

FINANCIAL PLANNING REPORT #3

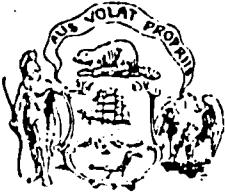
EXECUTIVE BUDGET SUPPLEMENT

A Summary of the Major Financial
Issues Facing Multnomah County
and
Budget Working Papers

OFFICE OF COUNTY MANAGEMENT

Multnomah County, Oregon

April 1975



COUNTY COMMISSIONERS
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OFFICE OF COUNTY MANAGEMENT

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MEMORANDUM

TO: Board of County Commissioners
FROM: Dennis L. West *ALW*
SUBJECT: Financial Planning Report #3

During the past several months the Office of County Management has submitted a series of Financial Planning Reports in which the major financial issues facing Multnomah County have been identified and analyzed. A number of recommendations also accompanied each report. Each of these reports have been prepared with the goal of providing the Board of County Commissioners with the "best information available" to guide preparation of the Multnomah County Budget for fiscal year 1975-76.

Financial Planning Report #1, as you will recall, included a detailed analysis of Multnomah County's fiscal position and the fiscal implications of public attitudes toward Multnomah County government. Financial Planning Report #2, focusing on fees and charges, etc., called attention to a very important revenue source for which the Board of County Commissioners has authority to establish rates and schedules, and which, if approved, would have significant budget impact.

Financial Planning Report #3, which follows, brings together the key issues identified in earlier reports and provides the Board of County Commissioners with some additional tools to begin budget deliberations. Section I summarizes, in brief narrative, the major financial issues facing the Board during these months in which the 1975-76 budget is being prepared. Section II, submitted in the form of budget "working papers," provides additional background on the Executive Budget and calls attention to some of the actions the Board may want to consider in the process of completing the 1975-76 budget. Some of the implications of these actions are also included. Finally, in Section II, we have attempted to identify some of the key factors that will have an impact on the final budget between now and July 1.

In Section III attention is directed beyond the current budget process to the upcoming fiscal year. The Office of County Management, at this moment, is developing a work program which not only will address the major financial issues the County faces, but will also offer the Board alternative approaches aimed at solving these problems.

In the weeks ahead, the OCM staff stands ready to further research items in this report which require additional analysis, or prepare supplemental studies on topics alluded to but not included in these financial reports.

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SECTION I

Summary of Major Financial Issues

Approximately one year ago, during the process of preparing the budget for fiscal year 1974-75, it became apparent that Multnomah County faced a series of interrelated, long-term financial problems. During the course of the current fiscal year, much time and energy has been expended defining and clarifying the meaning and causes of these problems. We have all come a long way in terms of understanding these problems, but there is much more that needs to be done in order to solve these problems. The Executive Budget for fiscal year 1975-76 represents an attempt to deal with these long-term problems over the short term, while the Board continues to explore solutions to the major financial problems facing the County.

The budget is an historical document which must be seen in historical perspective. It is, therefore, the purpose of this section to briefly summarize the key financial issues facing the Board of County Commissioners in 1975. In a very direct way, all of the budgetary decisions made by the Board will be in reaction to or a response to the fundamental and basic fiscal issues outlined in this section.

The five major financial issues which will have a decisive impact on the 1975-76 budget can be summarized as follows:

- A. The impact of inflation
- B. Revenue inelasticity
- C. Personnel costs
- D. Expenditure of cash carryover
- E. Mandated services

A. The impact of inflation. It comes as no surprise that during the middle years of the current decade, rapidly rising inflation has been the number one problem facing Multnomah County. What has been surprising is the magnitude of the impact of inflation on local government finance. What was a serious problem during the early years of the 1970's reached crisis proportions during the current fiscal year.

The inflationary spiral, which began gathering momentum in 1972, rose to over 12% during the past year. While there are signs that the inflationary rate is declining, no one is suggesting that the effects of inflation will not be a problem for Multnomah County for at least several more years. What this means, of course, is that the budget problems encountered last year and this year will likely be with us for several years to come, or until the inflationary rate subsides.

Digging beneath the surface of the inflation issue, some additional observations ought to be made. During the period of time that the consumer price index rose to 12%, there was evidence that some elements of the government price index (the cost of goods and services purchased by government) increased at a rate substantially above the general increase in the conventional consumer price index. While increases in state/local government personnel costs have been accumulating over the past several years, and have rather consistently exceeded advances in the consumer price index since at least 1969, it is also important to note that the state/local government price index for materials and services actually increased by 19.2% from the 3rd quarter of 1973 to the 3rd quarter of 1974. Thus, while the impact of inflation has been absorbed by the whole economy, the impact on local government has been particularly severe.

The analysis is self-evident. Without basic changes in the present Multnomah County revenue system, there is no way to counteract the impact of

double-digit inflation short of major program reductions like those experienced in 1974-75.

B. Revenue inelasticity. Closely coupled to the problem of inflation, is the problem of revenue inelasticity. If inflation continues at a rate of 10% per year, for example, Multnomah County will need to raise an additional \$4.5 million in new revenues each year just to offset the impact of that inflation. Looking at the tax base, the problem of budget balancing is in part attributable to the low growth rate associated with the primary source of County revenue -- the property tax. If we assume a 6% growth rate in property tax revenues each year, it is immediately apparent that the property tax has only marginal capacity to respond to the demands of moderate inflation and even less capacity to deal with the problems posed by high inflation.

At present, the property tax provides approximately 41% of total County revenues. The issue of revenue inelasticity takes on even greater significance when we stop to consider that County revenues from sources other than the property tax have no assured rate of growth associated with them.

If we assume even moderate inflation during the next several years, Multnomah County is confronted with three major alternatives:

- 1) Pursue new sources of revenue which not only yield large sums of revenue immediately but also have the necessary growth capacity (elasticity) to counteract the impact of continuing inflation. (Section III of this report discusses long-term fiscal planning alternatives.)
- 2) Secure additional outside (non-County) revenues. The activities of the State Legislature during the next six weeks will have a critical impact on the 1975-76 budget and on long-term County revenue and expenditure planning. (In Section II of this report we have attempted to identify the major factors, including key legislation, which will impact the 1975-76 budget.)
- 3) Continue the cut-back in existing County programs and readjust levels of service in a downward direction.

