

Oregon Parks and Recreation Commission

January 25, 2012

Agenda Item: 6a

Information

Topic: 2011-13 Budget Update

Presented by: Lisa VanLaanen

The December 2011 Lottery forecast was released November 11, 2011. It reflects a decrease in Lottery Fund revenue for the Department of \$1,688,434. Since the close of session, the Lottery Fund revenue forecast has decreased by \$2,181,693. The Department's budget was built on a Lottery Fund revenue forecast of \$84.6 million and the December 2011 forecast is \$82.4 million. The table below reflects the change in the Lottery revenue forecast for both the 2011-13 and 2013-15 bienniums.

Lottery Forecast History: OPRD's Share of PNRF

	2011-13		2013-15	
	Forecast	Change from Prior Forecast	Forecast	Change from Prior Forecast
May 2011 Forecast	\$84,622,166		\$91,884,160	
September 2011 Forecast	\$84,128,907	(\$493,259)	\$91,200,500	(\$683,660)
December 2011 Forecast	\$82,440,473	(\$1,688,434)	\$89,257,654	(\$1,942,846)
Total Cumulative Change		(\$2,181,693)		(\$2,626,507)

The Department received direction from the Legislative Fiscal Office (LFO), to bring the following items to the January 2012 meeting of the Joint Interim Committee on Ways and Means:

1. Request for permission to apply for a federal grant (Heritage Commission)
2. Request additional limitation for the Natural Heritage Program (\$861,950 federal funds)
3. Request additional limitation for the Acquisition Program (\$2,190,000 federal funds)

LFO also directed the Department to bring the annual Fee Waiver report to the February 2012 Legislative session. At this time, no direction has been given regarding the restoration of the 3.5% hold back taken during session.

On December 13, 2011, Governor Kitzhaber announced a statewide hiring freeze that will last at least through the February 2012 Legislative Session. Based on this directive, the Department is to suspend all recruitments and make no offers of employment. In addition, agencies are being asked to curtail all non-critical spending; further guidance on this subject will be forth coming.

Prior Action by Commission: None

Action Requested: None

Prepared by: Tanya Crane

Oregon Parks and Recreation Commission

January 25, 2012

Agenda Item: 6b

Information

Topic: 2013-15 Budget Planning

Presented by: Lisa VanLaanen

The Department is at the earliest stage of planning for the 2013-15 biennium budget. Below are broad categories where analysis, projections, assumptions and decisions must be made during the budget building process.

- A. Revenues
 - a. Lottery Fund
 - b. Other Fund
 - c. Federal Fund
- B. Expenditures
 - a. Personal Services
 - b. Inflation Increases (allowed inflation, actual cost increases)
- C. Ending Balance
 - a. Appropriate Reserves (Cash Flow, Salary/Benefits)
 - b. UnObligated Balances
- D. Specific Programs
 - a. Local Government Grant Program
 - b. Acquisition Program
 - c. Facilities Investment Program (Enhancement, Maintenance)
- E. Process Details
 - a. Beginning Balance
 - b. Current Service Level Budget
 - c. Balance Revenue with Expenditures
 - d. Policy Packages
 - e. Program Funding Teams (1st Round)
 - f. Agency Request Budget
 - g. Program Funding Teams (2nd Round)
 - h. Governor's Budget
 - i. Reduction Option

The attached narrative provides an overview of budget planning for the 2013-2015 biennium.

