2017-19

Budget & Legislative Concepts Instructions

March 2016

State of Oregon
Department of Administrative Services
Chief Financial Office

DAS Department of Administrative Services
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Department of Administrative Services

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Contents

Executive Summary

The last several biennia have seen significant changes in state government. After weathering one of the worst recessions in our history, Oregon has recovered much of its economic momentum. Our unemployment rate is down and our job gains are outpacing those in the typical state, as are wages for Oregon workers. While the recovery has been slowly building momentum, it provided steady growth benefitting many of our communities.

At the same time, we have tackled significant issues and reinvested in K-12 education and the dream of college education through the Oregon Promise. We have expanded health care coverage for Oregon families, while limiting the rate of growth for health care expenditures. We have also invested in affordable housing, seismically retrofitting our schools and helping local communities manage their water supplies. Our investments will pay dividends for many years to come.

As we begin planning for the 2017-19 biennium, our investment choices need to remain focused on how we achieve our long term vision. As Governor Brown builds her agenda for the next several years, it centers around a strategic plan that includes five areas of focus for state government. Those focus areas include:

- A Seamless System of Education;
- A Thriving Oregon Economy;
- Excellence in State Government;
- Safer, Healthier Communities; and,
- Responsible Environmental Stewardship

As agencies build their specific budget proposals for 2017-19, they should articulate how their proposals fit into the Governor's five focus areas and our longer term strategic vision. In some cases, agency proposals will be integrally tied to key Governor change initiatives in one or more of our focus areas. In many other cases, however, agency funding requests may be only loosely linked to fundamental change proposals. In both cases mentioned above, the budget instructions which follow provide the context and technical requirements for how state agencies are to develop their 2017-19 Agency Request Budgets.

Timely submission of budget materials by established deadlines is essential to budget development. Agencies need to ensure that key policy decisions inform budget planning, to ensure that these decisions are translated into agency budget documents. Incremental changes to the budget process over previous biennia have enabled both agencies and the CFO to better meet these deadlines. However, if there is a change in an agencies' circumstances or critical information emerges late in the budget process that materially impacts an Agency Request Budget, these may be addressed within the final Governor's Budget.

The basic structure of budget development remains the same:

1. The 2015-17 Legislatively Approved Budget provides the foundation for the Base Budget. The adopted budget is adjusted for Legislative Sessions, Emergency Board actions (if any), and non-limited administrative actions through April 2016, resulting in the Legislatively Approved Budget. The approved budget is also adjust for projected personal services growth from PICS and scheduled debt service supplied by CFO. Capital Construction budgets approved in 2015-17 are not included in the 2017-19 Base Budget.

2. Essential packages are added to the Base Budget to develop the Current Service Level; *i.e.*, the cost of continuing legislatively approved programs through the 2017-19 biennium. Inflation and phase-ins of legislatively approved program changes are examples.
3. Policy packages reflect other program and policy changes that will affect the budget if adopted.

Determine the budget building blocks early in the process:

1. Proposed changes to program unit cross-reference numbers for preparation of the 2017-19 budget are due to the CFO by March 31, 2016. Changes to agency cross-references require the concurrence of the CFO, Legislative Fiscal Office and affected agency.
2. Forecasts of all Lottery Funds (beginning balance only for Measure 76 agencies), Other Funds, and Federal Funds revenues are due by March 31, 2016.
3. Exception request concepts must include preliminary financial estimates, and are due to CFO by March 31, 2016.

Standard inflation factors and the Department of Administrative Services' (DAS) Price List of Goods and Services will specify how to determine price changes and cost estimates. The standard biennial inflation factors are: 3.7 percent for general inflation, 4.1 percent for non-state employee personnel costs, and 4.1 percent for medical services. Non-standard inflation and cost increases will be evaluated on a case-by-case basis in accordance with the Exception Process.

Each agency will identify 10 percent reduction options from the current service level for programs supported by General Fund and/or Lottery Funds. Ten percent reductions from the modified CSL in Other Funds and Federal Funds will also be identified to comply with ORS 291.216, as amended by SB 1596 (2016).

New statewide employee compensation increases for the 2017-19 biennium, such as cost of living adjustments (COLAs), will not be included in Agency Request Budgets. Any proposed increase will be in the Governor's Budget as a statewide request. Pension Obligation Bonds, which were issued in 2003-05 to reduce the PERS unfunded actuarial liability, are repaid by agencies. Specific Pension Obligation Bonds budget information will be provided to agencies in a separate communication later.

Agency budgets should be focused on achieving outcomes. Agencies will continue to develop and report Key Performance Measures, and other internal agency measures when appropriate. Agencies will include specific outcome measures with each policy package requested.

Current and proposed investments in information Technology (IT), should align with the Governor's goals and initiatives and the Enterprise Information Resources Management Strategy. Proposed IT investments should be clearly linked with agency strategic and business plans and be justified on the basis of a sound business case. Information about IT investments with estimated total costs of $150,000 or greater must be entered into the Enterprise Project and Portfolio Management (PPM) system. For IT investments exceeding $1million, agencies are also required to comply with the Joint State CIO/LFO Stage Gate Review process. Estimation of the total costs across all biennia must include any hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs expected to be incurred during the 2017-19 biennium regardless of whether the agency intends to fund the project through its base budget or a policy package. Additionally, agencies must provide the Office of the State CIO (OSCIO) with planning information that includes a list of all IT projects and business case documents for major IT projects the agency plans to initiate in the 2017-19 biennium. This information should be provided to the OSCIO at the same time the agency submits its Agency Request Budget document to the CFO. These are to be included in the Special Reports section of the Budget Binder.

Agencies should update their revenue estimates with the most current information available at the time they submit their Agency Request Budget. *This means that agencies can continue to update their revenues even after they have finished their CSL audit*.

Any agency proposing a policy package that impacts another agency's budget should coordinate with the affected agency early in the process. For instance, an agency planning its budget for vehicle purchases should coordinate with the Department of Administrative Services (DAS), Enterprise Asset Management (EAM) so that DAS can also take those purchases into account. The same holds true if an agency is proposing an office expansion; work with DAS EAM. Similarly, agencies should work with the State Data Center when proposing IT projects that may affect workload or hardware needs in the Data Center.

CHANGES FROM THE PRIOR BIENNIA BUDGET INSTRUCTIONS

- The basic construct of budget policy is unchanged. However, these instructions have been reformatted and rearranged. Hopefully, they are also easier to understand. The general format of the instructions now follows more of a chronological order through the budget preparation cycle. Each section contains the policy, theory and detailed instructions for a particular phase of the budget process. For instance, Base Budget explains how the base is established, the options available to the agency, and instructions on how to make changes.

- SB 1596 (2016) provides minor process changes to budget development and clarifies some archaic language, thus modernizing the statutes using current language and terminology. One important change to agencies that have General Fund debt service is an addition to ORS 291.206:

  "(3) As supplemental information, each agency request budget shall include options for a 10 percent reduction from the estimate of the projected costs of continuing currently authorized activities or programs for the next biennium, **excluding debt service**. Each state agency shall describe the 10 percent reduction in terms of the activities or programs that the agency will not undertake. The activities or programs must be ranked in order of importance and priority on the basis of lowest cost for benefit obtained." (Emphasis added)

- New this year, agencies must comply with the OSCIO Stage Gate Review process for all new or continuing IT projects of $1 million or greater. See Appendix A for specific requirements.

- Agencies with Federal Maintenance of Effort requirements must be prepared to share the methodology and calculations with CFO and LFO analysts upon request.

- While agencies will not be required to reorganize their administrative budget structures, they should be prepared to present the amount they spend on Information Technology, Human Resources, Procurement, and Fiscal Services upon request.

2017-19 BUDGET DEVELOPMENT SCHEDULE

March 4, 2016	Actuals audit transmittals due to SABRS.
March 15, 2016	Agency Budget Kickoff Meeting at the Cascade Hall, Oregon State Fairgrounds
March 18, 2016	February session actions (input spreadsheets) due to SABRS
March 31, 2016	• SCR/DCR changes due to CFO – Agency, CFO & LFO consensus needed for budget prep • Revenue estimates and methodology due to CFO • Current service level exception requests due to CFO
April 11 or 15, 2016	Last date to submit legislative concepts to DAS is April 15, 2016. Agencies with 10 or more concept requests must submit requests by April 11, 2016.
April 21, 2016	SABR kickoff meeting at Employment Building Auditorium. PICS and ORBITS systems open.
April 29, 2016	• Last date for CFO approval on current service level exception requests • Last date to submit Performance Measure change request form to CFO, LFO
May 6, 2016	PICS start-up transmittals due – "Base" positions frozen in PICS for all agencies
May 16, 2016	Last date to submit Article XI-Q Bond and Lottery Revenue Bond Financing Request forms.
May 31, 2016	• PICS CSL information and audit transmittal due to SABRS • ORBITS CSL information and audit transmittal due to SABRS – early submittal agencies only
June 30, 2016	• PICS ARB information and audit transmittal due to SABRS – all agencies • ORBITS CSL information and CSL audit transmittal due to SABRS – all remaining agencies • ORBITS ARB information and audit transmittal due to SABRS – early submittal agencies only
July 29, 2016	ORBITS ARB information and audit transmittal due to SABRS – all remaining agencies
August 1, 2016	2017-19 Agency Request Budget narrative due to CFO and IT project reporting – early submittal agencies only
September 1, 2016	2017-19 Agency Request Budget narrative due to CFO and IT project reporting – all remaining agencies
To Be Announced	• Audit request(s) to SABRS for 2017-19 Governor's Budget. • Last date to submit Annual Performance Progress Report (as part of the GB). • Agency's 2015-17 Governor's Budget document delivered to CFO and the Legislature.
90 days after session	Audit request(s) to SABRS for 2017-19 Legislatively Adopted Budget
120 days after session	Agency's 2017-19 Legislatively Adopted Budget document to CFO and LFO

EARLY SUBMITTAL AGENCIES

The agencies listed below are considered "early submittal" agencies for CSL audit and ARB submission. CSL audit transmittals are due to the CFO no later than May 31, 2016 for agencies listed below. All others are due no later than June 30, 2016. Final Agency Request Budgets (ARB) are due from early submittal agencies on August 1, 2016 and all other agencies on September 1, 2016.

Accountancy, State Board of
Advocacy Commissions Office, Oregon
Agriculture, Department of
Aviation, Oregon Department of
Blind, Commission for the
Chiropractic Examiners, Board of
Clinical Social Workers
Columbia River Gorge Commission
Construction Contractors Board
Consumer and Business Services, Dept. of
Counselors and Therapists
Criminal Justice Commission
Dentistry, Board of
District Attorneys and their Deputies
Employment Department
Employment Relations Board
Energy, Department of
Geology and Mineral Industries, Dept. of
Government Ethics Commission
Health Related Licensing Boards
Housing and Community Services, Oregon
Labor and Industries, Bureau of
Land Conservation & Dev., Dept. of
Land Use Board of Appeals
Library, State
Liquor Control Commission, Oregon
Marine Board
Medical Board, Oregon
Military Department, Oregon
Nursing, Board of
Oregon Health and Science University
Parole and Post-Prison Supervision, Board of
Pharmacy, Board of
Psychiatric Security Review Board
Psychologist Examiners, Board of
Public Employees' Retirement System
Public Safety Standards and Training, Dept. of
Public Utility Commission
Racing Commission
Real Estate Agency
State Lands, Department of
Tax Practitioners, State Board of
Teacher Standards and Practices Commission
Veterans' Affairs, Department of
Water Resources, Department of

Key Economic and Demographic Trends

- Following recent years when virtually every economic indicator was signaling good news, recent months have brought deterioration to a few key measures. Led by stock market declines, along with manufacturing weakness, more analysts and economists are wondering if the next recession is coming sooner than they expected just a few months ago. While the risk of recession this year remains low, according to the Wall Street Journal's Economic Forecasting Survey, the chance of a downturn has risen from 10 percent over the summer to 17 percent at the beginning of 2016.
- Oregon continues to see full-throttle rates of growth. Job gains are outpacing those in the typical state, as are wages for Oregon workers. The state's average wage today, while still lower than the nation's, is at its highest relative point since the mills closed in the early 1980s. Furthermore, these wage increases are not confined to certain industries or regions of the state. Rather, wage gains are seen statewide and across all major industries.
- Oregon's recovery has become more broad-based. Every region of the state is now adding jobs, the long-term unemployed are finding jobs at much higher rates, and Oregon has recovered more than half of the middle-wage jobs that were lost during the recession.
- Heading into the 2017-19 biennium, Oregon's rate of job growth is expected to slow somewhat as the economic expansion matures. At that point, Oregon's labor market will have returned to balance. Although Oregon has already recovered all of the jobs lost during the recession, and unemployment rates are low, there is still some slack in the local labor market. By the beginning of 2017-19 it is expected that there will be enough jobs to absorb all of the new workers that have moved to Oregon as well as the discouraged ones who are now reentering the workforce.
- Rising interest rates and the retirement of many workers in the baby boom population cohort will put downward pressure on growth. Although economic growth is expected to persist throughout the biennium, employment and income gains are expected to remain subpar by historical standards.
- Although the rate of recovery will not match that seen in previous business cycles, Oregon's economy is expected to outperform those in other states. Oregon's population growth advantage has returned, and while there is some risk from weakness among trading partners, Oregon's major manufacturers continue to outperform their peers in other states.
- Oregon's population is expected to continue growing, but at a slower pace than during the past two decades. The total population is forecast to increase by 97,200 during the 2017-19 biennium, with 79 percent of the change coming from net migration. Oregon's population has exceeded 4 million in 2015.
- Although overall population gains will be modest during 2017-19 (2.4%), growth will be paced by older seniors (age 75-84 years old; 11.7%) followed by the youngest seniors (age 65-74 years old: 8.3%). Gains among the oldest seniors (85 years and older) will be rather small (1.1%). Growth among other budget-driving population cohorts is as follows: Head Start/Childcare (0-4 years: 1.5%), TANF/Foster Care (0-17 years: 0.5%), K-12 Education (5-17 years: 0.1%), Youth Correctional (12-17 years: 0.8%), Higher Ed (18-24 years: 0.5%), Prison Inmate (Male 18-44 years: 2.8%).
- The prison inmate population is expected to grow at a rate of 1.3 percent during the 2017-19 biennium, from 14,745 in July 2017 to 14,930 in July 2019. Growth would be stronger if not for

the expected impact of sentencing reforms passed during the 2013 legislative session. The prison population forecast is at risk. Significant population reductions due to sentencing reforms have yet to materialize in the data.

REVENUE OUTLOOK

General Fund/Lottery

- Based on the March 2016 forecast, General Fund revenues are projected to grow to $19,418.6 million. Personal income tax constitutes 89 percent of the total, with corporate income tax contributing an additional 5 percent.
- Lottery resources are expected to be $1,302.7 million for the 2017-19 biennium, an increase of 7 percent relative to the current biennium. Video lottery will account for around 90 percent of lottery resources.
- Significant risks to the revenue forecast remain. Oregon's economic recovery remains subject to the tide of global economic conditions. Also, due to the volatile nature of Oregon's personal income tax, changes in economic conditions or the value of investments can have dramatic effects on revenue collections.

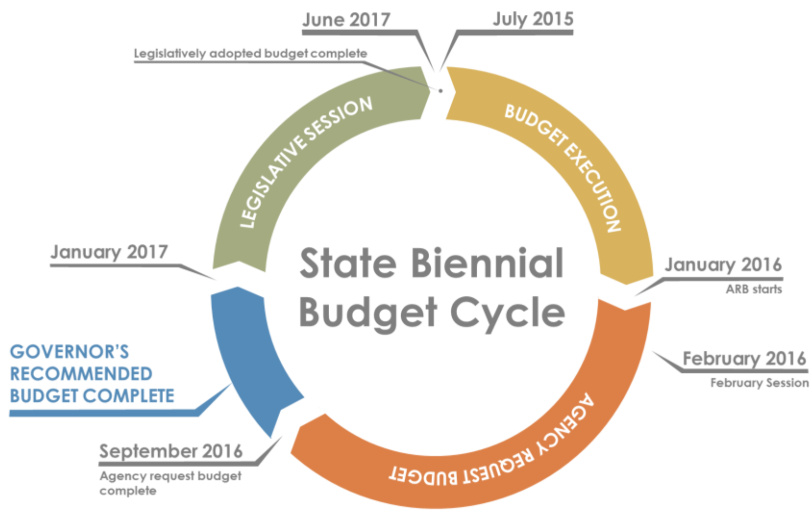
Tobacco/Health Plan

- Cigarette and Other Tobacco taxes dedicated to the General Fund are forecast to total $127.1 million in the 2017-19 biennium.
- Cigarette and Other Tobacco taxes dedicated to the Oregon Health Plan are forecast to total $288.5 million for the 2017-19 biennium. An additional $40.8 million in tobacco taxes will be available for Mental Health, and $15.2 million will be available to fund the Tobacco Use Reduction Account.

Budget Overview

PHASES OF THE BUDGET PROCESS

The budget development process has three major phases: the Agency Request Budget (ARB), the Governor's Budget, and the Legislatively Adopted Budget (LAB)—during the interim between ARB and LAB there are a number of budget execution tasks and many opportunities for adjustments (*e.g.,* Emergency Boards).



Agency Request Budget (ARB)

Agencies initiate the budget process early in even-numbered years. Under ORS 291.208, DAS requires agencies to submit a two-year budget by August 1 or September 1 of each even-numbered year. The Agency Request Budget (ARB) is the first phase in the budget process. In the ARB, agencies describe their core mission, objectives, and program priorities and provide budget information on past, current, and future biennia. The ARB reflects the agency's policy agenda and the financial plan it would like the Governor to recommend to the legislature. Prepared under guidelines set by the Governor through DAS, the document consists of descriptive narratives, budget forms, and audited ORBITS reports. As a part of this process agencies will review their current service level (CSL) budget to determine if there are any technical corrections or exceptions that need to be made to their current biennium budget.

Typically, agency budgets are organized by program unit. Program units align with an agency's major program and/or policy issues. In smaller agencies, a single program unit may cover an entire agency. Program units are represented in ORBITS (the state's budget system of record) by Summary Cross Reference (SCR) numbers and in lower level Detail Cross Reference (DCR) numbers. The SCR and DCR numbers generally show the relationship between the agency organization and the budget structures.