C. Personnel costs. In the current budget, personnel costs account for almost 53% of total Multnomah County expenditure requirements. An analysis of County personnel expenditures during the past half decade further reveals that personnel costs are indeed the key inflationary item.

The following table is instructive in that it compares the increases in Multnomah County personnel services expenditures (excluding Multnomah Hospital) with the increase in state/local personal services expenditures nationally from a 1969 baseline.

TABLE I

Personal Services Expenditures

<u>Fiscal Year</u>	<u>Price Index for Personal Services Expenditures</u>		<u>Multnomah County</u>		
	<u>State/Local Govt. (U.S. Total)</u>	<u>Multnomah County</u>	<u>Ave. Spending per Employee¹</u>		<u>Total Spending</u>
1969	100.0	100.0	\$ 7,458		\$17,198,000
1971	118.3	117.5	8,763	> 17.5%	21,260,000 > 23.5%
1973	131.8	134.7	10,045	> 14.5%	29,421,000 > 38.4%
1974	138.3	167.2	12,474	> 24.1%	37,372,000 > 27.0%
1975	N/A	192.2 ²	14,338 ²	> 15.0%	38,857,000 ² > 4.0%

¹Includes all spending for personal services including salaries, fringe, part-time, overtime, etc. Based on the total number of employees (full-time and part-time) on March 15 of each year. Does not include Manpower Consortium and Multnomah Hospital personnel.

²Projected. Based on experience through FMS report #9.

It should also be pointed out that most of the increase in personal services expenditures is a result of inflation -- not an increase in the total number of people on the Multnomah County payroll. The information in Table II is revealing.

TABLE II

Full-Time Personnel
Multnomah County
(Excluding Multnomah Hospital)

<u>Budget Year</u>	<u>No. of Full-Time Personnel¹</u>	
1968-69	2174	> 1.0%
1970-71	2200	> 16.0%
1972-73	2557	> 7.5%
1973-74	2747	> -7.8%
1974-75	2534	

Five year
average: 2442

¹Source of Information: Multnomah County Budget documents.

With union contract negotiations now underway (and likely to continue well into summer) this particular financial issue will be at center stage for the next several months and will be of greater importance than any of the other financial issues identified in this report during that period of time. The dilemma of local government finance, as it relates to personnel costs, can be posed rather simply: with labor costs slowly increasing as a percentage of total expenditures, there is greater pressure on the Board to defer necessary expenditures for materials, equipment, etc. and move in the direction of labor-intensive programs and services. This is true to the extent that while the costs of materials and services required by local government are largely beyond the control of the Board, the Board does maintain some control over personnel costs. It is within this area of limited control that the current contract negotiations take on importance

of immense proportions and the Executive Budget reflects the level of concern with which the County approaches the period of negotiation.

Several "rules of thumb" discussed in Financial Planning Report #1 continue to have utility:

--every 1% increase in wages and salaries translates directly into approximately \$373,000 in additional personnel costs for 1975-76.

5% increase x \$373,000	=	\$1.86 million
10% increase x \$373,000	=	\$3.73 million
15% increase x \$373,000	=	\$5.60 million

--\$1,000,000 in added personnel costs will require the elimination of 55-65 positions.

D. Expenditure of Cash Carryover. Along with personnel costs, the major immediate financial issue facing Multnomah County is the management of its cash carryover resources. The temptation in this time of financial difficulty is to budget cash carryover resources as a means of avoiding budget cuts and of maintaining program, service, and job levels. Continued actual expenditure of those resources, however, would mean that the County was in fact spending and using up its savings and engaging in deficit spending. Such a practice could not continue for long, and caution should be used to see that it is not begun.

A further reason for caution lies in the fact that the 1975-76 Executive Budget is a substantially more accurate projection of what the County is likely to spend in the next year than has been the case with previous budgets. As a result the \$3.8 million budgeted as General Fund Contingency is of critical importance to the County's maintenance of an adequate level of cash carryover resources into fiscal year 1976-77. Put differently, cash carryover resources will have to be managed even more carefully than they have been in this fiscal year. In terms of the budget, cash carryover cannot

be presumed to be a "revenue source" as has been the case in the past.

To deal with this issue of managing cash carryover resources, the Board should take three steps. First, maintain or increase the \$3.8 million reserve in the 1975-76 General Fund contingency. Second, continue to monitor expenditures carefully during 1975-76 in an effort to recapture the cash carryover resources which are budgeted for expenditure. Third, direct the Office of County Management to prepare a long-term plan for managing and maintaining cash carryover resources.

E. Mandated Services. During the past several months we have emphasized again and again the fiscal impact of mandated services and a lengthy summary is therefore unnecessary. Put simply, the County will spend approximately \$29 million in 1975-76 to provide services required by State law and will receive only \$7 million from the State to offset the costs of these mandated services. In dealing with the long-term implications of this financial issue, one of two alternatives must be pursued, either the State must increase funding assistance for mandated services or the County must be given the discretion to define the level of service that will be provided.

SECTION II

BUDGET "WORKING PAPERS"

The materials in this Section are submitted in the form of "working papers" which are supplemental to the Executive Budget. The contents of this Section will also serve as a resource for budget-related decisions which can only be made at a later date when the dimensions of union contract negotiations are more clearly drawn and the full impact of legislative activities in Salem are in sharper focus.

In spite of the tentativeness with which the Board must begin budget deliberations, it is nonetheless necessary to begin preparations now for future eventualities. The materials in this Section provide a point of departure.

A. Detailed information on "efficiency cuts," "level of service" reductions, additions and reclassifications included in the Executive Budget.

B. An analysis of alternative methods of funding wage and salary cost increases.

C. A summary of key factors and issues which will begin to solidify between now and July 1 which will have an impact on the final budget.

