

# 2005-07

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State of Oregon  
Department of Administrative Services  
Budget and Management Division



## **Budget & Legislative Concepts Instructions**

March, 2004



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## DEPARTMENT OF ADMINISTRATIVE SERVICES

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THEODORE R. KULONGOSKI  
Governor



## Message from Governor Theodore R. Kulongoski

This document outlines the technical requirements that all state agencies must use to construct their agency budget requests for the 2005-07 biennium. These requirements are critical to ensure that budgets meet all legal requirements and expectations of the Legislature, and to provide a fair starting place for the review of these budgets by technical experts both inside and outside of the state.

I will approach the task of putting together my Recommended Budget for 2005-07, just as I did my 2003-05 budget proposal, by starting with how much money we realistically expect to collect, not with how much we wish we could collect. I will first ask the question of whether we thoroughly examined, in collaboration with our partners, every opportunity to reduce overhead costs or to improve service delivery without increasing costs. And I will not use, nor accept, maneuvers that put off, or worse, exacerbate, future financial problems, such as the government version of “credit card” borrowing.

In addition, you will see some principles and requirements that reflect my expectation that the state budget and your individual budgets need to provide more and better information for policy makers and for the public. I expect that the state budget I present to the Legislature in December will not be just a series of accounting style ledger sheets, but will clearly and concisely articulate how much money is available and what my priorities for spending are, including providing context on how much of the budget must be used to pay for mandatory items. I expect that during the next Session we will be able to identify not only what our priorities are, but also what we are hoping to achieve. And I expect that we will be able to explain not just what we are spending money on today, but what that means to the Oregon economy and to the state budget of the future.

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



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## EXECUTIVE SUMMARY

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Timeliness and deadlines are critical to budget development. Agencies need to focus early on budget planning and policy decisions. This will allow time to convert policy decisions into budget documents. Please be on time. If circumstances change or information arises that affect an agency request budget, these changes can be made and appear in the final governor's recommended budget.

Oregon Benchmarks and program outcomes, as measured by each agency's key performance measures, are important in this budget development process. All agencies' budgets should be focused on achieving outcomes. Agencies should show meaningful links with any applicable Oregon Benchmarks. Information on Oregon Benchmarks and statewide targets is available at the Oregon Progress Board's website [www.oregon.gov/DAS/OPB](http://www.oregon.gov/DAS/OPB). Performance Measure Guidelines are in Appendix C.

Information Technology (IT) investments, current and proposed, must be aligned with the Governor's priorities and initiatives, the Enterprise Information Resources Management (EIRM) Strategy, the Oregon Statewide Plan for Geographic Information Management and other related statewide plans, initiatives, goals and objectives. Proposed IT investments must be clearly linked with agency strategic and business plans and be justified on the basis of a sound business case. Agencies must provide a detailed description of all IT projects in the Agency Information Resources Plan, as well as a description of major IT projects in their base budgets. This information must be provided to DAS, Information Resources Management Division (IRMD), in addition to being included in the budget document, when the agency request document is submitted.

The basic structure will be:

1. The base budget is built on the 2003-05 Legislatively Adopted Budget. That adopted budget is adjusted for Emergency Board, special session, and Nonlimited administrative actions through April 2004, resulting in the legislatively approved budget. It is also adjusted for projected Personal Services, scheduled debt service, and Capital Construction in the 2005-07 biennium.
2. Essential packages describe budget adjustments that bring the base to an essential budget level. Inflation and legislatively approved program changes are examples.
3. Policy packages reflect other program and policy changes which will affect the budget if adopted. Standardized policy packages will be created for Emergency Board actions after April 2004 (Policy Package No. 080, page 27) and for expenditure reductions needed to balance to available revenues (Policy Package No. 070, page 26).

Determine the budget building blocks early in the process:

1. Cross-reference number changes to start the 2005-07 preparation process are due to Budget and Management (BAM) by March 29, 2004. BAM, Legislative Fiscal Office (LFO), and the agency will concur on the program units.
2. Significant changes in Lottery Funds, Other Funds, or Federal Funds revenues are also due by March 29, 2004. Significant changes include revenue shortfalls that may affect the ability to maintain programs in the next biennium.
3. Agencies must submit a written request to BAM for exceptions to the essential budget level guidelines. A summary of the essential package issues expected in the agency request budget is due by April 15, 2004.

There is no budget "target" for agencies. Each agency will identify 10 percent reduction options from the essential budget level for General Fund and Lottery Funded programs. Ten percent reductions in Other Funds and Federal Funds will also be identified to comply with House Bill 3182 (1999). Due to uncertainty regarding General Fund revenues going into the 2005-07 biennium, agencies should be prepared to submit an additional

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## EXECUTIVE SUMMARY

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### 10 percent in General Fund and Lottery Funds reduction actions during the development of the governor's recommended budget.

Identified inflation factors and the Department of Administrative Services (DAS) Price List of Goods and Services will guide cost and price changes. The standard biennial inflation factors are 2.4 percent for general inflation and for non-state employee personnel services, and 5.0 percent for medical services. Other cost increases will be on an exception basis only.

New statewide employee compensation increases for the 2005-07 biennium, such as Cost of Living Adjustments (COLAs), will not be in agency request budgets. Any proposed increase will be in the governor's recommended budget as a statewide request. Merit increases will be calculated by PICS, as in the past. Pension Obligation Bonds (POB), which were issued in 2003-05 to reduce the PERS unfunded actuarial liability, are repaid by agencies. Specific POB assessment information will be provided to agencies in a separate communication later.

When agencies are preparing requests for positions in their agency request budget, they should prepare and have ready to submit upon request position descriptions, organization charts, and classification analyses for all position actions. If the BAM analyst is considering approval of the positions requested, the analyst will instruct the state agency to forward the supporting information for those positions. The BAM analyst will then submit the information to DAS Human Resource Services Division (HRSD) to be reviewed.

Changes from the prior biennium's budget instructions:

- Agencies will have both the opportunity and the responsibility to fine tune Other Funds revenue projections and ending balances during the budget cycle. (See pages 13 and 15)
- Agencies will display phase-ins separately from phase-outs. (page 19)
- When updating reduction options on the HB 3182 form for the Governor's recommended budget, agencies will indicate which options were actually used. (page 28)
- A new section required for the 20 agencies listed in the Governor's Sustainability Executive Order 03-03 is described on page 44.
- When developing regulatory legislative concepts, agencies need to check the regulatory streamlining website described on page 60.
- Within performance measures, agencies are required to include a customer satisfaction measure and compare agency performance data to that from like agencies, jurisdictions, or to industry standards.

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## NEW FOR ORBITS

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### *New for ORBITS*

A new release of Oregon Budget Information Tracking System (ORBITS) is being implemented for the 2005-07 budget development process. Following is a summary of the new functions:

Monthly Revenues & Expenditures – this module summarizes accounting data into detail cross references within ORBITS. This monthly conversion coincides with accounting month end processes. Actuals, straight-line projections, and adjusted projections are available online and in reports. This is the first step in bringing together “budget versus actual” information. As such, it will be refined over the next few biennia.

Narrative and Publications – this module will be used to capture budget narrative in ORBITS through Word. Narrative is then available for publications prepared by agencies, BAM and LFO. Many manual reports have also been replaced by automated reports from ORBITS.

Reports – As mentioned above, several manual reports (e.g. Detail of Lottery, Other and Federal Funds and Package Fiscal Impact Summary) are now automated and included within publications. New inflation forecasting and analysis reports are available, as well as a Transfer and Special Payments report to help users during budget preparation. Agencies will also be able to save reports as excel spreadsheets. An improved statewide ad hoc query allows BAM to create and save queries for later use within ORBITS.

Data Entry – Improvements have been made to entry screens, including the ability to update positions and FTE directly from the screen. Notepad entries (used to document actions or assumptions) may now be saved at the summary cross reference level by version. New notepad display and reporting options are also available to users.

SABRS System Administration Functions – Several improvements have been made to ORBITS for managing the system. Packages may now be created statewide for all (or selected) agencies, if desired. New system edits have been added, with selected beginning and ending balances automatically calculated. All system functions are now managed through menu selection, including reports.

These functions will be covered in more detail during user training and in the ORBITS/PICS User Manual.

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## 2005-07 BUDGET DEVELOPMENT SCHEDULE

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March 15, 2004	Agency Budget Kickoff Meeting at the Employment Department Auditorium.
March 29, 2004	Last date to submit changes to cross-reference numbers and program units to BAM. Agency/BAM/LFO consensus needed on program units for budget development.  Last date to send revenue estimates and methodology, if changed, to BAM.
April 15, 2004	Last date for essential budget level exception requests and essential package issues to BAM.  Last date to submit legislative concepts to DAS.
May 14, 2004	Last date for audit request to Statewide Audit and Budget Reporting Section (SABRS) for 2001-03 Actual Expenditures.  Last date to submit Certificate of Participation (COP) Finance Agreement Request forms.
June 3, 2004	Last date for BAM approval on essential budget level exception requests and essential packages for agency request budget development.  Last date for audit request to SABRS for 2003-05 Estimates and Emergency Boards.
June 28, 2004	Last date for audit request to SABRS for 2005-07 PICS Agency Request Budget.
July 1, 2004* or August 2, 2004	Last date for audit request to SABRS for 2005-07 ORBITS Agency Request Budget.
Various	Requests for special approvals or special reports due.
August 2, 2004* or September 1, 2004	Last date to submit 2005-07 Agency Request Budget document to BAM and Information Resource Management plan to IRMD.
Dates to be announced	Agency budget appeals and adjustments.  Audit request to SABRS for 2005-07 Governor's Recommended Budget.  Agency's 2005-07 Governor's Recommended Budget document delivered to BAM and the Legislature.  Audit request to SABRS for 2005-07 Legislatively Adopted Budget.  Agency's 2005-07 Legislatively Adopted Budget document to BAM.

***\* Earlier due date is for "early submittal" agencies -- see agency request budget due dates on page 7.***

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## BUDGET DOCUMENT PRODUCTION

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### *Preparing The Document*

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

- All budget pages, including ORBITS produced forms, must be 11 x 8 1/2 inches. Orient pages in “landscape.”
- All typing and graphics should be landscape oriented. Lines should run all the way across or be in two columns.
- Agencies may photocopy the forms provided or may find electronic forms at: [http://www.bam.das.state.or.us/pub/bud\\_pol\\_pubs/05-07\\_budget\\_instructions.htm](http://www.bam.das.state.or.us/pub/bud_pol_pubs/05-07_budget_instructions.htm).
- Several manual forms have now been replaced by automated reports in ORBITS. For transition purposes, the manual forms are still referenced and included in these instructions. (ORBITS availability and manual form number are noted in parentheses.)
- Do not write or type on ORBITS reports other than to add page numbers.
- Use 20-pound bond paper to make photocopies. Double-side all copies.
- All forms and narratives must be three-hole punched at the top 11-inch edge. Organize them in three-ring, vinyl binders. Do not use pressboard binders. Anything added later must also be three-hole punched and two-sided.
- Use staggered divider tabs between sections along the document’s bottom 11-inch edge. Use plastic dividers only if they are recyclable.
- Label binders on both the outside front cover and spine. Binders with title page inserts in a clear plastic cover are useful to keep labels from falling off.
- Produce budget documents at the lowest cost that yields readable, informative documents. Customer service representatives from DAS Printing and Distribution Services (P&D) can help with page layout or production issues to control costs. You may contact DAS at (503) 378-3397.

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## BUDGET DOCUMENT PRODUCTION

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### *Due Dates, Document Titles, and Copy Requirements*

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

### Agency Request Budget

- Due to BAM by August 2, 2004 from early submittal agencies. All others are due no later than September 1, 2004.
- Title: "Agency Name" 2005-07 Agency Request Budget.
- Number of copies to be submitted: **6 total**. One binder must include Certification page with an **original** authorized signature.

### Governor's Recommended Budget

- Due to BAM in early January 2005. Actual due date will be supplied before then.
- Title: "Agency Name" 2005-07 Governor's Recommended Budget.
- Number of copies to be submitted: **12 total**. One binder must include Certification page with an **original** authorized signature. (Total count may change based upon the number of members in a designated budget committee, please check with your BAM analyst.)

### Legislatively Adopted Budget

- Due to BAM within 30 days of the date the agency is notified or receives ORBITS Budget Support Documents following the adjournment of the 2005 Legislative Session or the Governor's signing of the appropriation bill(s).
- Title: "Agency Name" 2005-07 Legislatively Adopted Budget.
- Number of copies to be submitted: **4 total**. One binder must include Certification page with an **original** authorized signature.

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## AGENCY REQUEST BUDGET DUE DATES

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The agencies listed below are considered "early submittal" agencies. Agency request budgets are due to BAM no later than August 2, 2004 for these agencies. All others are due no later than September 1, 2004.