It is important that agencies consider how their program changes may impact other agencies. Agencies must communicate early in the budget process when inter-agency revenue transfers are involved. For example, the Department of Revenue collects tobacco taxes that are transferred to multiple agencies. To pass audit, the transfer amounts to and from the agencies must match in the budget system. This requires that the two agencies agree both on the amount of funds to transfer and the treatment of those funds within their respective budgets. In some cases, prior transfers may not continue unchanged into next biennium. Generally, the agency sending the funds determines the transfer amount. However, each of the affected agencies' budget and program staffs should be engaged in the discussion.

Governor's Budget (GB)

The Governor and CFO review agency request and analyst recommended budgets to compile the Governor's Budget.[1] That budget reflects the Governor's priorities and the policies set in statute as well as any changes proposed by the Governor. Once final, the recommended budget and a series of statewide numbers are collected and printed as the Governor's Budget. ORS 291.218 requires transmission of the printed budget to each member of the legislature by December 1st of each even numbered year. The Governor's Budget is the starting point for budget negotiations during the Legislative Session. A Tax Expenditure Report, compiled by the Department of Revenue, is published concurrently with the Governor's Budget.

ORS 291.216 requires the Governor's Budget to include specific information set out in varying levels of categorical detail. This list includes among many other details:

- A budget message prepared by the Governor that describes the important features of the budget.
- A general budget summary that sets forth the aggregate figures and demonstrates a <u>balanced relationship between the total proposed expenditures and the total anticipated revenues</u>.
- Supporting schedules or statements that classify expenditures by program units, objects, and funds; the income by organization units, sources and funds, and the proposed amount of new borrowing; and proposed new tax or revenue sources, including a single comprehensive list of all proposed increases in fees, licenses, and assessments assumed in the budget plan.
- A detailed estimate of expenditures and revenues including any statements of the bonded indebtedness of the state government, showing the actual amount of the debt service for at least the past biennium, and the estimated amount for the current biennium and the ensuing biennium.

Much of the detailed information agencies are required to submit in the Agency Request Budget ensures that the Governor's Budget meets these criteria.

After publication of the Governor's Budget, each agency prepares a Governor's Budget binder to show the changes the Governor made to the Agency Request Budget. This document is used for presentation of the agency budget during the legislative session.

Legislatively Adopted Budget (LAB)

The Governor's Budget is presented to the legislature during the full legislative session in odd numbered years. Committees, typically the Joint Committee on Ways and Means or one of its subcommittees, review revenue and expenditure information. These committees hold public hearings to hear from each agency and the public. Votes on each bill produce the Legislatively Adopted Budget. The committee recommendations are presented in budget reports for each budget bill. The budget bills set out General Fund appropriations; Lottery Funds allocations and expenditure limitations; and Other Funds and

[1] The OSCIO reviews and make recommendations to the Governor and the Legislative Assembly concerning state agency information technology budget requests pursuant to ORS 291.039 (4)(a)(D).

Federal Funds expenditure limitations. The budget report, while not a legal document, includes a summary of committee actions and provides a greater level of budget detail. This detail includes the assumed position authority for the agency in the budget.

Each agency prepares a Legislatively Adopted Budget document to show the changes the legislature made to the Governor's Budget. Agencies implement, or execute, the budget over the biennium. There are also several points in time when the Legislative body can meet and modify the Legislatively Adopted Budget. There is a short Legislative session in February of even-numbered years. The Emergency Board meets between sessions and can make certain changes to the budget. Special sessions may also be called to deal with emergent budget issues.

BUDGET OUTLINE

2015-17 LEGISLATIVELY ADOPTED BUDGET

Budget Overview

+ Plus	**Legislative & E-Board Actions** through April of the even year
= 2015-17 LEGISLATIVELY APPROVED BUDGET (LAB)	
+ Plus or - Less	**Statewide Administrative Adjustments** • Net Cost of Position Actions • Base Debt Service Adj. • Non-limited Adj. • Capital Construction
= 2017-19 BASE BUDGET	
+ Plus or - Less	**Essential Packages** • *Package 010* - Vacancy Factor - Non-PICS Personal Service Adj. • *Package 021 Phased-In Programs* • *Package 022 Phased-Out Programs* • *Package 030 Inflation* - Cost of Goods & Services Adj. - State Gov't Service Charges Adj. • *Package 040 Mandated Caseload* • *Package 050 Fund Shifts* • *Package 060 Technical Adjustments*
= CURRENT SERVICE LEVEL (CSL)	
- Less	**Revenue Reductions** • *Package 070 Revenue Shortfall*
= MODIFIED CURRENT SERVICE LEVEL	
+ Plus	**Emergency Board Actions** • *Package 081 May 2016* • *Package 082 September 2016* **Policy Packages** – *Package Nos. 100+*
= 2017-19 AGENCY REQUEST BUDGET (ARB)	
+ Plus or - Less	CFO Analyst Adjustments
= ANALYST RECOMMENDED BUDGET (AnRec)	
+ Plus	Agency Appeal Adjustments
= 2017-19 GOVERNOR'S BUDGET (GB)	
+ Plus or - Less	Legislative Session Adjustments
= 2017-19 LEGISLATIVELY ADOPTED BUDGET (LAB)	

EXPENDITURE CATEGORIES

Oregon's budget and accounting systems uses defined expenditure categories and budget groupings. ORBITS has detail accounts for line item expenditures within those categories. Agency budget staff should review the categories and work with agency accounting staff to ensure expenditures are recorded appropriately and correcting entries are held to a minimum.

- ***Personal Services*** are employee gross compensation, also known as total compensation. This 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. This includes office supplies, professional services contracts, rent, telephones, personal computers, software, routine building repairs, and the like. Debt issuance costs related to bonds should be budgeted in the Services and Supplies category in the agency's operating budget, not in Capital Construction.
- ***Capital Outlay*** refers to expenditures for items not consumed in routine agency operations. These expenditures have a useful life of more than two years with an initial value of $5,000 or more.
- ***Special Payments*** are transfers and payments to external entities. 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*** includes expenditures for principal, interest, discounts, and premiums related to payment of state debt. Debt includes financing agreements such as COPs. Discretionary bond-related program expenditures may relate to debt, but are not debt service. They include trust agreements, audit and compilation fees; travel costs; Bond Counsel, and general financial consulting, and should be budgeted in Services and Supplies.
- ***Capital Improvement*** and ***Capital Construction*** are expenditures for land, buildings and support systems, and equipment/information technology-related projects or systems. (These categories should not include routine maintenance and repairs.) While these are not expenditure categories, they are treated as separate program units in agency budgets.
- ***Non-limited 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. However, some Other Funds and Federal Funds expenditures are approved by the Legislature as Non-limited Expenditures. Non-limited Expenditures have been approved for cases when an agency's expenditures and corresponding revenues are driven by external factors. Examples are federal unemployment claim payments and repayment of bonded debt. Non-limited 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.

Agency budgets are built using the Position Information Control System (PICS) and ORBITS. These systems provide statewide data for decision makers. Agencies enter the data which are then audited by CFO/SABRS before final documents can be completed. Deadlines for agencies to request audits are outlined on page 4 of these budget instructions. ORBITS has audit tools for both agencies and audit staff to help speed up the processing of audits. However, agency actions are critical to make sure the process flows smoothly.

To help your audit process:

- Complete agency 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 your agency's audit.
- Respond promptly to requests from CFO Analysts and SABRS staff during the audit process.

PROCESS RESOURCES

There are budgeting resources available to agencies on the SABRS website http://www.oregon.gov/DAS/Financial/Pages/SABRS.aspx including:

- The budget instructions that describe state policy and the procedures to build a clear and complete budget.
- The ORBITS and PICS User's Manuals include instructions for the Position Information Control System (PICS) and the Oregon Budget Information Tracking System (ORBITS) systems.
- The DAS Price List of Goods and Services details assessments, service charges, and other costs.
- SABR Coordinator Presentations contain additional information regarding the various stages of audit.
- The Oregon Legislative Information System (OLIS) has links to budget bills, budget reports, and other actions for multiple sessions.

Budget Development

EARLY PREPARATION JANUARY – MARCH

An agency request budget is built in three basic phases: the Base Budget, the Current Service Level (CSL) and finally the Agency Request Budget (ARB). Before these phases can be undertaken it is necessary to complete some early budget preparation including validating historical data in ORBITS, determining program units, submitting exception requests, and developing revenue estimates.

Historical Data in ORBITS

During January of even numbered years, the SABR section prepares the ORBITS system for the upcoming budget prep cycle, creating new column headers, indexing the database for the new biennium, and loading data elements and budget drivers. ORBITS stores historical budget data in columns, including the 2013-15 Actuals (revenues and expenditures) and the 2015-17 Legislatively Approved Budget. The 2013-15 Actuals column data are downloaded directly from accounting data in the Statewide Financial Management System (SFMA) and the agency will have the opportunity to review and modify the data. Agencies complete their review of the Actuals column and submit it to SABRS by March 4th. SABRS staff will review the Actuals column data for each agency to see if there are any audit errors. If audit errors are found, the agency will have to correct them before they pass this audit phase. Agencies may request access to the raw data through the SABR section and their CFO analyst. At this point, the agency should not adjust any expenditures in the Actuals Colum between categories or programs. These changes will occur during the Base budget phase.

During March, agencies will provide detail information to SABRS regarding the 2016 Legislative Session actions for input into ORBITS. The SABR section will key all information related to the 2015-17 biennium into the Emergency Board Actions column, based on data provided by agencies.

Determining 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. An agency may also have program units for Capital Improvement, Capital Construction, Debt Service, and Non-limited Expenditures. Program units are represented in ORBITS by Summary Cross Reference (SCR) and Detail Cross Reference (DCR) numbers. SCR and DCR numbers generally show the relationship between the agency organization and the budget structure.

To start the budget preparation cycle, an agency must first decide whether the program units used for the last budget are still appropriate. Agencies should work with their CFO and Legislative Fiscal Office (LFO) analysts 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.

Accounting program structures should be aligned with ORBITS program units. When reviewing ORBITS detail cross references for 2017-19 budget development, agencies should keep in mind that any requested changes to cross reference structures must be accompanied by the necessary accounting structure changes.

Proposed changes to program units are due to CFO by March 31, 2016 for budget analyst approval. CFO, LFO, and the agency must work on proposed changes in advance of the deadlines, since they must concur on all changes.

Refer to the ORBITS/PICS User's Manual for the technical details for developing program units and the underlying cross-reference numbers. Cross-reference numbers must be in place early to allow the Agency Request Budget to be submitted on time.

Exception Requests

Exceptions requests are appropriate when there is documented evidence of extraordinary conditions where costs are increasing at rates outside of defined inflation factors, and not funding such exceptions would prevent agencies from maintaining current operational levels in the next biennium. Budget Instructions address standard conditions and cost drivers such as inflation, mandated caseloads, funding splits and phase-ins and outs. Standard drivers do not require an exception request.

Most exception requests will not reach the approval threshold of the Exception Committee, but may be serious enough to compel the agency (with CFO Analyst permission) to include additional policy packages as part of their Agency Request Budget.

Exceptions to Standard Inflation:

- Arise from extraordinary conditions and cost drivers;
- Are specific to an agency or small group of agencies;
- Differ from generic drivers, which are applied via budget instructions, across all agencies and have been included in standard inflation factors;
- Are fact based and not reliant on worst-case scenarios or anticipation of what might or could occur; and,
- Are beyond the control and authority of agency management.

Agencies should submit exception request concepts, including ballpark dollar estimates by fund type before the end of March 2016. The Exception process begins with the formation of the committee in March 2016. The committee discusses potential hot topics and exceptional cost drivers. The Committee may decide that special inflation factors be applied to select agencies. An example might include fuel costs. Fuel is a volatile commodity subject to extraordinary inflation and becomes a substantial cost increase to agencies that are fuel intensive such as the State Motor Pool and the Oregon State Police. Agencies need to request an exception, from the CFO Analyst, to receive it.

The Exception Committee will review concepts early in April 2016 and will approve or deny the concept. If approved, the analyst will request full documentation of proposed dollar amounts from the agency. Documentation must be provided by Summary Cross Reference, by Category, and by Fund Type. Account level detail may be necessary, as determined by the analyst. The analyst will fully review the documentation and work with the agency to clarify final dollars. The analyst is responsible for certifying the amount and communicating to both the agency and SABRS for audit purposes.

Only exceptions with sufficient documentation sent to agencies and SABRS before the CSL audit process can be included in the Agency Request Budget. However, agencies may need to continue to work with analysts after the deadline to include or modify Essential Packages as part of the CSL budget for the Governor's Budget.

Exception requests are required for certain items in Packages 030, 050 and 060, as described under those packages later in this document. The following will <u>not</u> be accepted as an exception request:

- Annual inflation. The lone exception is for annual appropriations as directed in Legislatively Adopted Budgets (State School Fund).

- Postage – now tied to inflation by the U.S. Postal Service.
- Rent above maximum non-state owned rate.
- Attorney General above maximum rate as established by the CFO.
- Request to "catch up" due to previous denials, reductions, etc.

This does not prohibit these requests from being submitted as policy packages. Significant disputes between analysts, agencies, or SABRS regarding amounts and approval authority will be resolved by the Exception Committee.

Estimating Revenues and Available Resources

Agencies should update their revenue estimates with the most current information available at the time they submit their Agency Request Budget.

Revenues must cover requested expenditures. Agencies that receive 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 Non-limited expenditures.

All agencies must submit a spreadsheet with detailed revenue information, as well as an attached narrative document, to the CFO and LFO analysts by March 31, 2016. For each Other Funds and Federal Funds revenue source, the spreadsheet must include:

- Actual revenues for 2013-15.
- Updated revenue estimates for the 2015-17 biennium.
- Preliminary revenue estimates for the 2017-19 biennium.
- Estimated Beginning Balance for 2017-19.
- For fee-related revenues, data on rates and numbers of units expected for both 2015-17 and 2017-19.

For Lottery Funds which do not revert (specific to Measure 76 agencies and distributions), agencies need to report only estimated beginning balance for 2017-19. Agencies should include Lottery Funds on their final revenue form (107BF07) at Agency Request.

Templates are available for agencies to use if they choose (forms 107BF06a and 107BF06b). These templates might also be useful for budget staff who are requesting information internally. If agencies choose to use their own formats, the data reported should be at least as comprehensive as these templates.

For each Other Funds and Federal Funds revenue source, the attached narrative document should include:

- Highlight of major issues, if any.
- Forecast methods and assumptions.
- Fee schedules (if any), with any proposed fee increases or new fees.
- List of any programs where anticipated revenues are not expected to be sufficient to support current service level expenditures, if known this early.
- Revenue trends through 2021.

Agencies should work with their CFO analyst to determine the level of detail reported*, i.e.*, which programs should be reported separately and which can be combined. This is especially important for agencies with numerous revenue sources. If an agency has a few key programs that have significant revenue issues or changes, these should be split out separately.

Work with your CFO analyst if your agency has special circumstances, such as federal entitlement revenues that will not be known until later in the process.

Agencies can continue to update their revenues even after they have finished their CSL audit. Agency Request revenues should be consistent with the June 2016 state revenue forecast for those agencies that produce General Fund revenues. If estimates change significantly between July and October, agencies should submit new information to their CFO analyst who can incorporate it into the Governor's Budget. Agencies should also be prepared to provide further updates to their legislative fiscal analyst during the legislative session.

There are four revenue categories used for budgetary purposes – General Fund, Lottery Funds, Other Funds, and Federal Funds. Agencies should estimate and budget all revenues at the program unit level. The CFO analyst must approve any request to combine revenues across program units or agency-wide.

General Fund

General Fund revenues include revenues that an agency collects, including tax collections and some fees and fines, which go into the state General Fund. These funds are 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.

General Fund appropriations must match the program expenditures they fund. Appropriations cannot cross biennia so General Fund beginning or ending balance are not allowed in any agency budget. 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.

Lottery Funds

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; and 3) all interest earned on Lottery Funds while held by an agency.

Lottery Funds associated with Ballot Measure 76 (2010) require a greater level of reporting and accountability for the 15 percent of net lottery proceeds directed to parks and salmon restoration.[2] Agencies receiving these funds 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 as grants to entities other than state or federal government entities. Up to 35 percent may be spent for ongoing operations. Of the 7.5 percent net lottery proceeds for parks, at least 12 percent must be spent as local grants.

[2] Oregon Constitution, Article XV Section 4a (Parks) and Section 4b (fish and wildlife, watershed and habitat protection).

The Transfer In from DAS or Oregon Watershed Enhancement Board (OWEB) accounts are used to reflect new 2015-17 biennium revenue allocations. Unspent lottery fund balances proposed to be carried forward from earlier allocations should be shown in ORBITS as Lottery Funds beginning balance(s) in Base Budget. Lottery Funds beyond the June forecast for requested policy packages are budgeted as generic Transfers In – Lottery Proceeds at Agency Request, which is Account No. 1040 in ORBITS. By the Legislatively Adopted Budget, all these generic transfers must be replaced by transfers from specific agencies.

Other Funds

These are agency revenues that can be spent directly under an Other Funds expenditure limitation or as Non-limited Other Funds. They include revenues received from the public, other agencies, cities, or counties. Examples include licenses and fees, loan repayments, and charges for services. Federal Funds transferred from another agency are usually considered Other Funds in the receiving agency budget.

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 that may be included in the Governor's Budget. An excessive ending cash balance, however, may suggest a need for revenue reductions. Agencies should work with their CFO analysts to determine ending balance needs.

Fee and assessment levels under current law are the basis for estimating revenues for existing Other Funds sources. These current law fee and assessment revenues should be budgeted in an agency's Base Budget. Any fees established or increased administratively during the 2015-17 biennium that were not approved by the 2015 or 2016 Legislatures must be estimated separately in the budget document's Revenue Forecast Narrative. Also, any proposed new sources of Other Funds revenues and any proposed increases in existing fees must be called out in the Revenue Forecast Narrative, even if the proposed increases are within current legal limits.

New or increased fees that were anticipated in the budgeting process and were included in the Legislatively Adopted Budget for the agency are considered permanent. These revenues should be included in the Base Budget.