A. EXECUTIVE BUDGET DETAIL

Efficiency Cuts, Level of Service Reductions, Additions and Reclassifications

DEPARTMENT OF ADMINISTRATIVE SERVICES

<u>Personal Services</u>		<u>Dollar Impact</u>	<u>Type of Cut</u>
2 Maintenance Painters	Bldg. Mgmt. - Painting	(30,590)	LOS
1 Carpenter Leadman	Bldg. Mgmt. - Carpentry	(17,188)	LOS
1 Maintenance Carpenter	Bldg. Mgmt. - Carpentry	(15,649)	LOS
1 Asst. Ofc. Mach. Reprmn.	Purchasing	(11,972)	Eff.
1 Deputy Director	A & T Administration	(27,180)	Eff.
1 Exemption Field Supv.	A & T Operations	(18,630)	LOS
1 Property Appraiser I	A & T Appraisal	(13,610)	Eff.
2 Property Appraiser II	A & T Operations	(34,880)	Eff.
2 Property Appraiser III	A & T Appraisal	(37,926)	LOS
1 Clerk Typist II	A & T Appraisal	(10,536)	LOS
1 Director	Records	(20,461)	Eff.
<u>1</u> Clerk Typist II	Civil Service	(11,385)	LOS
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<u>Materials and Services</u>	(-0-)
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<u>Capital Outlay</u>	(-0-)
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Additions and Reclassifications

Personal Services

2 Elections Managers (reclass.)	Elections	6,748
1 Space Coordinator	Property Management	21,008
1 Clerk Typist II	Property Management	10,341

DEPARTMENT OF ENVIRONMENTAL SERVICES

<u>Personal Services</u>		<u>Dollar Impact</u>	<u>Type of Cut</u>
2 Zoning and Building			
Examiner I	Land Use Planning	(32,942)	Eff.
1 Sanitarian II	Sanitation	(17,514)	LOS
1 Plumbing Inspector	Sanitation	(18,883)	Eff.
3 Gardener I	Parks & Memorials	(50,516)	{ 1 Eff. 2 LOS
2 Construction			
Inspector II	Public Works	(33,782)	Eff.
3 Construction			
Inspector I	Public Works	(47,717)	Eff.
6 Chainman I	Public Works	(80,586)	Eff.
1 Right of Way Agent	Public Works	(20,160)	LOS
1 Draftsman II	Public Works	(17,269)	LOS
1 Auto Mechanic II	Public Works	(16,300)	Eff.
1 Striper Foreman	Public Works	(18,822)	Eff.
2 Utility Worker	Public Works	(29,623)	{ 1 Eff. 1 LOS
5 Laborer	Public Works	(60,815)	Eff.
<u>1</u> Electrician	Electrical & Radio	(18,852)	LOS
30			

Materials and Services

(1,247,261)

Capital Outlay

(-0-)

Additions and Reclassifications

Personal Services

Part-Time

Public Works

19,200

DEPARTMENT OF JUSTICE SERVICES

<u>Personal Services</u>		<u>Dollar Impact</u>	<u>Type of Cut</u>
1 Account Clerk	Public Safety - Adm.	(12,048)	LOS
1 Clerk Typist I	Neighborhood Police	(9,041)	LOS
1 Scientific Investigator	Scientific Investigation	(18,412)	LOS
1 Clerk Typist I	Youth Services	(9,370)	LOS
1 Sergeant	Resource Development	(19,896)	LOS
2 Deputy	Resource Development	(29,566)	LOS
1 Clerk Typist I	Resource Development	(9,370)	LOS
1 Police Records Clerk I	Resource Development	(9,674)	LOS
2 Deputy	Communications	(33,180)	LOS
1 Legal Steno	Courts Process	(11,860)	LOS
1 Asst. Deputy Director	Courts Process	(19,885)	LOS
1 Chief Civil Deputy	Courts Process	(20,152)	LOS
3 Civil Deputy	Courts Process	(40,081)	LOS
1 Clerk II	Circuit Court	(10,729)	LOS
1 Clerk I	Circuit Court	(9,382)	LOS
1 Senior Deputy DA	District Attorney	(24,207)	Eff.
3 Legal Steno (as of 11/1/75)	DA High Impact	(11,300)	LOS
2 Deputy DA I (as of 11/1/75)	DA High Impact	(20,211)	LOS
2 Deputy DA II (as of 11/1/75)	DA High Impact	(14,386)	LOS
1 Groupwork Supv. II	Juvenile Detention	(17,174)	LOS
1 Deputy Medical Examiner	Medical Examiner	(15,358)	LOS

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Materials and Services

(-0-)

Capital Outlay

(-0-)

Additions and Reclassifications

Personal Services

4 Marshalls (for 6 months)	Public Safety	27,136
Reclassify 4 PRC II to PRC III	Public Safety	7,272
3 Property Control Clerks	Public Safety	17,369
1 Corrections Supv.	Corrections	17,678
4 Corrections Officer	Corrections	54,272

DEPARTMENT OF HUMAN SERVICES

<u>Personal Services</u>			<u>Dollar Impact</u>	<u>Type of Cut</u>
1	PARD Director	Human Services A & P	(21,863)	Eff.
1	Volunteer Coordinator	Human Services A & P	(18,807)	Eff.
1	Clerk Typist I	Human Services A & P	(8,929)	Eff.
1	Statistician	Human Services A & P	(13,866)	Eff.
1	District Manager	Human Services A & P	(20,363)	Eff.
1	Steno Clerk I	Human Services A & P	(9,137)	Eff.
1	Account Clerk	Human Services A & P	(10,552)	LOS
1	Social Worker	Mental Health	(17,101)	LOS
1	Clerk Typist I	Detox Center	(8,617)	LOS
4	Outreach Worker	Detox Center	(36,675)	{ 2 LOS 2 Eff.
1	Director	Metro Youth	(21,711)	LOS
1	Assistant Director	Metro Youth	(14,892)	LOS
1	Steno Clerk II	Metro Youth	(10,709)	LOS
1	Director	Veterans Services	(14,595)	LOS
1	Deputy Director	Veterans Services	(13,373)	LOS
1	Drug Counselor	Veterans Services	(13,149)	LOS
1	Job Coordinator	Veterans Services	(13,373)	LOS
2	Job Developer	Veterans Services	(21,826)	LOS
1	Secretary	Veterans Services	(8,690)	LOS
1	Asst. Health Officer	Health Services A & P	(37,464)	Eff.
1	Adm. Assistant	Health Services A & P	(18,668)	Eff.
1	LPN	Health Care Delivery	(10,795)	LOS
1	Physician	Health Care Delivery	(29,870)	Eff.
1	Nutritionist	Neighborhood Health	(14,908)	LOS
1	Teacher II	Children's Services	(8,203)	Transfer to Perry Center
1	Teaching Asst. III	Children's Services	(4,000)	Transfer to Perry Center
1	Project Director	Children's Services	(16,230)	Transfer to Perry Center
1	Program Supervisor	Children's Services	(14,282)	Transfer to Perry Center
1	Counselor	Children's Services	(13,380)	Transfer to Perry Center
1	Receptionist	Children's Services	(8,575)	Transfer to Perry Center
8	Center Directors	Children's Services	(85,534)	Transfer to Perry Center
3	Latch Key Aide I	Children's Services	(35,184)	Transfer to Perry Center
6	Latch Key Aide II	Children's Services	(58,500)	Transfer to Perry Center
2	Teacher II	Children's Services	(16,406)	Transfer to Perry Center
3	Teacher I	Children's Services	(33,304)	Transfer to Perry Center