Accountancy, State Board of	Land Conservation and Development, Dept. of
Agriculture, Department of	Land Use Board of Appeals
Asian Affairs, Commission on *	Library, State
Aviation, Oregon Department of	Liquor Control Commission, Oregon
Black Affairs, Commission on *	Marine Board
Blind, Commission for the	Medical Examiners, Board of
Capitol Planning Commission *	Military Department, Oregon
Chiropractic Examiners, Board of	Nursing, Board of
Clinical Social Workers	Oregon Health and Science University
Columbia River Gorge Commission	Oregon Historical Society *
Construction Contractors Board	Oregon Public Broadcasting *
Consumer and Business Services, Department of	Parks and Recreation, Department of
Counselors and Therapists	Parole and Post-Prison Supervision, Board of
Criminal Justice Commission	Psychiatric Security Review Board
Disabilities Commission, Oregon	Psychologist Examiners, Board of
Dispute Resolution Commission *	Public Defense Services Commission
District Attorneys and Their Deputies	Public Employees' Retirement System
Employment Department	Public Safety Standards and Training, Dept. of
Employment Relations Board	Public Utility Commission
Energy, Office of	Racing Commission
Fair and Exposition Center, State	Real Estate Agency
Geology and Mineral Industries, Department of	State Lands, Division of
Government Standards and Practices Commission	Student Assistance Commission
Health Licensing Office	Tax Practitioners, State Board of
Health Related Licensing Boards	Teacher Standards and Practices Commission
Hispanic Affairs, Commission on *	Veterans' Affairs, Department of
Housing and Community Services, Oregon	Water Resources, Department of
Insurance Pool Governing Board	Women, Commission for
Investigators, Oregon Board of	
Labor and Industries, Bureau of	

\* Agencies not receiving funding in 2003-05; may receive funding in 2005-07 biennium.



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## KEY ECONOMIC AND DEMOGRAPHIC TRENDS

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- The nation is at the start of improving and sustained economic growth. The jobless recovery is moving to a job-gaining recovery. Consumer spending is still holding up well and will be supported by more jobs and income. Business capital spending has started to increase following eight quarters of decline. The global economic slowdown appears to be over and exports are improving. The worst appears to be behind us and the national economy is poised for strong growth.
- Inflation is expected to remain low during the 2005-07 biennium. The U.S. Consumer Price Index (CPI) is forecast to rise 2.3 percent during the biennium. The Gross Domestic Product (GDP) implicit price deflator is expected to increase 2.4 percent over the same period. Oregon uses the GDP deflator as the basis for budget development. It is a broader measure and avoids some of the upward bias inherent in the CPI measure. The medical price deflator is expected to increase 5.0 percent.
- Oregon's economic outlook is the most promising over the last three years. Growth in employment and income will be slow into 2004 and building strength in 2005. The high tech sector crash has made a disproportionately higher impact on the state economy than the nation. The high tech sector includes semi-conductors and constitutes an important contributor to the state economy. As the high tech sector and the global economy start to recover, the Oregon economy will continue growing but at rates slower than the 1990's.
- Oregon's population is expected to continue growing, but at a slower pace than during the 1990's. Total population is forecast to increase by 84,700 during the 2005-07 biennium. Oregon's population will exceed 3.7 million by July 1, 2007.
- The most rapid growth during 2005-07 is expected in the very old seniors (age 85 and above), followed by young seniors (65-74 years old), and older workers (45 to 64 years old). Number of children (under 17) will grow at a slower than state average rate and the seniors aged 75 to 84 will actually decline.
- The prison inmate population is expected to grow 7.3 percent, from 13,178 in July 2005 to 14,140 in July 2007. This follows an increase of 9.8 percent in the 2003-05 biennium. Growth is due in part to 1994's Ballot Measure 11, which lengthened minimum sentences for some violent offenses.

### ***Revenue Outlook***

- Based on the March 2004 forecast, General Fund revenues are projected to grow 11.5 percent during 2005-2007, to \$11,240.4 million. Slow economic recovery in Oregon, as well as low inflation, account for the modest growth. The projected beginning balance as of the March 2004 forecast is \$20.7 million.
- Lottery resources are expected to be \$730.3 million for the 2005-2007 biennium. As of March 2004, Lottery is still evaluating means to increase sales per House Bill 3159.
- Risks to the revenue forecast include a slower than anticipated economic recovery in Oregon and stock market volatility.

### ***Tobacco/Health Plan***

- Cigarette and Other Tobacco taxes dedicated to the General Fund are forecast to total \$114.6 million in the 2005-07 biennium.

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## KEY ECONOMIC AND DEMOGRAPHIC TRENDS

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- Cigarette and Other Tobacco taxes dedicated to the Oregon Health Plan are forecast to total \$374.9 million for the 2005-07 biennium. An additional \$16.2 million in tobacco taxes will be available to fund the Tobacco Use Reduction Account.
- The greatest risk to tobacco taxes is a large increase in the wholesale price or the federal excise tax, which would decrease consumption and in turn decrease cigarette tax revenues to the state. The Consumer Price Index for tobacco products, a proxy for the combined impact of price and tax effects, increased 97 percent annually from 1996 and 2002.

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## OVERVIEW OF BUDGET PROCESS

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### *The Biennial Budget Process*

The budget process has three major cycles.

Agency Request Budget -- Agencies start the budget process early in even-numbered years. The agency request budget is first. It lays out the policies and finances the agency asks the Governor to recommend to the legislature. It is prepared under guidelines set by DAS. It consists of descriptive narratives, budget forms, and audited ORBITS reports. It is due by August or September to BAM (see the agency request due dates on page 7).

Governor's Recommended Budget -- The Governor and BAM review agency request budgets to compile the governor's recommended budget. That budget reflects the Governor's priorities and the policies set in statute. It includes data on statewide revenue and expenditures and on all agencies' budgets. A Tax Expenditure Report, compiled by the Department of Revenue, is published with the governor's recommended budget. Each agency prepares a governor's recommended budget document to show the changes the Governor made to the agency request budget.

Legislatively Adopted Budget -- The governor's recommended budget is presented to the legislature as it convenes at the start of the next year. The proposed revenues and expenditures are reviewed by committees. They hold public hearings to hear from each agency and the public. The committee recommendations are presented in budget reports for each budget bill. Votes on each bill produce the legislatively adopted budget. It sets out General Fund appropriations; Lottery Funds allocations and expenditure limitations; Other Funds and Federal Funds expenditure limitations; and position authority for agencies. Each agency prepares a legislatively adopted budget document to show the changes the legislature made to the governor's recommended budget.

Agencies implement, or execute, the budget over the biennium. The Legislative Emergency Board can make certain changes to the budget between legislative sessions. Special sessions may also be called to deal with budget issues.

### *Process Resources*

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

Budget development is a long and often changing process. Agencies can expect more instructions on some elements of budget development and/or Information Resources Management-related planning. For example, final information on content or format for presentations to the legislature can come as late as early 2005, after the new legislative assembly meets and organizes itself.



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## HOW TO BUILD THE BUDGET

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### *Identify Program Units*

Agency budgets are organized by program unit. Program units contain an agency's major program and policy issues. In some cases, one unit may cover an entire agency. Program units are used for the operating budget. An agency may also have program units for Capital Improvement, Capital Construction (Major Construction/Acquisition), debt service, and Nonlimited Expenditures.

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

Refer to the ORBITS/PICS User's Manual for the technical details for developing program units and the underlying cross-reference numbers. SABRS provides worksheets to use in making changes to those cross-reference numbers. Cross-reference numbers must be in place early to allow the agency request budget to be submitted on time.

Submit proposed program units by March 29, 2004 to BAM for budget analyst approval. Consult with BAM well before this deadline on any major changes. This will ensure adequate time to discuss the issues with LFO and to make changes to the cross-reference numbers in the ORBITS system.

### *Estimate Revenues*

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

Agencies that expect significant revenue changes must submit a Revenue Forecast memo to BAM by March 29, 2004. Revenue Forecast memos need to include any revenue source that may not be sufficient to support essential budget level expenditures in the 2005-07 biennium. Minor changes that will not affect programs do not need this early review. For each Other Funds and Federal Funds revenue source, the memo must include:

1. Forecast methods and assumptions.
2. Fee schedules (if any). Note any proposed fee increases.
3. Updated revenue estimates for the 2003-05 biennium. These are for comparison.
4. Preliminary revenue estimates for the 2005-07 biennium.
5. A statement whether anticipated revenues are expected to be sufficient to support essential budget level expenditures.
6. Data on revenue trends through 2009 (if known).

BAM analysts will help determine how the revenue changes will be reflected in the agency request budget. All beginning balance and revenue estimates should incorporate the latest information available at the time the agency submits the agency request budget. If estimates change significantly in the couple of months following agency request budget, agencies should submit new information to their BAM analyst who can incorporate it into the Governor's recommended budget. Agencies should also be prepared to provide further updates to their legislative fiscal analyst during legislative session. After legislative

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## HOW TO BUILD THE BUDGET

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session, agencies can work with their BAM analysts to incorporate revenue adjustments in their legislatively adopted budget.

### Revenue Categories

There are four revenue categories used for budgetary purposes:

**General Fund Revenues** -- These are revenues that an agency collects that go into the state General Fund. Among these are tax collections and some fees and fines. These are to be recorded in the ORBITS system by the collecting agency as General Fund revenue, with a matching revenue transfer to the General Fund.

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

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

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

**Other Funds Revenues** -- These are revenues to an agency that it can spend directly under an Other Funds expenditure limitation or as Nonlimited Other Funds. They include revenues received from other agencies, cities, or counties. Licenses and fees, loan repayments, and charges for services are examples.

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

### Revenue Estimates

Agencies should estimate and budget all revenues at the program unit level. The BAM analyst must approve any request to combine revenues across program units or agency-wide.

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

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**Lottery Funds** -- The Transfer In from DAS or Oregon Watershed Enhancement Board (OWEB) accounts are used to reflect new 2005-07 biennium revenue allocations. Unspent lottery fund balances proposed to be carried forward from earlier allocations should be shown in ORBITS as a Lottery Funds beginning balance.

**Other Funds** -- Current law fee and assessment levels are the basis for estimating revenues for existing Other Funds sources. Any fees established or increased administratively during the 2003-05 biennium must be estimated separately in the budget documents' Revenue Forecast Narrative. Also, any proposed new sources of Other Funds revenues and any proposed increases in existing fees must be separated in the Revenue Forecast Narrative, even if the proposed increases are within current legal limits.

Any fees established or increased administratively during the 2003-05 biennium are temporary. Do not include these revenues in base budget projections. They automatically cease at the end of the 2005 Legislative Session or July 1, 2005, whichever is later. They continue only if they are put into law, or "ratified". This includes fees established or increased through the Emergency Board process. [See ORS 291.055 or Senate Bill 333 (1995) for the requirements related to changing fees administratively.] If an agency established or increased fees administratively during the 2003-05 biennium, then a fee ratification bill will be drafted by DAS. This fee ratification bill will "accompany" an agency appropriation bill through the legislative process. However, if an agency's fees are explicitly listed in statute, then any proposal to establish or increase fees during the 2005 Legislative Session must be submitted to DAS in the legislative concept process (see page 59).

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

Agencies recently reported updated Other Funds ending balances to BAM and LFO and should be prepared to report similar ending balance information, possibly with the agency request budget. If ending balance information becomes a requirement, DAS will so notify affected agencies.

NOTE: By statute, DAS must report all current fees to the Legislature at the beginning of each legislative session. To do this, agencies will be required to update the Statewide Fee Database during the Fall of 2004. This will allow agencies to include any fees that were changed during the 2003 Legislative Session or changed administratively during the interim. This database should not include fee changes being proposed in the 2005-07 budget but not yet implemented. Instructions for using the database are at: <http://www.bam.das.state.or.us>, under the Government heading.

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

### **Revenue Transfers and Special Payments Between State Agencies**

Agencies that send or receive revenues must be sure to communicate early in the budget process. They need to agree on the amount of funding being transferred and the budget treatment of the transfer. Prior transfers

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may not continue unchanged into next biennium. Generally, the agency sending the funds determines the transfer amount. However, budget and program staff from all affected agencies should be in on the discussions.

SABRS has an on-line screen to help agencies review transfers for budget development. Instructions for using this screen are in the ORBITS/PICS User's Manual. Agencies must balance all interagency transfers and Special Payments before requesting an ORBITS audit.

### **Budget Presentation**

The ORBITS/PICS User's Manual describes the technical process to budget revenues in the ORBITS system. How to present revenue data in the budget document is explained on page 44 of these budget instructions.

### ***Review Expenditure Categories***

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

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

Services and Supplies are non-personnel expenditures for agency operation and maintenance. That includes office supplies, professional services contracts, rent, telephones, personal computers, software, routine building repairs, and the like. Debt issuance costs (Certificates of Participation, Bonds) should be budgeted in the Services and Supplies category in the agency's operating budget, not in Capital Construction. Note: The Services and Supplies accounts, Expendable Property and Professional Services, have been modified to include IT-related and Non-IT-related activities.

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

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

Debt Service is expenditures for principal, interest, discounts, and premiums related to payment of state debt. Debt includes financing agreements such as Certificates of Participation (COPs). The Special Approvals section of these budget instructions explains the approval process for debt financing. Discretionary bond-related program expenditures may relate to debt, but are not debt service. They are subject to expenditure limitation. They include Trust Agreements, audit and compilation fees; travel costs; Bond Counsel, and general financial consulting.

Capital Improvement and Capital Construction (Major Construction/Acquisition) are expenditures for land, buildings and support systems, equipment/information technology-related projects or systems, other than routine maintenance and repairs. These two are treated as separate program units in agency budgets. See the Capital Budgeting and Special Approvals sections of these budget instructions for details.

Information Technology (IT) Projects involve expenditures for network and computing systems (hardware, software and/or services, etc) other than routine maintenance. IT projects are undertaken to create a unique

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product or service or to manage substantial upgrades to or replacement of existing IT infrastructure and systems. They have a definite beginning and end date and are aimed at solving specific business problems, or improving the way that the organization achieves its mission. While this is NOT an expenditure category, agencies must provide a detailed description of ALL IT projects in the Agency Information Resources Management (IRM) Plan and a detailed description (ORBITS/107BF14) of major IT projects in their base budgets. Agencies should work with the Information Resource Management Division (IRMD), Enterprise Planning and Policy Section to complete this form. A copy of the Agency IRM Plan and the completed form (107BF14) must be provided to the Enterprise Planning and Policy Section (in addition to being included in the budget document) when the agency request document is submitted. For more information, please contact Sean McSpaden, Enterprise Planning and Policy, 503-378-5257.