However, any fees established or increased through the proper administrative process during the 2015-17 biennium that were not included in the Legislatively Adopted Budget are still considered temporary. **Do not include these revenues in Base Budget projections**. These revenues are to be included in a fee increase policy package, if applicable. They automatically cease at the end of the 2016 or 2017 Legislative Sessions (or July 1, 2017), 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 for the requirements related to changing fees administratively.)

If an agency established or increased fees administratively during the 2015-17 biennium that were not included in the Legislatively Adopted Budget, 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 2017 Legislative Session must be submitted to DAS in the legislative concept process (see pages 64-66).

Here are a few examples to help clarify the preceding discussion:

- **Question:** My agency raised a fee administratively in January, 2016. We had been planning this for a long time, and so the fee increase was already included in our 2015-17 Legislatively Adopted Budget. What do we do for 2017-19 budget development?

Answer: Include the 2017-19 revenue resulting from the fee increase in your Base Budget.

- **Question:** My agency raised a fee administratively in March, 2016. We had not anticipated this increase during the 2015-17 budgeting process, and so the fee was not included in our 2015-17 Legislatively Adopted Budget. What do we do for 2017-19 budget development?

  Answer: In your Base Budget, remove the 2017-19 revenue resulting from the fee increase. Include that revenue in a fee increase policy package. The CFO will draft a fee ratification bill (a budget bill) that will accompany your regular budget bill through the legislative process.

- **Question:** My agency wants to raise a fee during 2017-19. We can do this administratively, since our statutes already allow the increase. What do we do for 2017-19 budget development?

  Answer: Include the 2017-19 revenue resulting from the fee increase in a fee increase policy package.

- **Question:** My agency wants to raise a fee during 2017-19. We need a change to our statutes in order to raise this fee. What do we do for 2017-19 budget development?

  Answer: Submit a Legislative Concept to change your statute to allow the new fee level requested. Legislative Counsel will draft a substantive bill for you. Include the 2017-19 revenue resulting from the fee increase in a fee increase policy package.

Agencies must report detailed information on all fee increases, establishments, or decreases included in the 2017-19 Agency Request Budget, using form 107BF22 Fee Change Detail Report. The form and accompanying cover memo must be submitted electronically to the agency's CFO analyst at the same time the Agency Request Budget is submitted.

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 2016. This will allow agencies to include any fees that were changed during the 2015 and 2016 Legislative Sessions or changed administratively during the interim. This database should not include fee changes being proposed in the 2017-19 budget but not yet implemented. Instructions for using the database will be posted to the CFO website. An email to SABR coordinators will be sent notifying agencies when the database is open.

Federal Funds

These are revenues received from the federal government. They are spent under a Federal Funds expenditure limitation or as Federal Funds Non-limited 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.

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 CFO analyst. Agencies must revise Federal Funds revenue estimates periodically as federal authorizations and appropriations change, and notify the CFO analyst.

Because most Federal Funds are provided on a reimbursement basis, most agencies include the necessary Federal Funds revenues in each Essential and Policy Package. There is no Beginning or Ending Balance. However, there are a number of exceptions to this policy. Work with your CFO analyst and SABRS staff if you have questions.

Revenue Transfers and Special Payments between State Agencies

Agencies must communicate early in the budget process if they send revenues to or receive revenues from another agency. The two agencies need to agree on the amount of funding being transferred and the budget treatment of the transfer. Prior transfers might not continue unchanged into the 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.

ORBITS has an on-line report (AUD004) to help agencies review transfers for budget development. Instructions for using this screen are in the ORBITS/PICS User's Manual. <u>Agencies must balance, or at least have documented agreement with other agencies, on all interagency Revenue Transfers and Special Payments before requesting an ORBITS audit.</u>

BASE BUDGET APRIL - MAY

The budget for the new biennium is built in phases, the first phase being the Base Budget. The starting point for the base budget is the 2015-17 Legislatively Adopted Budget, as approved by the 2015 Legislature. Any February Session, Special Sessions, Emergency Boards, or Non-limited administrative changes approved by DAS, through April 2016, are added to the Legislatively Adopted Budget. The result is the 2015-17 Legislatively Approved Budget. The final step to calculating the base budget includes adjustments for Personal Services generated by PICS, scheduled debt service payments, Non-limited 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 on the PICS freeze date. That date is projected to be mid-April 2016, after all changes are entered into the system for the February 2016 Legislative Session. PICS will base funding for vacant positions on the next to lowest step of the salary range. Do not include position reclassifications or other changes not yet administratively or legislatively approved in the current service level.

- ***Base Debt Service Adjustment*** – This shows any expected change in scheduled debt service for the 2017-19 biennium, for financing already done or authorized by the Legislature. Changes to base budget debt service are provided by DAS Capital Finance and Planning Section. The base budget should 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 Non-limited Adjustments*** – Changes in programs with approved Non-limited Other Funds and Non-limited Federal Funds expenditures should be shown here. Requests for new Non-limited expenditure authority should be requested in policy packages.
- ***Capital Construction Adjustment*** – Capital Construction expenditure authority approved by the 2015 Legislature, the February 2016 Session, or by the Emergency Board prior to April 2016, should be eliminated here so that it is not included in the base budget or current service level. Requests for new Capital Construction authority should be included in policy packages.

If necessary, agencies should use the Base Budget to move amounts among line items within the same expenditure category in order to "true up" their budget. This should **not** be done in Package 030. The net result of such moves must equal $0, and generally must not affect the higher inflation line items of Attorney General, Rent, State Government Service Charges, and Professional Services accounts.

CURRENT SERVICE LEVEL (CSL) MAY - JUNE

The current service level (CSL) is required by law and is an estimate of the cost to continue current legislatively approved programs into the 2017-19 biennium—it is built agency by agency. The calculation starts with the agency's base budget.

Emergency Board actions or other changes after April 2016 are not included in the current service level during the agency request phase. Agencies may request continued funding for these actions in Policy Package(s) No. 08X. In some cases, adjustments to the current service level may be made at later phases of budget development, if the CFO, CIO (if IT-related), and LFO concur in the adjustment. The Summary of 2017-19 Budget form (ORBITS) presents the agency budget, including the current service level estimate. The form is presented at the program unit level and summarized at the agency-wide level. Although agencies have prepared this form manually in the past, ORBITS has been programmed to produce the form. Following is more detail on the current service level.

Essential Packages

The essential packages in budget development are assigned the ORBITS package numbers discussed below. Agencies are responsible for supplying supporting documentation for all packages to the CFO analyst. The documentation provided must include expenditures by SCR, by budget category by fund type. The analyst may also require account level detail if necessary. Agencies should work with their CFO analyst to put issues in the correct packages, and to document all packages by the end of May 2016. The documentation must be provided by Summary Cross Reference, by Category, and by Fund Type. In some cases, account level detail may be required, as determined by the analyst.

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

Usually the PICS system will automatically update positions costs to include 24-month pricing and identified salary adjustments that affect the next biennium. The goal of the ***Vacancy Factor*** calculation is to project budget savings reasonably expected from staff turnover in the 2017-19 biennium. The CFO will provide data on employee transfers and separations for the agency to use in projecting savings from vacancies, *i.e., Vacancy Savings* form. It does not require an exception request. The change in projected vacancy factor savings is entered into ORBITS as an adjustment to the vacancy factor amount already included in the 2017-19 Base Budget—it can be either an increase or decrease. It is also reported on the Summary of 2017-19 Budget form.

Non-PICS Personal Services cost are inflation adjustments for items not included in the PICS-generated total, including: unemployment assessments, overtime, temporary employees, shift differentials and Mass Transit taxes. Apply the general inflation factor outlined in the Package 031 discussion for these items. Cost increases for these items above the standard inflation rate must be requested in a policy package. The one exception is for agencies that have both mandated caseload and 24/7 facilities, such as the Department of Corrections and Oregon Youth Authority. These agencies should work with their CFO analyst to negotiate adjustments based on specific bargaining units. A formal exception request is not required. For Pension Obligation Bonds (POB), the CFO will supply each agency the 2017-19 amount to use in the Agency Requested Budget. Agencies should not apply inflation factors. Package 010 will represent the difference between the 2017-19 Base POB amount and the value supplied by the CFO. In the case of mass transit taxes, use the formula outlined in the DAS Price List of Goods and Services, in the Other Payroll Expenses section. There should be no PICS driven changes in this package.

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

Agencies are responsible for identifying budget adjustments resulting from program phase-ins (programs funded < 24 months during 2015-17 biennium), phase-outs (programs that will be suspended during the 2017-19 biennium) and other one-time costs. These will generally be found 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. Agencies should enter phase-ins in essential package 021 and phase-outs and one-time cost eliminations in essential package 022.

Phased-in programs include new programs and expansions of non-mandated caseload programs funded for less than 24 months during the prior biennium, but require a full 24 months in the next biennium. Package 021 should reflect the added cost of the program above the 2017-19 Base Budget level, after adjustments for program start-up costs and any other one-time expenditures funded in 2015-17. PICS will adjust for most legislatively approved position phase-ins or eliminations in its Personal Services calculation for the new biennium. To reflect full cost the agency calculates remaining adjustments for non-PICS OPE (if any) and for Services and Supplies. Agencies should *include* inflation on the phased-in programs as well. All other adjustments to reflect full costs are calculated by the agency. **Note: Include inflation on the phased-in programs in Package 021, NOT in Essential Package No. 031. Package 021 amounts are NOT part of the new inflation auto-calculating function in ORBITS.**

Phase-outs are the result of decreased costs from the elimination of pilot or other programs, and other one-time costs not funded in the 2017-19 biennium. PICS will adjust for legislatively approved position phase-outs in its Personal Services calculation. Find and deduct any other costs that should be phased out from the 2017-19 Base Budget level (for example, Services and Supplies costs associated with 2015-17 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 or other large IT projects that have been completed. Capital Construction expenditure authority established in the 2015-17 biennium should be eliminated as a base budget adjustment rather than an Essential Package No. 022 adjustment. **Note: Package 022 entries must be entered into ORBITS prior to using the new inflation auto-calculating function in ORBITS. Package 022 amounts are part of the new ORBITS functionality.**

These packages do not require exception requests. However, they do require agency documentation and analyst approval by the end of May.

Package 020 Tips:

- Most phase in/out packages can be identified shortly after the end of session (sine die). Agencies are recommended to construct a list as soon as possible after the session ends while this information is fresh.
- The LFO or Agency produced Fiscal Impact Statement corresponding to new partial biennium funded program increases should provide the amount necessary for the next biennium. However, this figure will NOT include inflation. Use this information and other budget report data to review proposed phased in/out costs.
- Though not often, there may also be some phase in/outs that come out of Emergency Board meetings.
- Remember, most position costs will be automatically priced at 24 months by PICS, so be sure not to double count these costs.
- Make sure to adjust for any one-time costs when calculating the phase-in need.

Essential Packages No. 031, 032 and 033 | 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. Changes in volume or usage are not allowed as part of inflation packages.

Biennial inflation factors for 2017-19 include 3.7 percent for general inflation, 4.1 percent for non-state employee personnel costs (contract providers), and 4.1 percent for medical services. Agencies need to notify their CFO analyst if they plan to use the medical services inflation factor.

Only programs that have annual appropriations in statute (i.e. the State School Fund) may use an annual inflation factor and should work directly with their CFO analyst on the inflation formula.

Package 030 is broken into three parts in order to isolate the incremental impacts of certain inflation factors. This is unchanged from last biennium. Conceptually, packages 031 and 032 are the same in that they both involve pre-determined allowable rate increases that agencies can use. They are separated only because, for audit purposes, package 032 requires more documentation. Only a few agencies will need to use package 032.

031 - Standard inflation and State Government Service Charge

This package will include the following "standard" inflation factors and do not require any special approval:

- A general inflation factor that applies to most Services and Supplies and non-PICS Personal Services costs, Capital Outlay, and some Special Payments. The standard inflation factor for 2017-19 development is **3.7 percent.**
- The non-state employee personnel costs (contract providers) rate, as applied to the *Professional Services* line item. This rate is **4.1 percent** for 2017-19.
- Published rates for both uniform and non-uniform rent. As in the past, DAS EAM will identify a non-DAS office rent inflation factor for the biennium. With documentation, analysts can approve increases above standard inflation, up to this rate.
- All items reported in the State Government Service Charge line item (including Treasury charges that are usage-based). This consists of certain Price List items that include assessments and charges by DAS; Secretary of State; Minority, Women, and Emerging Small Business; State Library; the Law Library; Central Government Service Charges; and Oregon Government Ethics Commission. A complete list is provided below.
- The standard rate portion (**3.7 percent**) of the following:
    - Medical cost increases.
    - Non-state employee personnel costs, as applied to Special Payments.
    - Usage-based price List items.

032 - Above standard inflation with CFO Analyst Approval.

This package includes the amount above the inflation in package 031 for a limited set of factors. The agency must get analyst approval and provide detailed documentation in order to apply these inflation factors. An exception request is not required.

This package will include factors such as:

- Medical services inflation that applies to medical costs, such as Oregon Health Plan provider expenditures, amounts above standard inflation up to **4.1 percent**. It is also for medical service costs in child foster care, programs for the developmentally disabled, mental health services, and nursing homes. 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.
- DAS Price List items that are usage-based such as motor pool and printing services, amounts above standard inflation.
- Non-state employee personnel costs (contract providers), as applied to *Special Payments*, amounts above standard inflation up to **4.1 percent**.

033 - Exception Committee Decisions Above Analyst Approval

This package includes inflation amounts over and above standard **and** analyst approved inflation amounts in packages 031 and 032. An exception request is required. These changes are above established maximums, such as medical inflation, and are limited to extraordinary factors as determined by the CFO Exceptions Committee. See the Exceptions section above for more information on Exceptions.

Inflation Summary

Below is a checklist summarizing the items included in each package.

- **Pkg 031 – Standard Inflation**
    - Standard (3.7 percent)
    - Non-state employee personnel costs (4.1 percent) applied to the *Professional Services* line item
    - All Attorney General
    - All Rent - Uniform and Non-uniform
    - All SGSC (including Treasury)
    - Standard portion of Medical
    - Standard portion of Non-state employee personnel costs applied to Special Payments
    - Standard portion of Price List items that are usage based
- **Pkg 032 – Above Standard Inflation**
    - Price List items that are usage based - above standard inflation
    - Medical - above standard up to Medical rate (additional 0.4 percent for a total of 4.1 percent)
    - Non-state employee personnel costs - applied to *Special Payments* above standard up to published rate (additional 0.4 percent for a total of 4.1 percent)
- **Pkg 033 – Exceptional Inflation**
    - Exceptions
    - Medical-above Medical rate

Here is an example of how the inflation packages fit together. The Oregon Health Plan (OHP) is required to use a rate set by an agreement with the federal government. Therefore an additional inflation or utilization factor will be agreed upon for the Oregon Health Plan above the standard and medical inflation factor. Because it is above medical inflation, the agency would need to gain approval from the

Exception Committee to include it in their budget. So, assuming standard inflation is 3.7 percent, medical inflation is 4.1 percent and the OHP inflation rate is approved at 14.0 percent, the agency would include in package 031 the amount of 3.7 percent inflation, package 032 would include the amount of 0.4 percent inflation and package 033 would include 9.9 percent inflation for the 030 package total of 14.0 percent.

Inflation Reporting

The Summary of 2017-19 Budget form (ORBITS) will report the total net change as a result of Packages 031, 032 and 033. This is reported in two separate parts. First, the Cost of Goods and Services increase/decrease is the net inflation calculation for everything except State Government Service Charges. This is the inflation amount above the 2017-19 base budget, excluding Personal Services and program phase-outs and one-time expenditures eliminated in Essential Package No. 022.

Second, the Summary of 2017-19 Budget form includes a State Government Service Charges line. This is the net amount by which agency-specific charges in that ORBITS account are more or less than the 2017-19 Base Budget amount. An inflation factor is not applied to these charges. Note: Not all Price List charges are State Government Service Charges. Rent and other costs budgeted under other ORBITS accounts are included on the Cost of Goods and Services line.

State Government Service Charges

The Department of Administrative Services (DAS) publishes the State's Price List of Goods & Services. The Price List includes assessments and charges from agencies across state government. An electronic version of the 2017-19 Price List will be available on-line. Note that items in the Price List may change, based on more current information, during the budget development period.

The following assessments should be budgeted in ORBITS account 4225 State Government Service Charges:

- Central Government Service Charges
- Secretary of State, Archives Division
- Secretary of State, Audits Division
- Certification Office for Business Inclusion and Diversity
- Oregon State Library
- State of Oregon Law Library
- Oregon Government Ethics Commission
- DAS Policy Functions:
    - Chief Operating Office
    - Chief Financial Office
    - Office of the Chief Information Officer
    - Chief Human Resource Office
- DAS Service Delivery Offices
    - OSCIO State Data Center (assessment portion only)
    - Enterprise Asset Management
    - Enterprise Goods & Services
        - Risk Management Services
- Treasury Banking Services Charges
- Treasury Debt Management Services

Essential Package No. 040 | Mandated Caseload

Mandated caseload changes included in this essential package are based on caseload changes for programs that the federal government (federal entitlement programs), the state constitution, or court actions require. Mandated caseload costs include the cost of additional staff, although appropriate staffing levels are subject to further analysis. The budget instructions include an updated list of programs considered to fall within the mandated caseload definition.

Mandated caseload programs include:

- Oregon Health Plan – Medicaid only.
- Other Medicaid expenditures within medical assistance programs.
- Crisis services for adults with developmental disabilities.
- Crisis services for children with developmental disabilities.
- Non-crisis in-home care for adults with developmental disabilities.
- Non-crisis, comprehensive care for adults with developmental disabilities.
- Civil and criminal commitments for people with either mental illness or developmental disabilities.
- Community-based and nursing home care.
- Adoption Assistance.
- Children's Foster Care.
    - Other foster care placement alternatives: Subsidized Guardianship.
    - Statewide Residential Treatment Programs.
    - Treatment Foster Care.
    - Family Shelter Care.
    - Family Group Home.
    - Native American Relative Foster Care.
    - Other Tribal Programs.
- Food Stamps.
- State School Fund.
- Early Interventions/Early Childhood Special Education.
- Juvenile Corrections: DOC youth and Public Safety Reserve population only (at population forecast level).
- Adult corrections, including community corrections (at population forecast level).
- Department of Justice Criminal Appeals.
- Unemployment Insurance.