Prior Action by Commission: None

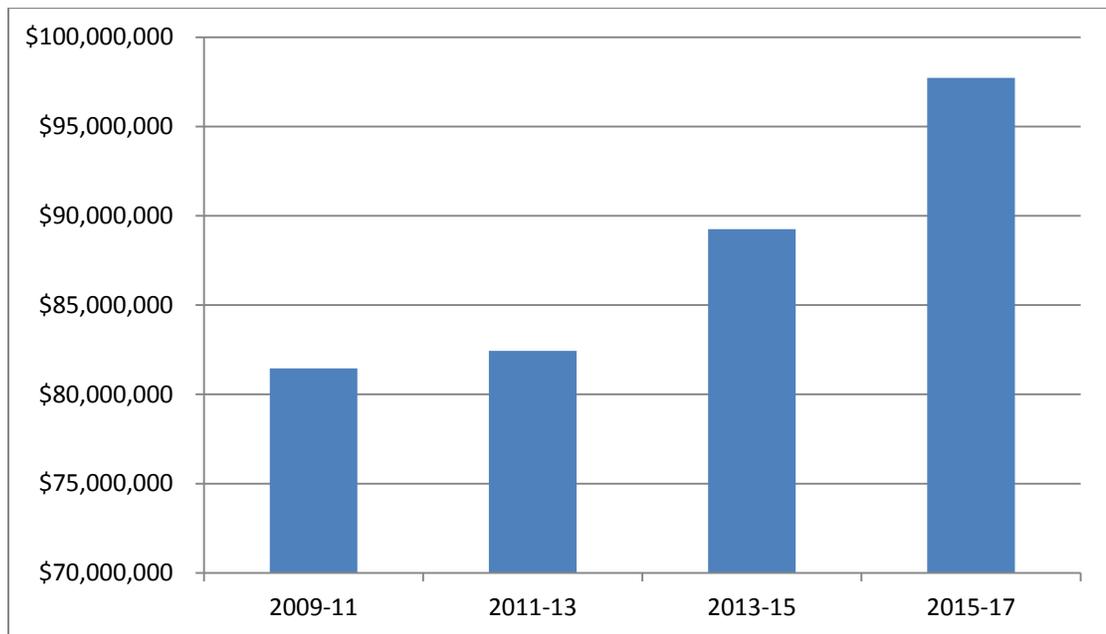
Action Requested: None

Prepared by: Tanya Crane

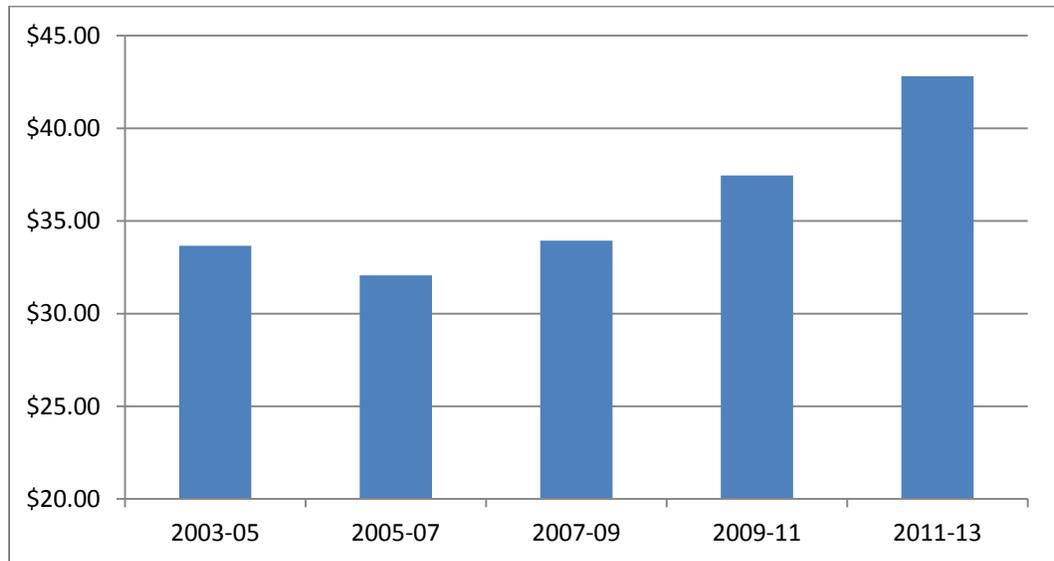
**Oregon Parks and Recreation Commission
Narrative for 2013-15 Budget Building
January 25, 2012**

The information below is intended to provide background information about the budget building process for the 2013-15 biennium, to discuss the factors impacting decision making and seek guidance in some areas of necessary decision making.