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

### ***Input Historical Data in ORBITS***

The ORBITS documents show historical budget data in columns. Those are 2001-03 Actual Expenditures, Emergency Board Actions through April 2004, and 2003-05 Estimated Expenditures. The 2001-03 Actual Expenditures column will come from agency accounting systems as agencies complete ORBITS training. Agencies complete the 2003-05 Estimated Expenditures and the Emergency Board Actions columns from scratch. SABRS will not copy the 2003-05 Legislatively Approved Budget as a starting point for agencies to update for the 2003-05 Estimated Expenditures column. Estimated expenditures should reflect actual spending patterns during the biennium.

### ***Estimate Essential Budget Level***

The essential budget level is required by law and is an estimate of the cost to continue current legislatively approved programs into the 2005-07 biennium. Essential budget level is built on the base budget plus essential packages:

**Base Budget:** The 2003-05 Legislatively Adopted Budget is adjusted for Emergency Board and approved Nonlimited administrative actions through April 2004. Other adjustments are made, including Personal Services projections for the 2005-07 biennium generated by PICS. Debt Service for existing commitments and Nonlimited expenditures for existing programs are also adjusted in the base. Capital Construction expenditure authority approved for the 2003-05 biennium should be eliminated as a base budget adjustment.

**Essential Packages:** These packages adjust the base for one-time expenditures, program phase-in and phase-out cost changes, vacancy factor calculations, and non-PICS Personal Services cost changes. They also show changes for inflation, cost changes in the DAS Price List of Goods and Services, fund shifts, and mandated caseload increases. Revenue shortfalls that affect an agency's ability to support essential

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budget level expenditures are shown in a Policy Package No. 070 (see Modified Essential Budget Level).

The Summary of 2005-07 Budget form (ORBITS/107BF03) presents the agency budget, including the essential budget level estimate. The form is prepared at the program unit level and summarized at the agency-wide level. Following is more detail on the essential budget level:

### Base Budget

The starting point for the base budget is the 2003-05 Legislatively Adopted Budget, the one approved by the 2003 Legislature. Any Emergency Board or Nonlimited administrative changes approved by DAS, through April 2004, are added to the legislatively adopted budget. The result is the 2003-05 Legislatively Approved Budget.

Emergency Board actions or other changes after April 2004 are not counted in the essential budget level during the agency request phase. Agencies may request continued funding for these actions in Policy Package No. 080. In some cases, adjustments to the essential budget level may be made at later phases of budget development, if BAM, IRMD (if IT-related), and LFO concur in the adjustment. The base budget also includes adjustments for Personal Services generated by PICS, scheduled debt service payments, Nonlimited expenditures and Capital Construction expenditures.

Personal Services Adjustments -- PICS generates the Personal Services dollars for the base budget. Salaries and related Other Payroll Expenses (OPE) expenditures are calculated from PICS position data as of the PICS freeze date. That date is projected to be late April 2004, following the April 2004 meeting of the Emergency Board.

PICS will add the equivalent of one salary step increase for the 2005-07 biennium for eligible employees at agencies with more than 10.00 full-time equivalent positions. Smaller agencies, which tend to have less staff turnover or other budget savings, will receive full funding of expected 2005-07 biennium salary step increases.

During agency request development, SABRS will provide agencies with the Estimated Cost of the 2005-07 Merit Increase. The Net Cost of 2003-05 Position Actions is calculated as follows:

	2005-07 Base Personal Services Costs (PICS and non-PICS)
<i>less</i>	2003-05 Personal Services Costs (ORBITS Legislatively Approved Budget including PICS and non-PICS)
<i>less</i>	<u>Estimated Cost of 2005-07 Merit Increase</u> (from PICS reports)
<i>equals</i>	Net Cost of 2003-05 Position Actions

See the ORBITS/PICS User's Manual for more detail.

PICS will base funding for vacant positions on the next to lowest step of the salary range. An agency with seasonal positions that are not fully funded in the PICS calculation may request an exception. Do not include position reclassifications or other changes not yet legislatively approved in the essential budget level.

Base Debt Service Adjustment -- This shows any expected change in scheduled debt service for the 2005-07 biennium, for financing already done or authorized by the legislature. The base budget should

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not include debt service for any financing that is not already authorized. Requests for new debt service authority should be included in policy packages.

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

Capital Construction Adjustment -- Capital Construction expenditure authority approved by the 2003 Legislature, or by the Emergency Board prior to April 2004, should be eliminated here so that it is not included in base budget or essential budget level. Requests for new Capital Construction authority should be included in policy packages.

### Essential Packages

The essential packages in budget development are assigned the ORBITS numbers shown here. Agencies should work with their BAM analyst to put issues in the correct packages.

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

The goal of the Vacancy Factor calculation is to project budget savings reasonably expected from staff turnover in the 2005-07 biennium. BAM will provide data on employee transfers and separations to use in projecting savings from vacancies. Work with BAM analysts to document any necessary adjustments. The change in projected vacancy factor savings is entered into the Summary of 2005-07 Budget form. It is an adjustment to the vacancy factor amount included in the 2003-05 Legislatively Approved Budget.

Non-PICS Personal Services cost adjustments are for inflation on items that are not included in the PICS-generated total. They include unemployment assessments, overtime, temporaries, and shift differentials. Apply the general inflation factor for these items. Increased cost of these line items above the standard inflation must be approved through the exception process or requested in Policy Packages. In the case of Mass Transit taxes, use the formula outlined in the DAS Price List of Goods and Services.

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

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

New for 2005-07 budget development, agencies will enter phase-ins in essential package 021 and phase-outs and one-time eliminations in essential package 022.

Phased-in programs are new programs and expansions of non-mandated caseload programs funded for less than 24 months during the 2003-05 biennium, but needing a full 24 months in the 2005-07 biennium. This package should reflect the added cost of the program above the 2003-05 budgeted level, after adjustments are made for start-up costs or other one-time expenditures funded in 2003-05. PICS will adjust for most legislatively approved position phase-ins or eliminations in its Personal Services calculation for the 2005-07 biennium. All other adjustments to reflect full costs are calculated by the agency. Include inflation on the phased-in programs in this package, rather than in Essential Package No. 030.

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Decreased costs result from phased-out programs, elimination of pilot programs, and other one-time costs that will not be funded in the 2005-07 biennium. PICS will adjust for legislatively approved position phase-outs in its Personal Services calculation. Find and deduct any other costs phased out from the 2003-05 budget (for example, Services and Supplies costs associated with 2003-05 limited duration positions). Be sure to deduct programs approved by the legislature under the expectation that a review would occur before further funding. Also deduct other one-time expenditures, like a new computer system. Capital Construction expenditure authority established in the 2003-05 biennium should be eliminated as a base budget adjustment rather than an Essential Package No. 022 adjustment.

- Essential Package No. 030: Inflation and Price List Adjustments

The inflation factors in these instructions and the DAS Price List of Goods and Services are the basis for calculating cost increases in Services and Supplies, Capital Outlay, and Special Payments. The DAS Price List includes assessment charges by DAS and others and interagency charges for the Department of Justice and the Secretary of State Audits Division. It includes costs for some central services such as state motor pool cars and for other selected items. An electronic version of the Price List will be available on-line (see Appendix E). Note that items in the Price List may change, based on more current information, during the budget development period.

The Cost of Goods and Services increase/decrease provides for inflation calculation on the 2005-07 Base Budget, excluding Personal Services and program phase-outs and one-time expenditures eliminated in Essential Package No. 022.

Biennial inflation factors for 2005-07 include 2.4 percent for general inflation and for non-state employee personnel services (contract providers), and 5.0 percent for medical services. Some programs may use an annual inflation factor, if approved by the BAM analyst. The annual rates are 1.5/1.9 percent for general inflation and for non-state employee personnel services, and 3.2/3.5 percent for medical inflation.

- The general inflation factor applies to most Services and Supplies and non-PICS Personal Services costs, Capital Outlay, and some Special Payments.
- The non-state employee personnel services inflation factor is for professional service contracts with persons other than state agencies. It may also be used for human resources provider payments (not client payments), and for local government and community payments like community corrections services.
- Medical services inflation applies to medical costs, such as Oregon Health Plan provider expenditures. It is also for medical services costs in child foster care, programs for the developmentally disabled, mental health services, and nursing home and residential care. The medical services inflation factor will be allowed only in programs that rely heavily on skilled medical staff (doctors, dentists, and registered nurses), advancements in medical technology or high cost prescription drugs.

Agencies need to notify their BAM analyst if they plan to use the non-state employee personnel services inflation or medical services inflation factors. If cost increases for the whole of an essential budget level budget (excluding Personal Services) exceed the allowable inflation factors, BAM approval is required for each extraordinary increase through the Budget Exception process. For details, please see page 23, How To Build The Budget.

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The Summary of 2005-07 Budget form (manual form 107BF03) includes a State Government Service Charges line item. This is the net amount by which agency-specific charges in that ORBITS account are more or less than the 2003-05 legislatively approved amount. Analyze all the state service charge and assessment changes in the Price List, increases and decreases, to find the net change from the 2003-05 budget level. Do not apply an inflation factor to these charges. Note: Not all Price List charges are State Government Service Charges. Rent and other costs budgeted under other ORBITS accounts are to be included on the Cost of Goods and Services line.

The narrative portion of this package must clearly discuss and identify program costs inflated by the above factors. If agency staff has questions about how best to write this narrative and other narratives referenced in the following pages, they should consult with their BAM analyst. Also, the BAM library has copies of each agency's budget document; good examples can be found in those binders.

- Essential Package No. 040: Mandated Caseload

Mandated caseload changes to go in this essential package are based on caseload changes due to changed state or federal entitlement standards, including court actions affecting entitlement standards.

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Mandated caseload programs include:

- Oregon Health Plan – Medicaid only.
- Supportive/Remedial Day Care.
- Other Medicaid expenditures within Medical Assistance Programs.
- Community-based and nursing home care.
- Children’s Foster Care.
- Adoption Assistance.
- Civil and Criminal commitments for people with either mental illness or developmental disabilities.
- Crisis services for adults with developmental disabilities.
- Food Stamps.
- Youth Corrections Education Programs.
- State School Fund.
- Early Interventions/Early Childhood Special Education.
- Unemployment Insurance.
- Adult corrections, including community corrections (at population forecast level).
- Juvenile corrections (at population forecast level).
- Department of Justice Criminal Appeals.

Mandated caseload programs should reflect changing costs from caseload or cost-per-case fluctuations, plus any inflation. Examples are increases in the number of clients served or in the cost of services bought. The costs of phasing-in a new mandated caseload program go in Essential Package No. 020. Policy changes that increase or decrease costs in mandated caseload programs should be included in a policy package. Examples of policy changes include adding services or restricting eligibility.

Methods used to forecast caseload or cost-per-case must be clearly articulated in the narrative portion of this package. The cost-per-case discussion must include comparative data from other jurisdictions for similar caseloads.

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

- Essential Package No. 050: Fund Shifts

This package is for significant revenue changes in existing programs. The change may have occurred during the 2003-05 biennium, or may be expected during the 2005-07 biennium. An example: the legislatively approved budget planned on Other Funds for a program, but Federal Funds are being used instead. These packages are usually net zero in Total Funds cost.

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

Do not use this package to reduce expenditures below essential budget level due to revenue shortfalls. If revenues are insufficient to maintain essential budget level, reduce expenditures in Policy Package No. 070 (see Modified Essential Budget Level).

- Essential Package No. 060: Technical Adjustments

This package is to be used for technical budget adjustments that do not fit into the standard Essential Packages No. 010 - 050. Use of this package requires BAM analyst and SABRS manager prior approval.

Agencies should work with their BAM analyst to determine the appropriate essential package to use for any unique circumstances.

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### *Approval for Essential Package Issues and Budget Exception Requests*

BAM will help assure that essential budget level and essential packages are appropriate. The BAM analysts will review the issues agencies plan to include in their agency request budgets. By April 15, 2004, agencies must submit, in writing, essential package issues and requests for budget exceptions. For essential package issues, agencies must submit detailed documentation to their BAM analyst. Analysts have discretion to work with their agencies on these calculations, within the parameters of the budget instructions. Formal budget exceptions should only be requested when there is unresolved disagreement between the agency and analyst. The exception amount is only the difference between allowed inflation and amount the agency needs. For some circumstances, as outlined below, budget exception requests must be submitted on the appropriate form (107BF18). These requests will go to the Exception Committee. The following information should be provided to BAM no later than April 15.

#### Essential Package No. 010

Vacancy factor calculation. This calculation is intended to reflect savings from normal staff turnover. As such, it should exclude positions vacant due to management actions. This is an essential package issue. Budget exception requests should be submitted only when there is unresolved disagreement between the agency and analyst.

Non-PICS calculations. Unemployment Insurance, overtime, temporaries, and shift differential cost are inflated by the general inflation factor. Use the mass transit formula found in the Price List. Budget exception requests are required for any deviations to these standards.

#### Essential Packages No. 021, 022

Phase-ins, phase-outs, and one-time expenditures. Generally, these are essential package issues. Agencies are required to provide analysts a worksheet that identifies the calculation method and assumptions used for each adjustment. They should provide a single worksheet that separately identifies each of the 2005-07 phase-outs and one-time expenditures by detailed category and fund type. For phase-ins, they should identify the 2005-07 budget by detailed category and fund type, with calculation method and assumptions used to adjust the 2005-07 budget. *The inflation adjustment should be separately calculated in the display and included in package 021 with the phase-in.* Package 022 phase-outs must be subtracted from the base before calculating the inflation for the 030 package.