This list covers programs in the Executive branch. The Judicial branch reports its own mandated caseload programs.

Mandated caseload programs should reflect changing costs from caseload or cost-per-case fluctuations, plus any inflation. Examples include changes in the number of clients served or in the cost of services purchased. The costs associated with phasing in a new mandated caseload program should be placed in Essential Package No. 021. 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, restricting eligibility, or increasing reimbursement rates.

Methods used to forecast caseload or cost-per-case must be clearly articulated in the narrative portion of this package and discussed with/approved by CFO analysts prior to CSL finalization. Comparative data from other jurisdictions for similar caseloads is useful.

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

Adjustments for standard Mandated Caseloads listed in the Budget Instructions require agency documentation and analyst approval by the end of May 2016. No exception request is required. Expanding to the approved mandated caseload list will not be considered. Additional adjustments based on updated information may be included by the analyst in the Governor's Budget.

Essential Package No. 050 | Fund Shifts

This package is for significant revenue changes in existing programs. The change may have occurred during the 2015-17 biennium, or may be expected during the 2017-19 biennium. For example: a legislatively approved budget planned on Other Funds for a program, but Federal Funds are being used instead. <u>These packages should be net-zero in Total Funds cost</u>.

Agencies should request General Fund replacement of Lottery Funds, 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 current service level due to revenue shortfalls. If revenues are insufficient to maintain current service level, reduce expenditures in Policy Package No. 070 (see Modified Current Service Level).

This package requires agency documentation and analyst approval by the end of May 2016. It *may* require an exception request if the proposal is new or unusual. Agencies should work with their analyst to determine if an exception request is necessary.

Essential Package No. 060 |Technical Adjustments

This package is to be used for technical budget adjustments, such as agency reorganizations and expenditure category shifts that do not fit into the standard Essential Packages No. 010 - 050. Use of this package requires prior approval by the CFO analyst and SABRS manager. Agencies must provide documentation and obtain final analyst approval by the end of May 2016.

MODIFIED CURRENT SERVICE LEVEL – REVENUE SHORTFALLS

The Current Service Level is the estimated cost of continuing current programs into the next biennium, as required by law. The modified current service level reduces current service level expenditures to accommodate available Other Funds and Federal Funds revenues. Expenditure reductions due to revenue shortfalls should be included in Policy Package No. 070. The Summary of 2017-19 Budget form (ORBITS) will include a subtotal for modified current service 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 Lottery Funds, Other Funds and Federal Funds expenditure reductions necessary to adjust the current service level to available revenues which are normally budgeted in the Base and/or Essential Packages 010-060 (for Federal Funds). Reductions should be sufficient to leave ending balances where appropriate. If an agency seeks restoration of some of all of the reductions, the agency will need to propose traditional policy packages to increase revenues and restore expenditures that are reduced in Policy Package No. 070.

AGENCY REQUEST BUDGET – POLICY PACKAGES MAY – JULY

The final phase of the budget building process is to add policy enhancements on top of the Essential or Modified Essential Budget Level. Policy decision to reduce or increase programs or expenditures will be made through a series of policy packages described below.

Policy Packages No. 081 & 082 | Emergency Board actions after April

Agencies use this package to enter all expenditure and revenue actions taken by the Emergency Board not included in the base budget. Usually this means all actions taken after April of the even numbered year that will carry forward to the next biennial budget. The amount in the Policy Package No. 081 and No. 082 are biennialized and inflated using standard inflation rates. In some cases, changes to mandatory caseload figures may be adjusted in package 040, or changes to fund shifts may be taken in 050 in order to keep the Essential Budget Level "true."

Policy Package No. 100+ | Program or other proposed enhancements

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.

***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 CFO analyst is considering approval of the positions requested, the analyst will instruct the state agency to forward the supporting information for those positions. The CFO analyst will then submit the information to DAS CHRO 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 CHRO for help as early in the process as possible.

While not an exhaustive list, 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 formalize 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 2015-17 biennium that were not approved by the Legislature. Modified current service level budgets cannot include revenues or expenditures supported by fees that require legislative ratification in the 2017 Legislative Session. If an agency raised fees administratively during the interim and those fees were not already approved by the Legislature, then CSL expenditures must be reduced in Policy Package No. 070 to match revenues budgeted in Base 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 2017 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.
- Propose Capital Construction 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 2017-19 biennium must be included in a policy package(s) 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 a policy package(s) in agency operating program units/SCRs rather than in the Capital Improvement or Capital Construction program units/SCRs. For other types of projects that require debt financing (such as information technology and systems development related projects), the agency may include the request for debt service authority and any related issuing and financing costs in the same package as the request for project funding in the operating budget. However, if an agency has a Debt Service SCR it may budget (as part of the package) the new Debt Services in that SCR.
- Request new Non-limited authority. Requests to shift limited expenditures to Non-limited or to shift Non-limited to limited expenditures must 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 portions of projects that are continued in base budget in future biennia (expenditure limitation associated with large IT projects should be phased out when the project has been completed.) All new or expanded IT-related projects/initiatives that require new funding, new expenditure limitation, or new positions must be included in policy packages. Information about IT investments with total estimated costs of $150,000 or greater must be entered into the Enterprise Project and Portfolio Management (PPM) system. Information Technology-related Projects/Initiatives in excess of $1,000,000 require additional documentation (a business case). Agencies shall submit the original approved business case and/or an updated business case for any changes to the IT project schedule, budget or scope that exceeds five percent of the original project schedule, budget or scope. Agencies must submit a business case for the project and a detailed project plan if the continuing IT project does not have an approved business case on file with the State CIO.

The ORBITS/PICS 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.

REDUCTION OPTIONS

The Governor or the Legislative Assembly may need to consider revenue or expenditure plans that require program reductions. Agencies must propose reduction options of 10 percent, preferably in five percent increments. **Please note that with the passage of SB 1596 (2016) the reduction options no longer apply to the debt service portion of the CSL.**

Reduction options are based on the Modified Current Service Level (Base Budget plus Essential Packages, including Policy Package No. 070). Reductions should be presented separately for General

Fund, Lottery Funds, Other Funds, and Federal Funds, and reported on form 107BF17. 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 result in the loss of matching Federal Funds? For revenue transfers, discuss possible reduction options with any other entities that might be affected.

Agencies will not be required to submit Legislative Concepts to implement the proposed reduction options. However, agencies will need to provide the required legislative changes necessary to implement the reduction options if so requested by the Governor or CFO analysts. 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 budget reduction options must be included in the agency request narrative and should include 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.

Finally, in preparing the Governor's Budget document, agencies should update form 107BF17 to show which, if any, proposed reductions were used by the CFO to develop the 2017-19 budget for the Governor. Agencies should use the strikethrough font format to indicate items and dollars that were used.

OTHER CONSIDERATIONS WHEN PREPARING THE BUDGET

- ***Federal Maintenance of Effort Requirements* –** The federal government is a significant partner in funding many of the services provided by state government to Oregonians. This partnership includes the federal government sharing in the costs of providing these services. Under these cost sharing relationships, the federal government often requires the state to maintain a certain level of financial commitment to the programs. These relationships are often referred to as Maintenance of Effort requirements. State agencies are required to maintain the documentation necessary to show the federal government that Oregon is complying with these requirements

  At various points in the budget development process, especially when reductions need to be considered, it is necessary for CFO and LFO analysts to review the Maintenance of Effort (MOE) assumptions and calculations. It is impractical to require agencies to submit their MOE calculations at the time of submitting their Agency Request Budgets because state and federal fiscal years are not aligned, and the calculations are fairly fluid as agencies make actual expenditures. While it is impractical to require MOE submittals at the time of submitting the Agency Request Budget, agencies are required to produce MOE documentation and assumptions upon the request of either CFO or LFO analysts. This requirement extends to both current biennium MOE reporting and planned expenditures for the upcoming biennium.

- ***Administrative Services* –** For many years, there have been efforts to more efficiently and effectively provide administrative services to state agencies. In general, these efforts have focused on the provision of Information Technology, Human Resources, Fiscal and Procurement services. While agencies are not required to budget these services into separate program units, agencies should be prepared to provide budget information for these services upon request.

- ***Ballot Measure 30 (1995)*** – Article XI, Section 15 of the Oregon Constitution requires that the state pay the costs of new work the state requires of local governments, under certain circumstances.
- ***Ballot Measure 17 (1994)*** – Article I, Section 40 of the Oregon Constitution requires inmates to work and be engaged in workforce development. State agencies are required to give priority to inmate services and products. Visit the Oregon Corrections Enterprises website at www.oregon.gov/OCE/ for more information.
- ***Purchasing Printing and Copying 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 and copying and equipment must be submitted to the DAS Publishing and Distribution program by June 30, 2016. Additional information regarding equipment subject to evaluation under this statute and approval guidance is available by emailing order.info@state.or.us.
- ***Purchasing Mailing Equipment*** – ORS 283.140 authorizes DAS to approve or disapprove all state agency mail equipment or mail service acquisitions. Requests for approval of agency purchase and use of all state mailing equipment must be submitted to the DAS Publishing and Distribution program by June 30, 2016. Additional information regarding equipment subject to evaluation under this statute and approval guidance is available by emailing order.info@state.or.us.
- ***Acquiring or Modifying Fiscal Systems*** – Submit written requests to DAS for review as soon as the acquisition and/or modification of the fiscal system(s) are defined. DAS must review all new and proposed major modifications to existing fiscal systems. DAS defines fiscal systems as:
    - General ledger accounting and financial reporting systems that duplicate any functionality currently provided by Statewide Financial Management Application (SFMA) or interface data into SFMA.
    - Payroll and/or time and attendance systems that duplicate any functionality currently provided by Oregon Statewide Payroll Application (OSPA) or interface data into OSPA.
    - Financial data marts that duplicate any functionality currently provided by the SFMA and OSPA data marts.

  Purchasing systems that duplicate any functionality currently provided by Advanced Purchasing and Inventory System (ADPICS).

  Call DAS as early as possible to consult on proposed systems or modifications. Call Trudy Vidal at (503) 373-0170 for system application changes in accounting or purchasing. Call Oregon Statewide Payroll Services (OSPS), Seth Lewis at (503) 373-0198 for system application changes to payroll. Call Aaron Wallace for SFMA and OSPA financial data marts at (503) 373-0269.
- ***Compensation Plan Adjustments*** – Submit proposed compensation plan changes (represented, management service, unrepresented) to the DAS Chief Human Resource Office (CHRO). 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 CHRO for help as early in the process as possible.
- ***Space Planning*** – For information concerning interior space square footage requirements, please refer to the State Office Standards (DAS Policy 125-6-100, dated July 23, 2003) published by Enterprise Asset Management. If you have changes to work space in space either owned by or

leased through the Enterprise Asset Management, or other space planning services, please contact the DAS Planning and Construction Management Section at (503) 373-7148 or (503) 373-7147.

DAS Interior Project Managers can provide space-planning services at no charge to agencies housed 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

- ***Vehicle Purchases* –** When planning to make vehicle purchases, refer to the DAS Statewide Fleet Management Standards (DAS Policy 107-009-040) published by Enterprise Asset Management. DAS Fleet has statutory authority to control and regulate the acquisition, operation, use, maintenance and disposal of, and access to motor vehicles used for State business. For additional information, contact the DAS Fleet and Parking Services Manager at (503) 373-7723, who can provide vehicle costing and delivery information.

  If DAS Fleet provides vehicles for your agency, be sure to work with DAS Fleet Operations as you are planning your budget regarding any changes in agency program activities that will require additional new vehicles. Additional staff, reorganization, and increased field work, etc. that trigger the need for more vehicles mean the Fleet budget request will need a companion policy option package to buy those additional vehicles.

Capital Budgeting & State Facilities Planning

CAPITAL BUDGETING

Capital budgeting refers to planning for and establishing General Fund appropriations, Other Funds and Federal Funds expenditure limitations 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 renovations, additions, or improvement projects. They change a use, function, or cost in such a magnitude that approval by the Governor and the Legislature is warranted. Project costs may include planning, design, land acquisition, construction or implementation. Generally, capital projects must conform to the Oregon Accounting Manual (OAM) (policy 15.60.10) of the DAS Chief Financial Office (CFO) as it applies to capitalization of fixed assets.

Capital Projects are divided into two unique categories: (1) Capital Improvements and (2) 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 Budget.

Capital Improvements Defined

A capital improvement project must meet the following criteria:

- The total project cost will be less than $1 million including anticipated requests in future biennia, and
- Costs will be capitalized in accordance with OAM 15.60.10 (i.e. (a) the expenditure is for acquisition (including land) or construction of a new asset, or, (b) for existing assets, the expenditure significantly increases the value, extends the useful life, or makes it adaptable to a different use)

Land acquisition for a project that has total, complete project costs of less than $1 million 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 OAM of the DAS CFO.
- The complete project cost will be $1 million 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 (see reconstructions 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 (i.e. six years following the initial approval). *Note: Capital Construction Projects approved at $1 "Placeholder" level are subject to this limit.* If an agency's six-year spending limitation is expected to expire before the project will be completed, the agency must request an extension as part of the agency's 2017-19 capital project budget requests. **Requests for extension of capital construction limitation expiration dates must also be made by email to Jean Gabriel at** jean.l.gabriel@oregon.gov**.** Any recommended extension is subject to legislative approval. Speak to your CFO analyst if you have any questions. Project expenditures cannot exceed amounts authorized for a specific capital construction limitation.

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 of components, or adaptation, are not capital projects. Projects that reduce maintenance costs or increase efficiency are generally not considered capital projects. However, major repair or maintenance initiatives such as substantial roof or flooring repairs, large scale painting projects or carpet replacements may be included in the Capital Improvements budget. Note however, that projects that do not qualify as capital under the OAM cannot by financed using Article XI-Q bonds.

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 Services (SARS) and your assigned CFO analyst to determine how to categorize a large asset protection project.

Inclusion of Positions in Capital Construction Budgets

In some instances, it may be preferable to use state employees rather than contractors to perform tasks that are properly capitalized (and therefore appropriate as "capital construction" project costs). For budget purposes, capital construction limitations are considered fully expended during the biennium in which they were authorized. In ORBITS, the full amount of the project is shown as Capital Outlay in the Capital Construction summary cross reference. Charges against the limitation can still be made in subsequent biennia and are controlled through the allotment process.

Although capital construction positions may be required for multiple biennia, the PICS system does not allow a position to be budgeted for more than 24 months. Therefore, agencies desiring to use capital construction limitation to fund positions should establish those positions with a zero rate so they do not generate dollars in the budget but will provide position authority (position count and full-time equivalent) in both the budget and personnel systems. The payroll costs and appropriate services and supplies costs for these positions should be charged against the capital construction budget. In ORBITS, these costs should be displayed in account 5800 – Professional Services (Capital Outlay). PICS comments field can be used to ensure any permanent positions are phased out at the end of the six-year limitation.

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 construction projects and large lease projects prior to any agency's submission to CFO or introduction of a bill or Emergency Board request. In 2009, the Legislature re-established the Capitol Planning Commission (CPC) and transferred to it, from the CPAB, the responsibility for review of major construction projects within the boundaries of the City of Salem and the City of Keizer for compliance with the development standards and policies contained in the CPC adopted Area Plans. During calendar year 2016, the CPAB will review space need plans, construction project plans, building maintenance need plans, and facility inventories from each state agency (excluding OUS) that owns facilities anywhere in the state. During this same time period, the CPC will review project plans for major construction projects within the boundaries of the City of Salem and the City of Keizer for compliance with the Area Plans. The CPAB is also responsible for reviewing new space leases of 10,000 square feet or more with a lease term of 10 years (initial term plus possible extensions) or more. The information provided by agencies and the Board's and Commission's comments are shared with CFO and LFO for use in budget preparation and analysis.

Major construction or acquisition projects ($1 million and more) must be publicly reviewed by CPAB and, if within the boundaries of the City of Salem or Keizer, the CPC prior to the agency's budget submission to CFO or introduction of a legislative bill, or an Emergency Board request. The Oregon University System projects are exempt from these requirements as are community college projects requested by the Department of Community Colleges and Workforce Development

The DAS CFO Capital Finance and Planning Section is staff and coordinator for the CPAB and for the CPC. Contact Alice Wiewel, State Architect and Director of Facilities Planning at (503) 386-6513 to request any information regarding this effort.

Long-Term Construction Budget Requirements

- **Four-Year Major Construction Budgets**

  State agencies are 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 2017-19 budget request for major projects scheduled for construction in 2017-19. Your four-year budget request will consist of project construction approvals for the 2017-19 biennium for planned projects, and planning funds for projects you expect to request for construction approval in the 2019-21 biennium. Projects included in these budgets may be accelerated or deferred with Emergency Board approval.

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

  ORS 291.224 requires the Governor's Budget to 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. While four-year and six-year plans are required by statute, these budget instructions require plans to be reported over a ten-year period. Present your ten-year plan in the form of a table (use form 107BF13). Show requested and potential major construction or acquisition projects and planning funds for the 2017-19, 2019-21, 2021-23, 2023-25 and 2025-27 biennia.

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

- **Capital Financing Six-Year Forecast**

  ORS 291.216(11) requires the Governor's Budget to compare the State Debt Policy Advisory Commission's report of net debt capacity to state agencies' capital financing six-year forecast. This is in addition to the major construction/acquisition six-year plan.

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

Provide projected financing needs by use as follows:

- 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 general obligation bonds or revenue bonds (certificates of participation have been replaced by Article XI-Q general obligation 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 CFO analyst or the CFO Capital Finance and Planning Section if you have questions.

Financing Agreements and Article XI-Q Bond (XI-Q) Financing

Note: Article XI-Q bonds, for which enabling legislation was approved in 2011, have replaced Certificates of Participation (COPs) for financing real and personal property that will be owned and operated by the State.

