapacitated, that person would be taken to the mobile unit in the area for breath testing. Absent the mobile unit, the alternative would be transporting the suspect to the nearest breath analyzer with the potential of keeping the officer off the road and involved with this single offender three hours or longer. With a mobile analyzer, the officer can process suspects more efficiently to keep more impaired drivers out of their cars and off the road.

The Department estimates as much as \$150,000 would be used to purchase the mobile breath alcohol analysis unit. As context, Washington state got a quote of around \$117,000 for one such vehicle early in 2005, though that estimate did not include breath analyzers, which could add another \$27,000 for three analyzers.

The remaining funding would be available for training. The Department's 2005-07 Legislatively Adopted Budget includes certificates of participation funding to purchase new Intoxilyzers

(breath alcohol testing equipment), but insufficient funding for training officers in the use of the new equipment. Funding from this grant is eligible to meet that training need.

The Department has not yet determined what type of vehicle to purchase nor exactly what the cost of purchasing and customizing the vehicle will be nor how long it will take to put the vehicle and equipment in service. Given those uncertainties, it is recommended that the \$200,000 Other Funds expenditure limitation be approved with a request that DAS unschedule the limitation pending a report on final vehicle design, cost, and timeline to purchase, outfit, and road test the vehicle. The Department should present this plan to their budget analysts in the Legislative Fiscal Office and the DAS Budget and Management Division.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 718, section 2(1), Oregon Laws 2005, for the Department of State Police Patrol Services, Criminal Investigations, and Gaming Enforcement by \$200,000 for the 2005-07 biennium.

**36**  
**Department of State Police**  
**Analyst: Gilbert**

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**Request:** Allocate \$238,231 from the State Emergency Fund for 1.62 full-time equivalent positions and planning work associated with upgrading Oregon's wireless communication system.

**Recommendation:** Approve as requested, contingent on approval by the Joint Legislative Committee on Information Management and Technology at its January, 2006 meeting and modified as follows: Allocate \$238,231 from the State Emergency Fund for planning work associated with upgrading Oregon's wireless communication system, including personal services funding for the remainder of the biennium for the three limited duration positions (for a biennial total of 2.13 full-time equivalent) established by the Emergency Board at its October 2005 meeting.

**Discussion:** As reported at the October 2005 Emergency Board and the November 2005 Joint Legislative Committee on Information Management and Technology (JLCIMT), Oregon's public safety communications infrastructure is in deteriorating condition. In addition, the Federal Communications Commission (FCC) has mandated that by 2013 public safety communications systems across the nation will convert to narrowband to provide interoperability, i.e., the ability of public safety professionals and emergency responders to exchange voice and/or data communications with one another on demand, in real time. In recognition of these two conditions, the 2005 Legislature passed House Bill 2101 which includes the development of the Public Safety Wireless Infrastructure Replacement Plan.

At the October 2005 Emergency Board meeting, the Department reported on initial planning and requested funding to continue the planning process to meet the requirements of House Bill 2101. The allocation of partial funding reflected the Emergency Board's understanding that Oregon's public safety communication infrastructure requires immediate attention.

Before allocating the remaining funds, however, the Emergency Board directed the Department to brief the JLCIMT in November and again in January on the four-phase plan to upgrade equipment and meet interoperability requirements. The proposed solution includes conceptual engineering and design to be provided by a contractor. The contractor has been selected; grant funds will pay for that work. In support of the contractor's engineering and design, participating state agencies have identified the general structure of the new system and a four-phase implementation plan.

Phase 1 will produce the final plan and detailed specifications and requirements for the complete system. This phase will include the contractor's engineering and design work as well as the state's planning work. It is to be complete by January 2007 and will provide the expected detailed cost of the total project. Phases 2, 3, and 4 are equipment replacement and facility construction in Eastern Oregon, Southwest Oregon, and Northwest Oregon respectively. The final phase should be completed by January 2012, leaving calendar year 2012 as a buffer to ensure all changes are consistent with FCC mandates by early 2013.

In October, 2005, the Department requested \$893,660 General Fund from the Emergency Board for the state's 2005-07 Phase 1 planning work. By working with participating agencies -- Oregon Department of Forestry, Oregon Department of Transportation, and Oregon Emergency Management -- the Department has been able to reduce that amount to \$473,266, a reduction of 47 percent and about 30 percent of the total planning budget needed. The remaining 70 percent is covered by the participating agencies' lending personnel, vehicles, and Services and Supplies, as shown in the display below. Also shown below, the funding allocated by the October Emergency Board covers the first six months of the state's planning work and supports three limited duration positions and associated Services and Supplies.

	<b>E Board Request January 2006 (11 months)</b>	<b>Total Planning Budget</b>		Total	FTE
		Approved by E Board October 2005 (6 months)	Loaned Resources		
Six limited duration positions			\$ 873,048	\$ 873,048	5.00
Communication Engr 3	<b>100,610</b>	\$ 29,606	-	130,216	0.71
Communication Drafting Tech	<b>51,229</b>	26,640	-	77,869	0.71
Exec Support Spec 1	<b>44,905</b>	23,315	-	68,220	0.71
Services & Supplies	<b>74,393</b>	122,568	125,016	321,977	
Capital Outlay	<b>(32,906)</b>	32,906	90,000	90,000	
<b>Total</b>	<b>238,231</b>	\$ 235,035	\$ 1,088,064	\$ 1,561,330	7.13
Percent of Total	15%	15%	70%		

It is recommended that the request of \$238,231 be approved, contingent on the concurring recommendation from the January meeting of the JLCIMT.

**Legal Reference:** Allocation of \$238,231 from the State Emergency Fund to supplement the appropriation made by chapter 718, section 1(5), Oregon Laws 2005, for the Oregon State Police, Office of Emergency Management for the 2005-07 biennium.

**35**  
**Department of State Police**  
**Analyst: Gilbert**

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**Request:** Allocate \$78,530 from the State Emergency Fund, authorize the Department of State Police to apply for a grant of \$58,260, increase Federal Funds expenditure limitation by \$58,260, and establish one new permanent full-time Information Systems Specialist 5 position (0.71 full-time equivalent), to publicize certain sex offenders on the Department's website.

**Recommendation:** Approve the request, modified as follows: Allocate \$73,051 from the State Emergency Fund, authorize the Department of State Police to apply for a grant of \$58,260, increase Federal Funds expenditure limitation by \$58,260 and request the Department of Administrative Services (DAS) to unschedule the limitation, and establish one new permanent full-time Information Systems Specialist 5 position (0.67 full-time equivalent), pending DAS Human Resources Services Division (HRSD) classification review, to publicize certain sex offenders on the Department's website.

**Discussion:** House Bill 3486 became law in September 2005. It mandates posting information about predatory sex offenders on a public internet site. Specifically, the legislation targets those offenders who are determined to present the highest risk of reoffending or are found to be a sexually violent dangerous offender (defined under ORS 144.635). The public site is to be on-line by July 1, 2006. Once operational, the state site will be linked to the National Sex Offender Registry through a link on the website page. Currently Oregon sex offender information is available to the public but not online. A requestor would call a published phone number and leave a message describing what information is needed and where to mail it. Generally requests are processed in two to three days, but some can take up to a week.

Also enacted during 2005 was House Bill 2299, which expands sex offender reporting requirements by requiring a sex offender to report when he or she works at, carries on vocation at, or attends an institution of higher education. This legislation is the state's response to the Federal Campus Sex Crimes Prevention Act (2003), to assist in campus sex crime investigations.

To implement these measures, the Department needs to create secure public access to its existing registered sex offender database via a website. The Department's 2005-07 Legislatively Adopted Budget did not include resources to make the system changes necessary to implement the legislation. Rather, the Legislature directed the Department to explore out-sourcing the work.

The Department issued a Request for Information and received two responses that were deemed insufficient on the basis of data security. The Department also looked into having the Department of Administrative Services (DAS) host the website. DAS would contract the work out and DAS's vendor provided an estimate around \$235,000, mostly based on the need to re-write the current application into another computer language.

The Department estimates total project costs of \$164,503 to implement the legislation internally. Two vendors, Hewlett Packard and Microsoft, have donated servers and licenses valued at

\$27,712. In addition, the US Department of Justice, National Sex Offender Public Registry has non-competitive funding available for database programming and firewall software and equipment estimated at \$58,259. The Department is requesting authorization to apply for the funding and expenditure limitation to spend the funds, assuming they are provided.

The remaining cost, \$78,532, is the Personal Services expense associated with the Information Systems Specialist 5, requested to start February 1, 2006. There is no request for Services and Supplies associated with the position; the Department will absorb that expense. The new position's tasks are to design, develop, and maintain:

- the Sex Offender Registration system framework, architecture, and security,
- secure system access for all interfaces into the database, and
- dynamic databases to support content accuracy, system performance, and data security.

In addition, this position is responsible to stay current with technical, functional, and security changes at all levels so as to maintain a close interface with other federal, state, county and city Sex Offender Registration websites and databases.

The position classification is currently being reviewed by DAS Human Resources Services Division for appropriate classification. Assuming HRSD approves the classification, DAS Budget and Management recommends that it be funded. Given the difficulty of recruiting and hiring this position by February 1, however, a March 1, 2006 start date is recommended, making the total \$73,051. DAS also recommends that the Department request the referenced federal funding for software and equipment, and that the expenditure limitation be approved but unscheduled, pending federal notification to the Department that the funds are forthcoming.

**Legal Reference:** Allocation of \$73,051 from the State Emergency Fund to supplement the appropriation made by chapter 718, section 1(4), Oregon Laws 2005, for the Oregon State Police administrative services and information management for the 2005-07 biennium.

Increase the Federal Funds expenditure limitation established by chapter 718, Section 3(1), Oregon Laws 2005, for the Oregon State Police, patrol services, criminal investigations, and gaming enforcement by \$58,260 for the 2005-07 biennium.

**33**  
**Oregon Youth Authority**  
**Analyst: Gilbert**

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**Request:** Allocate \$214,607 from the State Emergency Fund, increase Federal Funds expenditure limitation by \$7,439, and establish two full-time, permanent positions (1.26 full-time equivalent) to implement recommendations of the Youth Safety and Abuse Prevention Review Committee.

**Recommendation:** Approve the request.

**Discussion:**

Background

Responding to alleged, ongoing sexual abuse of youth offenders by a former Oregon Youth Authority (agency) juvenile parole and probation officer and a foster care provider, the agency convened the Youth Safety and Abuse Prevention Review Committee (YSAPRC) in early 2005. The YSAPRC's charge was to review the specific circumstances around the abuse charges. Following the review, the YSAPRC was to recommend actions that would help prevent future abuse.

The 2005 Legislature, by budget note, instructed the agency to report the YSAPRC's recommendations to the Joint Interim Judiciary Committee's first meeting and to request Emergency Board resources no later than January 2006, should additional resources be needed to implement the recommendations. Although the interim Judiciary Committees had not met prior to the October, 2005 Emergency Board meeting, the agency approached the Board and received \$334,066 General Fund to implement some recommendations, specifically:

1. Improve hiring practices - \$44,382
2. Expand staff and provider training - \$146,186
3. Review and improve written policies and procedures - \$143,498

The Emergency Board members determined that the remaining recommendations that would need funding should receive Judiciary review. Those recommendations are to establish both internal and external complaint investigation entities. The interim Judiciary Committees met in December, 2005 and heard the YSAPRC's report and the agency's request.

Agency Request: Internal Investigation - \$195,277 General Fund

The proposed internal investigation office would receive and investigate all complaints against the agency or any agency employees alleging inappropriate actions against youth. Additionally, this office would collect data, analyze trends, and publish reports of all complaints received and findings of each inquiry. The internal investigator, as part of the agency management team, would also ensure agency-wide compliance with mandatory child abuse reporting requirements. To implement these functions, the agency requests two positions: an Investigator

(Operations/Policy Analyst 3) and an Administrative Specialist 2, beginning April 1, 2006. The cost is \$199,216, of which \$192,542 is General Fund. The work performed by these positions as well as the phone line and contracted background investigations discussed below are eligible for Title XIX Medicaid administrative match of 3.35 percent.

The Investigator would investigate complaints received directly by the agency or by other agencies or offices, such as the Department of Human Services or the Governor's Office. Organizationally, the Investigator reports to the agency Director. The Investigator will produce reports for all interested parties, including people involved in parole and foster care, legislators, and agency staff. Using investigation data, the Investigator will tease out trends and propose policy, rule, or training changes, as appropriate. The Department of Administrative Services (DAS), Human Resources Services Division has reviewed and approved the proposed Operations/Policy Analyst 3 classification.

The Administrative Specialist would maintain databases with complaint and complaint-resolution information and other data as appropriate. In part this work will involve using several existing but discrete databases to bring records together in a meaningful and useful array.

To ease access to the investigation office, the agency requests installing a toll-free telephone line, to be operational April 1, 2006. The cost is \$2,830 total, \$2,735 General Fund, covering installation, monthly assessment, and time use costs.

#### Employee Selection - \$19,330 General Fund

As the YSAPRC originally envisioned, pre-employment investigation for all employees in child contact roles would have been part of the Investigator's responsibility. After further consideration, the agency proposes a separate, contracted-out pre-employment screening process for Juvenile Parole and Probation Officers (JPPO's). The total expected expense is \$20,000, of which \$19,330 is General Fund. The amount assumes four new JPPO's per year using retired law enforcement investigators to perform rigorous background investigations requiring about 40 hours for each candidate.

The agency would not apply this screening to the positions that work in the regional and other institutions because turnover is much higher than four per year, the consequent hiring delay would drive significant overtime expense while potential candidates are investigated, and there are fewer opportunities for unobserved contact with youth due to working in teams, closer supervision, and cameras in the institutions.

#### External Investigation

The YSAPRC recommended establishing an ombudsperson, to ensure an independent complaint opportunity. Potentially affected agencies have discussed this recommendation and determined that it is too soon to request the position. The agency will work with other state agencies to design an appropriate office that will maximize efficiencies and benefits. The Judiciary Committees agreed with this approach.

Overall, the rough estimate to implement the YSAPRC recommendations was originally \$825,000. The October General Fund request was about \$750,000. The funds provided by the

October Emergency Board plus this request total just under \$550,000, about a \$200,000 or 27 percent reduction from the original October request.

The Judiciary Committees' members agreed that the agency should establish the investigation office and directed the agency to provide summary investigation reports to legislators. DAS Budget and Management also recommends approving the request.

**Legal Reference:** Allocation of \$214,607 from the State Emergency Fund to supplement the appropriation made by chapter 554, section 1(1), Oregon Laws 2005, for the Oregon Youth Authority, Operations, for the 2005-07 biennium.

Increase the Federal Funds expenditure limitation established by chapter 554, section 3, Oregon Laws 2005, for the Oregon Youth Authority, by \$7,439 for the 2005-07 biennium.

**32**  
**Criminal Justice Commission**  
**Analyst: Gilbert**

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**Request:** Allocate \$2,500,000 from the special purpose appropriation made to the Emergency Board for creation or expansion of drug court operations.

**Recommendation:** Approve the request.

**Discussion:** Responding to the challenges posed by significant methamphetamine abuse and associated child neglect in Oregon, the 2005 Legislature created a comprehensive package of bills that, among other actions, established and funded a grant program to create or expand drug courts (House Bills 2485 and 5174). The Legislation directed the Criminal Justice Commission (Commission) to design, implement, and administer the program.

Drug courts' and traditional criminal courts' primary goals are reducing criminal recidivism and substance abuse among participants. Drug courts differ from regular criminal courts, however, by getting and keeping a defendant in evidence-based drug treatment and requiring frequent appearances before the drug court judge. Drug courts involve partners – judges, prosecutors, defense counsel, substance abuse treatment specialists, probation officers, law enforcement and correctional personnel, educational and vocational experts, community leaders, and others – working cooperatively as a team to force the offender to deal with his or her substance abuse problem. Eligible drug court models include courts for adults, for families, and for juveniles.

The subject legislation approved a \$2.5 million special purpose appropriation to fund the grant program. A budget note in House Bill 5174's budget report directed the Commission to report to the Interim Judiciary Committees (Committees) on the development of the grant program before December 15, 2005, including information on grant eligibility requirements, the process and criteria the Commission will use to select grant recipients, and the information grantees will be required to submit after they receive a grant. Both the budget report and budget note make clear that the intent of the grants is to start or expand drug court programs; none of this funding is to supplant or replace existing drug court funding.

The Commission's Executive Director presented the Drug Court Implementation and Enhancement Grant Program report to the Interim Judiciary Committees December 14, 2005. Descriptive elements of the report include:

- availability and duration of funding – starting July 1, 2006, one year for enhancement grants and 18 months for establishment grants,
- grant program goals - cost-effective chemical dependency reduction,
- eligibility requirements to apply for funding,
- recommended applicant approach, referencing the 10 key components of drug courts as established by the US Department of Justice Bureau of Justice Assistance,
- instructions to applicants,
- application review and award decision dates, and
- award conditions, including monitoring, progress reporting, and conditions of termination.