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DEPARTMENT OF HUMAN SERVICES

		<u>Dollar Impact</u>	<u>Type of Cut</u>
<u>Materials and Services</u>		(-0-)	
<u>Capital Outlay</u>		(-0-)	
<u>Additions and Reclassifications</u>			
<u>Personal Services</u>			
1 Quadrant Manager to District Representative (reclass.)	Human Services A & P	210	
2 Quadrant Managers and 3 Steno Clerk I to 5 Community Coordinators (reclass.)	Human Services A & P	8,271	
1 Steno II	Human Services A & P	10,340	
1 Clerk Typist I	Human Services A & P	8,931	
Part-Time	Human Services A & P	20,387	
1 Patient Encounter Clerk	Health Care System	8,956	
2 Access Workers	Health Care System	14,233	
1 Nurse Aide II to Janitor I (reclass)	Detox Center	(1,296)	
1 Asst. Supervisor to Outreach Coordinator (reclass.)	Detox Center	(2,070)	
1 Outreach Counselor	Senior Service Centers	8,187	
1 Community Coordinator	MCCAA	11,288	

OFFICE OF COUNTY MANAGEMENT

		<u>Dollar Impact</u>	<u>Type of Cut</u>
<u>Personal Services</u>		(-0-)	
<u>Materials and Services</u>		(32,310)	
<u>Capital Outlay</u>		(-0-)	
<u>Additions and Reclassifications</u>			
<u>Personal Services</u>			
1 Cost Accounting Manager to Public Works Accounting Supv. (reclass.)	Finance Section	(3,286)	
1 Deputy County Counsel II	County Counsel	19,605	
1 Deputy County Counsel I to Deputy County Counsel II (reclass.)	County Counsel	1,488	
1 Asst. Chief Deputy County Counsel to Chief Deputy County Counsel (reclass.)	County Counsel	4,359	
Part-Time	County Counsel	4,526	

EXECUTIVE/LEGISLATIVE

<u>Personal Services</u>	(-0-)
<u>Materials and Services</u>	(-0-)
<u>Capital Outlay</u>	(-0-)

B. ALTERNATIVE METHODS OF FUNDING
WAGE AND SALARY COST INCREASES

Total cash revenues for all funds are projected at approximately \$76.9 million for FY 1975-76. After adjusting departmental baseline requests for essential additions, efficiency cuts that could be made without affecting service, and dropping \$3.75 million from the contingency for wage and salary increases, a deficit of \$1.6 million remained. A revenue package comprised of new and increased fees and charges totaling approximately \$630,000 was added to revenue, thereby reducing the deficit to \$1 million. Additional cuts totaling slightly more than \$1 million are proposed in the Executive Budget to balance the budget. The level of service cuts proposed are outlined briefly below:

<u>Department</u>	<u>Cuts</u>	<u>Associated Revenue Loss</u>
Environmental Services	\$ 184,164	(\$ 1,000)
Administrative Services	223,947	
Justice Services	449,615	
Human Services	279,771	(34,732)
Library	100,000	
	<hr/>	<hr/>
	\$1,237,497	(\$35,732)
Net Level of Service Cuts	\$1,201,765	

Combined baseline cuts and adds recommended would result in a net reduction of 130 positions in the County work force. A number of these positions are currently vacant (and will not be filled) or are in programs that will be assumed by agencies other than the County.

Problem Statement

In preparing the 1975-76 budget, it will be necessary to select a method of funding the wage and salary settlements that will be negotiated. In considering various funding alternatives for fiscal year 1975-76 and beyond, the Board will want to consider the budgetary impact of various levels of cuts in the County work force. A variety of alternatives have been identified and the analysis which follows provides the data on which choices might be based.

Assumptions

The following assumptions were made uniformly in performing the analysis of the various alternatives:

- 1) A baseline Personnel Services figure of \$38,981,714 resulted after cuts were made sufficient to balance the budget. This figure does not include a contingency for wage and salary increases. A nine-month baseline would be \$29,236,285.
- 2) Average cost in Personnel Services per employee is estimated at \$16,069 for a full year and \$12,052 for nine months.
- 3) No adjustment was made to break out fringe benefits (on the assumption that these may go up independently or as a part of a settlement).
- 4) Any settlement would be arrived at on October 1, 1975 and, if retroactive, would be retroactive to July 1, 1975.
- 5) Any cuts that would be made for less than a full year were assumed to be cuts covering nine months only.
- 6) Potential unemployment benefits which the County might incur (per employee) were estimated at \$2,860.

Alternatives Considered

Alternative #1

This alternative assumes no contingency fund allocation. Any settlement to be funded by cuts to existing budgeted positions and dollars as of October 1, 1975. Levels of settlement analyzed are 5%, 10%, and 15% on both retroactive and non-retroactive bases.

Alternative #2

This alternative considers the impact of 5%, 10%, and 15% settlement levels. It assumes that the settlement would be equal to the level of contingency and that settlements would be retroactive. Savings are calculated based on a non-retroactive settlement as of October 1, 1975.

Alternative #3

This alternative assumes contingencies at various levels (3%, 5%, and 7%) which would not be adequate to cover 5%, 10%, and 15% settlements. Impacts are analyzed at each contingency level using 5%, 10%, and 15% settlement levels on both retroactive and non-retroactive bases and settlement as of October 1, 1975.