Oregon law and the XI-Q program procedures provide a centralized structure to process requests by state agencies for financing projects. The XI-Q program is managed as a central service function by DAS CFO, Capital Finance and Planning Section. Centralized control assures that financing agreements and XI-Q bonds are used only for projects approved by the Legislature and the Executive Branch. XI-Q bonds can be used to finance real or personal property (including software) that is capitalizable under generally accepted accounting principles and will be owned or operated by the state. Therefore, any non-capital costs of a project will need to be funded through other sources.

If your agency plans to use XI-Q bonds or other financing agreements (e.g. capital lease) in an amount exceeding $100,000, approval by DAS and the Legislature is required. Your budget must include the revenue source (e.g. XI-Q proceeds) and necessary expenditure limitations, including debt service. Work with your assigned CFO Analyst and the Capital Finance and Planning Section to obtain debt service estimates.

To request XI-Q bond authority, complete the Article XI-Q Bond Financing and Financing Agreements Request Form (107BF15). Itemize each stand-alone project for which financing is requested in 2017-19. ***XI-Q Financing request forms must be completed and e-mailed to Jean Gabriel on or before May 16, 2016 at jean.l.gabriel@oregon.gov***. The requests are evaluated on factors including priority of need, effectiveness, and repayment source. This review determines which requests are included in the Governor's Budget. Questions should be directed to Jean Gabriel, Capital Finance and Planning Manager, at (503) 378-3107.

- Financing agreements or bond proceeds to restore or acquire real property must meet the following criteria:
    - The project will acquire, construct or improve the safe, economic operation of the property.
    - The costs of the project to be funded with XI-Q bond proceeds are capitalizable under generally accepted accounting principles (as found in OAM policy number 15.60.10).
    - The property will be essential to state services.

- The property will have a useful operating life at least commensurate with the term of financing.
- The property is free and clear of all liens and financial security claims.
- The amounts for restoration or renovation will substantially improve the property.
- The financing has specific, stable sources of repayment.

- Financing agreements or bond proceeds to finance equipment acquisition or system development projects must meet the following criteria:
  - The equipment or system will contribute substantially to a more effective or cost-saving method of delivering state services.
  - The costs of the project to be funded with XI-Q bond proceeds are capitalizable under generally accepted accounting principles (as found in OAM policy numbers 15.60.10 and 15.60.40).
  - The equipment or system will be essential to priority state services.
  - The equipment or system will have a useful operating life at least commensurate with the term of financing.
  - 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 XI-Q bonds is done at the agency level. Each agency is responsible for recording revenues and expenses associated with the issuance of these obligations. Where XI-Q bonds are used, the XI-Q disbursing agent holds bond proceeds 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 bonds.

Project Budget – Base or Policy Package?

Projects acquired with financing agreements and XI-Q bonds are not included in an agency's base budget. They must be phased out at the end of each biennium. Address each project in one or more separate policy packages that discuss use of XI-Q sale proceeds, interest income, acquisition or construction costs, and XI-Q issuance costs. Record the asset acquisition cost in the appropriate Capital Outlay account, ORBITS account number series 5XXX. XI-Q issuance costs and related fee expenditures are current biennium operating costs and are budgeted as Services and Supplies in ORBITS account number 4650, Other Services and Supplies. XI-Q bond sale proceeds (revenue) are budgeted in ORBITS account numbers 0555 if debt service is expected to be paid primarily from the General Fund, or account number 0560 if debt service is expected to be paid primarily from non-General Fund sources. COP interest income estimates are budgeted in ORBITS account number 0610 Interest Income COP. XI-Q interest income estimates are budgeted in ORBITS account number 0605 Interest Income.

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

Debt Service – Limited or Non-limited?

2015-17 Debt Service requirements for XI-Q bonds and finance agreements can be requested in agency budgets as limited or non-limited, 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 Non-limited Debt Service; your CFO 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 Non-limited 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 account 1010, Transfer In – Intrafund, with an off-setting entry to account 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. For XI-Q bonds, use accounts 7100 and 7150 for principal and interest respectively. 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. It is critical that agencies inform the Capital Finance and Planning Section of any planned financing agreements for capital items so that authority can be requested in the biennial "Bond Bill." Estimates for non-COP financing agreements (e.g. capital leases) should be provided to Jean Gabriel by May 16, 2016. The OAM explains in detail requirements for capitalizing or expensing components of these transactions. Capitalized components and related debt service presentation are also clearly discussed. Agencies with capital leases, or other forms of financing agreements as described in Oregon Administrative Rules 122-070-0110 are required to budget debt service accordingly. Leases that do not meet the criteria for capital leases should continue to be budgeted as operating lease payments in the appropriate Services and Supplies account.

Lottery Revenue Bond Financing Requests

The Lottery Revenue Bond program is centrally managed by the DAS CFO, Capital Finance and Planning Section. Use form 107BF09 to request issuance of Lottery Revenue Bonds during the next biennium beginning July 1, 2017. Subject to the provisions of Article XV, Section 4 of the Oregon Constitution and ORS 286A.560 - 286A.585, Lottery Revenue Bonds may be issued to finance programs or projects for which the Legislature finds the use of lottery bond proceeds will: create jobs; further economic development; finance public education; or restore and protect parks, beaches, watersheds and native fish and wildlife. Generally, bonds are limited to capital costs in order for the State to obtain the lowest cost of funds when issuing bonds.

Questions?

For questions concerning Article XI-Q bonds, financing agreements, form 107BF15, Lottery Revenue Bonds or form 107BF09, contact Jean Gabriel, Capital Finance and Planning Manager at (503) 378-3107.

For questions concerning how to request capital projects, work with your CFO analyst. For questions on how to record within the budget system capital projects, XI-Q bonds, financing agreements, lottery revenue bond projects and debt service refer to the ORBITS/PICS User's Manual.

STATEWIDE FACILITIES PLANNING

The programs and services administered by the State of Oregon, through various agencies, boards and commissions, require physical assets. These assets, in total, represent a significant financial outlay that must be understood to ensure proper stewardship for both long term utility and strategic investment purposes. ORS 276.227 charges DAS with managing a statewide facility planning process. The process, administered by the Facilities Planning Unit (FPU) within the Capital Finance and Planning section of the Chief Financial Office (CFO), provides an objective evaluation of our state portfolio for making long-range, strategic investment decisions that prioritize (among other factors) liability and risk, programmatic need, and community benefit. The purpose of this effort is to ensure the state is making rational, data-driven investment decisions using a multitude of dimensions, and providing facilities that are as efficient and effective as possible in delivering responsive government services.

Facilities Planning Guiding Principles

The Facilities Planning Unit (FPU) established six core principles that guide the statewide enterprise of capital investment planning and project development. While these guiding principles are not specific project evaluation criteria, they serve as the underpinnings of best practices in capital planning.

- *Design for Quality* - Good building design contributes to higher employee productivity and better public service. Aspire for the highest feasible level of environmental and architectural design.
- *Steward our Investments* - Public investments must be properly maintained to ensure safety and reduce long-term cost. Design high-performance buildings with the lowest total cost of ownership.
- *Right-Size our Portfolio* - Buildings have large environmental footprints, and are costly to build, operate and maintain. Prioritize adaptive reuse of buildings and projects that maximize efficiency and long-term utility.
- *Contribute to the Whole* - Our buildings serve key roles across the state and represent sizable community investments. Consider how a project impacts the community and helps achieve statewide priorities.
- *Convey our Identity* - Our buildings represent the aspirations, integrity, and legacy of Oregonians. Ensure buildings contribute to an "image of accessibility and responsiveness of government".
- *Be Resilient* - We build for resilience using science, data and community wisdom to protect against and adapt to risks, thereby making people, communities and systems better prepared to withstand catastrophic events—both natural and man-made—and able to bounce back more quickly and emerge stronger from these shocks and stresses.

Statewide Facility Planning Process

FPU administers a statewide facility planning process that requires biennial submission of key facility-related information to satisfy the statutory requirements of ORS 276.277. This important information allows agencies and leadership to evaluate state facility condition and needs for developing financing and budgeting strategies that address these needs. It also informs FPU- DAS in establishing guidelines and standards for acquiring, managing and maintaining state facilities that best serve the strategic, long-range interests of the state.

Statewide Budget and Capital Prioritization

The Statewide Facility Planning Process (SFFP) is tied closely with the statewide budget development process and is intended to align capital needs with the Governor's priority outcomes.

To accomplish this, DAS established a prioritization process that reviews and scores projects relative to key criteria, including:

- Alignment with State's long-term planning priorities
- Cost Savings
- Need and Capacity
- Finish What We Start
- Leveraged Dollars
- Environmental and Social Sustainability

This project prioritization criteria is subject to change and may evolve from biennium to biennium. These changes are reflected in each biennium's budget instructions.

Metrics: Effective, Efficient and Affordable

FPU has identified three key performance measures intended to gauge the state of our portfolio. The information provided through the SFPP inform these measures at an agency and statewide level, and provide a relevant "snapshot" that speaks to effectiveness, efficiency, and affordability:

- **Facility Condition Index (FCI)** – A calculated measure of facility condition relative to its current replacement value (expressed as a percentage) and represented by the following categories:

  4. **Good (0 - 5%)** - In new or well-maintained condition with no visual evidence of wear, soiling or other deficiencies
  5. **Fair (5 - 10%)** - Subject to wear and soiling, but is still in a serviceable and functioning condition
  6. **Poor (10 - 60%)** - Subjected to hard or long-term wear. Nearing the end of its useful or serviceable life
  7. **Very Poor (>60%)** - Has reached the end of its useful or serviceable life. Renewal now necessary

- **Space Utilization** – A calculated measure of how efficiently space is being used, this metric varies for different space types, with greater emphasis on office/administrative uses. The State of Oregon is moving toward a new guideline of 175 Usable Square Feet (USF)/Position for office/administrative uses. For other uses, a secondary metric is used.[3]

[3] **Note.** For agency facilities (or portions of facilities) used for office/administration activities, a standard metric of Usable Square Feet (USF)/Position Count is calculated. For agencies with less than 10% office/administrative spaces,

- **Operation and Maintenance Cost per Gross Square Foot** – a standard measure of affordability, this metric varies by building and operational type.

FACILITIES MAINTENANCE & MANAGEMENT

ORS 276.229(2) requires state agencies to include the biennial costs associated with maintenance, major repairs or building alterations in their regular budget presentations to the Legislative Assembly. Agencies are required to include in their budget presentations short-term and long term plans to reduce or eliminate any existing backlog of deferred maintenance. ORS 276.227(5) requires state agencies to establish and implement long-range maintenance and management plans for facilities for which this state is responsible to ensure that facilities are maintained in good repair and that the useful lives of facilities are maximized.

Facilities Maintenance forms have been designed to address statutory requirements for maintenance budget reporting using established requirements, such as Capital Projects Advisory Board (CPAB) and Risk Management reports to the greatest extent possible.

These forms are required only for agencies that own buildings.

What is Facilities Maintenance?

The International Facilities Management Association (IFMA) indicates that maintenance costs can be described in four major categories for non-manufacturing entities:

- **Interior System Maintenance –** This category includes electrical systems (including elevators, alarm systems, lighting, etc.); mechanical systems (HVAC, boilers, plumbing, refrigeration, etc.); base building general maintenance (interior walls, doors, ceilings, pest control, etc.); and administrative support services (trouble desks, etc.)
- **External System Maintenance** – Costs to maintain roof, skin (siding, masonry, windows), signage, etc.
- **Roads and Ground Maintenance** – Costs associated with landscaping, parking structures and lots, roadways, sidewalks, parking lots, storm sewers, underground fire systems and hydrants, etc.
- **Utility/Central System Maintenance –** This category includes costs to maintain internal systems to generate/distribute electricity and internal mechanical systems such as steam plants and hot and cold water systems.

Agencies with significant facilities operations may include support staff if directly associated with facilities maintenance activities. Do not include other overhead items such as accounting, central government charges, etc.

What is an Operations and Maintenance Budget?

Industry standards generally include two other closely related cost categories when evaluating facilities management. In addition to the maintenance categories described above, a facilities operations and maintenance budget includes utilities and janitorial costs.

FPU is requesting an agency-specific metric (see Facility Summary Narrative 107BF16a) that provides insight into how agencies with primarily non-office-based operations determine their space needs. Essentially, what is the relevant metric each agency uses as a measure of their space needs, and by extension, their space efficiency?

What is Deferred Maintenance?

Deferred Maintenance is maintenance that was not performed when it should have been. It may also include maintenance needs resulting from unforeseen circumstances such as wind storms, premature failure of facilities components, etc. It is typically measured in terms of a budget cycle. It is widely believed that deferred maintenance costs are significantly higher than corresponding routine maintenance costs in achieving the same stewardship objectives.

Categories of Deferred Maintenance

Policymakers benefit from having deferred maintenance needs prioritized. DAS Enterprise Asset Management (formerly Facilities Division) has developed the following categories to be used for budget presentation:

Priority One: Currently Critical

Priority One projects are conditions that require immediate action in order to address code and accessibility violations that affect life safety. Building envelope issues (roof, sides, windows and doors) that pose immediate safety concerns should be included in this category.

Priority Two: Potentially Critical

Priority Two projects are to be undertaken in the near future to maintain the integrity of the facility and accommodate current agency program requirements. Included are systems that are functioning improperly or at limited capacity, and if not addressed, will cause additional system deterioration and added repair costs. Also included are significant building envelope issues (roof, sides, windows and doors) that, if not addressed, will cause additional system deterioration and added repair costs.

Priority Three: Necessary - Not Yet Critical

Priority Three projects could be undertaken in the near to mid-term future to maintain the integrity of a building and to address building systems, building components and site work that have reached or exceeded their useful life based on industry standards, but are still functioning in some capacity. These projects may require attention currently to avoid deterioration, potential downtime and consequently higher costs if corrective action is deferred.

Priority Four: Seismic and Natural Hazard Remediation

Priority Four projects improve seismic performance of buildings constructed prior to 1995 building code changes to protect occupants, minimize building damage and speed recovery after a major earthquake. Projects also include those that mitigate significant flood hazards.

Priority Five: Modernization

Priority Five projects are alterations or replacement of facilities solely to implement new or higher standards to accommodate new functions, significantly improve existing functionality as well as replacement of building components that typically last more than 50 years (such as the building structure or foundations). These standards include system and aesthetic upgrades which represent sensible improvements to the existing condition. These projects improve the overall usability and reduce long-term maintenance requirements. Given the significant nature of these projects, the work typically addresses deficiencies that do not conform to current codes, but are ‘grandfathered’ in their existing condition to the extent feasible.

The Budget Document

THE BUDGET DOCUMENT JULY – AUGUST

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. These instructions are presented in the traditional "hard-copy" form. Agencies should convert to electronic form for customer ease of use. For instance, use of hyperlinks on table of contents and tabs.

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: the Agency Request Budget, the Governor's 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.

The budget document is a compilation of narrative, ORBITS reports, budget forms, and agency-supplied information. Agencies may enter budget narrative directly into ORBITS, or may choose to use the old narrative form 107BF02. The applicable ORBITS component(s) and/or budget form(s) are noted in the instructions for each section of the document.

All of the CFO-supplied materials are available in ORBITS, from CFO, or on the web at

http://www.oregon.gov/DAS/Financial/Pages/Budgetinstruct.aspx.

The following pages explain how to assemble the budget documents.

The icon pictured to the left indicates that a divider "TAB" should be used at this point in the printed document. For electronic documents, this means major section identifiers and hyperlinks.

DOCUMENT FORMAT

Budget documents are submitted at three points in the process. See below and on the following page for details on when to submit. These guidelines will help you prepare your document in hard-copy and electronic formats.

- All budget pages, including ORBITS produced forms, must be 11 x 8 1/2 inches. Orient pages as "landscape."
- All typing and graphics should be landscape-oriented. Lines should run the full page width or be in two columns.
- Side margins should be a minimum of ½ inch.
- Budget forms are available at: http://www.oregon.gov/DAS/Financial/Pages/Budgetinstruct.aspx.

- Do not write or type on ORBITS reports other than to add page numbers.
- Produce budget documents at the lowest cost that yields readable, informative documents. Customer service representatives from DAS Publishing and Distribution (P&D) can help with page layout or production issues to control costs. You may contact DAS P&D at (503) 378-1700.

Hard-copy Document

- 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 the final document in three-ring, vinyl binders.
- 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.

Electronic Document

- All electronic documents should be digitized utilizing optical character recognition (OCR), so that printed text can be searched electronically.
- PDF and CD/DVD documents should be bookmarked at each section.
- Electronic files should contain appropriate hyperlinks to important sections of the document.
- Embed fonts and create a printable PDF prior to saving your document to CD/DVD.

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 the CFO by September 1, 2016 from all agencies.
- Title: "Agency Name" 2017-19 Agency Request Budget.
- Number of copies to be submitted: **Two, plus an electronic copy for the CFO and a CD/DVD for the LFO library**. One binder must include certification page with an **original** authorized signature. The agency is also required to publish the ARB on its website and forward the hyperlink to the document to CFO.

Governor's Budget

- Due to CFO in early 2016. Actual due date will be supplied before then.
- Title: "Agency Name" 2017-19 Governor's Budget.
- Number of copies to be submitted: To be determined. One binder must include certification page with an **original** authorized signature. The number of copies will depend on the number of

members in a designated budget committee, as well as the number of members that would prefer electronic copies only. Check with your CFO analyst.

Legislatively Adopted Budget

- Due to CFO within 30 days of the date the agency is through SABRS audit process and receives ORBITS budget support documents.
- Title: "Agency Name" 2017-19 Legislatively Adopted Budget.
- Number of copies to be submitted: **To be determined**. One binder must include certification page with an **original** authorized signature.

BUDGET OUTLINE

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 (107BF02)
    - Budget Summary Graphics
    - Mission Statement and Statutory Authority
    - Agency two-year Plan
    - Program Descriptions
    - Environmental Factors
    - Initiatives and Accomplishments
    - Criteria for 2017-19 Budget Development
    - Major Information Technology Projects/Initiatives
    - Other Considerations
2. Summary of 2017-19 Budget (Agency-wide and Program Unit levels) (ORBITS)
3. Program Prioritization for 2017-19 (107BF23)
4. Reduction Options (107BF02 and 107BF17)
5. 2015-17 Organization Chart
6. 2017-19 Organization Chart (if changes proposed)

REVENUES

1. Revenue Forecast Narrative/Graphics (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 (107BF07)

The Budget Document

PROGRAM UNITS

1. Program Unit Organization Chart(s).
2. Program Unit Executive Summary (107BF02).
3. Program Unit Narrative (107BF02).
4. Essential and Policy Package Narrative and Fiscal Impact Summary (ORBITS BPR013).