The Director also noted that these grant funds are acceptable as the required 25 percent state match for federal one-time Byrne Methamphetamine Reduction grants. The Committees clarified the Legislative intent with respect to the scope of expansion, i.e., expansion means expanded services to reach higher risk offenders and expanded intensity of treatment services, not just more people in a limited array of programs. The Committees then recommended the Emergency Board release the special purpose appropriation.

The Commission was also directed, by means of budget note, to develop performance measures for evaluating the effectiveness and performance of all drug courts in Oregon – new, expanded, and already existing. The Commission has worked with the Judicial Department and developed five such measures, which will be presented to the Joint Legislative Audit Committee (JLAC) for approval. The JLAC’s first meeting is scheduled for January 26, 2006.

**Legal Reference:** Allocation of \$2,500,000 from the special purpose appropriation made to the Emergency Board by chapter 707, section 1(1), Oregon Laws 2005, to supplement the appropriation made by chapter 707, section 2, Oregon Laws 2005, for the Criminal Justice Commission for awarding drug court program grants.

**31**  
**Oregon Military Department**  
**Analyst: Upadhyay**

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**Request:** Allocate \$675,117 from the State Emergency Fund, increase Other Funds expenditure limitation by \$268,357 and increase Federal Funds expenditure limitation by \$231,550 for operation of the Oregon Youth Challenge Program.

**Recommendation:** Approve the request, with the following modifications: Allocate \$426,926 from the State Emergency Fund, increase Other Funds expenditure limitation by \$95,400 and increase Federal Funds expenditure limitation by \$231,550 for operation of the Oregon Youth Challenge Program.

**Discussion:** The Oregon Youth Challenge Program (YCP) is a 22-week residential program located in Bend which offers at-risk high school dropouts and students failing at traditional high schools an opportunity to build a future. This is followed by 12 months of mentoring of program participants. This program is Oregon's only statewide public alternative high school. Students learn self-discipline, leadership, responsibility, and work skills that enable them to be successful in society. Students have the opportunity to complete educational credit with a goal of reintegrating into high school to earn a diploma or to prepare for General Education Development (GED) examinations.

The Oregon National Guard has been operating this program since 1994 through a federal/state agreement with the National Guard Bureau. From 1994 to 1997, the program was funded entirely with federal dollars. In 1998, the program was funded by 75 percent federal dollars and 25 percent state match. The State was notified that the state match would grow to 30 percent in 1999, 35 percent in 2000, and 40 percent in 2001 and thereafter. The State has been providing the match through a combination of General Fund and Other Funds from the Bend-LaPine School District's Average Daily Membership (ADM) revenues. For the 2003-05 biennium, the Legislature approved running the program at a reduced level due to the down-turn in the State's economy.

The 2005-07 Legislatively Adopted Budget funds the program at the reduced operating level. The Legislature also asked the Oregon Military Department to appear before the Emergency Board if the actual ADM revenues turned out to be lower than the \$30.06 per student per day or \$1,322,573 projected for the entire biennium. The actual ADM revenues have turned out to be \$27.66 per student per day or \$1,260,508 for the biennium, resulting in a shortfall of \$62,065 revenues from the projection for 2005-07.

The Oregon Military Department is requesting \$675,117 from the State Emergency Fund, and increases of \$268,357 Other Funds and \$231,550 Federal Funds expenditure limitations to cover the ADM revenue shortfall as well as to pay for other critical items as identified below:

	Items	General Fund	Other Funds	Federal Funds	Total Funds
1.	Change in ADM rate	62,065			62,065
2.	Personnel cost increases for compensation	70,970			70,970
3.	Fund shift for nine positions	99,968			99,968
4.	Overtime, shift differential, temp cost	32,300	25,800	87,150	145,250
5.	Teacher, nurse contract increased costs	257,706			257,706
6.	Facility repair and maintenance		109,158		109,158
7.	Vehicle cost for student travel		63,799		63,799
8.	Increased telecommunication costs	30,124			30,124
9.	Staff computer and software costs	40,690			40,690
10.	Safety equipment, tools, gear, advertising	81,294			81,294
11.	Septic drain field improvement		69,600	104,400	174,000
12.	NGB mandatory training			40,000	40,000
	Total request	675,117	268,357	231,550	1,175,024

The federal National Guard Bureau provides a maximum of \$3,360,000 per biennium for the Youth Challenge Program. This is supposed to pay for 60 percent of the program costs. In keeping with the 60/40 funding split, the amount of state match required is \$2,240,000. At present, with \$1,260,508 of ADM revenues and \$552,566 General Fund, there is \$1,813,074. This leaves a deficit of \$426,926 to operate the program. With an additional \$426,926 General Fund, the agency could pay for the change in ADM rate, for increased personnel service costs including overtime, shift differential and temporary employee costs, and for the increased teacher and nurses contract costs. The agency's request to shift funding for nine positions should be raised during the budget development phase for 2007-09.

The agency does not have sufficient Other Fund revenues to pay for all the items listed above. It is recommended that the Other Funds expenditure limitation be increased by \$95,400 to pay for the increase in overtime, shift differential and temporary employee costs and for the septic drain field improvement. Funding these items would enable the agency to take care of health and safety issues.

The entire Federal Funds request is recommended. The National Guard Bureau has provided federal dollars above the \$3,360,000 ceiling from other sources.

In conclusion, the Department of Administrative Services recommends allocating \$426,926 from the State Emergency Board, increasing the Other Funds expenditure limitation by \$95,400, and increasing the Federal Funds expenditure limitation by \$231,550.

**Legal Reference:** Allocation of \$426,926 from the State Emergency Fund to supplement the appropriation made by chapter 673, section 1(3), Oregon Laws 2005, for the Oregon Military Department, Community Support for the 2005-07 biennium. Increase the Other Funds expenditure limitation established by chapter 673, section 2(3), Oregon Laws 2005, for the Oregon Military Department, Community Support, by \$95,400 for the 2005-07 biennium. Increase the Federal Funds expenditure limitation established by chapter 673, section 3(2), Oregon Laws 2005, for the Oregon Military Department, Community Support, by \$231,550 for the 2005-07 biennium.

**30**  
**Oregon Military Department**  
**Analyst: Upadhyay**

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**Request:** Increase Capital Construction Other Funds expenditure limitation by \$6,094,000 for construction of the Bureau of Land Management portion of the Lane County Armed Forces Reserve Center, Phase II.

**Recommendation:** Approve the request.

**Discussion:** The 2003 Legislature approved \$2,400,000 Other Funds and \$33,160,150 Federal Funds expenditure limitation for the Oregon Military Department for construction of the Lane County Armed Reserve Center complex. The agency is now requesting an increase of \$6,094,000 Other Funds expenditure limitation to construct a portion for the Bureau of Land Management (BLM) to occupy.

During the initial planning phase of the project in 1994, the Oregon Military Department approached several governmental agencies to enter into a development partnership. At that time, BLM had declined to participate. In the summer of 2005, BLM expressed a desire to partner on the project. Besides BLM, there are three other federal agencies that are already partnering on the project – United States Forest Service, United States Marines Corp Reserve, and United States Navy Reserve. BLM and the United States Forest Service hope to save \$1 million a year in operating costs by being housed together in this facility.

The total cost to build the BLM portion of the project is estimated at \$6,094,000. The Oregon Military Department has completed a draft agreement with BLM, pending execution after legislative approval of the partnership. The agreement stipulates that BLM will pay for all costs associated with their portion of the development, in exchange for a 25 year no-cost lease of their improvements, with an option for one 25 year extension at market rates.

To pay for the project, BLM is having the City of Springfield pay the entire cost initially. BLM and the City of Springfield have a separate agreement covering reimbursement over 10 years from BLM to the City of Springfield for the costs associated with the project.

**Legal Reference:** Increase the Capital Construction Other Funds expenditure limitation established by chapter 623, section 1(4), Oregon Laws 2003, for the Oregon Military Department, by \$6,094,000 for the 2005-07 biennium.

**Oregon Military Department**  
**Analyst: Upadhyay**

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**Request:** Establish a Capital Construction Other Funds expenditure limitation of \$120,000 and a Capital Construction Federal Funds expenditure limitation of \$160,000 for construction of force protection measures at the Anderson Readiness Center.

**Recommendation:** Approve the request.

**Discussion:** The Oregon Military Department is requesting the establishment of \$120,000 Capital Construction Other Funds expenditure limitation and \$160,000 Capital Construction Federal Funds expenditure limitation to complete construction of force protection measures at the Anderson Readiness Center in Salem. The agency has recently been informed about the availability of the State Homeland Security Grant funds and the federal dollars.

The Anderson Readiness Center is Oregon's primary command center for responding to emergencies. This facility houses three divisions of the Oregon State Police: Office of Emergency Management, Law Enforcement Data Center, and Northern Command Center. The Oregon Department of Transportation Northwest Transportation Operations Center, Oregon Military Department Emergency Operations Center, and an emergency office for the Governor are also located within the facility.

The Emergency Board, at its June 2004 meeting, had approved an increase of \$1,013,575 Capital Construction Other Funds expenditure limitation for construction of force protection measures at the Anderson Readiness Center. Since all the funds had not been received then, the Emergency Board had asked the Department of Administrative Services to unschedule \$797,225 of this expenditure limitation. The Oregon Military Department had expected to receive these funds earlier and had received approval from the 2005 Legislature to extend the expenditure limitation to December 2005.

Since the expenditure limitation for the project will expire in December 2005 and the agency has just been informed about the availability of these dollars, the agency is now requesting the Emergency Board to establish a Capital Construction expenditure limitation to be able to expend these funds.

**Legal Reference:** Establishment of an expenditure limitation of \$120,000 for the Oregon Military Department for the payment of expenses from fees, moneys, or other revenues including Miscellaneous Receipts, excluding lottery and federal funds, collected or received for the biennium beginning July 1, 2005, for Capital Construction. Establishment of an expenditure limitation of \$160,000 for the Oregon Military Department for the payment of expenses from Federal Funds, collected or received for the biennium beginning July 1, 2005, for Capital Construction.

**Oregon Military Department**  
**Analyst: Upadhyay**

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**Request:** Increase Capital Construction Federal Funds expenditure limitation by \$340,155 for design of the Ontario Readiness Center.

**Recommendation:** Approve the request.

**Discussion:** The Oregon Military Department is requesting an increase of \$340,155 Capital Construction Federal Funds expenditure limitation to complete design of the Ontario Readiness Center.

The 1995 Legislature approved \$165,275 Other Funds and \$330,500 Federal Funds expenditure limitations for the Ontario Readiness Center. The 2005 Legislature extended the project approval and funding until June 30, 2008.

The Oregon Military Department spent approximately half the original expenditure limitation on design and shelved the project until recently. In October 2004, the agency was notified that an additional \$523,000 Federal Funds had been approved to complete the design of the project. The project is in a position to receive federal funding for construction in 2008. In order to ensure funding in the federal budget, design of the facility must be completed by June 1, 2006.

The Oregon Military Department has \$182,845 Federal Funds limitation remaining for the project. As a result, it requires an additional \$340,155 Federal Funds expenditure limitation.

**Legal Reference:** Increase the Capital Construction Federal Funds expenditure limitation established by chapter 409, section 3(1)(b), Oregon Laws 1995, and extended by chapter 767, section 4 (1)(a), Oregon Laws 2005, for the Oregon Military Department, by \$340,155, for the 2005-07 biennium.

**Department of Justice**  
**Analyst: Freels**

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**Request:** Allocate \$81,664 from the State Emergency Fund and establish one permanent full-time position (0.5 full-time equivalent) for start-up and operation of the Oregon Address Confidentiality Program.

**Recommendation:** Approve the request. The Department of Administrative Services will unschedule one-half of the \$81,664 General Fund pending better information on the actual costs of and potential other revenues contributed to the program.

**Discussion:** The 2005 Legislative Assembly passed Senate Bill 850 that established the Oregon Address Confidentiality Program. The program is designed to protect the confidentiality of the actual address of victims' of domestic violence, sexual offenses or stalking, and to prevent potential assailants from finding the victim through public records. The bill established the program within the Department of Justice to receive all first class postal correspondence of eligible victims, and then forward it to their actual address. It didn't provide funding to establish or operate the program, but did allow the Department to seek grants, donations or gifts. The Department is requesting \$81,664 from the State Emergency Fund to provide a stable base for the program. Should other resources become available, the Department will offset the General Fund cost or enhance the program depending on the actual start-up and operating costs of the program.

There are 17 similar address confidentiality programs nationally. The Department plans to model their program after North Carolina since it is located in the Attorney General's Office, utilizes local advocates and addresses victims of domestic violence, sexual assault and stalking. Under this model, local domestic violence and sexual assault programs, as well as victim assistance programs will be responsible for the intake, application processes and eligibility determination for the Address Confidentiality Program. This local workload will be integrated into the existing processes that are required in order to ensure the victim's safety, at no additional cost. There are 36 county victim assistance programs and approximately 45 domestic violence and sexual assault programs in Oregon.

The Department is requesting one permanent full-time Administrative Specialist 2 position (0.50 full-time equivalent) for program implementation and operation. The position will initially draft policies, procedures and administrative rules, as well as conduct trainings for potential local intake agencies. The position will also provide outreach and training to governmental agencies, court personnel and law enforcement officers on program requirements. After program start-up, scheduled for January 1, 2007, the position will provide on-going program coordination and support, which will include participant mail processing.

The Department's estimate assumes \$54,402 for staffing costs, effective July 1, 2006, with \$27,262 for travel, equipment, materials, forms and training supplies. The actual costs may vary, depending on the number of forms, and the amount information and materials that can be used from the existing programs in other states.

Based in limited information, the Department assumes about 50 program participants by the end of the 2005-07 biennium. The 2007-09 cost of the program will be dependent on the growth of program participants, however, any additional cost beyond normal budget roll-up for positions and inflation will be included as a policy package.

The Department of Administrative Services will unschedule one-half of the \$81,664 General Fund pending better information on the actual costs of and potential other revenues contributed to the program.

**Legal Reference:** Allocation of \$81,664 from the State Emergency Fund to supplement the appropriation made by chapter 694, section 1, Oregon Laws 2005, for the Department of Justice, for the 2005-07 biennium.

26  
**Department of Justice**  
**Analyst: Freels**

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**Request:** Increase Other Funds expenditure limitation by \$12,168 and establish one permanent full-time Chief Criminal Investigator position (1.00 full-time equivalent) for expanded criminal intelligence operation duties in the Criminal Justice Division.

**Recommendation:** Approve the request to increase Other Funds expenditure limitation by \$12,168, and then reclassify upward the existing Assistant Chief Criminal Investigator position to a Chief Criminal Investigator.

**Discussion:** The 1989 Legislative Assembly created the Criminal Intelligence Unit within the Department of Justice to collect, store and disseminate criminal intelligence information. This is a coordinated function with local, state, regional and federal programs. The unit receives federal funding through the Western States Information Network (WISN), the High Intensity Drug Trafficking Areas (HIDTA) programs and most recently the Terrorism Intelligence Threat Assessment Network (TITAN). The Criminal Intelligence Unit has been managed historically by an Assistant Chief Criminal Investigator position. With recent developments internationally related to terrorism, the importance and scope of this work has increased, as has the unit's size and budget.

The Department reviewed the classification of the Assistant Chief Criminal Investigator position given the expanded role and responsibilities, and has determined that it most appropriately be classified as a Chief Criminal Investigator position. Because no other reasonable alternative exists, the Department, in coordination with the HIDTA governing body, proposes to use \$12,168 in federal HIDTA funds to finance the higher classification.

The Department requested to establish a new Chief Criminal Investigator position and then abolish the Assistant Chief Criminal Investigator position. As an alternative, BAM recommends the existing assistant position be reclassified upward to the Chief Criminal Investigator. This recommendation achieves the Department's goal in fewer steps.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 694, section 2, Oregon Laws 2005, for the Department of Justice, Criminal Justice Division, by \$12,168 for the 2005-07 biennium.

25  
**Department of Justice**  
**Analyst: Freels**

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**Request:** Increase Other Funds expenditure limitation by \$217,862 and establish one permanent full-time Criminal Investigator position (0.83 full-time equivalent) to address the growing backlog of investigations in the Cooperative Disability Investigation Unit within the Criminal Justice Division.

**Recommendation:** Approve the request.

**Discussion:** The 2001 Legislatively Assembly created the Cooperative Disability Investigation Unit (CDIU) within the Criminal Justice Division. Its mission is to gather evidence of disability fraud through a federal-state partnership. The federal Social Security Administration Office of Inspector General provides administrative oversight, field supervision, facilities and computer support. They also fully fund the CDIU through a pass-through payment to Oregon Disability Determinations Services within the Department of Human Services. In Oregon, there is a close relationship between the programs. The Disability Determinations Services performs the medical determinations. CDIU is responsible for field investigations to develop evidence of material facts to permit a timely resolution and determination of the disability eligibility.

Performance of the CDIU is tracked by the Social Security Administration. For federal fiscal year 2005, Oregon ranked third overall in the nation among the 20 units in total cost savings, out producing units in large cities such as New York, Oakland, Atlanta, Dallas, Chicago and Denver. The current staffing in CDIU consists of three positions (all full-time): two Criminal Investigators and one Administrative Specialist.