- A. **Revenues:** Below is a discussion of possible impacts to the sources of the Department's operating revenue.
- a. **Lottery Fund:** The Office of Economic Analysis, part of the Department of Administrative Services provides the official forecast each quarter. The 2013-15 forecast is currently higher than the 2011-13 revenue forecast but it is trending down. It is expected that current economic conditions will continue to impact lottery revenues. The December 2011 forecast for 2013-15 is \$89.2M which is \$6.8M higher than the 2011-13 forecast of \$82.4M; however, the 2013-15 forecast has dropped \$2.6M since the close of the legislative session. The current biennium's budget amount for Lottery Revenue is \$84.6M.



- b. Other Fund: Major Other Funds categories in the Department’s budget are Park User Fees and RV Fees. The Department forecasts both of these fund sources.
- *Park User Fees (Camping, Day Use)*: In the 2011-13 biennium, the rate increase from 2009-11 is fully implemented for the entire biennium. Major impacts on this revenue source are the economy, swings in gas prices and the weather. The chart below, with amounts in millions, shows the history of Park User Fees over several biennia. The budgeted amount for the current biennium is \$42.8M (\$33.9M overnight, \$5.4M day use and \$3.5M reservation fees.)

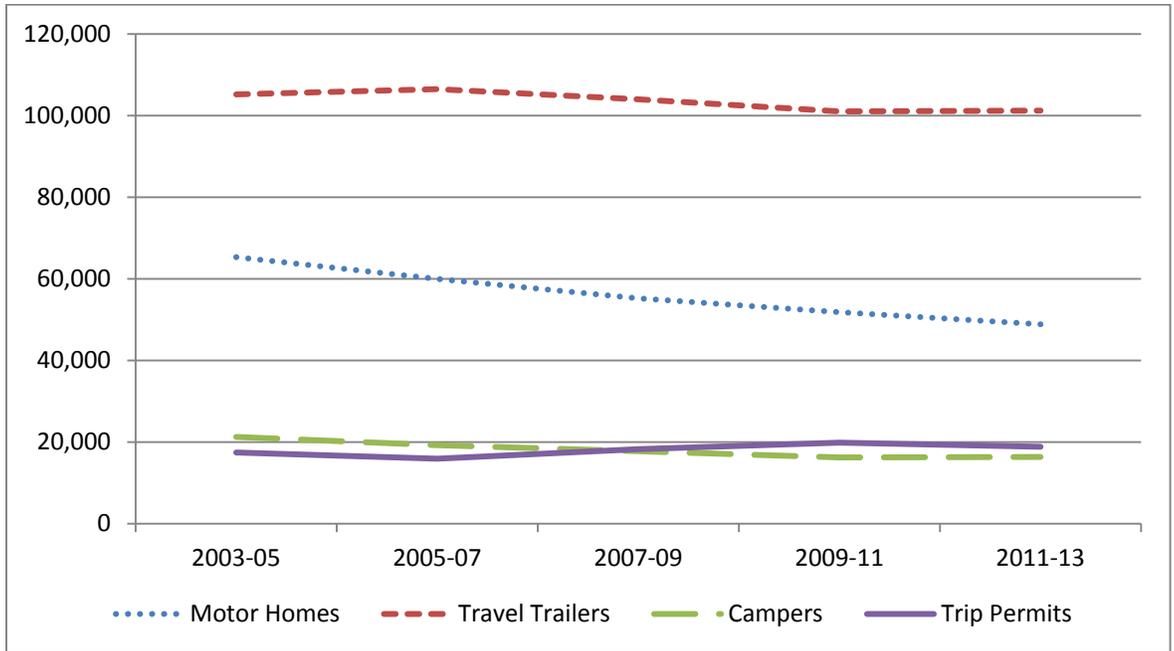


Discussion Point: Should the Department seek a fee increase?