CAPITAL BUDGETING

1. Financing Agreements and COPs.
2. Capital Improvement.
   - Capital Improvement Narrative (107BF02).
   - Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (BPR012).
3. Capital Construction (Major Construction/Acquisition).
   - Major Construction/Acquisition Narrative (107BF02 and 107BF11).
   - Major Construction/Acquisition Six-Year Plan (107BF13).
   - Capital Financing Six-Year Forecast Summary (107BF12).
   - Project Narrative.
   - Detail of Lottery Funds, Other Funds and Federal Funds Revenue (ORBITS BPR012 and 107BF07).
4. Facilities Maintenance and Management
   - Facilities Maintenance Narrative (107BF02).
   - Facilities Maintenance Summary Report (107BF16a).
   - Facilities Operations and Maintenance and Deferred Maintenance Report (107BF16b).

SPECIAL REPORTS

1. Information Technology-related Projects/Initiatives (Information Technology Project spreadsheet).
2. Annual Performance Progress Report (not required for ARB, include in GB/LAB)
3. Audit Response Report.
4. Affirmative Action Report.

BUDGET DETAIL

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 form 107BF01). With this form, the agency certifies the accuracy of the budget document.

This certification 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 Budget, and the Legislatively Adopted Budget documents.

LEGISLATIVE ACTION

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

AGENCY SUMMARY

1. Agency Summary Narrative (107BF02)

This section presents policy issues and agency business plans for the 2017-19 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 2015-17 Legislatively Approved Budget (as of April 2016) with the 2017-19 Agency Request Budget.

Update these graphics for the Governor's Budget and the Legislatively Adopted Budget.

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 Strategic or Business Plans

This section requires development of short-term and long-term strategic goals and plans. Agencies should link the long-term goals to pertinent high-level outcomes, and identify associated performance measures.

d. Criteria for 2017-19 Budget Development

Using the short-term and long-term plans, identify the goals, objectives and/or outcomes used as a basis to develop the budget proposal.

e. Performance Measures

Include the Annual Performance Progress Report for the fiscal year ending June 2016. See page 62 for more details.

f. Major Information Technology Projects/Initiatives

Identify and develop a business case document for major information technology-related projects/initiatives, equal to or exceeding $1,000,000 and follow the Joint State CIO/LFO Stage Gate Review Process. Describe how those major projects/initiatives:

- Align with and support agency strategic/business plans.
- Align with and support the Governor's goals, priorities and initiatives, the Enterprise Information Resources Management Strategy, and other IT-related statewide plans, initiatives, goals and objectives.

The full business case document for these projects should be included in the Special Reports section of the budget document. This agency narrative section should be a summary of that document. For continuing IT projects in excess of $1,000,000, the agency must submit the originally approved business case and/or an update to the business case for any changes to the IT project schedule, budget or scope that exceeds five percent of the originally approved project schedule, budget or scope. If the continuing IT project does not have a business case that received State Chief Information Officer approval, the agency must submit a business case for the project and a detailed project plan.

2. Summary of 2017-19 Budget (ORBITS)

This form is produced directly out of ORBITS. It reports the base budget, the essential packages that bring the budget to the current service level, and any policy packages in the budget. Both the agency summary and program unit levels are reported. Rerun the report, as stages are completed, for the Governor's Budget and the Legislatively Adopted Budget.

3. Program Prioritization for 2017-19 (form 107BF23)

This form is required for the Agency Request Budget. Priorities are listed for each Program Unit/Division as well as agency-wide.

4. Reduction Options

Present General Fund, Lottery Funds, Other Funds, and Federal Funds reduction options (see page 28 for details). 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.

10% Reduction Options Form (107BF02, and 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, 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 positions affected by the option. If the option would be phased in, show the 2017-19 impact and the full 24-month projected 2019-21 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, agencies should be prepared to provide their CFO and LFO analysts detailed information by category. This will allow analysts to form policy packages quickly if the options are recommended by the Governor or adopted by the Legislature. See page 33 for instructions on displaying reduction options that were actually used in the Governor's budget.

5. Organization Chart(s) 2015-17

Include a copy of the agency's current organization chart.

6. Organization Chart(s) 2017-19

If the 2017-19 budget includes organizational changes, include a chart of the proposed 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 2015-17 Legislatively Adopted Budget to date.
- Show proposed 2017-19 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.

7. Agency-wide Program Unit Summary (ORBITS 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.

REVENUES

This section presents revenues at the agency-wide level.

1. Revenue Forecast Narrative (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, including the percentage and type of match.
- Agency programs funded with the revenue.
- General limits on use of funds.
- Basis for 2017-19 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.

Include graphics or other aids to provide 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 (107BF08)

Describe the fees, licenses, and assessments to be established or increased in the 2017-19 budget. Include those established or increased administratively during the 2015-17 biennium, only if they were not approved by the Legislature and included in the Legislatively Adopted Budget. In the explanation section, describe and contrast any increases in volume versus any increases in rate.

Although not included in the budget binder, agencies must report detailed information on all fee increases, establishments, or decreases included in the 2017-19 Agency Request Budget. This is reported on form 107BF22 Fee Change Detail Report. The form and accompanying cover memo must be submitted electronically to the agency's CFO analyst at the same time that the Agency Request Budget is submitted.

3. Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (Form 107BF07 must be included.)

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.

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 2017-19 budget makes organizational changes, include a chart of the 2015-17 structure and one of the proposed 2017-19 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 2013-15 biennium to date between program units from the 2015-17 Legislatively Adopted Budget.
- Show proposed 2017-19 biennium changes by shaded or dashed boxes.
- Use summary footnotes to save space.

2. Program Unit Executive Summary (107BF02)

During the 2013-15 budget development process, state agencies summarized their program level budgets using a bid form. Those bid forms forced agencies to summarize their programs in a concise manner, while hitting the major elements that help decision-makers understand the core elements of the agency proposals. This concise format was very useful in the budget development process.

For the 2017-19 biennium, agencies will continue to incorporate the information that was contained in the prior bid forms into the Agency Request budget narrative as a "Program Unit Executive Summary." As with the bid forms, agencies should limit this executive summary to no more than four pages. This Executive Summary should orient readers to the core functions of the program unit, summarize the requested funding level for the upcoming biennium, and articulate the expected performance that will be achieved if the requested funding level is approved.

The Program Unit Executive Summary should be organized in the same manner as presented in the 2013-15 bid forms. The specific sections that will be required include:

a. Long Term Focus Areas that are impacted by the program. All agency programs will be mapped to the five long term focus areas identified by Governor Brown. In this section, highlight which focus areas have a Primary, Secondary or Tertiary linkage to the program.

b. Primary Program Contact. Identify a person who can answer questions about program operations.

c. Graphical representation of the program unit's Total Funds Budget over time and the program performance that corresponds for the same period. This graphic is designed to provide historical and future context for decision-makers so they can see the relationship between funding levels and program performance. Most programs should be able to provide five biennia of history, the current biennium, and at least the funding and performance levels expected in the 2017-19 biennium, if the agency proposal is approved. If your agency can not provide this history, work with your assigned CFO analyst to determine an appropriate graphical representation.

While the information provided above is the minimum expected of agencies, it will be most helpful to decision-makers if an estimate of future costs is also included through the 2021-23 biennium. This is especially important for program changes that will be proposed for 2017-19 that may need to roll-up in future biennia. Providing this information now will avoid surprises in future biennia if increased funding is requested at a later time. In preparing future cost estimates, use the same methodology used to develop the agency Current Service Level. As a general guideline, the following inflation factors should be used:

	Standard Inflation	Non-State Employee Personnel Costs	Medical Inflation
2017-19	3.7	4.1	4.1
2019-21	3.8	4.3	4.7
2021-23	4.1	4.4	5.0

d. Program Overview. In one or two sentences, describe what the program does and why it is important.

e. Program Funding Request. Summarize the proposal you are submitting to the Governor. Include the amount of resources you are requesting for this program and the performance you will achieve if this proposal is funded. Include the proposal costs and performance for the 2017-19 biennium and estimated costs and performance through the 2021-23 biennium.

f. Program Description. Provide a description of the program, the clients that it serves and the frequency at which those clients receive service. Describe the purpose of the program and how it achieves that purpose. Describe how the program is delivered and what partners are necessary to guarantee success of the program. Describe the major cost drivers that affect this program, and whether there are opportunities to improve performance through alternative delivery methods.

g. Program Justification and Link to Long Term Outcomes. Describe linkage between program performance and the long term outcomes. At a minimum there must be a logical connection between the performance of this program and our long term goals. At best, the program can provide research or nationally recognized best practices to justify the argument that investment in this program will help Oregon achieve its long term goals. If there are long term performance indicators that are directly impacted by the performance of this program, identify those indicators and how they move with changes in program performance.

Provide similar information for any secondary or tertiary outcomes connected to this program.

h. Program Performance. In this section provide tables or charts that show the performance of the program over time. Preferably, the performance should have 10 years of history and at least the projected performance during 2017-19 if the program proposal is accepted by the Governor. Optimally, the program would be able to provide information for all four of the following performance indicators over time:

- Number of people served/items produced
- Quality of the services provided
- Timeliness of services provided
- Cost per service unit

For whichever performance metrics are used, describe the metric, what it measures, and why the metric is important for understanding the program performance. Where trends or data anomalies exist, explain the nature of the anomalies. At a minimum, report the same information that was used for 2015-17.

i. Enabling Legislation/Program Authorization. Describe if the program is mandated by the US Constitution, Oregon Constitution or Federal Law. Cite the enabling legislation that mandates the program. If the program is authorized, but not mandated by federal law or if the program is mandated by Oregon law, cite the enabling legislation.

j. Describe the various funding streams that support the program. Include a description of leveraged funds and the nature of how Oregon qualifies to receive the additional resources (competitive grant, federal matching program, private donation, performance bonuses, etc). If the program has a dedicated funding stream, describe the dedicated source and the nature of the dedication (constitutional or statutory) providing legal citations to the dedication.

k. Describe how the 2017-19 funding proposal advanced by the agency compares to the program authorized for the agency in 2015-17. Describe if the funding proposal maintains the program at Current Service Level, or increase/decreases it. If the proposal alters the program from the Current Service Level, describe the nature of the change and why the agency is proposing to make changes.

3. Program Unit Narrative (107BF02)

This section provides additional information beyond the Program Unit Executive Summary mentioned above. This section will cover more detailed information related to 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 CFO analyst for examples or suggestions.

The narrative must concisely describe:

- Expenditures by fund type, positions and full-time equivalents.
- Activities, programs, and issues in the program unit base budget that may require further explanation than allowed in the Program Unit Executive Summary.
- Any additional important background for decision makers that is not mentioned above. Include trends in caseload, workload or other external factors that may influence the operation of the program.
- Revenue sources and proposed revenue changes. For Lottery Funds, Other Funds, and Federal Funds revenues, discuss:
    - The source of funds. For Federal Funds, name the federal program and agency.
    - Any required matching funds. Include the percentage and type of match.
    - Programs in the program unit funded with each revenue source.
    - General limits on use of funds.
    - Basis for 2017-19 estimates. For fees or assessments, describe who pays, the number of payers, and the rates.
- 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.

4. Packages (107BF02 and BPR013)

Packages propose budget, policy, and program changes. Packages are of two kinds: essential or policy packages. 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.
  - Eliminate revenues received by the agency during the 2017-19 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. The Policy Package narrative should summarize the agency's business case for new funding proposals. The narrative should describe the issue to be addressed, the solution proposed by the agency, the resources needed to implement the solution, and how the agency proposes to quantify its success if the package is approved. Each package should be presented as follows:

a. <u>Package Narrative</u> (107BF02) – Include these headings and information:

   - *<u>Purpose</u>* – Describe the issue or problem that needs to be addressed and the agency's proposed solution. Explain how the proposed action advances our long term goals, key change initiative, agency's mission, strategic plan, and any applicable Benchmarks or key performance measures.
   - *<u>How Achieved</u>* – Explain how the proposed action will address the problem. This explanation should include the agency's implementation strategy with a detailed timeline for key activities. Summarize the planning activities leading to the development of the proposal, including employee or stakeholder involvement in the planning process. Describe the alternatives that were considered and why the agency's proposed action is preferred. 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.
   - *<u>Staffing Impact</u>* – List positions and full-time equivalent required for the proposed action. For phased actions, show the 2017-19 impact and the full 24-month projected impact for 2019-21.
   - *<u>Quantifying Results</u>* – Describe how your agency will quantify your results if the proposal is approved (policy packages only). Once the method of quantifying the results has been described, include a timeline with periodic performance target milestones. These measurements do not need to be limited to agency Key Performance Measurements, but could include agency operational measures.

- *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 (BPR013) – 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 2019-21 biennium for any phased actions or if the funding base will change.

c. Policy packages involving IT projects/initiatives. Agencies must enter information into to the Enterprise Project and Portfolio Management (PPM) System for each IT project/initiative with estimated total costs of $150,000 or greater.

- Agencies must complete and submit a formal business case document for each IT project/initiative that exceeds $1,000,000 in total estimated cost. This document should also be included in the Special Reports section of the budget document.
- For continuing IT projects in excess of $1,000,000, the agency must submit the originally approved business case and/or an update to the business case for any changes to the IT project schedule, budget or scope that exceeds five percent of the originally approved project schedule, budget or scope. If the continuing IT project does not have a business case that received State Chief Information Officer approval, the agency must submit a business case for the project and a detailed project plan.

5. Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (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 document.

CAPITAL BUDGETING & FACILITIES MAINTENANCE

Capital Budgeting & Facilities Maintenance Forms

XI-Q Bonds and Financing Agreements

Article XI-Q Bond Financing and Other Financing Agreements Request Form for 2017-19 Biennium (107BF15) – If your agency is requesting XI-Q bond financing or capital lease financing, this form must be completed and returned to Jean Gabriel, on or before **May 16, 2016**. Bond financing may be for capital acquisition, construction or improvement of real property, equipment, or IT systems.

Lottery Revenue Bond Financing Request Form for 2017-19 Biennium (107BF09) – If your agency is requesting lottery revenue bond financing, this form must be completed and returned to Jean Gabriel, on or before **May 16, 2016**.

Capital Improvements

- **Capital Improvement Narrative** (107BF02) – See form for instructions.
- **Detail of Lottery Funds, Other Funds, and Federal Funds Revenue** (ORBITS BPR012 and 107BF07) – List each source and amount of Lottery Funds, Other Funds, or Federal Funds.

Major Construction/Acquisitions

- **Major Construction/Acquisition Narrative** (107BF02 and 107BF11) – Provide 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. Provide a description of the project purpose, project scope and alternates considered and project budget for each major construction or acquisition project. These might include demographic changes, trends, economic factors, federal mandates, etc. Complete a separate form for each project. A separate form is included for the Higher Education Coordinating Commission for reporting public university and community college plans (form 107BF11a). All other agencies will continue to use form 107BF11.
- **Major Construction/Acquisition Ten-Year Plan** (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 (**107BF12) – There is a separate summary form for each biennium of the forecast. Show the total principal amount of XI-Q bonds to be issued for major construction/acquisition projects costing over $1 million, and equipment/information technology-related projects or systems costing over $500,000, and loan and grant programs. Show your issuance plans 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.

  Detail of Lottery Funds, Other Funds, and Federal Funds Revenue (ORBITS BPR012 and 107BF07) – List each source and amount of Lottery Funds, Other Funds, or Federal Funds.

Facilities Maintenance Forms Descriptions

- **Facilities Maintenance Narrative** (107BF02) – Discuss the key drivers for your agency's facility needs, and how the agency measures space/facility demand. Discuss the key facility related challenges over the next 10 years including maintenance needs. Discuss the agency approaches and strategies to meet these needs.
- **Facilities Maintenance Summary Report** (107BF16a) – Provide summary data on owned facilities over $1 million, owned facilities under $1 million and leased facilities. For facilities over $1 million in value, provide a measure of the space utilization of the facility per the instructions. Provide facility and lease data as reported to the CPAB
- **Facilities Operations & Maintenance Budget and Deferred Maintenance Plan** (107BF16b) – Provide information on your operations and maintenance (O&M) budget and deferred maintenance plan by biennium and fund type. This **does not** include Capital Improvements. Use the definition of maintenance described in the *Budget Instructions* above. If staff performing maintenance functions also performs other duties, make your best estimate of the portion of time and costs to allocate to

maintenance. **Include amounts for janitorial and utilities costs by biennium for state-owned facilities.** If maintenance costs are not included in a distinct DCR, please retain worksheets used to estimate your O & M budget. The Legislative approved column should reflect approved amounts as of April 2016. Provide O&M and Short and Long Term Deferred Maintenance data by priority as reported to the CPAB.

SPECIAL REPORTS

Information about IT investments with estimated total costs of $150,000 or greater must be entered into the Enterprise Project and Portfolio Management (PPM) system. Estimation of the total costs must include any hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs to be incurred during the 2017-19 biennium regardless of whether the agency intends to fund the project through its base budget or a policy package.

The spreadsheet is in the Budget Forms section of these instructions. Agencies should work with the Office of the State Chief Information Officer, to complete the spreadsheet. Agencies are required to submit this information to the OSCIO, at the same time they submit their Agency Request Budget to CFO. This spreadsheet should be included in the budget document under Special Reports.

For IT investments exceeding $1 million, agencies are also required to comply with the Joint State CIO/LFO Stage Gate Review process—including the development of a business case.

The business case should clearly describe how the project/initiative:

- Aligns with and supports agency strategic/business plans.
- Aligns with and supports the Governor's goals, priorities and initiatives and the 2015-2020 Enterprise Information Resources Management Strategy.

This document should be included in the budget document under Special Reports, and submitted to the Office of the State Chief Information Officer at the same time agencies submit their Agency Request Budgets to CFO.