Recently the Social Security Administration added one analyst position in the Disability Determination Services and has requested that the Department add one Criminal Investigator position to meet expanded workload needs. There is currently a backlog of over 80 cases pending investigation in CDIU. Without the new position, the Department will continue to decline some cases because of limited investigative resources. With the new position, the Department will clear the current case backlog and will work new cases in a timelier manner. As with all of CDIU costs, the Social Security Administration will fully finance costs of the new Criminal Investigator position.

The Department is requesting to establish one full-time permanent Criminal Investigator position effective November 1, 2005 and to increase Other Funds expenditure limitation by \$217,862. They have assigned a limited duration investigator to CDIU pending approval of this request.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 694, section 2, Oregon Laws 2005, for the Department of Justice, Criminal Enforcement Division, by \$217,862 for the 2005-07 biennium.

**Department of Human Services**  
**Analyst: Teschner**

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**Request:** Report on the status of the Staffing Study as instructed by the House Special Committee on Budget during the 2005 Legislative Session.

**Discussion:** The Department of Human Services was directed by a budget note in House Bill 5030 (2003) to conduct a staffing study to review staffing standards in programs and administrative support units in the agency. During the 2005 Legislative Session, the Department presented initial findings and recommendations from Phase I of the study to the House Special Committee on Budget. Phase I focused on staffing levels within Food Stamps, Medicaid and Adult Protective Services. The House Subcommittee directed the Department to provide an update on the status of the Phase I implementation plan and the second phase of the study when it comes to the Emergency Board to rebalance its budget.

The Department reports the following accomplishments in the implementation of Phase I:

- The Adult Protective Services (APS) administrative rules were revised and training was delivered to staff and partners. These revisions were needed to more clearly and consistently define processes that APS specialists use to screen and investigate adult abuse and neglect allegations.
- The Adult Protective Services Specialist classification has been reclassified upward to realign the classification with the responsibilities of the position.
- Recommendations from Phase I of the study included moving from the current caseload staffing standard to a workload standard. A workload standard is based on the time required to perform key service tasks. Adult Protective Services staff have been collecting baseline data to determine the time required to perform these tasks. Existing data are being utilized to develop workload standards for Food Stamps and Medicaid. The Department plans to analyze these baseline data and begin to develop the workload standard for staffing levels in these three program areas.
- The Oregon Food Stamps Employment and Training (OFSET) process was streamlined as recommended. Procedures have been simplified, but still comply with federal requirements. Staff will determine eligibility, identify mandatory clients and sanction clients who do not comply with work requirements.
- A high percentage of food stamp cases also have a Medicaid component. The recertification dates (six-month eligibility review) for the two components have not always aligned which created unnecessary workload. If a client applies for both Medicaid and Food Stamps at the same time, the recertification periods can easily be aligned. However, many clients apply for the two programs at different times making it difficult if not impossible to synchronize. The Department has been synchronizing the recertification period for food stamp and Medicaid

cases where feasible, and will continue to do so. Roughly, 47,000 cases have been synchronized.

- The Staffing Study found that the Department had too many Case Managers and too few Human Services Specialist 3's (line workers) in its field offices. The Department has decreased the number of Case Managers and increased the number of Human Services Specialist 3 positions through layoffs and reclassifications.
- The Department has reviewed the recommendations from Phase I and identified those that were related to a technology solution. Specific technology issues have been identified according to the relative size of the solution. Work continues on the development of an Information Technology Plan to address these issues.
- The cost of the Phase I contract was \$141,708 General Fund and \$294,000 Total Funds. This was within the budgeted amount of \$150,000 General Fund and \$300,000 Total Funds.

Phase II of the Staffing Study will include Temporary Assistance to Needy Families (TANF), Employment Related Day Care (ERDC), Vocational Rehabilitation and Long Term Case Management. The Department reports the following accomplishments in the implementation of Phase II:

- A Notice of Intent to Award a Contract was sent to Public Knowledge, LLC on November 9, 2005. Public Knowledge will conduct an analysis of work activities and systems to establish workload-based staffing standards and recommend process improvements and technology initiatives to improve effectiveness and efficiency.
- The contract has been signed, and the initial interviews with the program leads have occurred. The Phase II contract cost is \$137,814 General Fund and \$285,920 Total Funds.

**21**  
**Department of Human Services**  
**Analyst: Teschner**

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**Request:** Report on Other Funds and Federal Funds revenue as directed by a budget note within House Bill 5077 (2005).

**Discussion:** The Department of Human Services (DHS) was directed by a budget note in House Bill 5077 (2005) to review the procedures it uses to forecast, budget and account for Other Funds and Federal Funds revenue and to present the report to the Emergency Board at the Department's first 2005-07 budget rebalance.

House Bill 5077, which rebalanced the Department's 2003-05 biennial budget, included reductions in expenditure limitation of about \$23.8 million Other Funds and \$31.4 million Federal Funds. These reductions resulted from shortfalls in projected revenue. The budget note was adopted to address concerns about the inadequate tracking and budgeting of Other Funds and Federal Funds revenue.

The Department reports the following progress in regard to improving revenue tracking and management:

- The identification of Other Funds and Federal Funds revenue has been achieved at a much lower and more specific level of detail than in the past. This level of detail enables the Department to more accurately track and manage these funds. As a result, erroneous revenues have been removed and back-filled with General Fund. These adjustments were approved by the October 2005 Emergency Board for the closeout of the 2003-05 budget and by the 2005 Legislative Assembly for the 2005-07 Legislatively Adopted Budget.
- The Department has developed a standard revenue tracking tool to compare actual revenue receipts to the most current list of budgeted revenues. The tracker will be updated on a monthly basis and projections will be adjusted as needed.
- Coordination teams made up of accounting and budget staff were formed in September 2005 and have been meeting and working directly with staff and managers in specific program clusters. The priorities of the teams include revenue tracking and management as well as reviewing expenditures in order to align actual expenditures with the budget. The Department will be able to more effectively monitor and manage each cluster's revenue throughout the biennium. Improved communication and coordination between accounting, budget and program has already been evident.
- The Department is exploring automated approaches to improve the tracking of expenditures and revenue. In early December 2005, two software vendors demonstrated their products as possible solutions. Both presented solutions that would consolidate and report financial information from multiple DHS systems. The Department will continue to explore these options and determine the next steps toward the automation of their revenue tracking.

- The Department is also planning on incorporating a greater level of revenue detail in the development of the 2007-09 agency request budget. This is expected to assure more effective tracking and management of revenue throughout the biennium.
- In November 2005, the Department requested technical assistance from the State Controller in the Department of Administrative Services (DAS) to review its financial processes. An Operations Review Team comprised of representatives from DHS, DAS, PERS and Treasury was formed. Five major functions were identified for review:
  - Accounts receivables and recovery
  - Accounting
  - Budget
  - Internal controls
  - Treasury and banking

Five teams were organized around these functions. The teams began their reviews in December with a preliminary report due March 2006. Key areas to be reviewed are cash flow, organization, roles and responsibilities, financial reporting, revenue, expenditures, cost allocation, forecasting caseloads revenue, staffing and workforce management.

A detailed revenue budget will be monitored on a monthly basis. A summary report of the status of the department's revenue position will be provided to DHS managers, DAS Budget and Management and the Legislative Fiscal Office on a quarterly basis. The Department has made progress and will continue to refine and improve the processes used to monitor and manage its revenue.

**Department of Human Services**  
**Analyst: Teschner, Johnson, Moore**

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**Request:** The Department of Human Services requests approval of a 2005-07 biennial financial rebalance plan.

**Recommendation:** The Department of Administrative Services will continue to work with the Department of Human Services on the rebalance plan and will make a recommendation at the table.

**Discussion:** This is the first plan submitted by the Department of Human Services (DHS) to rebalance financial resources for the 2005-07 biennium. This plan includes revised estimates of expected caseloads, cost-per-case, and non-General-Fund revenues.

The major issues within the rebalance include caseload and cost per case changes, a reduction in the federal Medicaid match rate, adjustments for revenue shortfalls and changes in the cost allocation processes identified at the October 2005 Emergency Board. These issues are discussed below.

#### CASELOAD AND COST PER CASE CHANGES

Unanticipated caseload growth and cost-per-case changes due to increasing demand for services in several program areas results in an increased need of \$119.2 million General Fund. The most significant caseload changes are within the Oregon Health Plan.

#### Children, Adults and Families

Caseload growth in Children, Adults and Families (CAF) resulted in an increased need of \$19.1 million General Fund. Client caseloads in the Children, Adults and Families cluster are grouped into Self-Sufficiency, Child Welfare and Vocational Rehabilitation. These categories include both mandated and non-mandated caseloads. Generally, mandated caseloads result from state or federal entitlements or court actions. Food Stamps is the primary Self-Sufficiency mandated caseload while Foster Care and Adoption Assistance are mandated caseloads in Child Welfare. Growth in these mandated programs are included in the development of the biennial budget. The rebalance includes \$8.3 million General Fund, \$20.5 million Total Funds and 127 positions resulting from increases in the Foster Care and Adoption Assistance caseloads since the development of the 2005-07 Legislatively Adopted Budget (LAB).

Self-Sufficiency non-mandated caseloads include Temporary Assistance for Needy Families (TANF), Employment Related Day Care (ERDC), Refugee Assistance and Emergency Assistance Domestic Violence. Vocational Rehabilitation (VR) is also considered a non-mandated caseload. Child Welfare non-mandated caseloads include Subsidized Guardianship and Residential Treatment. Non-mandated caseload growth is not typically included in the development of the biennial budget. However, the April 2004 rebalance used savings in several caseloads, carry-forward funds and a TANF high performance bonus to fund increases in the non-mandated caseloads. Since that time, caseloads have continued to increase but without additional funding. The rebalance includes \$11.5 million General Fund,

\$43.2 million Total Funds and nine positions resulting from increases in TANF, ERDC, Refugee Assistance, Subsidized Guardianship, Residential Treatment and VR since the April 2004 funding level.

A federal report for Federal Fiscal Year 2005 (FFY05), received in November 2005, indicated that the state had not fully expended its TANF grant. As a result, \$17.0 million of General Fund need from the growth in the non-mandated Self-Sufficiency caseloads has been offset with these unspent Federal Funds. In addition, the rebalance includes \$1.1 million Federal Funds for the TANF high performance bonus for FFY04 job entry. The bonus was also used to offset General Fund.

### Health Services

General Fund costs in Health Services, after adjusting for savings, are projected to increase \$99.4 million above the LAB for the 2005-07 biennium. Cost increases fall into two basic categories: forecasted caseload increases and program cost increases.

#### *Forecasted Caseload Increases:*

The Fall 2005 Forecast estimates an overall increase in the Oregon Health Plan (OHP) caseload of 28,271, or 7.7 percent, above those projected in the Spring 2005 Forecast used for the 2005-07 LAB. Based on these estimates, the overall impact will be a General Fund need of \$88 million.

The major increases in the OHP caseload come from three areas: TANF related medical, Aid to the Blind and Disabled (ABAD) and Children's Health Insurance Program (CHIP). The Spring 2005 Forecast used for the 2005-07 LAB modeled these three major categories with an assumption of a fairly stable growth pattern based on 12 to 18 months of actual data through September 2004. The forecast was adjusted to reflect the belief that the burgeoning economy would continue the pattern of minimal caseload growth. Shortly after September, however, the actual caseloads began to increase at a higher than anticipated level resulting in a 7.7 percent increase in the Fall 2005 Forecast.

The unanticipated growth in TANF related medical caseloads between the Spring and Fall 2005 Forecasts are the result of two major factors; increases in the number of new clients and current clients staying on TANF related medical for longer periods of time. Why more individuals are being added to the caseload and staying longer is a complex question. In researching the underlying reasons, DHS has identified some of the issues that may play a part in the increase of the TANF related medical caseload. Some of these issues are:

- Impacts of changes to Oregon Health Plan Standard – more individuals than anticipated who would have been placed in the Standard program, are now qualifying for TANF related medical programs.
- Federal policy changes that allow individuals who qualify for TANF cash benefits, may now choose to receive medical coverage without receiving the cash benefits. This means that these individuals do not have to meet the JOBS requirements to receive the medical benefit.
- Federal policy changes that require all DHS clients to be screened for any benefit they may be entitled to regardless of the reason for their initial contact with DHS.
- Improved training and processes within DHS that ensure accurate screening of clients and placement into the proper benefit categories.
- Outreach by private and public organizations, including DHS, have educated more Oregonians to available benefits.

- Growth of the Oregon economy, specifically in the employment area, did not occur as quickly as anticipated. Further, while the unemployment rate is dropping, more employers are opting not to provide health insurance benefits, presumably due to the increasing costs of health care coverage.

Interim data since the Fall 2005 Forecast for the TANF related medical caseload appears to show that the anticipated leveling off of caseload growth shown in the Spring Forecast, may now be taking place. While it is too early to be sure, especially accounting for external factors that are not within the control of DHS, it does appear that overall caseloads may not be as high as anticipated in the Fall Forecast.

The unanticipated increases in the CHIP caseload between the Spring and Fall 2005 Forecasts coincide with DHS training efforts and, more importantly, successful outside agency outreach programs conducted during the school year startup. These factors were not included in the Spring model and may have contributed to the increased caseload.

The unanticipated increases in the ABAD caseload are related to the closure of the General Assistance (GA) program. Prior to the closure of GA in early 2003, there was steady growth in the ABAD caseload. When GA closed, virtually all GA clients were transferred into the ABAD population. During the period between the closure of GA and the Spring Forecast, the number of individuals exiting the system offset the number of new clients leading to a yearlong period of stable caseloads. The Spring 2005 Forecast was modeled off the period of stable caseload. There is evidence that mitigating factors have worked their way through the system and interim numbers since the Fall Forecast confirm that the historical growth pattern has now returned, as shown in the Fall Forecast.

*Program Cost Increases:*

Program cost increases since the 2005-07 LAB account for approximately \$17.8 million of increased General Fund need. The main areas of increase are: increases in administrative fees paid to Managed Care Organizations; an approximate one percent increase in Fee for Service Physician costs; and a significant increase in the costs of the AIDS Drug Assistance program due to an increase in the number of people receiving services, increased drug costs and lower available manufacturer drug rebates.

*Program Savings and Increased Revenue:*

Program savings reduce additional need for General Fund by approximately \$6.4 million. Savings of \$3.2 million are anticipated due to lower than projected Medicare Modernization Act “claw-back” payments to the Federal Government. Savings of \$3.2 million as a result of a lower than anticipated number of clients moving from a Fee for Service to a managed care Physician Care Organization setting.

Seniors and People with Disabilities

Changes in estimated caseload and cost per case projections from the 2005-07 LAB result in a \$0.4 million General Fund savings for Seniors and People with Disabilities (SPD). This is the net of increases in Developmental Disabilities and Nursing Facilities costs and decreases in In-Home-Care Home Care Worker, Oregon Supplemental Income and Community Facilities costs.

### Department Wide Support Services

The Department Wide Support Services (DWSS) rebalance includes services and supplies costs associated with positions requested by CAF due to increased mandated caseloads in Child Welfare. This creates a \$1.1 million General Fund need.

### FEDERAL FUNDING FORMULA CHANGES

The federal government annually recalculates the Federal Medicaid Assistance Percentage (FMAP). This FMAP rate is used as the basis for determining federal participation for several programs in addition to Medicaid programs. For the FFY 07, the FMAP for Oregon will decrease by approximately one-half-of-one percent. This translates to an increase of \$23.8 million General Fund need over the last three quarters of the biennium. The General Fund cost per cluster is as follows: CAF \$1.6 million, HS \$13.1 million, SPD \$9.0 million and DWSS \$0.1 million.

### REVENUE SHORTFALLS AND COST ALLOCATION CHANGES

As part of the 2003-05 biennial closeout, the Department identified problems stemming from revenue shortfalls and changes to the cost allocation process which create roll-up costs in the 2005-07 biennium. Adjusting for these issues results in an estimated cost of \$30 million General Fund in the current rebalance. The General Fund cost per cluster is as follows: CAF \$5.2 million, HS \$3.4 million, SPD \$13.2 million and DWSS \$8.2 million.

### OTHER ISSUES

Miscellaneous other issues result in a net savings of approximately \$1.0 million General Fund. In addition, the Department has proposed administrative reductions across all clusters resulting in a savings of \$4.0 million General Fund.

### SUMMARY

Based on the Fall 2005 forecast and the other issues identified above, the Department's net projected need is \$168.0 million General Fund for the 2005-07 biennium. The Department of Administrative Services (DAS) will continue to monitor actual program caseload levels as well as other issues identified in this re-projected estimate of the Department's needs. DAS Budget and Management will work closely with the Department and the Legislative Fiscal Office to develop new program forecasts and recommended actions in preparation for the April 2006 Emergency Board.

**18**  
**Department of Human Services**  
**Analyst: Johnson**

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**Request:** Report on the implementation of the Medicare Prescription Drug Program.