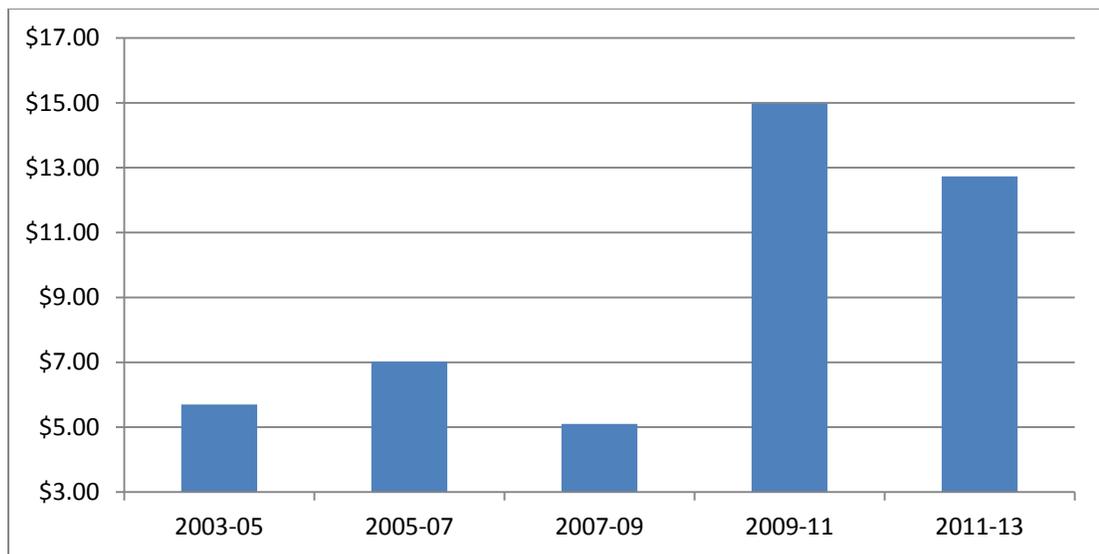
When the Department received permission for the last fee increase, in 2009-11, the legislative direction was to return each biennium with small increases rather than wait many years and then ask for a large increase. However, when this direction was followed and an increase was requested for 2011-13, the Legislature did not approve the request.

A possible method of increasing day use revenue could result from expanding the number of parks on the day use parking fee program and increasing the use of automated collection methods.

- *RV Fees:* This source of funding has been somewhat volatile over the last several years. Registration of motorhomes and campers are down, travel trailers and trip permits are up. Major impacts on this revenue source are the economy, swings in gas prices and the weather. The chart below, in thousands, shows the numbers and kinds of registrations over time. OPRD receives different amounts of revenue for different kinds of registrations. Budgeted RV fees are \$21.465M for the current biennium.



- c. **Federal Funds:** The Department receives federal funds from a variety of federal sources. The federal budget is created for each federal fiscal year (October 1 – September 30). Normal practice for the projection of federal revenue in OPRD’s budget is to take the most current year’s official award and double it. If the Department knows of a change in federal funding levels, adjustments are made. In the current environment at the federal level, there is greater uncertainty than ever before about the funding levels for federal programs and even the continuation of federal programs. The chart below, in millions, shows total federal funds received by OPRD over the last several biennia.