The business case should also include the following information:

- Subject, Purpose, and Scope.
- Projected cash flows across timeline (lifecycle or other).
- Alternatives Analysis (to the extent possible at this point in the project lifecycle).
- Assumptions and Methods that the investment is based on.
- Costs and Benefits – Financial and Non-financial (to the extent possible at the point in the project).
- Estimated costs must include the total cost estimate for hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs for 2017-19 regardless of whether the agency intends to fund the project through its base budget or a policy package. OSCIO ETS customer agencies must confirm OSCIO ETS involvement in creating the cost estimate and separately identify the estimated costs related to OSCIO ETS provided products and services.
- Critical Success Factors.
- Risk Assessment (to the extent possible at this point in the project lifecycle).

For continuing IT projects in excess of $1,000,000, the agency must submit the originally approved business case and/or an update to the business case for any changes to the IT project schedule, budget or scope that exceeds five percent of the originally approved project schedule, budget or scope. If the continuing IT project does not have a previously submitted business case that received State CIO approval, the agency must submit a business case for the project and a detailed project plan.

Annual Performance Progress Report/Key Performance Measures

In 1993, the Legislative Assembly required agencies to include benchmark-based planning in performance measurement and budget policy. In 2001, the Legislative Assembly added specific requirements for how performance measures should be developed and reported. ORS 291.110 specifies that DAS, in consultation with the Legislative Fiscal Office, shall ensure the development of a statewide system of performance measures designed to improve the efficiency and effectiveness of state programs and services. State agencies are expected to continue to track and report annually on a set of Legislatively Approved Key Performance Measures (KPMs), and request changes to improve their KPMs as part of the budget development process.

The process for proposing and approving agency KPMs for the 2017-19 biennium will be the same as for previous biennia. KPM resources can be found: https://www.oregonlegislature.gov/lfo/Pages/KPM.aspx

Step 1: March – April

Agencies who wish to make changes to their KPMs need to input their change requests into the automated KPM system and notify their CFO/LFO analysts that they are requesting changes by April 30th, 2016. CFO/LFO analysts will review the requests and provide feedback by June 30, 2016. Agencies can make adjustments to proposed changes based on feedback received.

Step 2: August – December

Agencies will submit a copy of their Annual Performance Progress Report (APPR) for the fiscal year ending June 30, 2016, with their Governor's Budget. Agency Summary narratives should summarize the outcomes sought, the measures used, and the results achieved based on the agency's most recent APPR.

It is possible that agencies will not have complete data on some measures for this submission. In this event, update the data in the automated system as soon as possible and include an updated APPR with your Governor's Budget request.

Step 3: January – June 2016

Agencies provide KPM presentations to Joint Committee on Ways and Means. The Committee reviews proposed changes and makes a determination of the final Legislatively Approved KPMs as part of the budget approval process.

Step 4: June 2016

A list of legislatively approved KPMs for 2017-19 will be attached to each agency's final Budget Report.

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 Audits, Information Management and Technology finished in the 2013-15 or 2015-17 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 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 Governor's Diversity and Inclusion Director will use each agency's report to prepare a statewide summary report to the Legislature.

The Governor's Equity and Community Engagement office will provide an update on each agency's progress toward goals for the 2015-17 biennium and projected goals for the 2017-19 biennium. Each agency's affirmative action report should 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 Equity and Community Engagement office. (For details, see "Current vs. Baseline Analysis Affirmative Action Report from DAS Personnel Services," report NAAPRGRS-G.) Agencies that did not meet those percentages must explain the circumstances and the agency's plans to meet them in the future. Call Serena Stoudamire Wesley, Director of Equity and Community Engagement, Office of the Governor, at (503) 378-8474 with any questions.

Legislative Concept Procedures

For a successful 2017 Legislative Session, legislative concepts and budgets should be developed together, both of which must be measured against the Governor's policy priorities. 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 Barry Pack at (503) 378-2168, if you have questions.

The last day to submit legislative concepts to DAS is April 15, 2016. Agencies with 10 or more requests must submit by **April 11, 2016**.

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 governor's or legislatively mandated task force. Placeholders still need an explanation of the policy objective of the concept, and draft language. An agency should have a good idea of what they are trying to affect even though they may be waiting on input from a task force. Additional placeholder information must be submitted to DAS by June 24, 2016. Agencies with five or more placeholders must submit additional information by June 22, 2016. 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 proposed language. Although this may be helpful, it does not affect the schedule requirements for submitting information to DAS or Legislative Counsel. Also, Legislative Counsel may choose not to use the DOJ proposal when preparing the draft legislative concept.

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. Concepts that have been approved during the early stages of the process may be disapproved prior to pre-session filing.

A concept should accomplish some of these goals:

- Achieving the Governor's policy priorities.
- 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:

- 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.

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.

The estimated fiscal and revenue 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 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 criminal penalties 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 Budget.

The Governor will pre-session 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.

LEGISLATIVE CONCEPT FORM INSTRUCTIONS

Clear ideas and a detailed explanation of what you are trying to achieve 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.

The Concept Form

Use the Agency Legislative Concept Request Form to submit concepts to DAS. Include all the detailed information necessary to draft a bill, including draft statutory language. Submitting proposed statutory language **does not substitute** for a clear explanation of the problem and the proposed solution.

Legislative Counsel's experience over the years is that rewriting unclear language is more time-consuming and less accurate than starting from a clear statement of the problem and solution. However, your best attempt at preparing draft statutory language is especially helpful for DAS and the Governor's internal review process.

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 (similar to any bill). The draft need not be in perfect format. You can also copy and paste current statutes from the legislative web site. Make sure to use the 2015 Oregon Revised Statues.

Please also include contact information for persons in your agency who have direct information about the problem and solution that the concept is to address.

Notes on Concept Contents

Be sure to read the instructions with the form. They are not repeated here.

Fees and Assessments

If a concept would increase a fee or assessment, you must attach form 107BF22 providing detailed information on the fee increase. Attach required narratives (see form instructions). Explain whether the agency can make the change by rule or only through legislation.

Fiscal Impacts

Include a complete Fiscal Impact Estimate form 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 notify agencies as concepts are approved or denied. DAS will send approved concepts to Legislative Counsel for bill drafting. Counsel will send drafts directly to the agency. After receiving Legislative Counsel's first draft, the agency may request changes to the draft only ONCE. This request for a revision must be made by September 30, 2016 or 14 calendar days from the date on the bill draft, whichever is sooner. Work with Legislative Counsel to reach a final draft. Agencies must send final concepts and one-page summaries to DAS for review and approval by the Governor's Office. Upon final approval, DAS will coordinate pre-session filing of agency bills. DAS will file major budget-related concepts.

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

LEGISLATIVE CONCEPT DEVELOPMENT SCHEDULE – 2017 SESSION

Prior to April 15, 2016	• Develop concept in conjunction with state and local agencies and others that could be affected by the statute or program change. • Submit concept, detailed explanation, draft language, and Fiscal Impact Estimate to DAS.
April 15, 2016 (or April 11, 2016)	**LAST DAY to submit concepts to DAS. Agencies with 10 or more concept requests must submit by April 11, 2016.**
April 15, 2016 to June 3, 2016	• CFO analysts and other key staff review concepts for policy and fiscal issues and contact agencies when questions arise. • Governor's Policy Advisors review requests and recommend whether or not to approve or deny concept to move forward for drafting. • DAS notifies agency of final action. • DAS sends approved concepts to Legislative Counsel for drafting.
June 3, 2016	**LAST DAY for DAS to submit approved concepts to Legislative Counsel for drafting.**
June 3, 2016 to June 24, 2016	Agencies continue to work on placeholder concepts (additional substantive or administrative details for concepts submitted to DAS by April 15, 2016.)
June 24, 2016 (or June 22, 2016)	**LAST DAY to submit additional placeholder information to DAS. Agencies with 5 or more placeholders must submit by June 22, 2016.**
June 24, 2016 to August 1, 2016	• CFO analysts and other key staff review additional information for policy and fiscal issues and contact agencies when questions arise. • Governor's Policy Advisors review additional information and recommend whether or not to move forward. • DAS notifies agency of final action. • DAS sends approved placeholder information to Legislative Counsel.
July 29, 2016	**LAST DAY for DAS to submit approved placeholder information to Legislative Counsel for drafting.**
July 29, 2016 to November 1, 2016	Legislative Counsel continues to work on bill drafts – consulting with agencies as necessary. Counsel will allow **ONLY ONE REVISION** after the first draft.
September 30, 2016 OR 14 calendar days from the date on the bill draft, whichever is sooner	**LAST DAY to request revisions to first draft of legislative concepts. One revision opportunity per concept.**
November 1, 2016	**Legislative Counsel stops ALL drafting on agency concepts.**
As Final (no later than November 16, 2016)	Final concepts, fiscal impact estimates and "one-page" bill summaries due to DAS for final review and approval by the Governor's Office and DAS.
December 9, 2016	**LAST DAS to pre-session file bills for 2017 Legislative Session.** With approval from Governor, DAS pre-session files agency concepts.

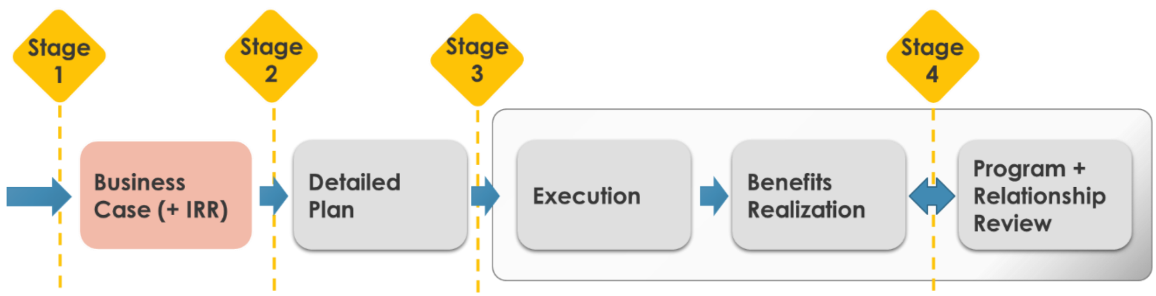
Appendix A. IT Project Reporting & Stage Gate Review

Agencies proposing information technology (IT) investments that exceed $150,000 in total costs, are required to enter project information into the Office of the State CIO's (OSCIO) Enterprise Project and Portfolio Management (PPM) system. The PPM tool will be used for all project review, approval, project status and closeout reporting activities throughout the project lifecycle. Estimation of the total costs must include any hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs incurred during the 2017-19 biennium regardless of whether the agency intends to fund the project through its base budget or a policy package. Visit the OSCIO website for more information at: http://www.oregon.gov/das/OSCIO/Pages/Index.aspx

STAGE GATE REVIEW

For IT investments exceeding $1million, agencies are also required to comply with the Joint State CIO/LFO Stage Gate Review process. There are four (4) Stage Gate Endorsements in the Joint State CIO/LFO Stage Gate Review Process, including: high-level planning; detailed business case development and foundational planning; detailed planning; and execution.

Stage Gate. *Simple Model*



Stage Gate Narrative

The Joint State CIO/LFO Stage Gate Review process is an incremental funding and development model that is intended to ensure alignment between business strategy and IT decision-making, surface business requirements and mitigate the risk of IT project failure. The transition from one stage to another requires the submission of required artifacts utilizing the Enterprise PPM system, joint OSCIO/LFO review and a stage endorsement from the OSCIO.

Stage Gate 1 ***High-level Planning***

Stage 1 activities are performed during the budgeting process and corresponds to a project's Concept / Origination Phase.

- Artifacts that support this Stage Gate are expected to be high level.
- Agencies are free to produce/submit more detailed artifacts that would normally be expected to be produced/delivered by Stage Gate 2 Endorsement or Stage Gate 3 Endorsement.
- From the perspective of a project's authorized budget, the goal in Stage 1 is to secure funding for the preparation of a detailed Business Case and to perform project planning.

Appendix A. IT Project Reporting & Stage Gate Review

Stage Gate 2 ***Detailed Business Case & Foundational Planning***

Stage 2 activities are performed during preparation of a detailed Business Case / Information Resource Request (IRR), designed to produce foundational planning artifacts, and corresponds to a project's Initiation Phase.

- The goal in Stage 2 is OSCIO approval of a project's preferred solution approach (part of the project's business case), requirements that can support a formal RFP, and a "+/- 50% plan" with respect to scope, schedule, budget, resources, and quality.
- This Stage is expected to occur substantially before the release of a formal Request for Proposals (RFP) process to procure the project's Prime Contractor (also known as the System Integrator, Implementation Contractor, Design-Development-Implementation (DDI) Contractor, etc.).
- Prior to Stage Gate 2 Endorsement, the agency should assign or obtain project management resources and obtain independent Quality Assurance (QA) services (i.e. Preliminary QA and other Quality Management Services).
- Independent project risk assessment and Quality Control review of important foundational planning artifacts needs to occur before Stage Gate 2 Endorsement; including review of the Requirements and Statement of Work that support the RFP process to procure the project's Prime Contractor.
- Agencies are free to produce/submit more detailed artifacts that would normally be expected to be produced/delivered by Stage Gate 3 Endorsement.
- From the perspective of a project's authorized budget, the goal in Stage 2 is to secure funding for Detailed Planning.

Stage Gate 3 ***Detailed Planning***

Stage 3 activities are performed during preparation of a project's Detailed Plan, an updated business case, and correspond to a project's Planning Phase. Stage 3 ends with Stage Gate 3 Endorsement if OSCIO approves.

- This is the period when a project has substantial details about the specific implementation approach to be adopted; usually just prior to or around the release of the RFP(s) for the Prime Contractor.
- During this period, a re-baseline of the Project's plan to achieve a "+/- 10% plan" and a Business Case/IRR Update (to be approved by the State CIO) are expected.
- The Detailed Plan is expected to be updated once the Prime Contractor has been procured and, as appropriate, throughout the project lifecycle.
- Agencies and their contractors may not begin project execution work before receiving Stage Gate 3 Endorsement.
- From the perspective of a project's authorized budget, the goal in Stage 3 is to secure funding for Project Execution.

Stage Gate 4 ***Execution***

Stage 4 activities cover a project's main implementation work and correspond to a project's Execution Phase and Closing Phase.

- Status Reviews depend on the specific software development lifecycle adopted by a project; and the size, complexity, and risk of the project.
- During this period and for projects with an Independent QA contractor, OSCIO expects: Independent Quality Management Services that cover quality planning, quality control (QC) reviews of important project work products and IV&V testing, quality assurance, and risk assessment (See Statewide Policy for Independent Quality Management Services - 107-004-030).

ARB - Business Case Submission

Consistent with the Stage Gate 2 endorsement, agencies are required to develop a **business case** document for each major IT project/initiative that is anticipated to exceed $1 million. The business case should clearly describe how the project/initiative:

- Aligns with and supports agency strategic/business plans.
- Aligns with and supports the Governor's goals, priorities and initiatives, the 2015-2010 Enterprise Information Resources Management Strategy, and other IT-related statewide plans, initiatives, goals and objectives.

This document should be included in the budget document under Special Reports, and submitted to the Office of the State Chief Information Officer at the same time agencies submit their Agency Request Budgets to CFO.

The business case should also include the following information:

- Subject, Purpose, and Scope.
- Projected cash flows across timeline (lifecycle or other).
- Alternatives Analysis (to the extent possible at this point in the project lifecycle).
- Assumptions and Methods that the investment is based on.
- Costs and Benefits – Financial and Non-financial (to the extent possible at the point in the project).
- Estimated costs must include the total cost estimate for hardware, software, contract services, internal staff, capital costs, and indirect and overhead costs for 2017-19 regardless of whether the agency intends to fund the project through its base budget or a policy package. OSCIO Enterprise Technology Services (ETS) customer agencies must confirm ETS involvement in creating the cost estimate and separately identify the estimated costs related to ETS provided products and services.
- Critical Success Factors.
- Risk Assessment (to the extent possible at this point in the project lifecycle).

For continuing IT projects exceeding $1 million, the agency must submit the originally approved business case and/or an update to the business case for any changes to the IT project schedule, budget or scope that exceeds five percent of the originally approved project schedule, budget or scope. If the continuing IT project does not have a previously submitted business case that received State CIO approval, the agency must submit a business case for the project and a detailed project plan.

Agencies are required to submit all the information listed above to the Office of the State Chief Information Officer at the same time they submit their Agency Request Budget to CFO.

Appendix A. IT Project Reporting & Stage Gate Review

Key dates for IT-related reporting are listed below:

- June 30, 2016 – Last date for special approvals for specific IT-related projects.
- August 1, 2016 or August 29, 2016 – Last date to submit 2017-19 Agency Request Budget document to CFO and information resource management planning information (i.e. Required entry of IT project information into the Enterprise PPM System and submission of business case documents for major IT projects) to the State Chief Information Office.

For additional information regarding business case development or requirements for entering information about IT projects into the Enterprise Project and Portfolio Management (PPM) System, please contact Dagny George within the OSCIO Strategic Technology Office at (971) 283-5345 or email at Dagny.GEORGE@oregon.gov.

Appendix B. Glossary

Adaptation, adapt *(in facilities)*	Changes to the interior arrangements or other physical characteristics of a facility or permanent installation of equipment enabling a building to be better used for its current purpose or adapted to a new one. Adaptation can include code compliance.
Allocation	Allocations refer specifically to revenues. An allocation is a cash transfer of either Lottery or Criminal Fine Account (CFA) funds to an agency by the Legislature. Allocated funds cannot be spent without expenditure limitation.
Allotment	An allotment is an agency's plan of estimated expenditures, revenues, cash disbursements, and cash receipts for each month of the biennium. It is used to monitor quarterly spending of an agency. Agencies must submit their allotment to the Department of Administrative Services each quarter for review. Upon approval, the requested funds are made available to the agency.
Analyst	The Department of Administrative Services Chief Financial Office (Budget and Management section) analyst assigned to an agency.
Appropriated Funds	A coding structure that reflects revenues and expenditures by funding source and purpose.
Appropriation	An amount of money from the General Fund approved by the legislature for a certain purpose.
Approved Spending Level	The actual amount of spending authority an agency has for a particular budget cycle. Typically, this is called the legislatively approved budget; however, the Governor may lower the General Fund amount that can be spent if the revenue forecast falls to the point of putting the state in a deficit situation. In that case, the Governor does not actually reduce the statutorily approved amounts, but simply reduces the amount that agencies will be allowed to spend. The approved spending level is the amount approved by the Legislature, less any allotment reductions implemented by the Governor to balance the budget.
Article XI-Q Bond	A bond authorized to be issued to finance real and personal property owned or operated by the state. Article XI-Q bonds, for which enabling legislation was approved in 2011, have replaced Certificates of Participation (COPs) for financing projects.
Authorization	The substantive legislation that establishes the purpose and guidelines for a given activity and usually sets a limit on the amount that can be appropriated or spent. The authorization does not provide actual dollars for a program.
Backfill	One-time funds used to replace discretionary funding in an agency's budget. These are typically Other or Federal Funds used to replace General or Lottery Funds. They are used extensively when General and Lottery Funds are at a premium, and continue programs that would otherwise be eliminated. While one-time funds continue the program for a certain period, the program must then revert to the original funding source once the "backfilled" funds go away.