Analysts have discretion to work with their agencies on these calculations, within the parameters of the budget instructions. Only if agreement cannot be reached on each adjustment should a budget exception request be submitted. However, budget exception requests are necessary for inflation increases in excess of the standard adjustments.

#### Essential Package No. 030

Agencies must use the budgeted cost estimates from the *Price List tables* for the following charges:

- Central Government Service Charge
- Secretary of State, Archives Division
- Secretary of State, Audits Division
- Treasury Debt Management charges

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- Risk Management – Property, Liability, and Workers Compensation
- Minority, Women, and Emerging Small Business
- State Library
- Oregon Supreme Court Library
- DAS assessments
- State Controllers Division – Estimated Direct Charges for Services (fixed charges)
- DAS client services charges

Agencies do not need to submit an exception request for Attorney General and uniform rent increases greater than standard inflation if using the factors shown in the Price List. An exception request is required for non-uniform rent increases above standard inflation. For non-uniform rent increases, DAS Facilities will identify a non-DAS office rent increase for the biennium. We will use this percentage as a guide for granting any rent increase exceptions. Agencies should request an exception for the increase if they can justify it with documentation.

There are a number of charges for services included in the Price List. A budget exception is required for increases that exceed standard inflation, unless the increases are a result of Price List changes in rates or charges.

Requests to apply the non-state employee personnel services inflation rate are essential package issues. This rate is intended to apply to contracted services that incorporate a large proportion of personnel costs, generally in professional services or special payments. Agencies must document that this is the case, and that the higher inflation rate is needed. Analysts have discretion to work with their agencies on these calculations, within the parameters of the budget instructions. Only if agreement cannot be reached on each adjustment should a budget exception request be submitted.

Medical inflation is an essential package issue. Requests must meet the criteria listed on page 20. Agencies must specifically break out these costs that meet the definition for medical inflation from other program expenses. Only if agreement cannot be reached between the agency and analyst should a budget exception request be submitted. Requests for higher than medical inflation require a budget exception request.

Any new request to use annual inflationary factors must go to the Exception Committee. Explain the unique program need that calls for an annual rate. Show the difference between the annual and biennial results. Annual rates are usually approved only when appropriate for a mandated caseload program. Analysts can approve annual calculation for agencies where this is a standard practice in previous budgets.

Any request for other than the standard inflationary factor, other than those that have been specifically listed above, must go to the Exception Committee.

Agencies need not request an exception request when moving amounts among budget categories and among line items in order to “true up” their budget. The net result of such moves, however, must equal \$0 and higher inflation line items, such as Attorney General, may not be used unless the move is from higher inflation line items to standard inflation line items.

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### Essential Package No. 040

Agencies must provide analysts with preliminary estimates of any mandated caseload changes to be included in the agency request budget, including details of supporting data and methodology used. The numbers may change later, but this review will identify mandated caseload issues early in the process. Programs for which mandated caseload increase will be allowed are listed on page 22. Analysts have discretion to work with their agencies on these calculations, within the parameters of the budget instructions. Only if agreement cannot be reached on each adjustment should a budget exception request be submitted. Exceptions will not be granted for requests to include caseloads other than those identified on page 22.

### Essential Package No. 050

Provide documentation to the analyst for any expected fund shifts in legislatively approved program levels. Allowable Essential Package No. 050 fund shifts are discussed on page 22. Any requests for General Fund or Lottery Funds backfill require budget exception requests. Only requests that meet the standard outlined on page 22 will be approved. Package 050 adjustments usually have a net zero impact to total funds.

### Essential Package No. 060

Technical Adjustment. Provide documentation to the analyst for any request for technical adjustments to meet unique needs. Agencies typically use this package for structural changes within the organization. For example, agencies may move positions between program units prior to PICS freeze, but need to move associated services and supplies. As such, there should be no impact agency-wide by fund type. *Agencies must submit an exception request to use this package.*

***BAM analysts will discuss the essential package issues and exception requests with the agency and LFO analyst. Agencies will be notified of decisions on requests and issues. The preliminary numbers from this stage may not be used to audit the essential budget level numbers input in ORBITS. Agencies should work closely with BAM to incorporate major issues and update preliminary numbers.***

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### *Estimate Modified Essential Budget Level*

Essential budget level is the estimated cost of continuing current programs into the next biennium, as required by law. Modified essential budget level reduces essential budget level expenditures to accommodate available Other Funds and Federal Funds revenues. These expenditure reductions due to revenue shortfalls will be included in Policy Package No. 070. The Summary of 2005-07 Budget form (ORBITS/107BF03) will include a subtotal for Modified Essential Budget Level that includes base budget, Essential Packages No. 010 - 060 and Policy Package No. 070.

- Policy Package No. 070: Revenue Shortfalls

This package should include only Other Funds and Federal Funds expenditure reductions necessary to adjust essential budget level to available revenues. Reductions should be sufficient to leave ending balances where appropriate. Agencies will need to propose traditional policy packages to increase revenues and restore expenditures that are reduced in Policy Package No. 070.

### *Develop Policy Packages*

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

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

- Form new programs or expand existing ones.
- Reduce or end programs.
- Implement partnership programs among agencies. This includes actions to make formal interagency program coordination efforts.
- Transfer programs between agencies, if the transfer has not been legislatively approved.
- Shift from one fund type to another, if the shift does not match past budget policy.
- Establish or increase fees (including fees changed administratively during the 2003-05 biennium). Modified essential budget level budgets cannot include revenues or expenditures supported by fees that require legislative ratification in the 2005 Legislative Session. If an agency raised fees administratively during the interim, expenditures must be reduced in Policy Package No. 070 to match revenues without the increased fees. Restoration of these expenditures and increased revenues can be requested in a policy package contingent upon legislative ratification of the fee increase.
- Implement reorganization or reinvention proposals. This includes establishing, abolishing, and reclassifying positions.
- Fund legislative concepts to be considered by the 2005 Legislative Assembly. A legislative concept with a fiscal impact must be linked to a policy package or the concept will not be approved for pre-session filing, even if the concept has been approved conceptually. An agency proposing any legislative concept with a fiscal impact on another agency (such as proposals to establish new crimes or increase the penalties for existing crimes that increase the Department of Corrections prison population) must ensure that the concept is linked to a policy package in the affected agency's budget.

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- Propose Capital Construction (Major Construction/Acquisition) projects. These packages should be included in the Capital Construction program unit.
- Request new debt service authority. Debt service authority for debt that will be issued in the 2005-07 biennium must be included in a policy package along with any related issuing and financing costs. For Capital Improvement and Capital Construction projects, requests for new debt service authority should be placed in separate policy packages in agency operating budgets rather than in the policy packages requesting project funding in the Capital Improvement or Capital Construction program units. For other types of projects that require debt financing (such as information technology and systems development-related projects), include the request for debt service authority in the same package as the request for project funding in the operating budget.
- Request new Nonlimited authority. Requests to shift limited expenditures to Nonlimited or to shift Nonlimited to limited expenditures should be included in a policy package.
- Implement or expand Information Technology-related Projects/Initiatives. Agencies will be expected to separately track all expenditures in IT policy packages for future reporting purposes, including projects that are continued in base budget in future biennia. All new or expanded IT-related projects/initiatives must be included in policy packages. Information Technology-related Projects/Initiatives in excess of \$500,000 require additional documentation discussed on page 47.
- Include Emergency Board actions after April 2004 (Policy Package No. 080). Actions taken by the Emergency Board after April 2004 that carry forward to the 2005-07 biennium may be included in Policy Package No. 080.
  - Policy Package No. 080: Emergency Board actions after April 2004.

Agencies must enter all expenditure and revenue actions taken by the Emergency Board at its June 2004 meeting that carry forward to the 2005-07 budget. The amount in the Policy Package No. 080 is to be biennialized and inflated, using the standard inflation rates. BAM analysts will work with agencies to enter similar, appropriate Emergency Board actions taken at the September 2004 and November 2004 meetings.

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

### ***Develop Reduction Options***

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

Therefore, each agency must propose reduction options of 10 percent of its General Fund and Lottery Funds modified essential budget level (base budget plus essential packages, including Policy Package No. 070). Reductions should be presented separately for General Fund and Lottery Funds.

In addition, 10 percent reductions from the modified essential budget level must be included for Other Funds and Federal Funds, separately.

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## HOW TO BUILD THE BUDGET

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Agencies should be prepared to submit an additional 10 percent in General Fund and Lottery Funds reduction options. The additional options will be requested from agencies as needed during development of the governor's recommended budget.

For each fund type, the reduction needs to be described in terms of activities or programs that will not be undertaken. Each activity or program not undertaken must be ranked on the basis of lowest cost for benefit obtained. The criteria and method(s) used to determine costs and benefits obtained must be explained.

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

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

Reduction options that require statutory change may be proposed only if legislative concepts needed to implement the option are filed. The concepts must have a realistic chance of enactment. Analysts may request more, or different, options if the options proposed are not feasible or are not consistent with other statewide efforts or policy.

Information on the first 10 percent reductions will be included in the agency request narrative, now in ORBITS, with summary information to allow consideration of each option. (See The Budget Document section for information on presentation.) ORBITS policy packages will be created if a reduction option is recommended by the Governor or adopted by the legislature.

At the time of Budget Instructions publication, no decision had been made on the potential 2005-07 impact of the February 2004 Ballot Measure 30 (temporary income tax surcharge) defeat. Affected agencies should expect a separate communication later.

Finally, new for this budget cycle, in preparing the Governor's recommended budget document, agencies should update form 107BF17 to show which, if any, proposed reductions were used by BAM to develop the 2005-07 balanced budget for the Governor. Agencies should use the strikethrough font format to indicate items and dollars that were used.

### ***PICS/ORBITS Audits***

Agency budgets are built using the PICS and ORBITS systems. They also provide statewide data for decision makers. Agencies enter the data. It is audited by SABRS before final documents can be completed. Deadlines for agencies to request audits are outlined on page 3 of these budget instructions. The ORBITS system has audit tools for both agencies and audit staff to speed up the processing of audits. However, agency actions are critical to make sure the process flows smoothly. To help your audit process:

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

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## HOW TO BUILD THE BUDGET

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### ***Other Considerations***

#### *Oregon Benchmarks and Performance Measures*

State agencies are to continue using performance measures to choose program efforts and evaluate results. This is especially important for programs with direct links to the benchmarks. For the 2005-07 biennium, all agencies must report their progress towards legislatively approved performance targets and update their program links to pertinent benchmarks in the Links to Oregon Benchmarks and related forms, referred to in the Agency Summary of the budget document and in Appendix C. Information on related Oregon Benchmarks and statewide targets are available at The Oregon Progress Board's website: [www.oregon.gov/DAS/OPB](http://www.oregon.gov/DAS/OPB).

Agency Summary narratives should summarize the outcomes sought, the measures used, and the results achieved based on the agency's most recent *Annual Performance Report*. Mandates regarding performance measures were adopted in House Bill 3358 (2001).

#### *Ballot Measure 30 (1995): Unfunded Mandates*

Budgets and legislative concepts must comply with Article XI, Section 15 of the Oregon Constitution. This constitutional amendment was referred to the voters as Ballot Measure 30 (1995). In effect, it requires that the state pay the costs of new work the state requires of local governments. Here are the law's key provisions:

When any new state law, rule, or order requires expenditure by a local government for a new or increased level of program or project, the state must pay the usual and reasonable costs of the mandated activity or the local government need not comply. Private providers who compete with local government's enterprise activities may not have to comply. The law is also triggered if legislation withdraws state funds for programs required before 1997. However, this law does not apply:

- If the unfunded costs are one-hundredth of one percent or less of the local government's annual budget.
- To costs from laws that define crimes or set sentences.
- To programs that are optional.
- To minimum standards required pursuant to federal law or regulations.
- To any requirement by the judicial branch of government.
- To initiatives and referendums.
- To programs that inform citizens about the activities of local governments.
- If the local government has voluntarily provided the increased requirement for four years or more.
- If the legislature directs a fee or charge to be made by the local government to recover the actual cost of the program.

See the Oregon Constitution for details.

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## HOW TO BUILD THE BUDGET

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### *Ballot Measure 17: Inmate Work Opportunities*

Ballot Measure 17 (Article I, Section 40 of the Oregon Constitution) was passed by Oregon voters in 1994. It requires inmates to work and be engaged in workforce development (e.g., education and training). The Department of Corrections (DOC) is charged to find work and workforce opportunities for inmates in and out of state government. The 1999 Legislature approved the creation of Oregon Corrections Enterprises (OCE), a semi-independent state agency under the direction of DOC that is responsible for inmate products and services. OCE runs the various inmate products and services operations, such as the call centers, the Graphic Information System (GIS) mapping center, and the metal, signs, and furniture manufacturing plants. DOC retains responsibility for work crews.

State agencies are required, and expected, to give priority to inmate services and products. Many agencies already use inmate labor to meet program needs and demands. Other opportunities within state government remain to be explored.

All agencies should use budget development to review, with DOC and OCE, how inmate products and services may help meet program needs. At a minimum, include one of these in the Agency Summary Narrative:

- Work and workforce development efforts engaged in with DOC and OCE. This should include the number of inmate hours worked, savings to the agency, issues, and the essential budget level resources directed towards inmate work programs and products.
- Why no inmate products or services have been used.