Alternative #4

This alternative considers the impact of budgeting for a settlement over a two-year period since contracts are normally negotiated on a two-year basis. It is intended to show what level of cuts would be required in the first year to avoid further cuts the second year. (A surplus would be accumulated the first year sufficient to cover the second year deficit.) This approach assumes that the percent increase and personnel services baseline amount are the same for both years and that increases are effective and implemented as of July 1 each year.

Analysis

Analysis is shown first on each of the alternatives followed by a comparative analysis of all four.

Alternative #1

Settlement October 1, 1975 - Retroactive to July 1, 1975

	<u>Settlement</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Cost of Settlement	1,949,086	162	3,898,171	324	5,847,257	485
Unemployment Benefits	463,320	38	926,640	77	1,387,100	115
	2,412,306	200	4,824,811	401	7,234,357	600

Settlement October 1, 1975 - Non-Retroactive

	<u>Settlement</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Cost of Settlement	1,461,814	91	2,923,628	243	4,385,443	364
Unemployment Benefits	260,177	16	694,980	58	1,041,040	87
	1,721,991	107	3,618,608	301	5,426,483	451

Alternative #2

	<u>Contingency Level</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Cost of Contingency	1,949,086	121	3,898,171	243	5,847,257	364
Unemployment Benefits	346,060	22	694,980	43	1,041,040	65
	2,295,146	143	4,593,151	286	6,888,297	429
Savings realized if settlement is non-retroactive	487,272		974,543		1,461,815	

Alternative #3Settlement October 1, 1975 - Non-Retroactive

	<u>Level of Contingency</u>					
	<u>3%</u>		<u>5%</u>		<u>7%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Contingency at 7/1/75	1,169,451	73	1,949,085	121	2,728,720	170
Add. Cost @ 5% Settlm't	292,363	24	-0-		-0-	
Cost of 5% Settlm't	1,461,814	97	-0-		-0-	
Unemployment Benefits	277,420	23	-0-		-0-	
Total @ 5% Settlm't	1,739,234	120	-0-		-0-	
Add. Cost @ 10% Settlm't	1,754,177	146	974,543	81	194,908	16
Cost of 10% Settlm't	2,923,628	219	2,923,628	202	2,923,628	186
Unemployment Benefits	626,340	52	577,720	48	531,960	44
Total @ 10% Settlm't	3,549,968	271	3,501,348	250	3,455,588	230
Add. Cost @ 15% Settlm't	3,215,991	267	2,436,357	203	1,656,722	138
Cost of 15% Settlm't	4,385,442	340	4,385,442	324	4,385,442	308
Unemployment Benefits	972,400	81	926,640	77	880,880	73
Total @ 15% Settlm't	5,357,842	421	5,312,052	401	5,266,322	381

Settlement October 1, 1975 - Retroactive to July 1, 1975

Add. Cost @ 5% Settlm't	779,634	65	-0-		-0-	
Cost of 5% Settlm't	1,949,085	138	-0-		-0-	
Unemployment Benefits	394,680	32	-0-		-0-	
Total @ 5% Settlm't	2,343,765	170	-0-		-0-	
Add. Cost @ 10% Settlm't	2,728,720	226	1,949,086	162	1,169,451	97
Cost of 10% Settlm't	3,898,171	299	3,898,171	283	3,898,171	267
Unemployment Benefits	855,140	71	809,380	67	763,620	63
Total 10% Settlm't	4,753,311	370	4,707,551	350	4,661,791	330

Alternative #3, contd

Retroactive to July 1, 1975

	<u>Level of Contingency</u>					
	<u>3%</u>		<u>5%</u>		<u>7%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Add. Cost @ 15% Settln't	4,677,806	388	3,898,172	323	3,118,537	259
Cost of 15% Settln't	5,847,257	461	5,847,257	444	5,847,257	429
Unemployment Benefits	1,318,460	109	1,269,840	105	1,226,940	102
Total @ 15% Settln't	7,165,717	570	7,117,097	549	7,074,197	531

Alternative #4 (Two-year Cost)

	<u>Settlement</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
	\$	Pos.	\$	Pos.	\$	Pos.
Cost of Settlement	5,913,745	171	12,063,675	325	18,097,289	463
Unemployment Benefits	489,060	14	929,500	28	1,324,180	39
	6,402,805	175	12,993,175	363	19,421,469	502

Comparative Analysis

<u>Retroactive Settlement</u>	<u>Level of Settlement</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
	Total \$ Cost	Pos.	Total \$ Cost	Pos.	Total \$ Cost	Pos.
Alternative #1	\$2,412,306	200	\$4,824,811	401	\$7,234,357	600
Alternative #2	\$2,295,146	143	\$4,593,151	286	\$6,888,297	429
Alternative #3-3%	\$2,343,765	170	\$4,753,311	370	\$7,165,717	570
5%	-0-		\$4,707,551	350	\$7,117,097	549
7%	-0-		\$4,661,791	330	\$7,074,197	531

Comparative Analysis, contd

	<u>Level of Settlement</u>					
	<u>5%</u>		<u>10%</u>		<u>15%</u>	
<u>Non-Retroactive Settlement</u>	Total \$	Cost Pos.	Total \$	Cost Pos.	Total \$	Cost Pos.
Alternative #1	\$1,721,991	91	\$3,618,608	301	\$5,426,483	451
*Alternative #2						
(Savings Only)	\$ 487,272		\$ 974,543		\$1,461,815	
Alternative #3-3%	\$1,739,234	120	\$3,549,968	271	\$5,357,842	421
5%	-0-		\$3,501,348	250	\$5,312,052	401
7%	-0-		\$3,455,588	230	\$5,266,322	381
<u>Two-Year Budgeting of Settlement</u>						
Alternative #4	\$6,402,805	185	\$12,993,175	363	\$19,421,469	502

*Savings would result if contingency was assumed for a 12-month settlement and a 9-month settlement resulted. No positions would be saved since personnel would have been terminated as of July 1, 1975 to implement contingency.