**Discussion:** The federal Medicare Modernization Act (MMA) of 2003 created a voluntary Medicare prescription drug program, called Medicare Part D, to provide a prescription drug benefit for individuals receiving Medicare. The benefits took effect January 1, 2006 and Oregon is no longer eligible for federal Medicaid matching funds for clients who have dual eligibility in both Medicare and Medicaid. Dual eligible beneficiaries now receive their drug benefit through Medicare unless they have opted out.

The Department of Human Services (DHS) was requested by the 2005 Legislative Assembly to report on a regular basis to the Emergency Board regarding the implementation of Medicare Part D. To date, DHS has accomplished the following:

- All federal mandates and deadlines have been met.
- Over 5,500 staff, providers and other stakeholders have received training and Oregon-specific training materials, a website, and fact sheets have been developed and made available.
- All 54,000 dual eligible clients who lost Medicaid prescription drug benefits on January 1, 2006 are being assisted in selecting a qualified plan by the deadline of May 15, 2006.
- The “clawback” payments to the federal government will be made on schedule and estate recovery on amounts sent on behalf of dual eligible clients will be performed.
- A benefit package that covers drugs excluded from the Medicare program has been designed for the dual eligible clients.

However, some significant concerns remain including:

- Almost all dual eligible clients will be required to make co-payments for their prescription drugs. DHS is concerned that individuals who do not have the ability to pay may not receive their prescriptions since Medicare has no mandated access to services. Consequently, this may lead to medical deterioration and more expensive care.
- DHS has seen a significant increase in workload due to the MMA implementation and also notes an increase in the number of seniors and people with disabilities seeking state assistance in other programs.
- The Oregon State Hospital (OSH), Blue Mountain Recovery Center, and Eastern Oregon Training Center require systems upgrades and contracts with prescription drug plans. DHS is in the process of updating the systems and negotiating for contracts. Additionally, OSH still has some technological and structural changes to complete to its pharmacy to meet federal long-term care requirements. OSH has developed a plan to meet this requirement by September 2006.

**Department of Human Services – Health Services****Analyst: Moore**

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**Request:** Report on progress and actions to improve the safety and quality of treatment for patients at the Oregon State Hospital (OSH).

Allocate \$1,936,230 General Fund for Capital Construction and \$7,166,123 General Fund for program costs from the State Emergency Fund; increase Federal Funds expenditure limitation by \$2,999,210; and establish one limited duration full-time position and 34 permanent full-time positions (18.18 full-time equivalent) to improve the safety and quality of treatment for patients at the OSH and increase the staff to patient ratio at the OSH.

**Recommendation:** Acknowledge receipt of report, approve the requests, contingent on a complete review of classification and representation by the Human Resource Services Division, and Budget and Management will unschedule half of the approved General Fund and Federal Funds.

**Discussion:** The Department of Human Services (DHS) proposes the following three actions. The first action is for \$1,936,230 of General Fund and one position (0.50 full-time equivalent) to convert the 6<sup>th</sup> floor of the OSH-Portland facility to psychiatric space. The second action is for \$3,872,342 General Fund, \$2,999,210 Federal Funds and four positions (2.68 full-time equivalent) to create 71 new community placements as the first step to increasing the staff to patient ratio to 1.31:1. The third action is for \$3,293,781 General Fund and 30 clinical positions (15.00 full-time equivalent) at the second step to increase the staff to patient ratio to 1.31:1 by June 2007.

In November 2004, the Emergency Board authorized DHS to evaluate the current structure and future role of the Oregon State Hospital within the state's mental health care system. This was in response to great concern with a rising forensics census and overcrowding at the State Hospital. The resulting report – Framework Master Plan Phase I – was released May 16, 2005. The Phase I report estimates a long term need of between 800 and 1,100 OSH beds by the year 2020. An estimated 2,000 community placements will also be needed in the same time period to meet the estimated patient population growth. Over the next few months the Phase II report will be issued that will recommend a long term plan for the next generation of the OSH. The long term needs of the OSH are not just a matter of building and upgrading the OSH facilities, but a complex strategy of providing an ongoing sustainable recovery model for patients that includes investing in, and working with, communities to create and sustain the necessary community based alternatives. To succeed, this will require investments in capital construction, staffing, infrastructure and community relations.

**OSH-Portland – Conversion to Treatment Psychiatric Space**

The Phase I report identifies risks and deficiencies of the current facilities and specific sites on the Salem Campus that are at seismic risk. The structure most at seismic risk is the 41 Building which houses 100 forensic patients. After a review of alternatives by DHS, the most cost

effective and timely alternative to begin moving patients out of building 41 is to establish a capital construction project to convert the 6<sup>th</sup> floor of the OSH-Portland building to psychiatric treatment space. Currently, the 6<sup>th</sup> floor is not being used for patient care. Once converted, an estimated 28 to 32 civilly committed patients would be relocated from OSH-Salem to the converted 6<sup>th</sup> floor of OSH-Portland. This in turn would free up space to relocate approximately 30 forensic patients from the 41 Building into another ward at OSH-Salem. Converting the 6<sup>th</sup> floor will maintain 30 long term OSH beds that will be necessary in the future and ensure maximum patient use of all the space currently being leased at OSH-Portland.

Converting the 6<sup>th</sup> floor is the first step in addressing the seismic issue. The remaining 70 forensic patients will continue to be housed in the 41 Building until other alternatives become available. Other options currently being reviewed for the remaining patients include:

- Prioritizing the 41 Building patients for community discharge whenever possible and for relocation elsewhere at OSH as other hospital patients are moved into community placements;
- Planning and design of two or three state-operated 16-bed community facilities. Funding for these sites was approved by the 2005 Legislative Assembly, and DHS expects these facilities to be available for occupancy by May 2007. Estimated costs and timelines have not yet been finalized and will be reported at a later date;
- DHS continues to explore other community alternatives. One option is a currently vacant private hospital that would require, at minimum, an estimate provided by the owners of the building of \$2.5 million of renovation costs. The asking price would likely be several million dollars above the renovation costs. DHS expects to have more information by the January 2006 Emergency Board meeting regarding this option; however, a more precise cost estimate will not be available without a complete engineering and architectural study on the facility.

While the costs are higher for the conversion of the 6<sup>th</sup> floor than the estimates provided to the October 2005 Emergency Board, the 6<sup>th</sup> floor conversion is still, overall, the most timely and cost effective way to begin mitigating the seismic risks of the 41 Building. To ensure the 6<sup>th</sup> floor project is completed properly, DHS requests a full-time limited duration project manager for the last 12 months of the biennium.

#### Staff to Patient Ratios and Actions to Improve the Safety and Care of OSH Patients

Since the October Emergency Board meeting, the Oregon Advocacy Center (OAC) has filed suit against the state claiming that the staff to patient ratio is far below the minimum level required to provide adequate care and safety to OSH patients. In documents filed with the court, OAC alleges that the minimally adequate staff to patient ratio is 1.35:1 and recommends OSH hire more than 166 additional treatment staff.

There are two ways to increase the staff to patient ratio from the current 1.09:1 to a level acceptable to the OAC; increase staff or decrease the number of patients. During settlement negotiations, DHS proposed to do both in order to meet the concerns of the OAC. The two requests below are the results of months of study and planning by DHS to address the staff to patient ratio concerns. Both will be required to increase the staff to patient ratio to the minimally acceptable level by the end of the biennium.

*Strategy to Reduce the Number of OSH Patients Thru Community Placements:*

The first proposal by DHS to increase the staff to patient ratio is to develop 71 new community placements in addition to the 241 placements funded in the Legislatively Adopted Budget. The 71 placements are primarily focused on small Secure Residential Treatment Facilities in order to meet the unique treatment needs of patients whose histories and medical circumstances require special intensive programs. Adding more than 71 additional placements is not feasible due to a variety of factors including limited resources in the communities. Another important factor is that OSH patients have a variety of medical and legal issues that make community placements difficult or impossible. Civilly committed patients that may otherwise be ready for placement in a community setting, may have other medical needs that cannot be met in a community setting. forensic patients must be approved by the Psychiatric Security Review Board before they can be discharged to a community setting. Furthermore, the placement of Forensic patients can be more difficult due to safety concerns within communities and stigma.

In order to ensure the 71 community placements can be created within the planned timeline, DHS requests four dedicated positions beginning March 2006. Current staff are working more than full time to develop the 241 placements that have already been planned. These staff are also responsible for managing the utilization and state's interests in the 381 placements developed in the last two biennia. Adding the 71 placements to their current workload is not feasible. As more patients have been discharged from the state hospital over the last four years, the creation of additional community placements has become more difficult and time consuming. The patients being placed now have more complicated behavioral and medical needs and histories that make placement more time consuming. DHS will need these positions in the future to have the resources to effectively address the on-going need for additional community placements.

*Strategy to Increase OSH Staff:*

The second proposal by DHS to increase the staff to patient ratio is to add 30 new clinical staff to OSH, effective July 1, 2006. These staff will address the most critical patient treatment needs. The increased emphasis on treatment will prepare patients for discharge sooner and increase the potential for successful community living for discharged patients. This will be accomplished in a setting called a "Treatment Mall" that will focus on basic life skills such as literacy, social interaction, money management and employments skills. The additional staffing will also allow more intensive treatment for those patients who are not able to leave their wards.

By implementing both proposals, DHS will be able to increase the staff to patient ratio to a level that will strengthen the state's defense of the lawsuit and increase the potential for achieving a settlement before trial. More importantly, OSH will increase the safety and level of care provided to OSH patients. Not funding these proposals is an option; but a risky one. If the lawsuit filed by the OAC is successful, a possible outcome may be a court mandate to follow through with the above proposals under the supervision of a court monitor. That would make the costs much higher than this plan.

Conclusion

The three requests by DHS above appear costly in this time of difficult budgetary decisions. However, the risks and costs of not investing in these requests now are high. The seismic risk of not moving forward with the 41 Building closure have been well documented; and the longer the renovation of the 6<sup>th</sup> floor is put off, the higher the cost of construction will be. Closure of the 41 Building effectively reduces the number of Forensic beds at OSH by 100 at a time of an

increasing forensic population. It is clear that OSH cannot get by long term without replacing most, if not all, of the 100 beds.

The risk of a court ordered staff to patient ratio plan brings with it the possibility of much higher costs to reach the minimally accepted industry standard. While meeting the minimum standard should not be the long-term goal, it is a feasible short-term goal that will increase the safety and level of care provided to the Oregon citizens who are patients at OSH. Approval of these requests also shows a good faith commitment by the state to improving conditions at OSH which hopefully will lead to settlement of the OAC lawsuit, mitigating some of the large legal cost to defend the suit.

Finally, the three proposals are consistent with the recommendations in the Phase I report and the anticipated recommendations of the upcoming Phase II report.

Due to some of the uncertainties related to estimated costs, especially in the construction bidding process, if the requests are approved the Department of Administrative Services plans to unschedule half of the approved funds contingent on DHS providing continued updates and information to Budget and Management and the Legislative Fiscal Office as the projects progress.

**Legal Reference:** Establishment of a new General Fund Capital Construction appropriation. Allocation from the State Emergency Fund of \$1,936,230 to the newly established Capital Construction appropriation and \$7,166,123 to supplement the appropriation made by chapter 713, section 1(3), Oregon Laws 2005, for Department of Human Services, Health Services. Increase Federal Funds expenditure limitation established by chapter 713, section 4(3), Oregon Laws 2005, for Department of Human Services Health Services, by \$2,999,210 for the 2005-07 biennium.

15  
**Office of Private Health Partnerships**  
**Analyst: Moore**

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**Request:** Report on status of negotiations with Centers for Medicare and Medicaid Services regarding the request for flexibility in meeting the Family Health Insurance Assistance Program's (FHIAP) Maintenance of Effort requirement with additional expenditures in the State Children's Health Insurance Program (SCHIP.)

Increase Other Funds expenditure limitation by \$5,256,774 to allow FHIAP to match the \$2,910,293 General Fund allocated to FHIAP at the October 2005 Emergency Board meeting.

**Recommendation:** Acknowledge receipt of report and approve request.

**Discussion:** The budget report for Senate Bill 5576 directed the Insurance Pool Governing Board, which became the Office of Private Health Partnerships (OPHP) effective January 1, 2006, to report to the Emergency Board on the status of negotiations with Centers for Medicare and Medicaid Services (CMS) to request flexibility in meeting the Family Health Insurance Assistance Program's Maintenance of Effort requirement with additional expenditures in the SCHIP or the Oregon Health Plan (OHP) Standard programs. If approved by CMS, the Emergency Board will be able to provide additional funding to provide more direct medical services to Oregon's low-income children, while still ensuring FHIAP meets Maintenance of Effort.

A \$4,000,000 Special Purpose Appropriation was established (Senate Bill 5576) to allow the Emergency Board to allocate the funding to OPHP for FHIAP, and/or the Department of Human Services for SCHIP or OHP, based at least in part on the response from CMS. The Senate Bill budget report also directed OPHP to continue to actively market the FHIAP program while awaiting a determination from CMS to ensure Oregon can meet the Maintenance of Effort requirement. In October 2005, the Emergency Board allocated \$2,910,293 of the \$4,000,000 to OPHP for FHIAP. This amount was allocated to cover the increased enrollment in FHIAP due to the active marketing of the FHIAP program. Inadvertently, no Other Funds limitation was requested at the October Emergency Board meeting to match the General Fund allocation, necessitating the current \$5,256,774 Other Funds limitation request.

In a follow up letter to CMS in November 2005, the Department of Human Services requested specific authorization on the following approvals:

- **Priority 1:** Extend the eligibility period from six months to twelve months for children eligible for the State Children's Health Insurance Program (SCHIP), adding 9,600 children in 2005-07. This option would cost \$1.1 million and allocate the remaining Special Purpose Appropriation funds to the Department of Human Services.
  
- **Priority 2:** Increase the income limit for FHIAP and children in SCHIP to 200 percent of the federal poverty level (note: in 2004, CMS approved this increase, though it was not

implemented due to budget constraints). SCHIP caseload would increase by 1,400 children in 2005-07. This option would cost \$0.6 million for SCHIP and \$0.5 million for FHIAP with the Special Purpose Appropriation funds allocated to the Department of Human Services and OPHP accordingly.

In each case the State is asking for permission from CMS to count the expenditures for these options towards the State's obligation for the FHIAP Maintenance of Effort. The Department of Human Services anticipates a response by CMS before the January 2006 Emergency Board meeting and will provide a further update at that time.

Budget and Management recommends that the Emergency Board await a decision by CMS before allocating the remaining \$1,089,707 of the Special Purpose Appropriation if a response is not received by the January Emergency Board meeting.

However, if CMS does respond before the January Emergency Board meeting, the Executive Branch recommends the Emergency Board allocate the remaining Special Purpose Appropriation funds based on the priorities listed above. If neither option is granted by CMS, the full amount should be allocated to OPHP.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 581, section 3, Oregon Laws 2005, for the Office of Private Health Partnerships, by \$5,256,774 for the 2005-07 biennium.

**14**  
**Department of Community Colleges and Workforce Development**  
**Analyst: McGee**

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**Request:** Increase Other Funds expenditure limitation by \$199,999 for oversight of community college capital construction projects.

**Recommendation:** Approve the request.

**Discussion:** The Department of Community Colleges and Workforce Development (CCWD) is requesting a \$199,999 increase in its Other Funds expenditure limitation for costs related to oversight of seven community college capital construction projects approved by the 2005 Legislature. This amount supplements a \$1 placeholder included in CCWD's legislatively adopted budget for program oversight.

The 2005 Legislature approved the issuance of \$38.5 million in Article XI-G bonds to support capital construction projects at seven community colleges. Article XI-G bonds are authorized in the Oregon Constitution for capital projects at state universities and community colleges. For over 25 years, Article XI-G bonds have only been used to fund university projects; no state bonds have been issued for community college projects since the 1979-81 biennium.

The Constitution limits the amount of Article XI-G bonds that can be issued to fund a facilities project to half of the project's cost. The remaining half is to be paid with a General Fund appropriation. Debt service on the bonds is also paid with General Fund.

In recent biennia, as General Fund resources have become more limited, the Legislature has increasingly been relying on gifts, grants, and donations as matching funds, designating these revenues as General Fund for the purpose of meeting the constitutional match requirement. For the seven community college projects, the colleges are responsible for providing the matching funds. The following table summarizes the approved budget for community college construction:

<b>Community College</b>	<b>Project</b>	<b>Article XI-G bonds</b>	<b>Other Revenues</b>	<b>Total</b>	<b>Matching Funds</b>
Clatsop	Land acquisition or construction of facilities.	\$7.5 million	\$7.5 million.	\$15 million	May borrow from commercial lender.
Columbia Gorge	Construction of new facilities and renovation of existing facilities.	\$7.5 million	\$7.5 million.	\$15 million	Passed property tax levy.
Klamath	Construction of new facilities.	\$7.7 million	\$7.7 million.	\$15.4 million	In planning.
Oregon Coast	Construction of new facilities.	\$4.5 million	\$4.5 million.	\$9 million	Passed property tax levy.
Rogue	Construction of a new facility in Medford to be operated with Southern Oregon University.	\$4.1 million	\$4.1 million.	\$8.2 million	Passed property tax levy.
Southwestern Oregon	Construction of new facilities in Curry County.	\$2.3 million	\$2.3 million.	\$4.6 million	Donated funds may be available.