In policy packages, describe any new or expanded resources needed to further comply with Ballot Measure 17 in the 2005-07 biennium. Work with Rob Kilgore, OCE Administrator, (503) 378-3884, to explore new ways to expand on current programs and products. For information on inmate work crews, contact Debra Slater, Inmate Work Programs Measure 17 Coordinator, (503) 945-9232.

### *Dispute Resolution for Public Policy Conflicts*

Budget the appropriate amount needed during 2005-07 for alternative means of dispute resolution. A fundamental function of government is the orderly management of conflict and resolution of disputes. All agencies use some form of alternative dispute resolution methods. Unless otherwise prohibited by law, most can use them in rulemaking, contested case and judicial proceedings, and in any other process in which conflicts may arise. Dispute resolution processes often involve an impartial party who may serve as a facilitator, mediator, or neutral fact finder of issues in dispute. They include any collaborative problem solving process designed to encourage parties to work together to develop mutually agreeable solutions to disputes. See ORS 183.502(1).

The aim is to increase agency efficiency and overall effectiveness in the manner in which agencies resolve policy disputes with the public and/or other governmental agencies. Anticipating and planning for productive dialogues over potentially contentious policy issues increases the likelihood that these issues will be handled more effectively and efficiently and increase the satisfaction of the public. These funds may be used to help agencies determine which process is most appropriate for a given dispute. Agencies should budget for some of these alternative methods: 1) Case Assessment, 2) Dispute Resolution System Design, 3) Mediation, 4) Collaborative Rulemaking, and 5) Conflict Management Skills Training.

Please note that grants are no longer available due to budget reductions made during the 2003 legislative session. Therefore, while technical assistance is available to assist agencies, most funding for alternative dispute resolution processes will need to be covered by agencies and other stakeholders. For assistance in determining the appropriate amount to budget based on your agency's alternative dispute resolution needs,

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## HOW TO BUILD THE BUDGET

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contact the Department of Justice at 503-947-4520. If your agency is also engaged in significant public policy disputes (those involving issues of statewide significance), you may also contact the Oregon Consensus Program at the Hatfield School of Government at 503-725-9070.

An ORBITS account exists in which to record these costs. If agencies budget for dispute resolution services in their Department of Justice, Attorney General line item, the amount budgeted and type of services expected should be included in the budget narrative.

### *Special Reports/Special Approvals*

Please read the Special Reports and Special Approval sections for information on reports needed in the budget document, and other approval processes. Check these sources to avoid overlooking budget issues. Financial and performance audits may call for management action. Agency affirmative action reports may point to the need for change. Information Resource Management plans and training reports should be considered as the budget is formed. Some proposed budget elements require special prior approval from other state agencies. See the Special Approvals section beginning on page 57.

### *Special Budgets*

In developing the governor's recommended budget, summary budgets may be done in ORBITS. They may cover budget proposals for the Governor's priorities. Each is likely to be an initiative that crosses agency lines. BAM will work with agencies to define and collect the components of any special budgets that may be needed. Instructions on this process will come at a later date.

### *Statewide Enterprise Information Resources Management Strategy*

The Enterprise Information Resources Management (IRM) Strategy provides a common vision and direction by which to guide state government-wide (enterprise) information technology (IT) and telecommunications planning, budgeting, procurement, staffing, and service delivery efforts.

The enterprise approach provides the greatest opportunity for state government, in collaboration with local government and business partners, to improve the efficiency and effectiveness of and restore the public's confidence in government.

Key goals and objectives addressed in the Enterprise IRM strategy are: IT governance, architecture and standards development; efficiencies in the procurement and operation of the state's IT infrastructure; IT Asset Management and Portfolio Management; leveraging existing IT infrastructure and emerging Internet technologies; IT security; disaster recovery/business continuity planning; information access and data sharing; human resource development, IT funding; and statewide information technology system privacy, and policy-related compliance with the federal legislation known as the Health Insurance Portability and Accountability Act (HIPAA).

An expanded narrative on the Enterprise IRM Strategy is also provided in the Information Resources Management Supplement to this document (Appendix D). The Enterprise IRM Strategy document can be found at: [http://irmd.das.state.or.us/prog\\_proj/itec/eirms/Enterprise\\_IRM\\_Strategy\\_vl.pdf](http://irmd.das.state.or.us/prog_proj/itec/eirms/Enterprise_IRM_Strategy_vl.pdf).

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## HOW TO BUILD THE BUDGET

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### *Key Enterprise Initiatives with Potential Agency Impact*

In support of the Enterprise IRM Strategy goals and objectives, DAS, in partnership with the CIO Council, has initiated several enterprise information technology-related initiatives. Initiative descriptions are provided below.

- **Computing and Networking Infrastructure Consolidation**

The Computing and Networking Infrastructure Consolidation Initiative is a phased project to study and recommend possible consolidation of the state's computing (data center) and networking infrastructure. It is designed to assess the efficiency and effectiveness of current, decentralized data center and data network operations and consider whether consolidation and centralization of these operations would provide substantial benefits and cost savings to the state.

Work will be completed in two phases: Phase I – Planning; Phase II – Implementation. Phase I of the project will culminate in the development of a detailed business case, an implementation plan and a statement of work for the completion of Phase II. Any consolidation implemented by the state will be based on a clearly defined business case with a return on investment within 24 to 36 months.

Based on industry experience, significant consolidation of agency computing and networking infrastructure components should improve operating efficiency, service, IT-related security and lower costs of operations. The changes associated with consolidation are, typically, administrative and supervisory in nature as management of computing and networking infrastructure operations (i.e. the IT-related hardware, software, personnel, etc) is centralized and provided as a shared service to all state agencies.

- **E-Government Program: Statewide Content Management System**

The Legislature directed and funded DAS IRMD to establish an E-Government program to centrally host web content and to provide for a central portal for citizens, a secure portal for State employees and a trusted environment for electronic commerce transactions.

The SecurePay system has been deployed and is in use by multiple state agencies and the portal infrastructure is in place. The E-Government program has also developed a central content management system. The migration of static web page content is currently in progress. Communications have been distributed to agencies on the project timeframes and expectations.

The E-Government program will provide a set of core infrastructure services to agencies that will enable consistent, cost-effective, and integrated approaches for the delivery of critical services to Oregon citizens.

The use of the content management system, in particular, will allow agencies to more effectively and efficiently manage web content (key agency information) from a business perspective, on a business-driven timetable.

- **Cyber Security**

With ever-increasing dependency on automated systems to conduct the business of State government, the need to protect against disruption or damage to the State investment in technology and business

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## HOW TO BUILD THE BUDGET

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operations is critical. The purpose of this Enterprise initiative is to create a centrally managed, State government-wide Cyber Security program to:

- ❑ minimize increasing threats caused by unauthorized data access, both internally and externally;
- ❑ mitigate the risks and costs that result from improper security planning;
- ❑ prevent information and systems from being compromised;
- ❑ establish an enterprise-wide set of standards for information technology security to maximize the functionality, security and interoperability of the State's distributed information technology assets, including communications and encryption;
- ❑ regularly review existing security standards and practices in Oregon state government to determine that they meet enterprise-wide security and encryption requirements; and,
- ❑ comply with ORS and Administrative rules including ORS 291.016, 291.018, 291.24, 291.034, 201.037.

The Cyber Security Program will implement the tools and processes to identify, quantify, and mitigate security vulnerability risks. Enterprise activities will include, but are not limited to: policy development and implementation; coordinated incident response; performance measurement and evaluation; oversight; investigation and forensics; communications including education and awareness; patch management and verification; intelligence reporting; and vulnerability notification.

The State's Cyber Security team will provide consulting resources necessary for each agency to achieve essential information security performance thresholds.

- **Business Continuity Planning (BCP)**

It is essential that state government create business continuity plans (BCP) for both the business processes that are essential to our ability to provide critical state services and those processes that are, additionally, critical to continued agency operations.

BCP involves developing plans to get state and agency mission critical business functions and processes back into operation through planning and recovery for all critical resources, including employees, facilities, specialized equipment, information technology, and telecommunications. It also includes communicating with the public and acquiring replacement products or outside services.

State government as a whole will need to invest resources to undertake BCP. Plans are underway to identify those business processes that are critical to the functioning of state government. Agencies that operate those functions will need to invest staff time to prepare business continuity plans for them. After that, agencies will need to prepare plans for other business processes that are critical to continued agency operation.

### *Agency Information Resources Management (IRM) Planning*

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

The purpose of IRM planning is to provide guidance as more detailed information technology tactical plans and initiatives are developed. The focus of IRM planning, at the agency level, is the agency's IT projects and

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## HOW TO BUILD THE BUDGET

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infrastructure but must be developed with an awareness of enterprise IT projects and infrastructure, planned, underway or in use. IRM planning has the following characteristics.

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

**Agencies are required to develop and submit an IRM Plan to IRMD, Enterprise Planning and Policy Section at the same time they submit their agency request budget to DAS BAM.**

NOTE: As part of the agency IRM planning process, agencies should establish standard lifecycles for agency IT assets. Further, to help the state accomplish the Enterprise IRM Strategy's objective to have a standard desktop environment by July 2007, agencies that have developed a PC lifecycle replacement plan should submit a copy as part of its IRM planning document. Agencies that have not yet developed a PC lifecycle replacement plan should contact Sean McSpaden, Enterprise Planning and Policy at 503-378-5257.

For additional information, IRM Planning instructions, sample PC Lifecycle Replacement plans, or information regarding statewide efforts relating to PC standards/lifecycle replacement/purchasing, please contact Sean McSpaden, Enterprise Planning and Policy at 503-378-5257. An expanded narrative on IRM Planning is also provided in the Information Resources Management Supplement to this document.

### *Budget Development for Information Technology-related Operations and Projects*

Agencies should develop information technology budgets to support enterprise and agency strategic, business, and IRM plans. The agency information technology budget represents the total expenditures on information resource management (IRM) technology for the agency. This budget information is available for DAS review at a summary level as part of the agency's overall agency request budget document. The agency information technology budget should be comprised of Program Unit and agency-wide IT-related estimated expenditures for the 2005-2007 biennium. **Accordingly, agencies must submit a breakdown of their 2005-07 IT-related budget by program unit to IRMD along with its submission of the agency request budget document to DAS BAM.**

Note: The chart of accounts available in ORBITS relating to Expendable Property and Professional Services has been expanded to distinguish between IT-related and Non-IT related budget items. Please contact your agency's budget analyst for any needed clarification regarding this change.

Further, IRMD and the State Controller's Division are working on an expanded IT-related chart of accounts for use during the expenditure reporting process in the 2005-07 biennium. The use of this expanded IT-related chart of accounts will be required to provide the detailed information

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## HOW TO BUILD THE BUDGET

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necessary for quality, comprehensive, and state government-wide information resources management planning and coordination to occur.

In developing a major information technology-related project/initiative, agencies should work closely with IRMD and follow the guidelines on page 47 of these budget instructions.

### *Bargaining Concepts, Compensation Concepts, and Human Resource Policy Change Concepts for 2005-2007*

As part of the budgeting cycle, agencies are asked to anticipate and propose any needed changes to collective bargaining contracts. Agencies are also asked to bring to our attention any changes they believe are needed in relation to employee compensation and personnel policy changes. These concepts are needed at this time because of the possible budget implications for 2005-2007. It is also critical to explore these concepts as we develop plans for bargaining the next round of labor contract. Agency managers should work with their Human Resources managers to develop and document these issues.

Concept forms for bargaining, compensation and policy/rule changes are available at the DAS Human Resource Services Divisions (HRSD) webpage. Access to the forms is through DAS website [www.das.state.or.us](http://www.das.state.or.us). HRSD will also be sending electronic notifications to agency Human Resource Services Managers for distribution to management and executive service staff in the agency. The concept forms are due back to HRSD by April 16, 2004.



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# THE BUDGET DOCUMENT

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*BUDGET DOCUMENT FORMAT*

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

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

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

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

ORBITS now includes a Narrative and Publications module. Agencies will enter budget narrative directly into the system, which will make it available for agency, BAM, and LFO publications. Detailed instructions on module use will be distributed to agencies at a later date.

All the required budget forms are available in ORBITS, from BAM, or on the web at [http://www.bam.das.state.or.us/pub/bud\\_pol\\_pubs/05-07\\_budget\\_instructions.htm](http://www.bam.das.state.or.us/pub/bud_pol_pubs/05-07_budget_instructions.htm)

The following pages explain how to assemble the budget documents.



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

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# THE BUDGET DOCUMENT

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## INTRODUCTORY INFORMATION

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



## LEGISLATIVE ACTION

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



## AGENCY SUMMARY

1. Agency Summary Narrative (ORBITS/107BF02)
  - Budget Summary Graphics
  - Mission Statement and Statutory Authority
  - Agency Plans
  - Program Descriptions
  - Environmental Factors
  - Strategies
  - Criteria for 2005-07 Budget Development
  - Key Performance Measure Criteria
  - Performance Measure Forms (107BF04a-e)
  - Major Information Technology Projects/Initiatives
  - Other Considerations
2. Summary of 2005-07 Budget (Agency-wide and Program Unit lvs) (ORBITS/107BF03)
3. Reduction Options (ORBITS/107BF17/107BF09)
4. 2003-05 Organization Chart
5. 2005-07 Organization Chart (if changes proposed)
6. ORBITS Agency-wide Summary – Budget Request (BPR001)
7. ORBITS Agency-wide Program Summary – Budget Request (BPR010)



## SUSTAINABILITY

- 2003-2005 Sustainability Plan (107BF02)
- 2003-2005 Agency Sustainability Plan Progress Statement
- 2005-2007 Sustainability Plan

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# THE BUDGET DOCUMENT

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## REVENUES

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



## PROGRAM UNITS

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



## CAPITAL BUDGETING

1. Capital Improvement
  - Financing Agreements and COPs
  - Capital Improvement Narrative (ORBITS/107BF10)
  - Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (ORBITS/107BF07)
  - ORBITS Appropriated Fund Summary (BPR007A – Summary Cross Reference 088)
2. Capital Construction (Major Construction/Acquisition)
  - Major Construction/Acquisition Narrative (ORBITS/107BF11)
  - Major Construction/Acquisition Six-Year Plan (107BF13)
  - Capital Financing Six-Year Forecast Summary (107BF12)
  - Project Narrative
  - Detail of Other Funds and Federal Funds Revenue (ORBITS/107BF07)
  - ORBITS Appropriated Fund Summary (BPR007A – Summary Cross Reference 089)



## SPECIAL REPORTS

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

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# THE BUDGET DOCUMENT

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## *INTRODUCTORY INFORMATION*

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

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

The agency head or chairperson must sign the certification **each** time the budget document is updated. An **original** signed certification form must be included in the agency request budget, the governor's recommended budget, and the legislatively adopted budget documents.