Below are some of the agency’s various sources:

- *Land and Water Conservation Fund:* For federal fiscal year 2012, this program received a slight increase. However, in the process of arriving at a federal budget, this program had a range of recommendations from elimination to flat funding. It is anticipated that this program will continue to be subject to possible reduced funding. These funds are given out as grants to OPRD and other governmental entities. 2011-13 Budget = \$2.4M.
- *Recreation Trails:* At this time, federal funding is holding steady. These funds are given out as grants to other governmental entities. 2011-13 Budget = \$3.4M.
- *Natural Heritage:* Federal funding for this program is shrinking; traditional grants may continue at current levels but it appears the funding for non-traditional grants are susceptible to being significantly reduced or eliminated from future federal budgets. These funds are given out as grants to other governments and non-government entities. 2011-13 Budget = \$0.113M.

- *Heritage Preservations Funds*: At this time, federal funding for Historic Preservation is holding steady with the possibility of a slight increase. These funds are spent by the State Historic Preservation Office. 2011-13 Budget = \$2.4M.
- *Grant funds to apply for*: In the past and up to the present, there have been many opportunities for the Department to apply for grants from various sources. It is anticipated these opportunities will shrink as the federal government works to balance the national budget.

Acquisition grants – OPRD has applied for, and sometimes received, CELCP grants through NOAA and other grants through US Fish and Wildlife Service. Currently, federal agencies are still putting out requests for grant applications and proceeding through making awards. However, awards are often contingent on funding becoming available; increasingly less or no funding becomes available to actually fund awards.

Project and trail grants – OPRD has actively sought grants from federal transportation discretionary funding programs, such as National Scenic Byway and Transportation Enhancement grant programs. In this area, appropriations are projected to shrink as the federal government looks toward streamlining its programs. This streamlining could ultimately result in the consolidation of some programs. At both the federal and state level, these federal funds are being directed toward multidimensional transportation projects with a focus on livability and increased mobility by creating connections to work, the marketplace and recreation. Projects seek to integrate highway, bikeway and transit activities to achieve the greatest strategic improvements for the transportation system.

B. **Expenditures:** Below is a discussion of basic changes in the Department's expenditure limitation.

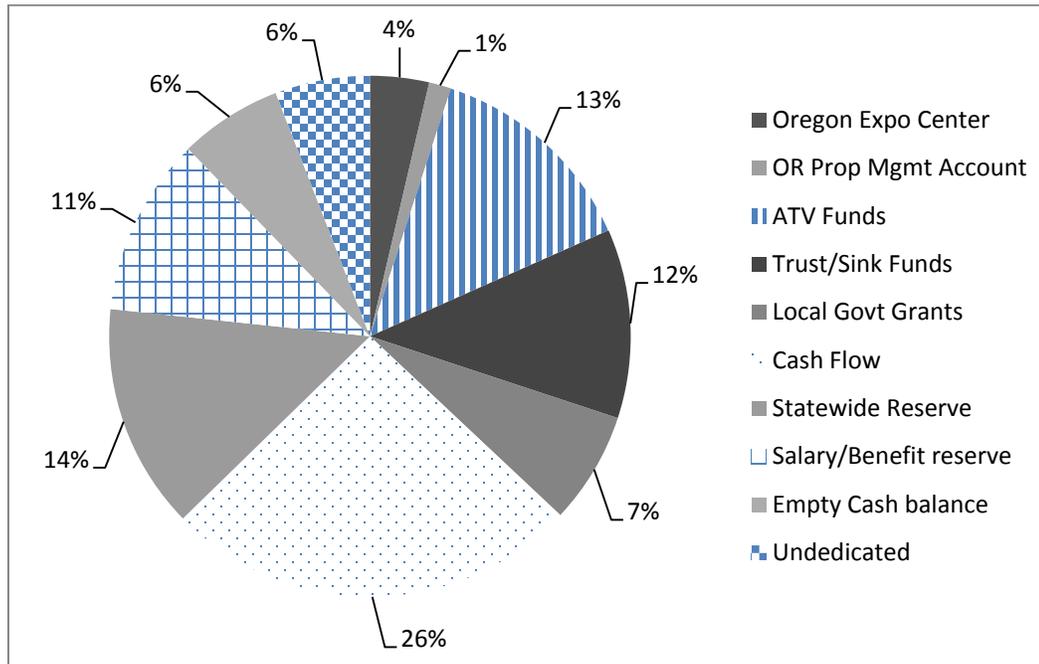
- a. Personal Services: Traditionally costs for staff have increased based on assumed step increases, increased costs for PERS and Pension Obligation Bonds, and increased health insurance costs. Additionally, in a statewide account, an amount of money was set aside for COLAs.