Tillamook Bay	Construction of new facilities in Tillamook County.	\$4.9 million	\$4.9 million	\$9.8 million	Planning for tax levy vote in 2006.
<b>Total</b>		<b>\$38.5 million</b>	<b>\$38.5 million</b>	<b>\$77 million</b>	

The three colleges that have passed local property tax levies are positioned to begin state-funded project work as soon as intergovernmental agreements are signed and necessary accounting systems are in place. CCWD is working with the Department of Administrative Services (DAS), the Department of Justice (DOJ), and the Department of Higher Education (DHED) to complete the administrative processes as rapidly as possible. State funds will not be available until late 2006 or early 2007, as the initial bond sale will be deferred until sufficiently late in the biennium to postpone debt service payments until the 2007-09 biennium.

Projects at colleges which have not passed property tax measures will be delayed until the full amount of the matching funds have been received, as required by the 2005 legislation authorizing the bonds. Expenditure limitations for these projects will remain in effect for six years, until July 2011. Future legislatures would need to re-authorize bonds that are not issued during the current biennium.

The current request would cover the costs of contracting for monitoring and oversight services to assist CCWD in representing the state's interest in the construction program. Services would include developing and monitoring a master schedule and cost report, reviewing construction progress, and certifying payment applications submitted by the colleges. The consultant is not being retained to manage any project, but to monitor progress, certify completion, and report problems that may affect the project success. A broader role for the consultant would only be considered if it were determined that a college was in default of the terms and conditions of its intergovernmental agreement with the state.

CCWD and DAS issued a request for proposals in August 2005 and have completed interviews of the two highest-scoring firms. A finalist has been selected and negotiations are expected to be complete by the time the Emergency Board meets in January 2006.

The current request includes payment to the consultant of \$190,000 during the 2005-07 biennium. Additional costs are expected in the 2007-09 biennium, based on the amount of travel and oversight required in the project. An additional \$10,000 is included for payments to DAS and DOJ for technical and legal support services.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 792, section 2 (1), Oregon Laws 2005 for the Department of Community Colleges and Workforce Development by \$199,999 for the 2005-07 biennium.

13  
**Department of Higher Education**  
**Department of Community Colleges and Workforce Development**  
**Oregon Department of Education**  
**Analyst: McGee**

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**Request:** Allocate \$2,081,250 to the Department of Higher Education, \$664,400 to the Department of Community Colleges and Workforce Development, and \$300,000 to the Oregon Department of Education from three special purpose appropriations to the Emergency Board for development and implementation of an integrated data transfer system. Establish eight limited duration positions (6.02 full-time equivalent) for the Department of Higher Education for data system development and implementation.

**Recommendation:** Approve as requested, contingent upon approval of performance measures by the Joint Legislative Audit Committee.

**Discussion:** The Department of Higher Education (DHED), the Department of Community Colleges and Workforce Development (CCWD), and the Oregon Department of Education (ODE) are requesting allocation of funds from three special purpose appropriations made to the Emergency Board for development of an integrated data system that will facilitate transfer of student records among high schools, community colleges, and universities. In approving the special purpose appropriations, the following direction was provided to the agencies in budget notes in the DHED and CCWD budget reports:

[The agencies] “shall report to the Joint Legislative Audit Committee on proposed performance measures for the integrated student data system prior to requesting an allocation of the appropriated funds.” [The agencies] “shall report to the Emergency Board on the design, architecture, and total cost to complete the data system, and report on the timeline to completion and implementation, and the expected outcomes of system implementation. The Subcommittee understands that any allocation or expenditure limitation increase approved by the Emergency Board for this purpose is of a one-time nature, and that the funds will be phased-out in the development of the 2007-09 biennium budget for the Department.”

System design: When completed, the project will allow schools to exchange student data electronically. Since 2000, ODE and DHED have been working on development of a standardized data format, referred to as the Oregon Student Record (OSR), that specifies which data will be extracted from school records and how it will be represented. Initially, the OSR will include student transcript data. By spring of 2006, it is expected to include state and national assessment data and evidence of student proficiency.

The current request will pay for development of those components of the system that will allow schools to create extracts in the OSR format, transfer these extracts to DHED for conversion into an industry-standard electronic interchange format, receive the converted data, and integrate it into their own student data systems. Initial work will focus on the relatively small number of student data systems in place at the seven universities and most of the community colleges and high schools that enroll most of the students in the state. An alternative method of transferring

student data will be made available to high schools with student records systems that cannot access the electronic transfer process.

The project has a phased implementation schedule, with high schools becoming operational in early 2006. Community colleges and universities will begin using the system in mid-2006. Final implementation is scheduled for May 2007.

The project also has a research and evaluation component. High schools are scheduled to receive annual reports on college performance and retention for use in program improvement. Of the approximately \$3 million included in the three special purpose appropriations, \$534,052 is budgeted for the DHED and CCWD institutional research units to assist high schools in using the data to improve student performance.

A variety of benefits to students and schools is anticipated from the system. These include allowing students the opportunity to present a more complete picture of their academic record and accomplishments; providing colleges and universities with more information for admission, placement, and counseling decisions; offering feedback to high schools on the effectiveness of their post-secondary preparation; facilitating research into educational outcomes for policy makers to use in system planning; and generating efficiencies in information sharing among institutions.

Cost: The following table breaks out the cost of developing and implementing the data transfer system statewide during the 2005-07 biennium. ODE plans to send its \$300,000 to DHED; CCWD will manage its funds separately, with most to be allocated to the community colleges. The table does not include \$209,000 for hardware, software and training that will be funded directly by the community colleges and \$95,000 that will be absorbed by DHED campuses for hardware and software. These amounts were removed from the agencies' budget requests by the 2005 Legislature.

<b>Component</b>	<b>DHED/ODE</b>	<b>CCWD</b>	<b>Total</b>
Develop systems for colleges and universities to process high school transcripts.	\$210,235		\$210,235
Develop processes for high schools to extract and deliver transcript data in necessary format, with modifications specific to different high school data systems and processes.	479,876	540,750	1,020,626
Establish policies and procedures for system use and train high school staff.	57,375		57,375
Provide support to schools throughout the state as they begin to use the system.	293,092		293,092
Develop alternative internet-based data transfer processes for high schools without student data systems.	395,973		395,973
Develop software for DHED servers to receive transcript data.	39,625		39,625
Fund project oversight and evaluation, including staff travel costs.	371,021	123,650	494,671
Prepare research strategy and recommendations on data usage and system improvement.	534,052		534,052
<b>Total cost</b>	<b>\$2,381,250</b>	<b>\$664,400</b>	<b>\$3,045,650</b>

The request includes eight limited duration positions (6.02 full-time equivalent) for DHED to implement the system. This is in addition to existing positions that will be fully or partially redirected to work on the project. No positions are requested for ODE or CCWD; any work that will not be accomplished with existing staff will be performed by contractors.

These are one-time costs and will not be continued in the 2007-09 biennium. On-going costs to continue the operation of the system are expected to be minimal. Additional funds may be requested in future biennia for system expansion, more extensive data analysis, and implementation of educational improvements based on research findings.

Performance measures: The three agencies believe the system will contribute to their performance measures related to student access and success. These include participation in post-secondary education, degree and certificate completion, and graduate success in career and educational endeavors. The impact on these broad outcomes are expected to be indirect and difficult to measure separately from other forces affecting performance.

A set of direct measures will be presented to the Joint Legislative Audit Committee at its meeting on January 26, 2006. The measures are grouped into three broad categories:

- **Readiness to participate in the data transfer system:** measures include the number of high schools with administrative processes in place to transmit student records, number of community colleges able to electronically send and receive data, and the number of universities with the administrative and technical ability to receive and store data. If the Emergency Board and the Audit Committee approve this request, all three educational segments are expected to be ready by the end of the current biennium.
- **Participation in the system:** measures include the percent of high school students attending schools that participate in electronic transfers, the number of community colleges accessing transcripts from the system, and the number and percent of student records transmitted electronically among the high schools, community colleges, and universities. No targets have been set for these measures at this time.
- **Benefits from participation in the system:** most are efficiency measures, such as access to a single student identification number, having functioning processes for electronic records transfer, and time and money saved through the transfers. Effectiveness measures include improvements in advising, assessment, and degree completion. Data will be difficult to collect for several of these measures. Targets have not been set.

Recommendation: The Department of Administrative Services recommends allocation of the three special purpose appropriations by the Emergency Board at its January meeting, recognizing that the Joint Legislative Audit Committee will not have reviewed performance measures as directed in the budget notes. Due to the Audit Committee's meeting schedule, complying with the sequence of approvals envisioned in the budget notes would result in a delay in system implementation from May 2007 to August 2007. The project has already been delayed by six months due to the deferral of funding until performance measures have been reviewed.

**Legal Reference:** Allocation of \$2,081,250 from the special purpose appropriation made to the Emergency Board by chapter 781, section 6 (1), Oregon Laws 2005, to supplement the appropriation made by chapter 781, section 1 (1), Oregon Laws 2005, for the Department of Higher Education, for the 2005-07 biennium.

Allocation of \$664,400 from the special purpose appropriation made to the Emergency Board by chapter 792, section 6 (1), Oregon Laws 2005, to supplement the appropriation made by chapter

792, section 1 (1), Oregon Laws 2005, for the Department of Community Colleges and Workforce Development, for the 2005-07 biennium.

Allocation of \$300,000 from the special purpose appropriation made to the Emergency Board by chapter 789, section 11 (2), Oregon Laws 2005, to supplement the appropriation made by chapter 789, section 1 (1), Oregon Laws 2005, for Oregon Department of Education operations, for the 2005-07 biennium.

12  
**Department of Higher Education**  
**Analyst: McGee**

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**Request:** Establish a \$525,000 Other Funds (Article XI-F(1) bonds) Capital Construction expenditure limitation and a \$750,000 Other Funds (Other Revenues) Capital Construction expenditure limitation for the purchase and renovation of Koinonia House by Portland State University.

**Recommendation:** Approve the request, contingent upon approval of the property acquisition by the Board of Higher Education at its January 2006 meeting, modified as follows: establish a new Other Funds (Article XI-F(1) bonds) Capital Construction expenditure limitation, transfer \$525,000 from an existing Other Funds (Article XI-F(1) bonds) Capital Construction expenditure limitation to the newly created limitation, and establish a new Other Funds (Other Revenues) Capital Construction expenditure limitation of \$750,000.

**Discussion:** The Department of Higher Education is requesting Other Funds Capital Construction expenditure authority totaling \$1,275,000 for purchase and renovation of Koinonia House on the Portland State University (PSU). Financing will consist of \$525,000 in Article XI-F(1) bonds and \$750,000 in donated funds.

Koinonia House is a 11,425 square foot facility built in 1966 that occupies a 7,500 square foot lot on the corner of Broadway and Montgomery streets on the PSU campus. The facility is surrounded on all sides by PSU-owned property. Koinonia House is owned by Portland Campus Christian Ministries, a partnership of seven denominations. Programming offered at the facility includes credit classes, worship services, social justice work, counseling, and other student activities. The facility also houses a coffee shop and several other organizations.

Acquisition of the property is a priority for PSU, given its location in the middle of campus and the need to accommodate increasing enrollment and expanding academic and research programs. The university has not yet determined how the property will be used in the long term, including whether the facility will be remodeled or replaced. Campus Christian Ministries will enter into a five year lease; other commercial tenants will remain month-to-month. The Department's legal counsel has reviewed the legality of renting to a religious organization and believes it is permissible unless the religious organization is receiving a preferential rental rate. PSU reports that Campus Christian Ministries will be paying market rent for the space.

Under the assumption that current rental activity will continue for the next five years, PSU's projections indicate sufficient rental revenue will be available to cover debt service on the Article XI-F(1) bonds during that period. Depending on the amount of retail space that is retained in the facility after it is converted for use by the university, PSU may have to use general operating revenue to pay debt service.

The expenditure limitation request includes \$1,150,000 to purchase the property, \$100,000 for roof replacement and other repairs, and \$25,000 for fees and closing costs. Two appraisals have been conducted on the property, resulting in estimated values of \$1,150,000 and \$1,170,000. Repair costs will include upgrades to begin to make the facility suitable for use by the university.

Sale of the property is scheduled to close on February 1, 2006, pending approval of the Board of Higher Education and the Emergency Board at their January 2006 meetings and completion of various due diligence items. These include a thorough inspection of the property and a satisfactory environmental assessment. All contingencies are scheduled to be completed no later than March 1, 2006.

The Department of Administrative Services (DAS) recommends approval of the request with one modification. DAS recommends that the \$525,000 Article XI-F(I) bonds expenditure authority be transferred to a newly created expenditure limitation from an existing generic limitation established by the 2005 Legislature to allow PSU to take advantage of opportunities to develop retail space during the biennium. The existing expenditure limitation would be reduced from \$5,000,000 to \$4,475,000. This action results in no net increase in capital construction expenditure authority and is consistent with the intent of the existing limitation.

**Legal Reference:** Establishment of a Capital Construction expenditure limitation for the Department of Higher Education as the maximum limit for the payment of expenses from the proceeds of Article XI-F(1) bonds, received for the biennium beginning July 1, 2005 for purchase and renovation of Koinonia House by Portland State University.

Transfer of \$525,000 from the Other Funds (Article XI-F(1) bonds) Capital Construction expenditure limitation established by chapter 787, section 2 (4) (a), Oregon Laws 2005, for the biennium beginning July 1, 2005 for retail development, various locations by Portland State University to the newly established Other Funds (Article XI-F(1) bonds) Capital Construction expenditure limitation for purchase and renovation of Koinonia House by Portland State University.

Establishment of a Capital Construction expenditure limitation of \$750,000 for the Department of Higher Education for the payment of expenses from fees, moneys, or other revenues, including Miscellaneous Receipts, excluding lottery and federal funds, collected or received for the biennium beginning July 1, 2005 for purchase and renovation of Koinonia House by Portland State University.

11  
**Department of Higher Education**  
**Analyst: McGee**

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**Request:** Establish a \$10,000,000 Other Funds (Article XI-F (1) bonds) Capital Construction expenditure limitation for construction of a health professions facility at the Oregon Institute of Technology.

**Recommendation:** Approve the request as modified: establish a \$10,000,000 Other Funds (Article XI-F (1) bonds) Capital Construction expenditure limitation and a \$1,200,000 million Other Funds (Other Revenues) Capital Construction expenditure limitation for construction of a health professions facility at the Oregon Institute of Technology.

**Discussion:** The Department of Higher Education is requesting establishment of Other Funds Capital Construction expenditure authority for construction of a facility for the Center for Health Professions at the Oregon Institute of Technology (OIT). Construction would be financed with \$10 million raised from the sale of Article XI-F (1) bonds and \$1.2 million in donations. The Department did not include the Other Funds (Other Revenues) expenditure limitation in its request because initial plans for the project envisioned payment of architecture and other costs by the Oregon Tech Foundation, a private non-profit corporation established to support OIT, from gifts and donations. These plans have been revised: the Foundation will transfer the funds to the university for expenditure, requiring the establishment of an expenditure limitation.

Debt service on the bonds would be paid primarily with tuition and fees collected from students enrolled in the allied health programs. To generate sufficient revenue to pay debt service and operational costs, OIT is projecting a 36 percent enrollment growth over five years and planning to charge differential tuition rates to new students entering these programs. For new resident students, the differential increases average 7.1 percent per year through 2011-12. The average for non-resident students is 3.2 percent per year over the same period.

This request would fund the first of a two-phase construction project with a total cost of \$22.5 million. OIT plans to ask for the remaining \$12.5 million in its 2007-09 capital budget request. The center is included in the Department's report to the January 2006 meeting of the Emergency Board on Article XI-G bond projects.