Findings

It can be readily be seen that Alternative #2 results in the lowest cost and Alternative #1 the highest cost under the assumptions stated. This is due to the fact that Alternative #1 makes all cuts with only nine months left in the budget to cover the cuts for the entire fiscal year. This would result in more people being terminated to cover the same dollar amount with a correspondingly higher unemployment benefit cost. It should be pointed out that if a settlement below the level allowed for contingency occurred, then the positions of the two alternatives would be reversed. Alternative #3 obviously offers a middle ground.

Alternative #1, and to a lesser degree, Alternative #3, would help reduce the impact of deficits in 1976-77 since they represent position cuts greater than necessary to cover a twelve-month period. This results from all or part of

the cuts in Alternatives #1 and #3 being made with only nine months left in the budget. For example, the total of 401 positions cut under Alternative #1 at a 10% settlement assumed to be retroactive would result in a cut of \$6,443,669 if the cuts were made for twelve months. Under the assumptions of Alternative #1, only \$4,824,811 would be realized by cutting the 401 positions. This means that a cut of \$1,618,858 (\$6,443,669 minus \$4,824,811) would have been effectively implemented in the baseline Personnel Services level for 1976-77. In fact, the impact on 1976-77 Personnel Services baseline would be \$2,545,498 since no unemployment benefits would be necessary.

Alternative #4 is not comparable on a one for one basis with the first three alternatives. It does provide a means of considering the possibility of budgeting salary increases on a two-year basis.

Evaluation and Recommendation

Alternative #1 would be the most appropriate if certain conditions are realized. First, substantial new revenue sources are anticipated prior to a wage and salary settlement. (Under these conditions, this alternative would avoid terminating personnel unnecessarily.) Second, a substantial deficit is anticipated in 1976-77, thus, Alternative #1 would result in an "overkill" situation in 1975-76 which would ease the impact on the work force in 1976-77.

Alternative #2 impacts the 1975-76 budget the least. If the contingency level chosen is relatively close to the final settlement and large deficits aren't expected in 1976-77, this alternative would spread out the impact of wage and salary increases over the two years. If the increase is less than provided for in the contingency, a surplus results which could be carried over to 1975-76. However, this might also result in unnecessary terminations.

Alternative #3 is a compromise between Alternatives #1 and #2. The evaluation can only point out that the same factors would apply depending on the level

of contingency selected.

No clear cut recommendation can be made. The conditions existing at the time a decision is made should indicate which alternative is most appropriate.

C. UNRESOLVED FACTORS AND ISSUES WHICH WILL IMPACT ON THE BUDGET

1. Wage and Salary Negotiations. (See Section I - Personnel Costs.) The Executive Budget includes no provisions for eventual wage and salary settlements with the unions. In all likelihood, this issue will have the single greatest impact on the final budget. Collective bargaining activities are proceeding on schedule.

--As of April 1, collective bargaining is in progress with three bargaining units: Police (Sheriffs), Corrections Officers, and Court Reporters.

--During the month of April, discussions will be opened with the two nurses' employee bargaining units, Local 88 (AFSCME), and the Painters and Allied Trades Local #10.

2. Activities at the State Legislature. Intergovernmental Relations Section and departmental staff will continue to monitor legislative activities in Salem. From time to time, status reports on particular bills will be submitted to the Board. Insofar as possible, Table III (next page) identifies key bills on a departmental basis, even though the impact of a particular bill may cross departmental lines.

TABLE III

Legislative Bills with Fiscal Impact
for Multnomah County

(as of 3/27/75)

OFFICE OF COUNTY MANAGEMENT
Positive Fiscal Impact

Estimated
Fiscal Impact

SB 306

Requires state financial assistance to library systems and regional library programs. Defines "library systems" and "regional library programs." Establishes system for applying for financial assistance and monitoring and administering grants.

Appropriates \$ _____ from the General Fund to the State Library for designated biennial expenditures.

Declares emergency. Takes effect July 1, 1975.

\$ 164,000

SB 415

Decreases from 70 percent to 50 percent the amount of money in Oregon Liquor Control Commission Account to be credited to General Fund. Increases from 10 percent to 30 percent amount of money in such account to be received by counties. Requires at least 66 2/3 percent of such moneys received by counties shall be used for certain human service programs, particularly those programs related to alcohol.

2,400,000

SB 500

Increases fees or establishes method for setting fees chargeable by counties or county officials for various services.

Deletes \$25 fee in divorce suits and annulment proceedings designated to General Fund.

Declares emergency. Effective July 1, 1975.

750,000

Positive Fiscal Impact (OCM)

Estimated
Fiscal Impact

HB 2299

Requires apportioned revenues from liquor, cigarette and highway funds to be distributed to cities and counties monthly within 35 working days of end of preceding month.

\$ 80,000

HB 2542

Requires Emergency Board to reimburse local governments for increased costs resulting from Acts of the Legislative Assembly.

Appropriates \$_____ from General Fund for biennial expenses.

Declares emergency.

unknown

Negative Fiscal Impact (OCM)

SB 867

Lowers from \$1 per page to 10 cents per page fees charged by county clerks for supplying to private parties copies of records or files.

(30,000)

HB 2199

Subjects public employers and property to the taxing authority of mass transit districts.

(unknown)

HB 2380

Increases limit of county appropriation to tax supervising and conservation commission account from \$80,000 to \$100,000.

Declares emergency.

(20,000)

DEPARTMENT OF JUSTICE SERVICES
Positive Fiscal Impact

Estimated
Fiscal Impact

SB 1

Enacts new substantive and procedural provisions governing motor vehicles, bicycles and pedestrians. Adopts certain Uniform Vehicle Code standards for rules of the road, including but not limited to provisions relating to moving traffic offenses, parking and stopping of vehicles and traffic signs, signals and markings.

Abolishes criminal penalties for most traffic offenses. Creates four classes of traffic infractions and fixes maximum fine for each class. Provides criminal penalties for certain serious traffic offenses and repeat offenders.

Makes first offense for driving under the influence of intoxicating liquor or drugs a Class A traffic infraction. Repeals crime of driving a motor vehicle with .15 percent or more blood alcohol content and defines driving under the influence to include driving with .08 percent or more blood alcohol content. Repeals crime of reckless driving and enacts new crime of dangerous driving. Redefines crime of driving while suspended or revoked. Applies provisions relating to serious traffic offenses to public highways and to any premises open to general public for use of motor vehicles.