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Base Budget	The starting point for budgeting. To budget for the upcoming biennium, the base budget begins with the current biennium Legislatively Adopted Budget (LAB). The LAB is adjusted for Emergency Board, February even-year session, special session, and administrative actions through a designated date in the current biennium, and personal services changes from the Position Information Control System (PICS). The result is the base budget.
Biennium	A period of two fiscal years. Oregon state government's biennium runs from July 1 of an odd-numbered year through June 30 of the next odd-numbered year. Regular sessions convene twice per biennium: for 160 days in the odd-numbered year, and 35 days in the even-numbered year.
Bond	A debt instrument issued through a formal legal procedure and secured either by the pledge of specific properties or revenues or by the general credit of the state.
Budget Document	The detailed material prepared by agencies as directed by the Department of Administrative Services Chief Financial Office for all phases of budget development.
Budget Note	Included in a Budget Report, it is a formal directive to a state agency expressing legislative intent for a particular budget issue. A budget note is technical in nature, directing an agency to take administrative and managerial action relating to the agency's execution of its biennial budget. A budget note is of limited scope, not intended to circumvent, supplant, or replace other substantive or policy measures or law. The directive of a budget note typically expires at the end of the biennium for which it pertains. Budget notes are neither required nor necessary for every Ways and Means measure.
Budget Report	An official report on any bill approved by the Joint Committee on Ways and Means that appropriates General Fund or establishes expenditure limitation for Lottery Funds, Other Funds, and Federal Funds. The report summarizes any discussion by the Committee and contains the recommendations to the Legislature on the bill. In addition to the recommended expenditures and revenues, it also lists the recommended number of positions and full-time equivalent positions.
Capital Assets	Tangible or intangible assets held and used in state operations which have a service life of more than one year and meet the state's capitalization policy. Capital assets of the state include land, infrastructure, improvements to land, buildings, leasehold improvements, vehicles, furnishings, equipment, collections, and all other tangible and intangible assets that are used in state operations.
Capital Outlay	Expenditures for the acquisition or major repair of fixed assets intended to benefit future periods. As an expenditure category, capital outlay is limited to items that: (i) are not consumed in the usual course of agency operations; (ii) can normally be used more than once; (iii) have a useful life of more than two years; and, (iv) have an initial value of $5,000 or more.
Certificates of Participation (COP's)	A financing agreement used to finance real and personal property owned and operated by the state. Article X-Q bonds have replaced COPs for financing projects.

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Cross Reference Number	A computerized table in ORBITS that specifies the organizational structure under which an agency builds and presents its budget. A Summary Cross Reference (SCR) is a program unit, and is composed of two or more Detail Cross References (DCRs).
Construction	Building, installing, or assembling a new structure. Adding to, expanding, altering, converting, or replacing a structure. Moving a structure to a new location. Includes site preparation and equipment installed and made part of the structure.
Construction Costs	Direct costs, including labor, materials, and equipment rental. For total related costs, see *Project Costs*.
Current Service Level	A projected expenditure level representing the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated using current appropriations, the bow wave of legislative intentions assumed in existing appropriations (costs or savings), Emergency Board actions through May and adjustments for trends in entitlement caseload/enrollment, inflation and other mandatory expenses, less one-time costs, program phase-outs and pilot programs. This number establishes a theoretical base from which changes are made to create a new budget.
Debt Service	Expenditures for principal, interest, discounts, and premiums related to payment of state debt.
Deferred Maintenance	Facilities Maintenance that was not performed when it should have been or a backlog of activities that agencies deem necessary to bring facilities into good repair. Deferred maintenance is generally work that is left undone due to the lack of resources or perceived lower priority than projects funded. Failure to perform deferred work may result in the progressive deterioration of the facility condition or performance, and if not addressed, will significantly increase restoration cost. It may also include maintenance needs resulting from unforeseen circumstances such as wind storms, premature failure of facilities components, etc.
Emergency Board	The legislative committee with constitutional and statutory authority to make fiscal decisions for the legislature when the legislature is not in session.
Emergency Fund	A fund from which the Emergency Board can provide General Fund appropriations to agencies for needs that arise after their budget is approved, or for programs approved but not funded during the legislative session.
Essential Package	A package to adjust the base budget, not to request new programs or expansions. Essential Packages may adjust for one-time costs, programs phased in or out, vacancy factors, non-PICS Personal Services costs, inflation, price list cost changes, fund shifts, and mandated caseload changes. An agency's base budget, plus essential packages, is its current service level.
Executive Branch	The branch of state government that carries out and enforces state laws. In common use, refers to all of state government outside the Legislative Branch and the Judicial Branch. Sometimes refers only to the governor and agencies that answer directly to the governor. Rarely used in statute. The state constitution actually names four “departments”: the Executive, Administrative, Judicial, and Legislative.

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Executive Service — Commonly used for certain unclassified or exempt employees. Most are department heads, administrators, and deputies; their executive assistants; and certain principal assistants.

Expenditures — Decreases in net current financial resources. Expenditures include disbursements and accruals for the current period. Encumbrances are not included.

Expenditure Limitation — A spending limit set by the legislature identifying the maximum amount of Lottery Funds, Other Funds, or Federal Funds an agency may spend. Defined in an agency's budget. If an agency receives more Other Funds or Federal Funds than the Legislature approved them to spend, they must obtain an increase in their expenditure limitation from the Legislature or the Emergency Board in order to spend the revenue.

Facility — A building or structure, including utility and other support systems. A real property improvement. A campus or group of structures. See *Real Property Improvements*.

Emergency Board — The joint committee of Senators and Representatives that meets during the interim periods to address state fiscal and budgetary matters.

Federal Funds — Money a state agency receives directly from the federal government. It is spent under a Federal Funds expenditure limitation or as Nonlimited Federal Funds.

Fee — A fee is a charge, fixed by law, for the benefit of a service or to cover the cost of a regulatory program or the costs of administering a program for which the fee payer benefits. For example, professional license fees which cover the cost of administering and regulating that category of professions are fees. Other charges that are categorized as fees include tolls and tuition. Fees must be authorized in statute. The Legislature may set the rates in statute or authorize a state agency to set rates using administrative procedures.

Financing Agreement — Any agreement to finance real or personal property, which is or will be owned and operated by an agency. Includes lease-purchase, installment sale, or loan agreements and Certificates of Participation.

Fiscal Year — The state government fiscal year runs from July 1 of one calendar year to June 30 of the next. See *Biennium*.

Full-Time Equivalent (FTE) — The standard unit for budgeting positions. An FTE is the number of months in the biennium for which the position is budgeted, divided by 24. One FTE equals one full-time position budgeted for the entire biennium. A permanent, part-time position budgeted for 12 months is 0.50 FTE. A full-time, limited duration position phased in 6 months after the start of the biennium (or budgeted for 18 months) is 0.75 FTE.

General Fund — Money available for the state budget that is not dedicated to a specific agency or purpose and that can be used for general purposes of state government. Most General Fund money in Oregon derives from personal and corporate income taxes. Some revenue from liquor, cigarettes, and other sources also go into the General Fund. See *Appropriation*.

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Governor's Budget	The constitutionally-required budget recommended to the legislature by the Governor. The Governor first reviews and decides on agencies' requests for funding. The Governor's Budget must be submitted by December 1 of even-numbered years. A newly-elected Governor has until the following February 1 to publish a budget.
Interagency Transfer	A transfer of funds between agencies. Agencies must balance all interagency transfers before requesting an ORBITS audit.
Joint Committee on Ways and Means	A standing committee of senators and representatives appointed by their presiding officers. The Committee reviews the management and recommended budgets of entities that receive or administer state funds. It recommends the amounts of revenues and expenditures for the legislatures approved budget.
Judicial Branch	The branch of state government that interprets all state laws. Includes state courts. The Chief Justice of the Supreme Court is the chief executive of the branch.
Legislative Branch	The Legislative Assembly and its staff. The branch of state government that enacts state laws, grants agencies statutory powers and duties, and adopts the state budget. The Legislative Branch in Oregon consists of a Senate with 30 elected members and a House of Representatives with 60 elected members.
Legislative Fiscal Office	Analyzes and presents a wide range of budget and related data on state programs to the legislature. Staff to the Joint Committee on Ways and Means, the Joint Legislative Audit Committee, the Joint Legislative Committee on Information Management and Technology, and the state Emergency Board.
Legislative Concept	Relating to an agency or statute. Major or minor policy and program changes and non-policy technical adjustments or corrections to the current Oregon Revised Statutes. Approved concepts are sent to Legislative Counsel for bill drafting.
Legislative Session	The Legislative Assembly convenes annually in February. Sessions may not exceed 160 days in odd-numbered years and 35 days in even-numbered years. Five day extensions are allowed by a two-thirds vote in each house. Special sessions can occur at other times.
Legislatively Adopted Budget	The budget approved by the legislature during the regular legislative session. It sets maximum spending and staffing levels. It can be modified by actions of the Emergency Board or special sessions.
Legislatively Approved Budget	The legislatively adopted budget as modified by Emergency Board or other legislative action.
Lottery Funds	Money received by a state agency from lottery proceeds. The Legislature decides how much to provide and for what purpose. The state constitution restricts use of these funds. 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. Lottery Funds lose their identity, for budget purposes, when expended. Ballot Measure 66 requires that certain Lottery Funded agencies track and report Lottery Funds expenditures at a more detailed level.

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Maintenance	Keeping property in good operating condition. Does not add value to or extend the economic life of a property. Commonly includes inspecting, calibrating, lubricating, and cleaning. Maintenance costs are categorized as Services and Supplies expenditures.
Maintenance of Effort	A requirement contained in certain legislation, regulations, or administrative policies that a recipient must maintain a specified level of financial effort in the area for which federal funds will be provided in order to receive federal grant funds. This requirement is usually given in terms of a previous base-year dollar amount.
Management Service	Supervisory, confidential, or managerial employees excluded from collective bargaining.
Modified Current Service Level	Current service level less adjustment for revenue reductions.
Non-add Expenditures	Generally, these are inter-agency and intra-agency expenditures that fund administrative functions and are paid for by other programs. This results in a double-count in total statewide expenditures. While the expenditures are included for both programs for reporting purposes, the nonadd expenditures are usually shown as an informational tool to indicate where the budget contains expenditures that are counted twice. Many of the programs at the Department of Administrative Services (DAS) are considered nonadd because they assess agencies for the costs of the programs. The agency shows an expenditure to DAS for their services and DAS then has expenditures to provide those services.
Nonlimited Expenditures	Expenditures for which the legislature defines purposes, but sets no dollar limits. They are subject to allotment control and the appropriation bill defines their allowed purposes. These expenditures can only be supported by Other and Federal Funds and revenue may be continuously appropriated for them. The expenditures are for programs that have a single source of revenue and support programs that have expenditures that are often outside of the agency's control, as other factors often limit their ultimate costs. An example would be Unemployment Insurance during the 2009-11 biennium. Nonlimited expenditure limitation for the Oregon Employment Department was increased by almost $3.3 billion from the adopted budget because of federal legislation and the economic situation. The Department was able to increase its limitation and pass those payments through without having to wait for a legislative hearing.
Other Payroll Expenses (OPE)	Expenses other than salaries paid for state employees. These include retirement payments, Social Security taxes, and health insurance costs.
ORBITS	ORegon's Budget Information Tracking System (ORBITS) is a system used to prepare budget requests. It compiles, maintains, and reports revenue, expenditure, and position data for budget preparation and execution.
Other Funds	Money received by state agencies that does not come from the General Fund or from the federal government. Other Funds come from sources such as gasoline taxes, driver licenses fees, and fishing license fees. Other Funds may be dedicated, requiring the revenue to be spent for specific purposes. Examples of dedicated funds are park user fees dedicated to park programs and gasoline taxes dedicated to highway programs.

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Package	A component of a program unit that presents proposed budget, policy, and program changes for an agency. The two types are essential and policy packages.
Pass-through Expenditures	Expenditures that are not directly for state use. While an agency has an appropriation or limitation for a particular program, the funds may be "passed through" to non-state entities. Some examples include funding for education programs such as the State School Fund, Community Colleges, and Higher Education, as well as many social programs that provide cash and food assistance.
Personal Services	Employee gross compensation (salary, pay differentials, other payroll expenses). Includes state temporary personnel services.
Position Information Control System (PICS)	A computerized statewide database of authorized position details for budget preparation and execution.
Planning Study *(in capital budgeting)*	Provides enough data for full project development. Normally includes siting, feasibility, and preliminary design studies. Includes cost estimates and all else that is needed to do a capital project budget request.
Policy Package	A package that presents policy and program changes above or below the agency's current service level budget. An agency's total budget is the sum of its base budget, essential packages, and policy packages.
Price List of Goods and Services	Identifies projected state assessments and user fees. Compiled for budgeting by the Department of Administrative Services (DAS). Includes assessments and fees of DAS, Department of Justice, Correction Industries, Secretary of State, Treasurer of State, and Central Government Services (certain costs of the legislative assembly, Legislative Fiscal Office, Legislative Council, and Governor's Office). Also allocates other shared statewide costs for services of the PEBB Employee Assistance Program, State Library, Law Library, Government Ethics Commission, and Capitol Mall security functions.
Program Unit	A budget structure containing similar services or functions for deliberation of major policy issues and budget information. Agency activities may be grouped into one or more program units.
Project Costs *(in capital budgeting)*	The total of all necessary costs to construct the complete facility. Includes site acquisition, direct construction costs, furnishings, equipment, and contingencies allowance. Includes all indirect costs, such as design consultants, material testing services, special inspection services, project management, One Percent for Art, and others.
Real Property Improvements	Property that is fixed, immovable, and permanent. Real property includes land, structures affixed to the land, property affixed to the structures, and in some cases, trees etc., growing on the land. Includes sidewalks, landscaping, drives, tunnels, drains and sewers.
Rebalance	Sometimes it becomes necessary to realign budgets during the biennium. Because appropriations and limitations are specified in statute, legislative action is needed to rebalance the budget. A rebalance can be done on a statewide basis (usually when revenues are below forecast) or can be done at the agency level. In either case, the

term generally refers to the increases and decreases necessary to better align the budget with the expected needs.

Reclassification A change in position classification because duties, authority, and responsibilities are significantly changed, but the required knowledge and skills remain similar.

Revenues Cash receipts and receivables of a governmental unit derived from taxes and other sources.

Repairs Work done to restore worn or damaged property to normal operating condition. Repairs are usually Services and Supplies expenditures.

Replacement *(in capital budgeting)* Putting one facility component in place of another to gain equal or greater performance or economy or to comply with codes. It performs the same function. Usually required by wear or by accidental damage.

Roll-up Costs The full costs associated with expenditures that were not fully charged in the previous biennium. Typically, these are personal services and debt service costs that are implemented as the biennium progresses. Increases in salary and/or benefits are usually phased-in during the biennium as part of a collective bargaining agreement. Debt is usually issued during the biennium. Many times it is issued late in the biennium to minimize the costs for that period.
During the following biennium, the full 24-month costs for both categories need to be accounted for. The additional amount is considered the roll-up cost. While roll-up costs are usually associated with personal services and debt service costs, they also apply to any program costs that were implemented in the middle of the biennium.

Salary Adjustment Allocations Money or limitation allocated by the Emergency Board to fund approved compensation plan increases.

Services and Supplies Expenditures for business operations. Examples include personal service contracts, consumable materials, publishing, office supplies, travel, utilities, rent, and maintenance and repair of equipment and buildings.

Space Planning Analyzing workflow, space, and equipment needs of work units to plan efficient equipment, furnishings, and support systems.

Special Payments Budgeted transfers and payments where goods and services are not received in return. Paying out contributions, loans, deposits, or collections. Also, paying federal or state funds to eligible people, cities, counties, quasi-public agencies, and others.

Special Purpose Appropriation A General Fund appropriation to the Emergency Board for a specific purpose. When the appropriation is established, it states the agency and specific purpose for the funds. The Emergency Board can only allocate funds to that agency and for that purpose. There is also an expiration date for the appropriation. After that date, any remaining funds become available for any purpose for which the Emergency Board may lawfully allocate funds.

Special Session Meeting of the Legislature between regularly scheduled sessions. May be called by the Governor or the Legislature.

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State Agency or Agency	Variously defined in state statutes. Commonly, a department, office, board, or commission created by state law to carry out duties assigned by law. Agencies range in size from thousands of employees with billion dollar budgets to one employee with a tiny budget. They are funded by license and user fees, state and federal taxes, fines, and fees for service. Some agencies report to a board or commission.
Tentative Budget	A document that is used to estimate the state's relative fiscal position for the coming two-year budget period, assuming the continuation of all current law programs and services. For a complete explanation, see https://www.oregonlegislature.gov/lfo/Documents/2010-3TentativeBudgetandCSL.pdf
Unfunded Mandate	A requirement that a lower level of government provides a program or performs an activity within existing resources. Under a federal mandate, the federal government may require a state or local government to provide a service and not provide additional federal funding to pay for it. Under a state mandate, the state may require a local government to provide a service. However, under the Oregon Constitution, a local government is not required to comply with certain new state mandates unless the state pays the costs of the new services. The Constitution provides exceptions.
Vacancy Factor	A calculation to project budget savings expected from staff turnover during the biennium.