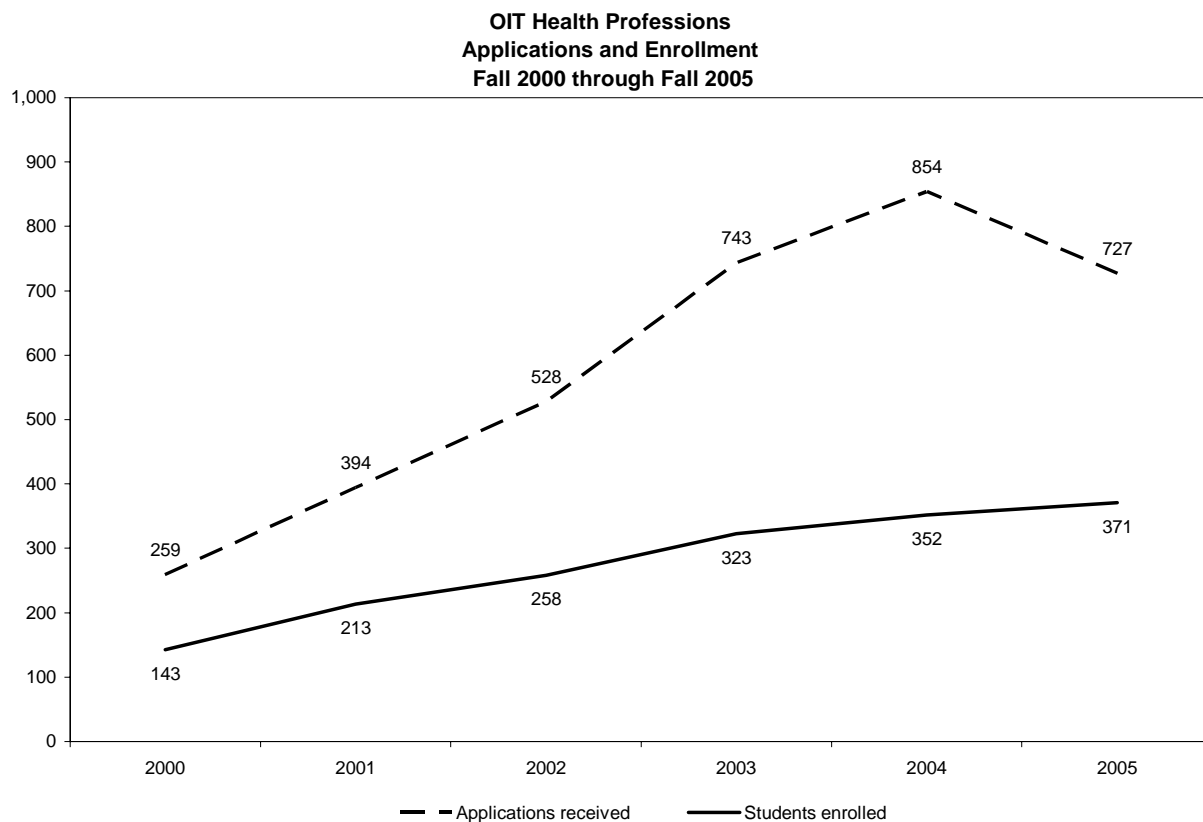
Business case: OIT is seeking to expand its capacity to educate health care professionals in response to increasing statewide demand. The Oregon Employment Department projects an average of 4,800 total annual job openings in health care through 2012, one of the fastest growing employment sectors in the state. Of occupational groups with at least 50 employees in 2002, 32 of the 35 fastest growing occupations are related to health care. With about 57 percent of health care jobs requiring at least some post-secondary education, there is a need to expand the capacity of state universities and community colleges to address the increased demand.

A significant factor in growing demand for health care workers is the aging of Oregon's population. The 2002 Governor's Task Force on the Future of Services to Seniors and People with Disabilities reported that, due to the aging of the baby boom generation, the number of Oregonians over the age of 65 is expected to more than double by 2030, comprising 20 percent

of the state population. With many health care professionals also retiring, the Task Force anticipated a “severe shortage of a trained health and long-term care workforce”.

OIT has been educating health care workers since it was founded in 1947. At locations in Klamath Falls and the Portland area, and through internet-based distance education, OIT is the only public four-year institution in Oregon offering degrees in allied health fields, including radiologic science, nuclear medicine, sonography, vascular technology, dental hygiene, respiratory care, clinical laboratory sciences, and emergency medical technician education. House Bill 2754, adopted by the 2005 Legislature, established the Center for Health Professions at OIT to strengthen undergraduate and continuing education, professional development, and certification programs in these areas and to promote partnerships with community colleges, the Oregon Health and Science University, public and private universities, and the health care profession.

As indicated in the following chart, applications for these programs from 2000 through 2005 have significantly exceeded enrollments, based on fall headcounts. While not all applicants would have met admission standards even if capacity was available, OIT believes these data indicate that there will be sufficient demand to reach its enrollment projections once the capacity to admit additional students has been increased.



**Project description:** The current request is part of OIT’s \$22.5 million capital fundraising campaign, intended to double enrollment in allied health education, increase degree and certification programs, hire additional faculty members, and construct a new facility. In its initial phase, the facility will consist of a 40,000 square-foot, three-story building, located on six acres along the eastern edge of the campus. The facility will include classrooms, laboratories,

clinical space, offices, and state-of-the art equipment and technology to accommodate expansion of seven health professions programs and an additional 402 students. In the second phase, an additional 40,000 square foot facility would allow enrollment of an additional 350 students. If its initial request is approved, OIT plans to begin construction on phase one in the spring of 2006 and open the facility in fall 2007.

**Financing:** The Department is requesting an Other Funds expenditure limitation of \$10 million in Article XI-F (1) bonds. Authority to issue these type of general obligation bonds for post-secondary education facilities is established in the Oregon Constitution. The bonds are required to be “self-supporting” and “self-liquidating” through revenues generated from the operation of the facility. OIT proposes to pay debt service of approximately \$650,000 per year with tuition and fee revenues received from students enrolled in the health programs.

OIT projects that the project will be entirely self-supporting from tuition and fee revenues. The financing model assumes enrollment growth of 36 percent between 2005-06 and 2010-11, when total enrollment would grow from 1,167 to 1,587. OIT plans to institute differential tuition rates for allied health students, beginning in fall 2006; students currently enrolled in these programs would not be subject to these increases.

Following are the differential rate increases anticipated to finance operation and debt service of the new facility. General tuition increases that may be imposed on all students at OIT are not included in these projections.

- For newly enrolled resident students taking 15 hours, tuition would increase 11.9 percent in 2006-07 and 5 percent per year through at least 2011-12. Over six years, tuition for resident students would increase 42.8 percent, from \$4,101 per year in 2005-06 to \$5,858 in 2011-12, an average of 7.1 percent per year.
- For newly enrolled non-resident students taking 15 hours, tuition would increase 3 percent per year from 2006-07 through at least 2011-12. Non-resident tuition would increase from \$14,310 per year to \$17,087, an increase of 19.4 percent or 3.2 percent per year.
- Resource fees would continue at the current rate of \$300 per year.

**Legal Reference:** Establishment of an expenditure limitation of \$10,000,000 for the Department of Higher Education as the maximum limit for the payment of expenses from proceeds of Article XI-F (1) bonds received for the biennium beginning July 1, 2005 for Capital Construction of a health professions facility.

Establishment of an expenditure limitation of \$1,200,000 for the Department of Higher Education as the maximum limit for the payment of expenses from fees, moneys, or other revenues, including Miscellaneous Receipts, and including federal funds, but excluding lottery funds, collected or received for the biennium beginning July 1, 2005 for Capital Construction of a health professions facility.

**10**  
**Department of Higher Education**  
**Analyst: McGee**

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**Request:** Report on capital construction projects being considered for Article XI-G bond funding.

**Discussion:** The Department of Higher Education is reporting on capital construction projects for which Article XI-G bond funding may be requested, as directed by a Budget Note to Senate Bill 5514 (2005):

No later than January 31, 2006, the Department of Higher Education shall report to the Emergency Board on then anticipated capital construction projects that are likely to require Article XI-G bond proceeds, and identify those projects for which an Oregon University System campus has solicited or accepted pledges or contributions or expects to do so. Beginning with projects to be authorized in the 2009-11 biennium budget or later, the Subcommittee expects the Department to obtain authorization for Article XI-G bond proceeds for the projects from the Legislature prior to seeking or accepting donations for them.

**Background:** Article XI-G of the Oregon Constitution authorizes the state to issue general obligation bonds for university and community college capital construction projects. These bonds have historically been the primary source of funding for construction of instructional, research, and administrative facilities for state universities. Article XI-F(1) bonds are issued for university facility projects that are “self-supporting and self-liquidating”, such as housing, dining, and athletic facilities.

The Constitution limits the amount of Article XI-G bonds that can be issued to fund a facilities project to half of the project’s cost, requiring that the remaining half be paid with a General Fund appropriation. In recent biennia, as General Fund resources have become more limited, fewer projects funded with Article XI-G bonds are being matched with General Fund. Instead, the Legislature is increasingly relying on gifts, grants, and donations to provide the matching funds, designating these revenues as General Fund for the purpose of meeting the constitutional requirement. Debt service on these bonds continues to be paid with General Fund.

In the 2005-07 biennium, \$48 million in Article XI-G bonds is authorized for six Department of Higher Education projects, with \$14.8 million matched with General Fund appropriations, and the remaining \$33.2 million matched with other sources of revenue. An additional \$38.5 million was approved for capital projects at seven community colleges, all of which will be matched with funds provided by the colleges. As the responsibility for generating matching funds has shifted to the campuses, fundraising strategies have adjusted accordingly. Donors are told that gifts for capital projects may be matched by the state on a dollar for dollar basis.

During the 2005 legislative session, several large capital projects were presented to the Legislature for which matching funds had already been raised. The projects were approved, with direction to the Department to report to the Emergency Board in January 2006 on all other projects for which matching funds have or will be solicited in the current and subsequent biennia. Beginning with 2009-11, the Department is directed to obtain approval for issuance of Article XI-G bonds prior to the solicitation of funds.

Approving capital projects prior to the start of fundraising will allow the Legislature to better forecast the impact of debt financed projects on the state budget. At the end of the 2004 fiscal year, the Department was carrying \$773 million in long term debt from general obligation bonds, energy loans, certificates of participation, and Lottery Funds. The 2005-07 Legislatively Adopted Budget includes \$31.6 million General Fund, \$6.4 million Lottery Funds, and \$100.4 million Other Funds Non-limited for biennial debt service on this debt. These amounts are expected to increase by \$16 million General Fund, \$3.7 million Lottery Funds, and \$30.4 million Other Funds Non-limited in the 2007-09 biennium as a result of new projects approved by the 2005 Legislature.

Article XI-G bond report: For the current report, the Department has identified 22 projects totaling \$812.4 million for the 2007-09 biennium. This amount includes \$216.3 Article XI-G bonds, of which \$57.5 million would be matched with General Fund and the rest with other revenues. The remainder of the project costs would be funded with other debt financing instruments and donations. Debt service costs are estimated at \$29.9 million General Fund, \$4.4 million Lottery Funds, and \$7.4 million Other Funds Non-limited. Project and financing details are provided below.

For the 2009-11 biennium, 54 projects are listed, with a total estimated cost of \$1.3 billion, including \$460.9 million in Article XI-G bonds and \$55.5 million in General Fund. There are 10 projects identified for the 2011-13 biennium, totaling \$384 million of which \$74 million is Article XI-G bonds and \$47.3 million is General Fund. The reduction in the number and cost of projects in the 2011-13 biennium is a result of uncertainties in the timing of projects and the status of campus long-term planning processes rather than a declining need for new and renovated facilities.

Estimated costs for the latter two biennia are very tentative. These projects will generally not begin construction for 7-10 years. Program needs, facility designs, technology requirements, and other factors are likely to change over that time. Construction costs are increasingly difficult to predict, due to demand for materials and labor in high-growth areas of the world and areas recovering from natural disasters and other disruptions.

Campuses are at different stages in their capital campaigns. The University of Oregon is completing a successful campaign that funded the projects approved by the 2005 Legislature. The Oregon Institute of Technology has raised \$4 million towards new facilities for its allied health programs; expenditure authority to begin construction is included in a separate request to the January 2006 meeting of the Emergency Board. Oregon State University is beginning planning for a major campaign that will begin in the next year. At the time the current report was prepared, the campuses reported a total of \$16 million in contributions and pledges for four different facilities.

Not all of the projects in this report are expected to be included in the Department's capital budget request for any of the three biennia. The timing of individual requests will depend on program needs and fundraising success. They are also not the only projects which will be included in the capital requests. Donors make unsolicited and unexpected gifts that can re-prioritize projects at any time during a biennium. In addition, most projects that do not require Article XI-G bonds are not listed here. These include projects funded entirely with Article XI-F (1) bonds, other financing instruments, and donations and grants.

The Board of Higher Education has approved submittal of the listed projects for the current report to the Emergency Board. The Board will review, prioritize and select projects for inclusion in the Department's 2007-09 budget request during the spring and summer of 2006 based on criteria developed in the early part of the year.

The Department of Administrative Services (DAS) recommends the Emergency Board accept the report but is not making recommendations regarding approval or funding of any project. DAS's recommendation does not commit the Governor to recommend to approve any projects regardless of the Department's success in obtaining matching funds.

Project details: The following tables provide additional details on the Department's report. The first table summarizes the data by biennium, showing the number of projects, the amount and type of financing, and the amount and fund type of associated debt service. The second table provides information on each of the 86 projects. Data in the tables are presented in the following categories. Debt service estimates are based on a six percent interest rate and a 30 year term.

- General Fund appropriations do not incur debt service.
- Debt service on Article XI-G bonds is paid with General Fund.
- Debt service on Lottery-backed bonds is paid with Lottery Funds.
- Small-scale energy loan program (SELP) funds, authorized under Article XI-J of the Oregon Constitution, are available for projects involving energy conservation, production of energy from renewable resources, use of recycled materials to create new products, or production or use of alternative fuels. Debt service on these funds is paid with a mix of energy savings realized by the campuses and General Fund.
- Bonds for the seismic rehabilitation of public education buildings are authorized by Article XI-M of the Oregon Constitution. Established in 2002, the seismic bond program has not been implemented. Constitutionally approved sources of debt service include the General Fund, Lottery Funds, Tobacco Master Settlement revenues, and other funds designated by the Legislature.
- Projects funded with Article XI-F (1) bonds are expected to generate revenues to pay debt service; these revenues are recorded as Other Funds Non-limited.
- Other Revenues consist primarily of gifts and federal and other grants. They incur no debt service.

**Table 1: Summary of Projects**

Biennium	Number of Projects	Costs and Financing (in millions)								Debt Service (in millions)		
		General Fund	Article XI-G	Lottery Bonds	SELP Loans	Seismic Bonds	Article XI-F (1)	Other Revenues	Total	General Fund	Lottery Funds	Other Funds Non-Limited
2007-09	22	\$57.5	\$216.3	\$60.5	\$88.0	\$94.0	\$101.5	\$194.6	\$812.4	\$29.9	\$4.4	\$7.4
2009-11	54	\$55.5	\$460.9	\$51.8	\$95.0	\$97.9	\$61.1	\$461.2	\$1,283.5	\$47.5	\$3.8	\$4.4
2011-13	10	\$47.3	\$74.0	\$34.2	\$45.6	\$99.4	\$46.8	\$36.8	\$384.0	\$15.9	\$2.5	\$3.4

**Table 2: List of Projects**

<b>Biennium</b>	<b>Project</b>	<b>Financing (in millions)</b>	<b>Match Raised (in millions)</b>	<b>Debt service (in millions)</b>
<b>Eastern Oregon University</b>				
<u>2007-09</u>	<u>Regional Information Center</u> : replacement of the existing library with a learning resource center and distance learning facility.	GF: \$4.5 XI-G: \$9.0 XI-F(1): \$7.5 Other: \$4.5		GF: \$0.7 OF-Non: \$0.6
<u>2007-09</u>	<u>Hermiston Center</u> : construction of classrooms, laboratories, and office space to establish a university center in Hermiston.	XI-G: \$6.5 Other: \$6.5		GF: \$0.5
<u>2009-11</u>	<u>Pierce Library Remodel</u> : remodeling of former library facility for classrooms, offices, and performance/meeting space	XI-G: \$1.5 SELP: \$1.6 Seismic: \$1 Other: \$1.5		GF: \$0.3
<u>2009-11</u>	<u>Convocation Center</u> : construction of new facility for team sports and large meetings	XI-G: \$7.7 XI-F(1): \$17.5 SELP: \$1.6 Other: \$3.7		GF: \$0.4 OF-Non: \$1.3
<u>2011-13</u>	<u>New Academic Building</u> : construction of new classroom and office space.	XI-G: \$3.8 Other: \$3.8		GF: \$0.3
<u>2011-13</u>	<u>Science Center Expansion</u> : expansion of classroom and office space due to enrollment growth.	XI-G: \$3.5 Other: \$3.5		GF: \$0.3
<b>Oregon Institute of Technology</b>				
<u>2007-09</u>	<u>Center for Health Professions</u> : construction of a new facility to accommodate increasing enrollment in medical imaging, dental, respiratory, nursing, and other programs; the initial phase included in a separate request to the January 2006 meeting of the Emergency Board.	XI-G: \$6.2 Other: \$6.2	\$4.0	GF: \$0.5
<u>2007-09</u>	<u>Learning Resources Renovation &amp; Expansion</u> : addition of 30,000 square feet of open stack space to the library in response to a repeated accreditation recommendation.	XI-G: \$5.5 Other: \$5.5		GF: \$0.4
<u>2007-09</u>	<u>Village for Sustainable Living Instruction &amp; Applied Research</u> : construction of a 20,000 facility for undergraduate education and research into renewable energy.	XI-G: \$2.5 Other: \$2.5		GF: \$0.2
<b>Oregon State University</b>				
<u>2007-09</u>	<u>Pauling Research &amp; Education Building</u> : construction of a new facility for the Linus Pauling Institute, the Environmental Health Sciences Center, and the Marine/Freshwater Biomedical Sciences Center.	XI-G: \$25.0 Other: \$25.0		GF: \$1.8
<u>2007-09</u>	<u>Snell Hall Replacement</u> : construction of a new facility for undergraduate instruction, the honors college, and student advising offices	XI-G: \$20.0 Other: \$20.0		GF: \$1.5
<u>2007-09</u>	<u>Expedition Support Center</u> : construction of a facility to support worldwide field research operations in oceanic, atmospheric, and earth sciences.	XI-G: \$0.5 Other: \$3.5		GF: < \$0.1
<u>2007-09</u>	<u>Mouse Model Organism Facility</u> : renovation of 3,500 square feet use of mice in the study of human genes and development to environmental stress and nutritional change.	XI-G: \$0.35 Other: \$1.15		GF: < \$0.1
<u>2009-11</u>	<u>Chemical, Biological and Environmental Building</u> : demolition of west wing of Merryfield Hall and construction of new building for engineering programs.	XI-G: \$6.8 Other: \$20.2		GF: \$0.5
<u>2009-11</u>	<u>Pauling Research and Education Building</u> : construction of a wing for the Chemistry Department.	XI-G: \$25.0 Other: \$25.0		GF: \$1.8
<u>2009-11</u>	<u>Cascades Campus</u> : construction of new facilities at the Bend campus.	XI-G: TBD Other: TBD		
<u>2009-11</u>	<u>Instrumental and Flow Imaging Laboratory</u> : construction of new building for MRI and other technologies.	XI-G: <\$0.1 Other: \$0.8		GF: <\$0.1
<u>2009-11</u>	<u>Milam Hall</u> : rehabilitation to address deferred maintenance issues.	XI-G: \$12.5 Other: \$12.5		GF: \$0.9