Authorizes trial judge to suspend driver's license or to impose other remedial sanctions upon person convicted of traffic crime or Class A traffic infraction. Grants city attorney authority to prosecute in name of the state for traffic offense committed within jurisdiction of city. Provides that at trial involving traffic infraction only, district attorney shall not appear unless counsel for defendant appears. Eliminates jury trial and enacts new trial procedures for traffic infraction cases.

Makes other substantive changes in vehicle laws and conforms other related statutes to new vehicle code provisions.

Effective July 1, 1976.

\$ 500,000
(reduced
costs)

Positive Fiscal Impact (Department of Justice Services)

Estimated
Fiscal Impact

SB 190

Consolidates Union and Wallowa counties into one prosecution district and Gilliam, Morrow, Sherman and Wheeler counties into one prosecution district. Beginning with 1976 elections, requires one district attorney to be elected from each of these districts to serve all counties in district.

Deletes prohibition of district attorney representing party in civil action involving same controversy during pendency of criminal prosecution.

Prohibits a district attorney receiving a state salary exceeding \$17,500 in a calendar year from receiving compensation from any other source for legal services.

Prohibits district attorneys and their deputies from engaging in the private practice of law, effective January 3, 1977.

Requires county governing bodies to appoint legal counsel to advise them; allows counties to contract with district attorneys for such services.

Appropriates \$4,140,000 for the biennium beginning July 1, 1975 to be distributed among the counties for the purpose of paying expenses of district attorneys.

Declares that, for purposes of Public Employees' Retirement System, district attorney receives compensation from state if he is paid by county receiving state grant for district attorney's expenses.

Declares an emergency.

\$ 750,000

SB 192

Directs each county, through its Board of County Commissioners, singly or in combination with other counties, to provide, before July 1, 1976, for representation of indigent persons within county by establishing county or district public defender, contracting with appropriate nonprofit organization for defense attorneys, or by arranging with courts of county for assignment of private counsel on systematic basis.

Positive Fiscal Impact (Department of Justice Services)

Estimated
Fiscal Impact

SB 192 (continued)

Authorizes Board of County Commissioners to set compensation, expenses, term of office of defender, and to appoint public defender from list provided by circuit court.

Directs Supreme Court to supervise option chosen by each county for providing defense services, by promulgating rules before January 1, 1976, setting out guidelines for acceptable programs and guidelines for compensation of all attorneys for indigents. Directs Chief Justice of Supreme Court to administer guidelines of Supreme Court.

Defines powers of county or district public defenders as necessary to perform his duties, sets out manner of appointment and operation of county or district public defender office, and provides for defender qualifications.

Appropriates \$855,969 from General Fund to State Court Administrator for biennium to administer defender program and to make partial reimbursement to counties for expenses of providing legal services for indigent criminal defendants.

\$350,000

Declares emergency.

SB 5510

Limits biennial expenditures from fees, moneys or other revenues collected or received by Oregon Liquor Control Commission to /\$17,462,265/ \$17,885,645. Excludes expenditures for liquor purchases from expenditure limitations. Transfers \$335,159 to Executive Department to be distributed to cities and counties for the purpose of matching grants to cities and counties under the Omnibus Crime Control and Safe Streets Act.

Declares emergency. Effective July 1, 1975.

80,000

HB 2926

Raises from \$4 to \$7.50 fee for serving notice of small claim.

70,000

Negative Fiscal Impact (Department of Justice Services)

SB 2

Makes district court a court of record. Gives district court reporter responsibility for preparing audio record of district court proceedings. Exempts district court reporters from statutes relating to circuit court reporters. Makes audio record transcript of proceedings. Excludes small claims

Negative Fiscal Impact (Department of Justice Services)

Estimated
Fiscal Impact

SB 2 (continued)

actions and arraignments in violations and traffic infractions from reporting requirements if other suitable record kept according to rules of Court of Appeals. Transfers appellate jurisdiction from circuit court to Court of Appeals in appeals from district court. On appeal from judgment in case in which right to jury trial is provided by Oregon law, requires judgment to be reviewed by the Court of Appeals on record only as to questions of law. On appeal from judgment in case in which no right to jury trial is provided, requires action to be tried anew upon the record. Authorizes Court of Appeals to make rules governing preparation of record, filing of transcripts and other appeal procedures. Establishes bases for civil and criminal appeals from district courts. Makes certain changes in district court trial jurisdiction and other related changes in district court trial and appellate procedures.

Declares emergency. Effective June 30, 1975, but delays operative date for most provisions until July 1, 1976. (\$22,500-350,000)

DEPARTMENT OF ADMINISTRATIVE SERVICES
Positive Fiscal Impact

SB 620

Increases time for which omitted property tax assessments may be made from five to ten years. (\$5,000-10,000)

HB 2263

Permits matching grants to counties for capital expenditures that improve the operation of elections within the county. Makes Secretary of State responsible for administration of grants, subject to stated criteria.

Creates Election Improvement Account, continuously appropriated. Appropriates \$1,250,000 from General Fund to account. unknown (50% match required and 30% max. to one county).

HB 2606

As amended, appropriates \$1.9 million for distribution to counties during the 1975-77 biennium to help defray election costs. Payments to counties would be on a sliding scale

Positive Fiscal Impact (Department of Administrative Services)

Estimated
Fiscal Impact

HB 2606 (continued)

formula based on the number of persons actually voting in a given election. The formula would provide a per voter reimbursement of \$3 for each of the first 1,000, \$2 for each of the second 1,000 and \$1 for each additional voter over 2,000.

\$ 250,000

HB 2663

Increases rate of interest charged on delinquent ad valorem tax from two-thirds of one percent per month to one percent per month.

5,000-
10,000

Negative Fiscal Impact (Department of Administrative Services)

SB 172; HB 2236, 2307, 2316

Requires county clerk to appoint as permanent official registrars at least one person for every 1,000 electors or major fraction thereof rather than for every 2,000 electors. Requires county clerk to replace any registrar who fails to register at least one elector during previous two years. Requires county clerk to appoint at least one registrar in each unincorporated city within his county. Requires Secretary of State, at specified time, to determine if county clerk has complied with certain voter registration provisions.