## *LEGISLATIVE ACTION*



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

1. All **Budget Reports** from the 2003 Legislative Session, and any special sessions, that set the agency's 2003-05 Legislatively Adopted Budget.
2. All **Emergency Board minutes** affecting the agency from the 2003-05 interim to date.

For the 2005-07 Legislatively Adopted Budget document, this section must be updated after the session. Replace items 1 and 2 above with Budget Reports for all legislative activity during the 2005 Session.

## *AGENCY SUMMARY*



1. **Agency Summary Narrative** (ORBITS/107BF02) -- This section presents policy issues and agency business plans for the 2005-07 biennium. An outline can be used if the information is complete.

The following headings and information must be in the narrative:

- a. Budget Summary Graphics -- This section must provide pie charts or other graphics that depict the proposed budget, including:
  - How the budget is allocated among programs or activities.
  - Distribution by fund type.
  - Comparison of 2003-05 Legislatively Approved Budget (as of April 2004) with the 2005-07 Agency Request Budget.

Update these graphics for the governor's recommended budget and the legislatively adopted budget.

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## THE BUDGET DOCUMENT

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- b. Mission Statement and Statutory Authority -- This section explains the authority and direction of the agency. It must:
- Clearly and concisely state what the agency seeks to achieve.
  - Cite Oregon Revised Statutes and Oregon Administrative Rules chapters containing the agency's authorities and duties.
- c. Agency Plans -- This section requires development of two-year and six-year strategic goals. It requires that agencies link the six-year goals to pertinent Oregon Benchmarks and/or similar high-level outcomes, and identify associated performance measures. Mandates for inclusion of performance measures come from House Bill 3358 (2001). For more information on performance measurement requirements and the 2005-07 process, see Appendix C.
- 2005-11 Six-Year Plan: Identify the long-term strategic goals and efforts that will advance the agency mission. Identify pertinent Oregon Benchmarks and/or similar high-level outcomes and, where appropriate, provide that data as context for agency goals and efforts. Describe partnerships among agencies and other governments. Identify intermediate outcome measures that will be used to measure progress toward achievement of each long-term strategic goal.
  - 2005-07 Two-Year Plan:
    - Agency Programs -- Briefly, but adequately, describe what the agency does. List each primary program, its purpose, customers, and source of funding (e.g., federal versus state). Include its expenditures by fund type, positions and full-time equivalent, revenue sources, and caseload or workload for each program. Program descriptions should normally match with budget program units.
    - Environmental Factors -- Briefly discuss factors that aid and hinder achievement of desired results. Factors could be demographic, economic, social, legal, administrative, interagency, intergovernmental, and others.
    - Agency Initiatives -- Identify initiatives that the agency will address in the 2005-07 budget. These initiatives should support achievement of the intermediate outcome targets in the six-year plan and, where applicable, contribute to achieving targets of pertinent Oregon Benchmarks and/or similar high-level outcomes. Describe the changes these initiatives will create in the agency programs described above. For each initiative, include the performance measures against which its success will be gauged.
    - For programs not directly tied to the Oregon Benchmarks or similar high-level outcomes, identify specific results expected from the requested funding. Compare them with historical results. Include information on performance or outcome measures. Graphics will help.
- d. Criteria for 2005-07 Budget Development -- Using the two-year and six-year plans, identify the goals, objectives and/or outcomes used as a basis to develop the budget proposal.
- e. Key Performance Measure Criteria (prepare forms 107BF04a-e) -- For the 2005-07 budget, basic criteria for performance measures include:
- Key performance measures should gauge progress toward achieving agency goals and pertinent high-level outcomes, including Oregon Benchmarks.
  - Key performance measures should focus on the key indicators of agency success.

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## THE BUDGET DOCUMENT

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- Agencies should use Governmental Accounting Standards board (GASB) definitions.
- Key performance measures should have targets.
- Key performance measure data should be accurate and reliable.
- Key performance measures should link to specific organizational units.
- Key performance measures should include customer satisfaction and efficiency indicators.
- Key performance measures should allow comparisons with others wherever possible.

The *Performance Measure Guidelines* (Appendix C) explain these criteria in greater detail.

f. Performance Measure Forms – Include the following performance measure-related forms:

- Links to Oregon Benchmarks (107BF04a)
- Request to Modify 2003-05 Performance Measures for the 2005-07 Biennium (107BF04b)
- Performance Measure Data Sources (107BF04c)
- Performance Measure Data Summary (107BF04d)
- Annual Performance Report (107BF04e)

Agencies with primary links to the Governor's priority Benchmarks may be asked to present additional information for the governor's recommended budget document. All agencies that can, should include an estimate of agency resources needed to meet each performance measure (Form 107BF04a, Col. 7).

g. Major Information Technology Projects/Initiatives -- Identify major information technology-related projects/initiatives, equal to or exceeding \$500,000. Describe how those major projects/initiatives:

- Align with and support agency strategic/business plans
- Align with and support the Governor's priorities and initiatives, the Enterprise Information Resources Management (EIRM) Strategy, the Oregon Strategic Plan for Geographic Information Management and other related statewide plans, initiatives, goals and objectives

Note: Specific guidance regarding alignment with and support for key enterprise initiatives will be provided prior to the Agency Budget Kickoff meeting.

h. Other Considerations -- Use this section to discuss any impact of Ballot Measure 30 (1995) on the budget. Also describe efforts related to inmate work opportunities and dispute resolution.

2. **Summary of 2005-07 Budget** (ORBITS/107BF03) -- Identify the base budget, the essential packages that bring the budget to the essential budget level, and any other policy packages in the budget. Do this at the agency summary and program unit levels. Revise this form, as stages are completed, for the governor's recommended budget. This form is not required for the legislatively adopted budget.
3. **Reduction Options** -- Present General Fund, Lottery Funds, Other Funds, and Federal Funds reduction options. Rank them in order, by lowest cost for benefit obtained. Number the first option to be implemented as number one, the second as two, etc.

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## THE BUDGET DOCUMENT

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House Bill 3182 Reduction Option Form (ORBITS and prepare manual form 107BF17) -- For each option, provide:

- Activity or Program -- Describe the activity or program that would not be undertaken if the reduction were adopted.
- Describe Reduction -- Describe the reduction and tell how it would be implemented. Describe program impacts from the option, including how the proposed action would affect the agency's mission, strategic plan, any Oregon Benchmarks, other agencies, and local governments. Identify any statutory changes needed to implement the reduction and whether a legislative concept has been filed. List positions and full-time equivalent affected by the option. If the option would be phased in, show the 2005-07 impact and the full 24 month projected 2007-09 impact.
- Amount and Fund Type -- Identify the amount of the reduction and the fund type. If Other Funds or Federal Funds are affected, identify the amount and source, and indicate if there are restrictions on use of the funds for other activities or programs.
- Rank and Justification -- Each activity or program not undertaken must be ranked on the basis of lowest cost for benefit obtained. Explain the criteria and methods used to determine costs and benefits obtained.

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

Although dollar amounts for reduction options are not entered into ORBITS in the agency request budget, supplement the narrative discussion with the Essential and Policy Package Fiscal Impact Summary (ORBITS/107BF09). This will allow BAM analysts to form policy packages quickly if the options are recommended by the Governor or adopted by the legislature. See page 28 for instructions on displaying reduction options that were actually used in the Governor's budget.

4. **Organization Chart(s) 2003-05** -- Include a copy of the agency's current organization chart.
5. **Organization Chart(s) 2005-07** -- If the 2005-07 budget includes organizational changes, include a chart of the proposed 2005-07 structure.
  - A chart should summarize the agency structure in one or two pages.
  - Include the number of positions and full-time equivalent (FTE) in each unit of the agency.
  - Note any positions eliminated from or added to the 2003-05 Legislatively Adopted Budget to date.
  - Show proposed 2005-07 biennium changes by shaded or dashed boxes.
  - Use summary footnotes to save space. More detailed charts will be included in the program unit sections of the budget.
6. **ORBITS Agency-wide Summary – Budget Request** (include ORBITS report BPR001) -- This report will summarize expenditure and position data. It will show the base budget and packages.
7. **ORBITS Agency-wide Program Summary – Budget Request** (include ORBITS report BPR010) -- This report will summarize the budget by program unit and fund type. It will show Capital Improvement and Capital Construction (Major Construction/Acquisition) as program units.

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*SUSTAINABILITY*



**Sustainability Narrative** (use manual form 107BF02) -- This section presents sustainability policy issues and their relationship to agency business plans for the 2005-07 biennium and through calendar year 2007. *This section must be completed by those agencies specifically mentioned in Governor Kulongoski's Executive Order 03-03. Agencies not mentioned in the Order are encouraged to include this section in their budget document.*

The following headings and information must be in the narrative:

- 2003-05 Sustainability Plan -- This section must include the agency plan as approved by the Oregon Sustainability Board.
- 2003-05 Agency Sustainability Plan Progress Statement -- This section requires a succinct statement of the agency's progress in achieving the goal(s) outlined in its sustainability plan. This must include an item by item accounting of each listed agency action and a statement of progress made. Risks or barriers that hamper or prevent progress must be discussed here.
- 2005-07 Sustainability Plan -- Using the two-year and six-year plans, identify the goals, objectives and outcomes that will be used as a basis to develop the agency's 2005-07 Sustainability Plan. The agency's sustainability training efforts must be discussed in this section as well as a discussion of its integration strategy with other state agencies to accomplish planned objectives efficiently.

*REVENUES*



This section presents revenues at the agency-wide level.

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

- The source of funds. For Federal Funds, name the federal program and agency.
- Any required matching funds. Tell the percentage and type of match.
- Agency programs funded with the revenue.
- General limits on use of funds.
- Basis for 2005-07 biennium estimates. For fees or assessments, describe who pays, the number of payers, and rates.
- Proposed changes in revenue sources or fees.
- Proposals for new legislation.

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## THE BUDGET DOCUMENT

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For Lottery Funds received or requested in the 2001-03, 2003-05, or 2005-07 biennia, identify the amounts received, expended, and carried forward for each biennium. Present this information separately for each program for which Lottery Funds were received or are being requested.

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

- 2. Detail of Fee, License, or Assessment Revenue Proposed for Increase** (prepare manual form 107BF08) -- Describe the fees, licenses, and assessments to be established or increased in the 2005-07 budget. Include those established or increased administratively during the 2003-05 biennium. In the explanation section, describe and contrast any increases in volume versus any increases in rate.
- 3. Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS/107BF07) -- Itemize Lottery Funds, Other Funds, and Federal Funds for the agency as a whole by type of funds and source. Entries must match fund sources in the Revenue Forecast Narrative.
- 4. ORBITS Revenues and Disbursements Summary** (include ORBITS report BPR011) -- This report summarizes revenues and disbursements by fund for the agency as a whole. It includes beginning balance, General Fund revenues, Lottery Funds revenues, Other Funds revenues, Federal Funds revenues, revenue transfers, total expenditures, and ending balance.

*PROGRAM UNITS*



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

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

*Program Unit (Title)*

Organize each program unit under its tab as follows:

- 1. Program Unit Organization Charts** -- Include a copy of the current organization chart for each program unit. If the 2005-07 budget makes organizational changes, include a chart of the 2003-05 structure and one of the proposed 2005-07 structure.
  - Charts should summarize the program unit's structure in one page if possible.
  - Include the number of positions and FTE in each unit of the program unit.
  - Note any positions eliminated, added, or transferred during the 2003-05 biennium to date between program units from the 2003-05 Legislatively Adopted Budget.
  - Show proposed 2005-07 biennium changes by shaded or dashed boxes.
  - Use summary footnotes to save space.

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## THE BUDGET DOCUMENT

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

The base budget narrative must concisely describe:

- Purpose, customers, and source of funding (e.g., federal versus state).
- Expenditures by fund type, positions and full-time equivalents.
- Activities, programs, and issues in the program unit base budget.
- Important background for decision makers. Include trends in caseload and workload.
- Expected results from the 2005-07 budget for the program unit. Link these to agency performance measures and to pertinent Benchmarks.
- Revenue sources and proposed revenue changes. For Lottery Funds, Other Funds, and Federal Funds revenues, discuss:
  1. The source of funds. For Federal Funds, name the federal program and agency.
  2. Any required matching funds. Tell the percentage and type of match.
  3. Programs in the program unit funded with each revenue source.
  4. General limits on use of funds.
  5. Basis for 2005-07 estimates. For fees or assessments, describe who pays, the number of payers, and the rates.
  6. Proposed changes in revenue sources or fees.
- Proposed new laws that apply to the program unit.