**Table 2: List of Projects**

<b>Biennium</b>	<b>Project</b>	<b>Financing (in millions)</b>	<b>Match Raised (in millions)</b>	<b>Debt service (in millions)</b>
<u>2009-11</u>	<u>Women's Building</u> : rehabilitation and addition to facility for labs, offices, children's programs, and pool/gym space.	XI-G: \$2.8 Other: \$2.8		GF: \$0.2
<u>2009-11</u>	<u>Animal Sciences Teaching Facility</u> : new building for wet lab and other teaching space.	XI-G: \$4.0 Other: \$4.0		GF: \$0.3
<u>2009-11</u>	<u>Langton Hall</u> : rehabilitation of KidSpirit program space.	XI-G: \$2.6 Other: \$0.9		GF: \$0.2
<u>2009-11</u>	<u>Fairbanks Hall</u> : rehabilitation to address deferred maintenance issues	XI-G: \$4.0 Other: \$4.0		GF: \$0.3
<u>2009-11</u>	<u>COAS Earth Systems Science and Technology Center</u> : construction of new building for oceanic and atmospheric research.	XI-G: \$37.5 Other: \$37.5		GF: \$2.7
<u>2009-11</u>	<u>Gilbert Hall</u> : renovation for office and lab space for physics and mathematical modeling programs.	XI-G: \$5.0 Other: \$10.0		GF: \$0.4
<u>2009-11</u>	<u>Peavy Hall</u> : upgrade facility for current code and technology standards.	XI-G: \$3.0 Other: \$3.0		GF: \$0.2
<u>2009-11</u>	<u>West Greenhouse</u> : remodeling of existing greenhouse.	XI-G: \$1.5 Other: \$1.5		GF: \$0.1
<u>2009-11</u>	<u>Kidder Hall</u> : rehabilitation of space for classrooms, offices, and meetings.	XI-G: \$7.5 Other: \$7.5		GF: \$0.5
<u>2009-11</u>	<u>Weigner Hall</u> : rehabilitation of space for classrooms, offices, and research.	XI-G: \$18.0 Other: \$22.0		GF: \$1.3
<u>2009-11</u>	<u>Oak Creek Building</u> : rehabilitation to address deferred maintenance issues.	Other: \$1.0		
<u>2009-11</u>	<u>Mine Hall</u> : addition of space on second floor for student administration.	Other: \$9.4		
<u>2009-11</u>	<u>Agricultural Experiment Station facilities statewide</u> : rehabilitation to address deferred maintenance issues.	XI-G: \$15.0 Other: \$5.0		GF: \$1.1
<u>2009-11</u>	<u>Performing Arts Center</u> : construction of new facility for music and speech communications.	XI-G: \$12.5 Other: \$12.5		GF: \$0.9
<u>2009-11</u>	<u>Bexell Hall</u> : rehabilitation and expansion of facility for classroom and office space.	XI-G: \$13.8 Other: \$13.8		GF: \$1.0
<u>2009-11</u>	<u>Salmon Center</u> : construction of new facility for salmon restoration research.	Other: \$6.5		
<u>2009-11</u>	<u>Hatfield Marine Science Center</u> : addition of second story to visitor's center.	XI-G: \$7.0 Other: \$7.0		GF: \$0.5
<u>2009-11</u>	<u>Hatfield Marine Science Center</u> : rehabilitation of various facilities.	XI-G: \$5.0 Other: \$5.7		GF: \$0.4
<u>2009-11</u>	<u>Natural History Museum</u> : construction of a new biological science collection center.	XI-G: \$12.0 Other: \$12.0		GF: \$0.9
<u>2009-11</u>	<u>Gleeson Hall</u> : rehabilitation of computer and engineering labs.	XI-G: \$4.5 Other: \$4.5		GF: \$0.3
<u>2009-11</u>	<u>Education Hall</u> : rehabilitation and seismic upgrade.	XI-G: \$3.0 Other: \$3.0		GF: \$0.2
<u>2009-11</u>	<u>Owen Hall Laboratory</u> : remodel of engineering labs.	XI-G: \$1.3 Other: \$1.3		GF: \$0.1
<u>2009-11</u>	<u>Strand Agricultural Hall</u> : rehabilitation to address deferred maintenance issues.	XI-G: \$10.0 Other: \$10.0		GF: \$0.7
<u>2009-11</u>	<u>Dearborn Hall</u> : rehabilitation of engineering classrooms and labs.	XI-G: \$7.7 Other: \$7.7		GF: <\$0.1
<u>2009-11</u>	<u>Waldo Hall</u> : remodel of 4th floor for distance education program.	XI-G: \$7.5 Other: \$7.5		GF: \$0.5
<u>2009-11</u>	<u>Intramural Sports Field</u> : conversion of field from grass to synthetic turf and expansion of facilities.	Other: \$3.0		
<u>2009-11</u>	<u>Nash Hall Microbiological Research Facilities</u> : rehabilitation of classrooms, labs, offices, and research space.	XI-G: \$10.0 Other: \$10.0		GF: \$0.7

**Table 2: List of Projects**

<b>Biennium</b>	<b>Project</b>	<b>Financing (in millions)</b>	<b>Match Raised (in millions)</b>	<b>Debt service (in millions)</b>
<u>2009-11</u>	<u>Bates Hall</u> : addition of space for aging and gerontology programs.	XI-G: \$8.6 Other: \$14.4		GF: \$0.6
<u>2009-11</u>	<u>Re-pipe of campus buildings</u> : upgrade piping system throughout campus.	Other: \$7.0		
<u>2011-13</u>	<u>Cascades Campus</u> : construction of new facilities at the Bend campus.	XI-G: \$6.0 Other: \$6.0		GF: \$0.4
<u>2011-13</u>	<u>Enology and Fermentation Science Lab</u> : expansion for research and teaching in wine and brewing studies.	XI-G: \$5.2 Other: \$5.2		GF: \$0.4
<b>Portland State University</b>				
<u>2007-09</u>	<u>Science Research &amp; Teaching Center/Hazardous Waste, Kiln, &amp; Foundry Facility</u> : includes two projects: remodeling of Science Building II to increase classroom, laboratory and office space for science programs; remodeling of the west campus heating plant to accommodate hazardous waste processing and the kiln and foundry used by the Fine Arts program.	XI-G: \$9.5 SELP: \$11.0 Lottery: \$11.0 Other: \$9.5		GF: \$0.7 Lottery: \$0.8
<u>2007-09</u>	<u>Redevelop PCAT building</u> : remodeling of the Portland Center for Advanced Technology (PCAT) building to accommodate the Graduate School of Social Work, the student recreation center, retail space, and transportation space.	XI-G: \$10.0 XI-F(1): \$42.0 Other: \$10.0		GF: \$0.7 OF-Non: \$3.0
<u>2007-09</u>	<u>Community College Partnership Building</u> : placeholder for joint project with a community college. The university has not identified which community college with which it would partner nor determined what type of a project to pursue.	XI-G: \$15.0 Other: \$15.0		GF: \$1.1
<u>2009-11</u>	<u>Venture Center</u> : addition of lab and other space to support faculty research.	XI-G: \$25.0 XI-F(1): \$10.0 Other: \$25.0		GF: \$1.8 OF-Non: \$0.7
<u>2009-11</u>	<u>School of Business Administration</u> : construction of a new facility with classroom and office space.	XI-G: \$20.0 Other: \$20.0		GF: \$1.5
<u>2009-11</u>	<u>Knowledge Commons and Millar Library Annex</u> : construction of a new library annex and information technology common space.	XI-G: \$28.0 XI-F(1): \$9.0 Other: \$28.0		GF: \$2.0 OF-Non: \$0.7
<b>Southern Oregon University</b>				
<u>2007-09</u>	<u>Theatre Arts Expansion &amp; Remodel</u> : renovation and expansion of the Theatre Arts building. The 2005-07 legislatively approved budget includes \$4.2 million in Other Revenues for this project.	XI-G: \$4.2 Other: \$4.2		GF: \$0.3
<u>2007-09</u>	<u>Sciences Renovation &amp; Addition</u> : renovation and expansion of the Science 1 Building to add classroom and office space for science programs, freeing space for nursing and computer science programs in other facilities.	GF: \$3.0 XI-G: \$3.0		GF: \$0.2
<u>2007-09</u>	<u>McNeal Pavilion Renovation</u> : remodel of gym, pool, locker rooms, classroom, and office space.	GF: \$4.0 XI-G: \$4.0 Other: \$1.0		GF: \$0.3
<u>2009-11</u>	<u>Sciences Renovation and Addition</u> : construction of a new building for biology, math, computer science, and environmental studies programs.	GF: \$10.0 XI-G: \$20.0 Other: \$10.0		GF: \$1.5
<u>2009-11</u>	<u>OHSU Nursing Building</u> : construction of a new building for the OHSU nursing program at SOU.	GF: \$2.5 XI-G: \$2.5		GF: \$0.2
<u>2009-11</u>	<u>Central Hall</u> : renovation and upgrade of classroom and office space.	GF: \$3.0 XI-G: \$3.0 Other: \$1.0		GF: \$0.2
<u>2011-13</u>	<u>Britt Center</u> : remodel of office and meeting space.	GF: \$3.0 XI-G: \$3.0		GF: \$0.2
<u>2011-13</u>	<u>Churchill Hall</u> : rehabilitation of administration building.	GF: \$3.0 XI-G: \$3.0		GF: \$0.2

**Table 2: List of Projects**

<b>Biennium</b>	<b>Project</b>	<b>Financing (in millions)</b>	<b>Match Raised (in millions)</b>	<b>Debt service (in millions)</b>
<u>2011-13</u>	<u>Facilities Management Complex</u> : construction of new storage, motor pool, parking, and maintenance space.	GF: \$1.3 XI-G: \$1.3		GF: \$0.1
<b>University of Oregon</b>				
<u>2007-09</u>	<u>Integrative Science Complex, Phase 2</u> : construction of a new facility with research and teaching space for bioscience, cognitive neuroscience, information and informatics research, and computational science.	XI-G: \$30.0 Other: \$30.0	\$10.0	GF: \$2.2
<u>2007-09</u>	<u>Condon Hall Expansion &amp; Alternations</u> : renovation and expansion teaching and research space for the Departments of Anthropology and Geography.	XI-G: \$4.0 Other: \$4.0	\$1.0	GF: \$0.3
<u>2009-11</u>	<u>Architecture and Applied Arts</u> : renovation and expansion of education and research space.	XI-G: \$20.0 Other: \$20.0		GF: \$1.5
<u>2009-11</u>	<u>Allen Hall</u> : renovation and expansion of teaching space for journalism and communications.	XI-G: \$3.25 Other: \$3.25		GF: \$0.2
<u>2009-11</u>	<u>Classroom and Teach Lab Improvements</u> : rehabilitation of facilities across campus.	XI-G: \$10.0 Other: \$10.0		GF: \$0.7
<u>2009-11</u>	<u>Computing Center</u> : expansion of facility to consolidate staff in one location.	XI-G: \$1.8 Other: \$1.8		GF: \$0.1
<u>2009-11</u>	<u>Military Science Facility</u> : construction of a new building for ROTC program.	XI-G: \$1.8 Other: \$1.8		GF: \$0.1
<u>2009-11</u>	<u>Prince Lucien Campbell Hall</u> : expansion of space for social sciences and humanities programs.	XI-G: \$4.0 Other: \$4.0		GF: \$0.3
<u>2009-11</u>	<u>Psychology Facility</u> : construction of new facility for teaching and research.	XI-G: \$11.0 Other: \$11.0		GF: \$0.8
<u>2009-11</u>	<u>Science Library</u> : rehabilitation and expansion for space and technology needs.	XI-G: \$6.8 Other: \$6.8		GF: \$0.5
<u>2009-11</u>	<u>Orbis regional library</u> : construction of new building for regional library system.	XI-G: \$6.8 Other: \$6.8		GF: \$0.5
<b>Western Oregon University</b>				
<u>2007-09</u>	<u>Business/Math/Computer Science Facility</u> : renovation and demolition of facilities to be vacated by the Department of Public Safety Standards and Training in mid-2006 to add classroom and office space.	GF: \$6.0 XI-G: \$7.0 Other: \$1.0		GF: \$0.5
<u>2007-09</u>	<u>Humanities &amp; Social Science Remodel</u> : renovation and seismic upgrade of classroom and office space.	SELP: \$1.0 Lottery: \$1.0 Other: \$1.0	\$1.0	GF: \$0.1 Lottery: \$0.1
<u>2009-11</u>	<u>Performing Arts Center</u> : construction of new facility.	XI-G: \$11.0 Other: \$11.0		GF: \$0.8
<u>2011-13</u>	<u>New Science Facility</u> : construction of classroom and office space.	XI-G: \$8.2 Other: \$8.2		GF: \$0.6
<b>System-wide Projects</b>				
<u>2007-09</u>	<u>Capital Renewal, Code, and Safety</u> : funding to prevent current capital repair, code compliance, ADA, and safety related projects on all campuses from adding to the deferred maintenance backlog. Approximately \$12 million General Fund and \$12 million Article XI-G bonds are included in the Department's Essential Budget Level.	GF: \$40.0 XI-G: \$40.0 XI-F(1): \$20 Other: \$10		GF: \$2.9 OF-Non: \$1.5
<u>2007-09</u>	<u>Deferred Maintenance</u> : funding to address the Department's \$500 million backlog needed for building and major subsystem repair and for seismic upgrades.	XI-F(1): \$32.0 SELP: \$76.0 Lottery: \$46.0 Seismic: \$94.0 Other: \$2.0		GF: \$11.7 Lottery: \$3.3 OF-Non: \$2.1
<u>2007-09</u>	<u>ETIC Capital Investments</u> : capital investments to support the Engineering and Technology Investment Council's strategy to enhance the quality of Oregon's engineering programs and increase the number of graduates.	XI-G: \$14.0 Lottery: \$2.5 Other: \$32.0		GF: \$1.0 Lottery: \$0.2

**Table 2: List of Projects**

<b>Biennium</b>	<b>Project</b>	<b>Financing (in millions)</b>	<b>Match Raised (in millions)</b>	<b>Debt service (in millions)</b>
<u>2009-11</u>	<u>Capital Renewal, Code, and Safety</u> : funding to prevent current capital repair, code compliance, ADA, and safety related projects on all campuses.	GF: \$40.0 XI-G: \$40.0 XI-F(1): \$20.0 Other: \$10.0		GF: \$2.9 OF-Non: \$1.5
<u>2009-11</u>	<u>Deferred Maintenance</u> : funding to address the Department's \$500 million backlog needed for building and major subsystem repair and for seismic upgrades.	XI-F(1): \$4.6 SELP: \$91.8 Lottery: \$51.8 Seismic: \$97.0		GF: \$13.7 LF: \$3.8 OF-Non: \$0.3
<u>2011-13</u>	<u>Capital Renewal, Code, and Safety</u> : funding to prevent current capital repair, code compliance, ADA, and safety related projects on all campuses.	GF: \$40.0 XI-G: \$40.0 XI-F(1): \$20.0 Other: \$10.0		GF: \$2.9 OF-Non: \$1.5
<u>2011-13</u>	<u>Deferred Maintenance</u> : funding to address the Department's \$500 million backlog needed for building and major subsystem repair and for seismic upgrades.	XI-F(1): \$26.8 SELP: \$45.5 Lottery: \$34.2 Seismic: \$99.4		GF: \$10.5 LF: \$2.5 OF-Non: \$1.9

**Oregon Judicial Department****Analyst: Freels**

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**Request:** Increase Federal Funds expenditure limitation by \$198,254 and establish two limited-duration full-time positions (1.42 full-time equivalent) in the Oregon Judicial Department to expand the Multnomah Circuit Court's DUII Intensive Supervision Program.