In the last round of negotiations, the Governor set a percentage increase (6%) in total compensation and all of the increases needed to fall within that percentage. Any increases granted are assumed to have a rollup cost in the next biennium. It is probable that the Governor will use a similar method in negotiations for the 2013-15 biennium contracts.

Continued changes in employee compensation will have an impact on staff – from morale to retention rates. Employees are concerned about when or if they will receive step or COLA increases (things that were previously standard occurrences), impacts of changes in health insurance coverage (employees share of premiums, changes in coverage) and possible changes in PERS.

- b. Inflation Increases (allowed inflation, actual cost increases): In the Agency Request Budget building process, a standard inflation rate is granted based on the Price List published by DAS. In the past 3 bienniums it has been: 2.4% for 2011-13, 2.8% for 2009-11 and 3.1% for 2007-09. The standard rate for inflation can be reduced or eliminated in future parts of the budget building process. For 2011-13 all inflation was removed during the Governor's Balanced Budget process. However, costs to operate the park system continue to go up regardless of the amount of inflation allowed. For example, utilities continue to go up even when inflationary increases are not granted or are not as large as utilities increases. Park Management is forced to make other adjustments (i.e. reductions) in budgets to stay within allocated resources.

C. **Ending Balance:** The Department will have cash in the bank at the end of each biennium. This is called “Ending Balance”. Various Department accounts have different required levels of ending cash balances. Below is a chart that shows the 2011-13 projected ending balances. The total projected ending balance for 2011-13 is \$46.688M total funds.



a. Appropriate Reserves: Below are the various cash balances the Department specifically monitors and maintains.

Cash flow: The current reserve for cash flow, as created and required by LFO, is \$12 million - \$6 million in Lottery and \$6 million in Other Funds. This balance should cover 2-3 months routine operating costs and assist with the seasonality of expenditures and cash receipts. If revenues were declining, the Department would adjust expenditures accordingly to maintain appropriate balances.

Discussion Point: What is the appropriate cash flow reserve?

The Department has a seasonal flow to revenue collections and expenditures with highs and lows that may not line up with highs and lows at the same time. The cash flow reserve should cover when expenditures are high and revenue is low. Reducing the cash flow reserve could provide funding for other needs such as facilities maintenance.

Reserve for Salary and Benefit increases: Historically the Department has reserved 6% of personal services costs not including temporaries, overtime, differentials and unemployment. If the calculation in base budget regarding the rolling forward of personal services changes, this percentage may need to be evaluated.

Dedicated Accounts: The Department has a number of funds that are restricted in their use to a specific program or activity. These accounts carry dedicated cash balances.

- Local Government Grant Program – There are two kinds of funds in this account. There are grants that have been obligated to a grantee but not yet paid out. Beginning with the 2011-13 biennium, any of the 12% Lottery dedicated to this program that is unspent will also be in the balance.
- OR State Fair and Expo Center – Cash earned by the Annual State Fair or Expo events is placed into this account; expenditures to operate the program are also charged to this account. The cash balance should be a minimum of 2-3 months operating cost. The dilemma in the account is, should the “operating cost” include the annual fair or just non fair time operating costs.
- OR Property Mgmt Account – The Oregon Property Management Account belongs to Heritage Programs. These funds come primarily from Special Assessment Program fees; the account also contains various donations for historic preservation. The funds are to be spent for the benefit of historic properties – examples include public education, grants, architecture studies and data work.
- ATV Fund – These funds come from ATV permit sales and the unrefunded fuel tax transfer from ODOT. Because the fuel tax transfer only happens once per fiscal year, it is prudent to have at least the equivalent of 1 years transfer as a balance for cash flow purposes. Additional, funds here can be grants obligated but not yet paid to a grantee. Any cash balance beyond the requirements of the program has often been a target of legislative sweeps to the general fund or transfers to support other agencies.