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

3. **Packages** (ORBITS/107BF02 and 107BF09) -- Packages propose budget, policy, and program changes. Packages are of two kinds, essential or policy packages. The ORBITS/PICS User's Manual contains the package numbers to be used for the two classes of packages in the ORBITS system. Place the unit's essential packages first and then its policy packages. Rank policy packages in overall agency-wide priority order. Number one would be the highest priority to the agency, number two next, etc. Present them in that order.
- A package based on new or increased Federal Funds should be based on completed Congressional action with documentation that funds are authorized and appropriated. Exceptions may be made if funding is reasonably certain.
  - Highlight any actions that would:
    - Produce substantial matching revenues from other jurisdictions.
    - Generate new or increased revenues.

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## THE BUDGET DOCUMENT

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- Eliminate revenues received by the agency during the 2003-05 biennium.
- Note whether package revenues are available only for the purposes described or could be used to finance other programs.

Descriptions of a program unit's essential packages can be combined on one or two pages, but each policy package should be on its own page. Present each package as follows:

a. Package Narrative (ORBITS/107BF02) -- Include these headings and information:

- Purpose -- Describe the issue or problem and the policy decision or decisions, to be made. Tell how the proposed action advances the agency's mission, strategic plan, and any applicable Benchmarks.
- How Achieved -- Explain how the proposed action will address the problem. What alternatives were considered? Why is the proposed action preferred? Describe program impacts if the package is not approved. List the expected results. Explain how results will be measured. If the proposal requires new statutory changes, include them in the legislative concept process. Describe any impacts on other agencies or governments and how the proposal is being coordinated with them.
- Staffing Impact -- List positions and full-time equivalent required for the proposed action. For phased actions, show the 2005-07 impact and the full 24-month projected impact for 2007-09.
- Revenue Source -- Show the revenue sources that would fund the package and the amount assumed from each source. Highlight any new revenues expected, any revenue savings, or any change in fees assumed in the package.

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

b. Essential and Policy Package Fiscal Impact Summary (ORBITS/107BF09) -- Show fiscal details for each package by category and fund type. Include Personal Services, Services and Supplies, Capital Outlay, Special Payments, Positions, FTE, and all related costs of the package. Estimate the fiscal impact in the 2007-09 biennium for any phased actions or if the funding base will change.

c. Major Information Technology-related projects/initiatives are defined as meeting any of the following criteria:

- The system, application or infrastructure affected by the project/initiative is considered mission critical by the affected agency or DAS.
- The project/initiative scope includes changes or enhancements to systems, applications or infrastructure managed or maintained by more than one state agency or government entity.
- The estimated project/initiative (schedule) exceeds one year in duration, or
- The total composite project/initiative value/costs are estimated to be \$500,000 or greater (composite value/costs includes internal staff, contracts, capital costs, quality assurance costs, indirect and overhead costs).

New or expanded information technology-related projects/initiatives of less than \$500,000 must be included in policy packages but need not be accompanied by the additional information listed below.

Major Information Technology-related projects/initiatives included as policy packages must include the following information:

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## THE BUDGET DOCUMENT

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A high-level business case justification, a high-level budget and funding estimate, high-level risk assessment, and a high-level project plan outlining:

- Alignment with the agency's strategic and business plans, the Governor's priorities and initiatives, the Enterprise Information Resources Management (EIRM) Strategy, the Oregon Statewide Plan for Geographic Information Management and other related statewide plans, initiatives, goals and objectives (as appropriate).
  - How the proposed project/initiative meets state government-wide and agency business management and technology objectives.
  - What steps the agency has taken or plans to take to thoroughly analyze (and reengineer, if appropriate) agency business processes prior to the automation of those processes through investments in technology.
  - What business/program-related and technology-related benefits (e.g. quantifiable increased efficiency and effectiveness, improved productivity, reduced costs, improved citizen and business satisfaction with/perception of government, etc) are derived from the project and how will the project's success be measured.
  - What steps the agency has taken or plans to take to explore opportunities to partner with other agencies on the proposed project/initiative.
  - The estimated total cost of ownership of the proposed project/acquisition.
4. **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS/107BF07) -- Itemize Lottery Funds, Other Funds, and Federal Funds revenues for the program unit by type of funds and source. The total revenues described for all program units should equal the totals in the Revenue section of the agency budget.
5. **ORBITS Appropriated Fund Summary Program Unit Narrative** (include ORBITS report BPR007A) -  
- This report summarizes the program unit expenditures by classification and category.

*CAPITAL BUDGETING*



### ***Introduction***

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

### ***What are Capital Projects?***

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

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

### **Capital Improvements Defined**

A Capital Improvement project must meet the following criteria:

- Costs will be capitalized as required by the "Oregon Accounting Manual" of the DAS SCD as it applies to capitalization of fixed assets.
- The complete project cost will be less than \$500,000. This includes project costs expected to be put in future budget requests.
- Expenditures for improvement to land or existing buildings that increase the value, extend the useful life of the asset or make it adaptable to a different use. (See exception noted under Operating Expenditures to follow.)

Land acquisition for a project that has total, complete project costs of less than \$500,000 should be requested as a Capital Improvement Policy Package.

### **Major Construction or Acquisition Projects Defined**

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

- Costs will be capitalized as required by the "Oregon Accounting Manual" of the DAS SCD as it applies to capitalization of fixed assets.
- The complete project cost will be \$500,000 or more. Major projects normally follow a two-phase process. Phase one is planning and design, phase two is construction. This criterion applies to the combined total estimated costs of all phases of a project.
- It must build, acquire, adapt, replace, or change the use or function of an information technology-related system(s), a facility or group of related facilities or reconfigure office workspace. (See exception noted under Operating Expenditures.)

### **Capital Construction Project Limitation Expiration**

#### **Limitation Expiration Dates:**

Major Construction or Acquisition Project budget approvals have a life of six years from the effective date of the first approval of any element of the project. In other words, six years following the initial approval. If an agency's six-year spending limitation is expected to expire before the project will be completed the agency must request an extension of the authorization for the reasonable amount of time expected for project completion or as part of the agency's 2005-07 capital project budget request. Any recommended extension would be subject to legislative approval. Speak to your BAM analyst if you have any questions.

#### **Capital Construction Projects Initially Approved for One Dollar:**

Capital projects are sometimes initially approved in the amount of one dollar. The six-year spending limitation begins at the time of that approval.

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### **Monitor Project Appropriation and Limitation Amounts and Time Limits:**

These provisions require agencies to closely monitor not only appropriation and expenditure limitations of capital construction projects but also the expiration of the time limit approved for each project, six years unless otherwise stated. Approval by the legislature is required to extend upcoming expiring time limits on capital projects.

### **Operating Expenditures for Facilities are not Capital Projects.**

Generally, activities and projects that keep the facility operating without increasing asset value or operating life, such as maintenance, repairs, replacement, or adaptation, are not capital projects. Asset protection projects may include inflation, costs of current code and state policy compliance. Projects that reduce maintenance costs or increase efficiency are also not considered capital projects.

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

### ***Review of Major Construction or Acquisition Projects Prior to Budget Submission***

The 1997 Legislature established the central Capital Projects Advisory Board (CPAB) to review all major and large lease projects prior to any agency's submission to DAS BAM or introduction of a bill or Emergency Board request. The DAS Facilities Division is staff and coordinator for the Board. Between February and July 2004, the Board will review space need plans, project plans, facility inventory, and maintenance need plans from each agency that owns facilities or is initiating a new lease of 25,000 or more square feet. The information and the Board's comments are shared with DAS BAM and LFO for use in budget preparation and analysis.

Major construction or acquisition projects (\$500,000 and more) must be publicly reviewed by CPAB prior to the agency's budget submission to DAS BAM or introduction of a bill. The Oregon University System is exempt from these requirements. Contact Shirley Finanger, State Facilities Coordinator at (503) 378-2865 ext. 237 to request any information regarding this effort.

In addition, ORS 291.224(3) requires that the Capitol Planning Commission review capital construction requirements within Marion and Polk counties for conformance with adopted state and local land use plans and development guidelines. Because the 2003 Legislature suspended the Capitol Planning Commission for the 2003-05 biennium, the public review of these projects will be done through the Capitol Projects Advisory Committee. See Special Approvals on page 57 for additional instructions.

### ***Long-Term Construction Budget Requirements***

#### **• Four-Year Major Construction Budgets**

State agencies are now required to request four-year major construction budgets (ORS 276.229). Four-year major construction budgets begin with a request for planning funds, which lead to project construction requests. Request planning funds with your 2005-07 budget request for major projects scheduled for construction in 2007-09. Your four-year budget request will consist of project construction approvals for the 2005-07 biennium for planned projects, and planning funds for projects you expect to request for construction approval in the 2007-09 biennium. Projects included in these budgets may be accelerated or deferred with Emergency Board approval.

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This four-year requirement does not apply to an institution of higher education (defined in ORS 352.002), to the Oregon Health and Science University, nor to community colleges (defined in ORS 341.005).

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

ORS 291.224 requires the governor's recommended budget include estimated biennial construction requirements for not less than six years. This plan should reflect the agency's four-year budget request and show major construction or acquisition projects expected two years beyond that. Present your six-year plan in the form of a table (use manual form 107BF13). Show requested and potential major construction or acquisition projects and planning funds for the 2005-07, 2007-09, and 2009-11 biennia.

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

- **Capital Financing Six-Year Forecast**

The Sixty-ninth Legislative Assembly added a requirement that the governor's recommended budget compare the State Debt Policy Advisory Commission's report of net debt capacity to state agencies' capital financing six-year forecast, see ORS 291.216(11). This is in addition to the major construction/acquisition six-year plan.

Use the Capital Financing Six-Year Forecast Summary (manual form 107BF12) to show your agency's six-year forecast, by debt type and repayment source:

- Major construction or acquisition projects including highway and bridge repair projects that will be financed by debt issuance.
- Equipment purchases or information technology-related projects or systems that will cost \$500,000 or more and will be financed by debt issuance.
- Other state agency debt issuance for grant or loan purposes.

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

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

### ***Financing Agreement and Certificate of Participation (COPs) Financing***

Oregon law and the COP Program procedures provide a centralized structure to process requests by state agencies for financing projects by state agencies. The COP Program is managed as a central service function by DAS. It operates as part of BAM. Centralized control assures that financing agreements and COPs are only used for projects approved by the Legislature and the Executive Branch.

Any plan to use a financing agreement larger than \$100,000 to acquire, develop, repair, or improve property must be described in two budget requests. First, each project financing must appear in the agency's budget request. The agency budget request should include project approval, project spending authority, and expenditure limitation for repayments. Second, each agency request is incorporated into a statewide total financing request prepared by DAS. This is reviewed and approved by the legislature as part of the comprehensive "debt limit bill" each session.

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The COP financing request is a three-step process that begins every two years as part of the state budget preparation.

**Step one** starts with agencies completing a COP Financing Request form (manual form 107BF15). The agency should itemize each stand alone project it requests be financed in 2005-07. ***COP Financing request forms must be completed and returned to BAM on or before May 17, 2004.*** COP financing requests are evaluated in terms of the type of project and how essential it is to state operations. The requests are then considered within the context of the agency's total budget and source of repayment. This review determines which requests are included in the governor's recommended budget. Any questions should be directed to Greg Jeffrey at (503) 378-3107.

**Step two** is the legislative budget review process. The project and financing requests are presented as part of each agency's governor's recommended budget. Either the project or the financing request can be denied at this stage of the review.

**Step three** provides the legislature a second look at the COP financing authority requests as part of the statewide debt limit bill required by ORS 286.525. This review is usually scheduled late in the session to give legislators the "big picture" view of the individual COP financings approved during the Ways and Means review process for individual agencies.

• **Financing agreements to restore or acquire real property must meet the following:**

- The project will acquire, construct or restore the safe, economic operation of the property.
- The property will be essential to state services.
- The improved or acquired property will have a useful operating life at least 130 percent of its financing term. For instance, a property with a life of 20 years must be financed over 15.33 or fewer years.
- The property is free and clear of all liens and financial security claims.
- The project will substantially improve the property.
- The financing has specific, stable sources of repayment.

• **Financing agreements to finance equipment acquisition or system development projects must meet the following:**

- The equipment or system will contribute substantially to a more effective or cost-saving method of delivering state services.
- The equipment or system will be essential to priority state services.
- The equipment or system will have a useful operating life at least 125 percent of its financing term.
- The project components are free and clear of all liens and financial security claims.
- The financing has specific, stable sources of repayment.

***Accounting and Budgeting Requirements:***

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

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### ***Project Budget – Base or Policy Package?***

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

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

### ***Debt Service – Limited or Nonlimited?***

2005-07 Debt Service requirements for Finance Agreements can be requested in agency budgets as limited or nonlimited, depending on the funding source. Repayment from General Fund appropriations and Lottery Funds must be budgeted as Limited Debt Service. Repayment from Other Funds or Federal Funds revenues may be budgeted as Nonlimited Debt Service; your BAM Analyst should confirm this. If repayment is from multiple fund types and General Fund or Lottery Funds are involved, the entire repayment expenditure limitation must be requested as limited debt service.

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

### ***Debt Service Revenue and Expenditure Accounts***

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

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

### ***Financing Agreements Other Than COPs***

Agencies involved in leases or Financing Agreements other than COPs should be familiar with the guidelines provided in the OAM. Treatment for Capital Leases and the elements to be capitalized versus those to be

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expensed are explained in detail. Capitalized elements and related debt service presentation are also clearly discussed. Agencies having Capital Leases will be required to budget debt service accordingly.

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

### *Questions?*

For questions concerning Financing Agreements, Certificates of Participation, and Manual Form 107BF15, contact Greg Jeffrey, DAS Finance Manager at (503) 378-3107.