**Recommendation:** The Oregon Judicial Department is not under executive budgetary control.

**Discussion:** The Oregon Judicial Department is requesting spending authority and positions to expand the Multnomah Circuit Court's DUII Intensive Supervision Program (DISP). Funding is from a U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance grant. The Department received permission to apply for the grant during the 2005 Legislative Session. The Department's application was approved by the U.S. Department of Justice in mid-October.

The two year grant is for \$198,254. It will be matched with \$114,313 General Fund from the Department's adopted budget for judges and staff.

DISP is based on a "treatment court" model. It requires jail sanctions and electronic supervision for offenders when out of jail. Individuals in the program may not own a vehicle, must submit to regular breath tests for alcohol and polygraph tests for compliance with terms of the program.

Since its inception in 1996 in the Multnomah Circuit Court, the program has been effective in reducing recidivism and promoting a drug-free life style. Success is being monitored through a five-year national Institute of Health funded study, which ended July 31, 2005. Preliminary results from the study show that DISP participants have 48 percent reduction in DUII re-arrests, a 54 percent reduction in Driving While Suspended arrests, and a 39 percent reduction in all other traffic-related convictions when compared to a comparable by age, gender and convictions control population.

The current DISP program is financed with General Fund and has 3.25 full-time equivalent positions. It serves about 645 individuals annually, with about 210 new participants each year. By establishing two limited-duration full-time program case manager positions (1.42 full-time equivalent) with the grant funds, they plan to add 80 new participants a year to the program.

If the expansion proves successful and additional grant funds are not available in the 2007-09 biennium, the Oregon Judicial Department may return to the 2007 Legislative Assembly with a request for continued funding, in coordination with their other community partners.

**Legal Reference:** Increase the Federal Funds expenditure limitation established by chapter 604, section 4, Oregon Laws 2005, for the Oregon Judicial Department, by \$198,254 for the 2005-07 biennium.

**Oregon Judicial Department and Department of Transportation**  
**Analyst: Freels**

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**Request:** Increase Other Funds expenditure limitation by \$150,000 and establish one limited-duration full-time position (0.71 full-time equivalent) in the Oregon Judicial Department for the Clackamas Circuit Court to implement a DUII Treatment Court with grant funds from the Department of Transportation.

Increase Federal Funds expenditure limitation by \$150,000 in the Department of Transportation for distribution of grant funds to the Oregon Judicial Department.

**Recommendation:** Approve the request for the Department of Transportation. The Oregon Judicial Department is not under executive budgetary control.

**Discussion:** The Oregon Department of Transportation (ODOT) receives grant funds from the U.S. Department of Transportation for local programs that reduce impaired driving.

The Oregon Judicial Department applied for the ODOT grant to implement a DUII Treatment Court within the Clackamas Circuit Court. ODOT accepted their grant request, pending final approval by the Transportation Safety Board at their December 15<sup>th</sup> meeting.

Clackamas Circuit Court plans to model their DUII Treatment Court after a similar program within the Multnomah Circuit Court that focuses on the driving behavior in addition to the addiction. It targets individuals with two or more DUII arrests and convictions with a goal of reducing recidivism and promoting a drug-free life style. The Multnomah model requires jail sanctions and electronic supervision for offenders when out of jail. Individuals in the program may not own a vehicle, must submit to regular breath tests for alcohol and polygraph tests for compliance with terms of the program.

About one-third of the DUII probationers in the Clackamas County Circuit Court are repeat offenders (about 225 offenders) who may be eligible for this program. These offenders will be screened for entry into the program as slots become available. At any given time, the program will be able to provide extensive court supervision for 50 offenders.

The grant funds will finance one limited-duration DUII coordinator position (0.71 full-time equivalent). In addition, the Oregon Judicial Department will provide one judge and five court employees to support the program with an estimated cost of \$53,132 from existing budgeted resources. There will be additional support from the county sheriff, district attorney, corrections director, indigent defense contractors, and human services agencies.

If the program is successful and additional grant funds are not available in the 2007-09 biennium, the Oregon Judicial Department may return to the 2007 Legislative Assembly with a request for continued funding, in coordination with their other community partners.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 604, section 2, Oregon Laws 2005, for the Oregon Judicial Department, by \$150,000 for the 2005-07 biennium.

Increase the Federal Funds expenditure limitation established by chapter 721, section 3(5), Oregon Laws 2005, for the Department of Transportation, Transportation Safety Division, by \$150,000 for the 2005-07 biennium.

**Withdrawn by Agency**

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**Oregon Judicial Department**  
**Analyst: Freels**

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**Request:** Increase Other Funds expenditure limitation by \$164,299 and establish two limited-duration part-time positions (0.84 full-time equivalent) for the Department to participate in the Circuit Court Domestic Violence Program in Linn County.

**Recommendation:** The Oregon Judicial Department is not under executive budgetary control.

**Discussion:** Linn County recently received a two-year grant from the U.S. Department of Justice's Office on Violence Against Women. They will receive about \$500,000 to prioritize and expedite all domestic violence cases in the Circuit Court to reach resolution within 45 days of arrest and arraignment. The goal of the grant is to improve victim safety and hold the offender more quickly accountable. Additionally, grant funds will be used to increase the availability of community supports to help victims of domestic violence. This is the first such program in Oregon.

The Oregon Judicial Department, in partnership with Linn County, will increase Circuit Court staffing to expedite these cases. The Department is requesting to increase Other Funds expenditure limitation by \$164,299 to spend their portion of the grant funds and to establish two part-time court positions, one limited-duration hearings referee position (0.42 full-time equivalent) and one limited-duration Court Operations Specialist 2 position (0.42 full-time equivalent).

Linn County will establish new positions that will provide criminal justice support to victims in the court process and at the scene of the crime or shortly thereafter. Positions will also be established to coordinate and facilitate educational presentation on domestic violence to the community. Grant funds will assist victims with emergency transportation, child-care and security costs. Participants in the program include Linn County Circuit Court; Linn County District Attorney's Office (recipient of federal grant), Sheriff's office, Parole and Probation, Dept. of Human Services, Child Welfare Office; Albany, Lebanon, and Sweet Home Police Departments and two nonprofit organizations.

If the program proves successful, the Oregon Judicial Department may return to the 2007 Legislative Assembly with a request for continued funding, in coordination with their other community partners.

**Legal Reference:** Increase the Other Funds expenditure limitation established by chapter 604, section 2, Oregon Laws 2005, for the Oregon Judicial Department, by \$164,299 for the 2005-07 biennium.

**Withdrawn by Agency**

**Department of Education**  
**Analyst: MacGlashan**

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**Request:** Allocate \$1,500,000 from the special purpose appropriation made to the Emergency Board for the Prekindergarten through Grade 16 Integrated Data Systems project and establish one limited duration, full-time Principal/Executive Manager E position (0.50 full-time equivalent) to manage the project.

**Recommendation:** Approve as requested, contingent on approval by the Joint Legislative Committee on Information Management and Technology and with the following modification: increase the full-time equivalent to 0.71. The Department of Administrative Services will unschedule \$1.18 million until the Legislative Fiscal Office and the Budget and Management Division are provided with more detail on the professional services contracts.

**Discussion:** The 2005-07 Governor's Recommended Budget for the Department of Education (ODE) included a \$1.8 million policy package for a technology project known as the Prekindergarten through Grade 16 Integrated Data Systems, or KIDS, project. The 2005 Legislative Assembly did not approve the package but instead established a \$1.8 million special purpose appropriation in the Emergency Fund and directed the agency to provide a progress report and budget for the project when it requested allocation of the funds.

The \$1.8 million project comprises two components: 1) \$1.5 million for the horizontal integration of data among the ODE, school districts, and education service districts; and 2) \$300,000 for the vertical integration of data among the K-12 system, community colleges, and the university system in Oregon. This request by the ODE pertains to the \$1.5 million component. (The ODE is asking for the \$300,000 in a separate request along with the Department of Community Colleges and Workforce Development and the Oregon University System, for which the 2005 Legislative Assembly also established special purpose appropriations for the vertical integration.)

### **Background**

The 1997 Legislative Assembly passed House Bill 3636, which required the ODE to adopt uniform definitions of accounts for financial and other reporting by school and education service districts. By 2001, the ODE had implemented a standard data collection and reporting system, known as the Database Initiative (DBI), with the data accessible to the public through the Internet. The implementation of the DBI revealed at least one issue arising from districts' use of student and business information systems that operate independent of the central reporting system: inconsistent data quality.

As a result, during the 2001 legislative session, the ODE requested \$10 million in a policy option package for a project called the Data Integrity Assurance project. The 2001 Legislative Assembly did not approve the package but established a \$10 million special purpose appropriation for the project, pending additional information from the ODE. A 2002 feasibility

study by an independent consulting firm confirmed the problem with data quality and also noted that data reporting was not timely enough to help inform and improve instructional and other practices. Additionally, economies of scale were not being realized. The report cited over 20 different automated business systems and 29 different automated student information systems in use around the state. In addition, 12 districts were using manual business systems and 41 districts had manual student information systems. The consulting firm recommended that ODE take the lead in addressing these issues rather than have districts take separate approaches to data management. Before the ODE could request allocation of the funding, however, it was eliminated during one of the 2002 special sessions convened to balance the statewide General Fund budget that had been affected by the state's recession.

The existing information systems environment serving Oregon's K-12 schools continues to be a mix of different financial, human resources, student, and other information systems. The separate systems serving districts are not well connected or on the same technological platform, making meaningful district-to-district comparisons and district-to-state reporting difficult, time-consuming, and costly. In short, the problems of inconsistent, untimely data and the inability to use data to make decisions and inform instructional and other practices remain. Due to these continuing issues as well as new drivers such as the significant reporting requirements under the No Child Left Behind Act and the risk of losing federal funding should accountability requirements not be met, the ODE is again pursuing the statewide management of student and business data.

### **KIDS Project**

The KIDS project involves three phases. For Phase 1, which has been completed within the ODE's existing resources, the agency contracted with IBM Business Consulting Services to survey K-12 stakeholders to document the "as is" environment, examine other states' implementation models, and determine if there exists a business case for change. According to IBM's report, there is a need for change in the data management environment for K-12 education in Oregon.

The IBM report notes the following potential benefits should the shortcomings in the current system be addressed.

- More current and timely information on instructional and administrative practices that have proven effective will be available.
- Districts, as well as the state, will be better able to assess the costs and benefits of specific programs.
- Additional indicators of student performance will be available.
- Teachers will be able to combine student performance and instructional data to make informed classroom decisions.
- More timely transfer of student records between districts will occur.
- Fewer staff resources will be consumed in meeting reporting requirements.
- More valid comparisons of results between different schools and districts will be available.
- More systems-level questions, such as those posed by the Legislature, can be answered.

In Phase II, the ODE plans to focus on gaps in the student information systems, as recommended in the IBM report. As part of a pilot project for developing an integrated statewide student data warehouse, the ODE expects participation from several large districts (e.g., Portland, Hillsboro, and Eugene) that already have data warehouse projects underway or are planning to start

projects, covering approximately 40-60% of K-12 students. The agency reports that, absent a statewide approach, districts will incur greater costs in developing their own data warehouses and not all of the gaps in the existing system will be addressed. The ODE reports that it has widespread support from K-12 stakeholders for its approach.

The \$1.5 million will be used for a Principal/Executive Manager E position to act as project manager (\$120,000), the purchase of servers (\$200,000), and professional services for technology development, testing, and implementation as well as user training and quality assurance oversight (\$1.18 million). The ODE also plans to use a portion of its existing budget and staffing to support the project. The \$1.5 million is considered one-time funding and will not be included in the ODE's 2007-09 base budget.

The ODE estimates that Phase III, to be completed in the 2007-09 biennium, will cost the agency approximately the same as Phase II. However, this phase is not yet developed and the costs not actually known. The ODE plans to submit a policy option package as part of its 2007-09 budget request. Phase III would entail more of the information systems for districts and a key question is what the additional cost to districts will be to implement this phase. If Phase III does not get approved, however, Phase II is a "stand-alone" effort that will still benefit K-12 education stakeholders. The agency plans to report on the results of Phase II to the 2007 Legislative Assembly.

The Department of Administrative Services' Information Resources Management Division (IRMD) has reviewed the project and the Joint Legislative Committee on Information Management and Technology (JLCIMT) will have reviewed it by January 17, 2006. IRMD and the Budget and Management Division (BAM) are recommending JLCIMT approval, with instructions to the ODE to provide additional information to IRMD, BAM, the Legislative Fiscal Office (LFO), and the Legislature.

The Department of Administrative Services will unschedule \$1.18 million until the ODE provides BAM and LFO with additional information on the contracts for professional services, since the Request for Proposal process has not begun and actual costs currently are unknown. DAS also recommends the establishment of one position phased in February 1, 2006, with a corresponding 0.71 FTE. This increase in the FTE over the ODE's request reflects the actual plan of the agency, which is to fill the position for the remainder of the biennium rather than for only 12 months.

**Legal Reference:** Allocation of \$1,500,000 from the special purpose appropriation made to the Emergency Board by chapter 789, section 11(2), Oregon Laws 2005, to supplement the appropriation made by chapter 789, section 1(1), Oregon Laws 2005, for the Prekindergarten through Grade 16 Integrated Data Systems project for the 2005-07 biennium.

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**Secretary of State**  
**Analyst: Upadhyay**

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**Withdrawn by Agency**

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Secretary of State  
Analyst: Upadhyay

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**Withdrawn by Agency**

**1**  
**Secretary of State**  
**Analyst: Upadhyay**

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**Request:** Increase Federal Funds expenditure limitation by \$4,079,576 and extend seven limited-duration, full-time positions from April 1, 2006 through June 30, 2007 (4.34 full-time equivalent) to continue with the implementation of the federal Help America Vote Act reforms in Oregon.

**Recommendation:** Approve the request.

**Discussion:** The federal Help America Vote Act (HAVA) requires states to implement a wide variety of reforms to the electoral process including replacing punch card voting systems, purchasing voting equipment that is accessible to people with disabilities, and developing a centralized voter registration system. The Secretary of State has been working with county election officials since federal fiscal year 2003 to implement the requirements of HAVA.

During the 73<sup>rd</sup> Legislative Session, the agency received \$700,000 General Fund and \$5,151,161 Federal Funds expenditure limitation for HAVA for the 2005-07 biennium. It was expected during the legislative session that the agency would come back to the Emergency Board as additional federal funding became available. In October 2005, the agency was informed about the availability of the additional federal resources.

The agency plans to spend the requested \$4,079,576 Federal Funds expenditure limitation as follows:

Replace or upgrade aging optical scan vote tally equipment in counties.	\$1,500,000
Complete the full rewrite of the Elections Division's Elections Business System as directed in House Bill 3458 (2005).	\$1,500,000
Funding to enable the Department of Motor Vehicles to provide a mechanism for the centralized voter registration system to verify with the Social Security Administration the last four digits of the voters' social security numbers.	\$320,000
Develop accessible voters' pamphlets for voters with disabilities.	\$100,000
Extend the existing seven HAVA limited-duration, full-time positions currently funded for nine months until the end of the biennium. The positions consist of two Principal Executive Manager F positions, one Principal Contributor 2, one Electronic Publishing Design Specialist 3, one Program Technician 2, one Information Systems Specialist 8, and one Procurement and Contract Specialist 3.	\$659,576

The following two items of the total request are for the Oregon Central Voter Registration system (OCVR) which is a component of HAVA:

- \$320,000 Federal Funds expenditure limitation to enable the Department of Motor Vehicles to provide a mechanism for the centralized voter registration system to verify with the Social Security Administration the last four digits of the voters' social security numbers; and

- \$308,614 Federal Funds expenditure limitation to extend three limited-duration, full-time positions. These positions include one Principal Executive Manager F, one Information Systems Specialist 8, and one Procurement and Contract Specialist 3.

As directed by the Budget Note on Senate Bill 5602 (2005), the agency is appearing before the Joint Legislative Committee on Information Management and Technology (JLCIMT) to provide a status report on the implementation of OCVR and to request the JLCIMT to recommend to the Emergency Board to approve the increase of \$628,614 Federal Funds expenditure limitation. The agency is not required to get a recommendation from the JLCIMT for the other portions of the request.

**Legal Reference:** Increase the Federal Funds expenditure limitation established by chapter 724, section 3, Oregon Laws 2005, for the Secretary of State, Help America Vote Act, by \$4,079,576 for the 2005-07 biennium.

**Withdrawn by Agency**