Discussion Point: Should the Department consider requesting additional spending limitation?

- Trust/Dedicated Accounts – This account contains trust funds given to the Department for specific purposes; the trust indicates how the funds may be spent. In addition, the account has funds that have been internally dedicated to specific purposes like Preventive Maintenance. Preventive Maintenance funds are a percentage of Park User Fees – currently 3%. This also includes park business accounts; this is revenue generated by the sale of items like ice and firewood in the park. The revenue is used to replenish supplies and for park enhancements.
- b. Unobligated Balances: This would be any cash balance projected to be remaining after all prudent and required ending balances are covered. If these balances exist, the Department would have the option of asking for legislative permission to spend the funds on appropriate projects and programs.

D. **Specific Programs:** The programs listed below are routinely discussed with the Legislature and other interested parties.

a. Park Development: The Park Development budget category includes property acquisitions and facilities investments.

1. *Acquisition Program:* These funds are used by the Department to purchase property based on the Commission approved investment strategy. The Lottery Funded budget for this program in 2011-13 is \$3.623 million. With an assumed inflation rate of 2.4%, the Lottery Funded budget would be \$3.710 million for the 2013-15 biennium. If the 3.5% holdback in the 2011-13 biennium budget is restored, then the budget would be \$3.878 million and with inflation \$3.971 million. A detailed proposal for expenditures in this program is found in Attachment 1.

2. *Facilities Investment Program:* (Enhancement, Maintenance): These funds are used by the Department for:

Enhancement Projects: acquire and develop new assets. Projects include new park development, efficiency and sustainability projects and other enhancements.

Maintenance: demolish and reconstruct, or significantly alter an existing asset to return it to its designed level of service. Projects include major repairs, replacements, ADA upgrades, historic restoration and emergency repairs.

The Lottery Funded budget for Enhancement and Maintenance in 2011-13 is \$12.06 million including a contingency fund. With an assumed inflation rate of 2.4%, the Lottery Funded budget would be \$12.352 million for the 2013-15 biennium. If the 3.5% holdback in the 2011-13 biennium budget is restored, then the budget would be \$12.928 million and with inflation \$13.239 million. A proposal for expenditure of funds in this category is in Attachment 1.

Discussion Point: How should the Department allocate funds between Acquisition, Enhancement and Maintenance? Does the split between programs need to change?

b. Local Government Grant Program: This program funding is required to be at least 12% of the forecasted Lottery Funds transferred to the Department. Based on the current Lottery forecast, the program will have allocate at least \$10,710,918 to grants to local communities. This is an increase of \$818,062 from the 2011-13 biennium.