For questions concerning how to request Capital Projects, work with your BAM analyst. For questions on how to record within the budget system Capital Projects, Financing Agreements, and debt service refer to the ORBITS/PICS Users Manual.

### *Forms to be completed*

- **Financing Agreements and COPs:**
  - **COP Financing Activity 2005-07 Biennium** (Manual Form 107BF15) *If your agency is requesting COP financing, these forms must be completed and returned to Greg Jeffrey, on or before May 17, 2004.*
  - **Real Property Acquisition or Restoration Financing**
  - **Equipment Acquisition Financing**
- **Capital Improvements:**
  - **Capital Improvement Narrative** (ORBITS/107BF10) -- See form for instructions.
  - **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS/107BF07) -- List each source and amount of Lottery Funds, Other Funds, or Federal Funds.
  - **ORBITS Appropriated Fund Summary** (include ORBITS report BPR007A) -- This report summarizes the program unit expenditures by classification and category.
- **Major Construction/Acquisitions:**
  - **Major Construction/Acquisition Narrative** (ORBITS/107BF11) -- A general description of the agency's business plan or facilities master plan that is the basis for the request. Describe the basic assumptions that support the request. These might include demographic changes, trends, economic factors, federal mandates, etc.
  - **Major Construction/Acquisition Six-Year Plan** (manual form 107BF13) -- Show each requested project by biennium. Put them in numbered priority (No. 1 being highest). Include the estimated cost to complete. List all costs by fund source (General, Lottery, Other, Federal) and show totals. For projects in future biennia, list a planning cost estimate in the appropriate biennium. Include a discussion of operating and maintenance costs. A cost breakdown by program or institution is acceptable.
  - **Capital Financing Six-Year Forecast Summary** (manual form 107BF12) -- There is a separate summary form for each biennium of the forecast. Show the total principal amount of COPs or bonds to be issued for major construction/acquisition projects, equipment/information technology-related projects or systems costing over \$500,000, and loan and grant programs. Show your issuance plans

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

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

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

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

*SPECIAL REPORTS*



### *What Else Should Be Included in Your Budget Request?*

- **Information Technology-related Projects/Initiatives in the 2005-07 Base Budget**

The report format is in the Budget Forms section of these instructions (107BF14).

- **Facility Proposal Impact on Work Space Requirements**

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

- **Audits Response Report**

In the budget request, include a written summary of responses to any financial or performance audits by the Secretary of State or the Joint Legislative Audit Committee finished in the 2001-03 or 2003-05 biennia to date. Report any major findings or recommendations, and the agency response to the audit. Outline options for addressing the issues raised. Discuss management actions the agency has taken, and any related policy packages in the agency request budget. Update this report for the governor's recommended budget document.

- **Affirmative Action Report**

Each agency must keep affirmative action records (ORS 659A.012 – 659A.015). Agencies must budget resources to support agency affirmative action goals. The state's Affirmative Action Director will use agency reports to prepare a statewide report for the legislature.

The Affirmative Action office will provide an update on each agency's progress toward goals for the 2003-05 biennium and projected goals for the 2005-07 biennium. Each agency's affirmative action report must contain proposed affirmative action programs and outcomes in two-year and six-year plans. The report should include a brief discussion of progress over the past two years in reaching the parity percentage calculated by the Affirmative Action office. (For details, see "Current vs. Baseline Analysis Affirmative Action Report from DAS Personnel Services," report QAAPRGRS-G.) Agencies that did not meet those

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## THE BUDGET DOCUMENT

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percentages need to explain the circumstances and the agency's plans to meet them in future. Call Peggy Ross, Affirmative Action Director, Office of the Governor, at (503) 373-1224 with any questions.

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## SPECIAL APPROVALS

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

**Capital Financing** -- If your agency plans to issue bonds for loans or grants, or purchase equipment or technology with bonds or COPs during the 2005-07, 2007-09, or 2009-11 biennia, please review the Capital Budgeting Section for requirements.

**Lease Financing and Certificates of Participation** -- The DAS Director enters into financing agreements on behalf of any state agency (ORS 283.085 - 283.092). The DAS Capital Investment Section oversees the use of all financing agreements by agencies, including COPs. Appendix A includes the COP Financing Agreement Requests form for the 2005-07 biennium. Call Greg Jeffrey at (503) 378-3107 for more information.

**Major Construction and Acquisition Projects in Marion and Polk Counties** – In addition to the normal material submitted to the Capitol Projects Advisory Committee, submit a supplemental listing of proposed Capital Improvement and Major Construction/ Acquisition requests that are located in Marion and Polk Counties within the boundaries defined by ORS 276.028. Contact Shirley Finanger, State-wide Facilities Coordinator at (503) 378-2865 Ext. 237 to request information about this submittal.

**Purchase of Printing, Copying and Mailing Equipment** -- ORS 282.050 authorizes DAS to control and regulate the performance and production of state agency duplicating work and the purchase and use of related equipment. Requests for approval of agency purchase and use of all state printing, copying and mailing equipment must be submitted to the DAS Publishing and Distribution program by June 28, 2004. Additional information regarding equipment subject to evaluation under this statute and approval guidance is available by contacting the DAS Publishing and Distribution Copier analyst at (503) 378-3397 ext. 226.

**Acquisition and Modification of Fiscal Systems** -- Submit written requests for review to the DAS State Controllers Division (SCD) by June 28, 2004. The division must review all new and proposed major modifications to existing fiscal systems. The State Controller defines fiscal systems as:

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

Call SCD as early as possible to consult on proposed systems or modifications. Call SCD-Statewide Financial Management Services (SFMS), Joy Sebastian at (503) 373-1044 ext. 228 for system changes in accounting or purchasing. Call SCD Central Payroll Services, Sharon McKeehan at (503) 378-3156 ext. 230 for changes to payroll. Call Jean Gabriel for SFMA and OSPA financial data marts at (503) 373-7277 ext. 253. Call SCD Statewide Revenue Services, Jon DuFrene at (503) 378-3156 ext. 254 for e-commerce system questions.

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## SPECIAL APPROVALS

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**Compensation Plan Adjustments** -- Submit proposed compensation plan changes to the DAS Human Resource Services Division (HRSD) by April 16, 2004. These are handled separately from the agency budget request. Approved changes will be included in a DAS compensation plan proposal. Do not add funding for these adjustments in the agency budget request. Call Cleve Brooks at (503) 378-6620 for questions on compensation plan changes (represented, management service, unrepresented).

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

A single position description will be sufficient for multiple positions with the same classification and duties (e.g., only one position description is necessary for all corrections officer positions with identical responsibilities requested by the Department of Corrections). Agencies without expertise to allocate positions to classes should call HRSD for help as early in the process as possible. Call Diana Peccia at (503) 373-7678 with questions.

**Space Planning** -- To determine work space square footage requirements, use the State Office Standards (DAS Policy 125-6-100, dated March 1, 1998) published by the Facilities Division. For changes to work space owned by or leased through the Facilities Division, or other space planning services, notify the DAS Planning and Construction Management Section at (503) 378-2865 ext. 245 or ext. 246.

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

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## LEGISLATIVE CONCEPT PROCEDURES

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For a successful 2005 Legislative Session, legislative concepts and budgets should be developed together, both of which must be measured against the Governor's policy priorities and the Oregon Benchmarks. The budget and legislative concept processes should be used to examine priorities, look for solutions and outcomes rather than programs and activities, and look for partnerships that can achieve outcomes more effectively and economically than going it alone.

To help with this process, DAS and the Governor's Office will review and approve all legislative concepts. During these reviews, agencies may be asked to provide more information or documentation. Complete submittals will help the process. Contact Cindy Becker at 503-378-2627, if you have questions.

**The last day to submit legislative concepts to DAS is April 15, 2004.** It helps to submit concepts and supporting information as they are prepared rather than to wait for the final date.

Placeholders will be accepted only when it can be shown that the concept is essential and that timely completion was beyond the control of the agency and its governing body. For example, placeholders may be necessary to provide for proposed initiatives that may be approved by voters at an upcoming election, to provide for anticipated changes in federal laws, or in anticipation of the results of a legislatively mandated task force. Placeholders must be completed by July 1, 2004, unless the agency receives specific approval from DAS to continue beyond that date. All information submitted for placeholders must be within the scope of the placeholder as originally described.

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

### ***Legislative Concept Policy Guidelines***

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

A concept should achieve some of these goals:

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

No concept should be proposed if it:

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

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## LEGISLATIVE CONCEPT PROCEDURES

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

Note: All legislative concepts that propose new or expanded regulation should ensure they are consistent with the regulatory streamlining objectives of Executive Order 03-01. A set of questions that can help assess a proposal are available at the Office of Regulatory Streamlining's website at <http://www.streamline.oregon.gov/pdf/questions.pdf>.

The estimated fiscal impact of a legislative concept must be identified at the time the concept is proposed. If the concept is approved for legislative filing, the amount of the fiscal impact must be included in the agency request budget.

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

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

Overall, the concept process has changed little from last session. Please remember that passage of House Bill 3174 (1999) eliminated state agencies' authority to pre-session file bills. As a result, the Governor will file all approved agency bills. The name of the requesting state agency will also appear on the face of the bill. Some bills related to budget will be filed by DAS. As in the 2003 regular session, Legislative Counsel will charge \$80/hour for drafting services. For more information on Legislative Counsel fees, refer to Cindy Becker's February 2, 2004 explanatory memo.

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## LEGISLATIVE CONCEPT PROCEDURES

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### *Legislative Concept Form Instructions*

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

**All legislative concepts must be reviewed with the agency's Policy Advisor in the Governor's Office prior to submission. Agencies need to supply their Policy Advisor with a written summary of proposed concepts and get their approval before submitting the concepts to DAS.**

### *The Concept Form*

Use the Legislative Concept Form (prepare manual form 107BF19) to submit concepts to DAS. Include all the detailed information necessary to draft a bill including draft statutory language. Draft language can be a photocopy of the statute with hand-written changes. If a hand-written version is not clear, type a document with brackets and underlines. The draft need not be in perfect format, but it helps to check the Legislative Measures Form and Style Manual. It is on-line at <http://www.lc.state.or.us>. You can also copy and paste current statutes from the legislative site. Use care to copy the correct ORS version.

Copy and type directly on the forms provided in this section, or use the interactive form available online at [http://www.bam.das.state.or.us/pub/bud\\_pol\\_pubs/05-07\\_budget\\_instructions.htm](http://www.bam.das.state.or.us/pub/bud_pol_pubs/05-07_budget_instructions.htm)

### *Notes on Concept Contents*

**Be sure to read the instructions on the back of the form. They are not repeated here.**

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

Fees and Assessments: If a concept would increase a fee or assessment, you must attach the Form #333 to comply with ORS 291.050 to 291.060, the statutes controlling those kinds of charges (prepare manual form 107BF21). Attach details and assumptions. Explain whether the agency can make the change by rule or only through legislation.

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

### *The Concept Process*

DAS will send approved concepts to Legislative Counsel for bill drafting and will notify agencies as concepts are approved or denied. Counsel will send its draft to you. **After receiving Legislative Counsel's first draft, you may send it back to Counsel for changes only ONCE.** This request for a revision must be made by November 1, 2004 or 10 days after receipt of the draft, whichever is later. This is to allow time for Counsel to finish drafting all the bills by the filing deadlines. Work with Legislative Counsel to reach a final draft. Send six copies of the final to DAS for review and approval by the Governor's Office. Upon final approval, DAS will coordinate pre-session filing of agency bills by the Governor. DAS will file major budget-related concepts.

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## LEGISLATIVE CONCEPT PROCEDURES

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

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## LEGISLATIVE CONCEPT PROCEDURES

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### *Legislative Concept Development Schedule*

Prior to April 15, 2004

- Develop concept in conjunction with state and local agencies and others that could be affected by the statute or program change.
- Submit concept, draft language, and Fiscal Impact Estimate to DAS.

**April 15, 2004**

**LAST DATE TO SUBMIT CONCEPTS TO DAS.**

April 15, 2004 to  
May 31, 2004

- DAS Legislative Coordinator and BAM analyst(s) review concepts for policy and fiscal issues and contact agency if needed.
- DAS sends concept to the Governor's Office with recommendation to approve or deny.
- DAS notifies agency of final action.
- DAS sends approved concepts to Legislative Counsel for drafting.

**June 1, 2004**

**LAST DATE for DAS to submit Approved Concepts to Legislative Counsel for drafting.**

**July 15, 2004**

**LAST DATE FOR AGENCIES TO SUBMIT ADDITIONAL SUBSTANTIVE OR ADMINISTRATIVE DETAIL TO LEGISLATIVE COUNSEL.**

July 15, 2004 to  
December 2, 2004

Agencies continue to work with Legislative Counsel to finish bill drafting. Legislative Counsel will allow **only one revision** after its first draft.

November 1, 2004 **OR**  
10 business days after agency  
receives first bill draft,  
whichever is later

**REQUEST FOR BILL DRAFT REVISION DUE FROM AGENCY TO LEGISLATIVE COUNSEL. ONE REVISION OPPORTUNITY.**

December 1, 2004

- Legislative Counsel stops *all* agency drafting.
- Draft legislation and updated fiscal impact estimates due from agencies to DAS for final review and approval by DAS and the Governor's Office.
- Governor pre-session files approved bills.

**December 15, 2004**

**LAST DATE FOR GOVERNOR TO PRE-SESSION FILE BILLS FOR THE 2005 LEGISLATIVE SESSION.**

**January 10, 2005**

**2005 Legislative Session Begins.**