- E. **Process Details:** Below is a summary of the steps for budget building as a reminder of the steps and time lines.
- a. **Beginning Balance:** The beginning balance is the cash balance the Department expects to carry into the new biennium; it is a projection. Once the 2009-11 biennium is officially closed, the actual Beginning Balances for 2011-13 will be available. These balances plus projected revenues for the 2011-13 biennium less projected expenditures for the 2011-13 biennium creates the projected ending balance for the 2011-13 biennium which then becomes the projected beginning balance for the 2013-15 biennium. *Timeframe = January 2012*
 - b. **Current Service Level Budget:** The 2011-13 biennial budget becomes the base budget for 2013-15; any actions taken during the February 2012 legislative session will be included in base budget. Based on instructions from DAS, personal services will be calculated and moved forward to the new biennium, one time expenditure limitation will be phased out and allowable standard inflation will be calculated. All of these adjustments will result in the current service level budget (CSL). *Timeframe = March – May 2012*
 - c. **Balance Revenue with Expenditures:** After the CSL is calculated, expenditure limitation plus required ending balances is compared to the projected revenues by fund type. If projected expenditures plus required ending balances are higher than projected revenues, a reduction package is required to bring expenditures with revenues. This is looked at by fund sources – Other, Lottery, Federal funds. *Timeframe = May 2012*
 - d. **Policy Packages:** The Department determines what changes it would like to make to revenues and expenditures. This could include a fee increase package, expand or eliminate a program, restore revenue reductions with a different color of money; change the fund mix of some or all costs. *Timeframe = January – June 2012*
 - e. **Commission Approval:** The Department will bring the Agency’s proposed budget to the Commission for approval. The information will include revenues, expenditures and policy packages. *Timeframe = June 2012*
 - f. **Program Funding Teams (1st Round):** The Department will need to present its programs to the Program Funding Team for Livable Communities in conceptual form around June 2012. OPRD will be required to justify each program including: purpose, accomplishments, goals and ties to outcomes and strategies. Information available should also include current positions, FTE and current biennium budget information. The Program Funding Team will provide feedback to agencies on their programs and funding proposals. *Timeframe = June - July 2012*
 - g. **Agency Request Budget:** Base budget plus personal services adjustments plus phase in and out’s plus inflation plus packages including revenue adjustments equals the Agency Request Budget. *Timeframe = Due September 1, 2012*
 - h. **Program Funding Teams (2nd Round):** The Department will present its programs to the Program Funding Team. At this time, OPRD will have final budget numbers and will have incorporated feedback from the Program Funding Teams into the presentations. Recommendations made by the Team will go to the Governor to create the Governor’s Budget. *Timeframe = October 2012*

- i. Governor's Budget: Once the Program Funding Teams provide recommendations to the Governor on the programs to fund, the Governor will make his decisions based on the most current revenue forecast and his priorities. Programs approved for funding will be included in the appropriate agency's Governor's Recommended Budget. *Timeframe = November 2012, Governor's Budget must be published by Dec 1, 2012*
- j. Reduction Options: As required by statute, the Department will propose reduction options from the Current Service Level budget totaling 10% of each fund type – lottery, other and federal. These options will be in accordance with Department priorities. For 2011-13 the Department's priorities were the maintenance of services, protection of property and facilities and maintenance of programs. Examples of items on the reduction options list are: removing of standard inflation, increased vacancy savings, reduce small grant limitation. *Timeframe = Include with Agency Request Budget due September 1, 2012*

Preliminary 13-15 Enhancement Plan (Proposed)

#	Project	Park	Region	Estimate	Budget	Status	Comments
1	Develop Overnight Camping Opportunities	Cottonwood Canyon	Eastern	1,000,000	1,000,000	planned	limited facilities; onsite power generation
2	Primitive Campground from Master Plan	Fort Stevens	Coastal	700,000	1,700,000	planned	increas coastal camping
3	Cabin Projects - Location TBD	Undetermined	Statewide	900,000	2,600,000	planned	increase alternate camping opportunities
4	Trail Projects Statewide	Statewide	Statewide	500,000	3,100,000	planned	use for grant matches
5	Interpretive Enhancement Project	Depoe Bay	Coastal	150,000	0	reach	grant match for Whale Watch Center enhancement
6	OC&E Trail Buildout	Collier	Eastern	und.	0	reach	possible grant match
7	Develop Day-use and Host Capacity	Fort Lane	Valleys	450,000	0	reach	
8	Preliminary design Beaver Creek	Beaver Creek	Coastal	und.	0	reach	
9	Welcome Center Core Area	Cottonwood Canyon	Eastern	3,000,000	0	reach	Oregon Solutions fundraising
10	Preliminary Design Boring-Estacada Bridges	Boring-Estacada Tr.	Valleys	50,000	0	reach	possible grant match
					3,100,000		