(10,000)

Permits, rather than requires, registration of certain sick or disabled electors at their place of abode. Deletes prohibition against canvassing by registrar for purpose of securing voter registrations. Authorizes persons to apply for registration by mail. Prescribes procedures for such registrations.

(9,000)

Requires submission of Act to people at next regular primary election for their approval or rejection.

(19,000)

Provides penalties.

SB 663

Changes quarterly payments of property taxes to one-third payments. Changes due date for last partial payment of property taxes from August 15 to May 15. Reduces minimum property tax to be eligible for installment payments from \$40 to \$30.

Effective for tax year beginning July 1, 1975.

(50,000-
75,000)

Negative Fiscal Impact (Department of Administrative Services)

Estimated
Fiscal Impact

HB 2020

Moves primary election date to the second Tuesday after the first Monday in September, but provides for a "presidential primary election" every four years, to be held on the fourth Tuesday in May, for the election of national convention delegates and national committeemen and committee-women and for the presidential preferential election.

Requires election of precinct committeemen at general election rather than at primary. Moves dates for organizational meetings of county and state central committees and for state convention from designated time after primary to designated time after general election. Makes related changes.

(37,480
every other year
331,348
every 4th year)

HB 2021

Revises ORS chapter 259 (special district elections).

Requires district election authority to formulate notice on election of district board members 45 days, instead of 35 days, before election. Requires election officer, not election authority, to publish notice in newspaper. Changes certification of election information requirements. Expands information in notice of bond election. Reduces number of newspaper publications of notice to one. Replaces subsequent notice publication with newspaper publication of ballot facsimile. Deletes notice posting requirements. Shifts ballot title preparation from election officer to election authority. Changes responsibility for regular election expenses from district to county. Requires regular district election, with certain exceptions, to be held on one date. Changes one special election date.

Conforms principal act provisions relating to elections to ORS chapter 259 wherever possible.

(\$140,000)

HB 2429

Upon transfer of mobile home, requires that proof of payment of ad valorem taxes be presented to Motor Vehicles Division prior to transfer of certificate of title by division only when transfer is to or from a licensed dealer.

(50,000-
60,000)

Negative Fiscal Impact (Department of Administrative Services)

Estimated
Fiscal Impact

HB 2673

Requires abatement of additional taxes, interest, and penalties where property subject to special assessment under legislative program is disqualified because of change in law or in administrative rule. Requires refunds of abated amounts paid. Applies to tax years beginning with the assessment date January 1, 1974. (\$68,000-85,000) loss of revenue

DEPARTMENT OF ENVIRONMENTAL SERVICES
Positive Fiscal Impact

SB 340

Prohibits use of studded tires after April 30, 1977, with exceptions, including the tires of certain out-of-state vehicles temporarily in state. Prohibits sale of studded tires. \$500,000 (cost reduction)

SB 453

Requires Highway Division to operate and maintain St. Johns and Ross Island Bridges across Willamette River.

Declares emergency. Effective July 1, 1975. \$280,000

SB 5537

Appropriates \$3,056,660 from General Fund to Department of Land Conservation and Development for biennial expenses. Appropriates \$1 million from General Fund to Emergency Board for allocation to department if federal funds are under-realized. Limits biennial expenditures of department from federal funds to \$3,056,660.

Declares emergency. \$100,000

HB 2044

Establishes financing program to provide moneys for park and recreation projects. Authorizes State Treasurer to issue state general obligation bonds to supply funds therefor. Directs that 70 percent of bonds authorized to be issued be used for grants for local projects, 10 percent for State Wildlife Commission projects and 20 percent for State Parks and

Positive Fiscal Impact (Department of Environmental Services)

Estimated
Fiscal Impact

HB 2044 (continued)

Recreation Division projects. Requires State Parks and Recreation Division to distribute funds to counties, upon application therefor. Establishes method of distributing funds within county for local projects.

Effective when proposed amendment to Oregon Constitution, providing increased debt limitation, becomes effective.

\$6,000,000
(over time)

HB 2473

Requires Highway Division to provide for restoration and maintenance of pioneer cemeteries by contracting with non-profit corporation capable of best performing such restoration and maintenance at least cost to state.

Requires district registrar to collect \$10 fee for filing of death certificate and to pay fees collected into account for such restoration and maintenance.

Appropriates \$ _____ from General Fund to Highway Division of Department of Transportation for biennial expenses for administration of this act.

130,000

HB 2662

Permits counties to obtain motor vehicle fuel tax refunds for taxes paid on fuel purchased and used by counties.

30,000

HB 2848

Permits Racing Commission to grant 20 additional days of racing in Multnomah County for nonprofit fair-type associations.

Declares emergency.

300,000-
450,000

HB 3174

Imposes additional license fees on certain motor vehicles, to be paid annually, based on cubic inch displacement of vehicle engine. Provides table. Applies to 1976 and later model vehicles registered after January 1, 1976.

Requires Act be referred to people for their approval or rejection at special election to be held on the same date as state-wide primary election in 1976.

Governor's
transportation
package-see
below.

Operative first day of month next following effective date.

Positive Fiscal Impact (Department of Environmental Services)

Estimated
Fiscal Impact

HB 3175

Imposes additional license fees on certain motor vehicles, to be paid annually, based on cubic inch displacement of vehicle engine. Provides table. Applies to 1976 and later model vehicles registered after January 1, 1976.

Operative January 1, 1976. Terminates June 30, 1977, or after operative date of similar 1975 Act if approved by voters.

Governor's
Transportation
Package--see
Below.

HB 3176

Permits issuance of farm truck license only when combined weight of vehicle is 44,000 pounds or less. Limits to combined weight of 44,000 pounds certain vehicles owned by farmer that are not subject to weight mile tax.

Changes carrier tax and fee tables used in computing weight-mile taxes or fees imposed on carriers and changes annual fees of carriers engaged in transportation of logs and in transportation of other materials in motor vehicles equipped with dump bodies.

Refers Act to people at state-wide primary election in 1976.

Operative first day of first calendar quarter following effective date.

Governor's
Transportation
Package--see
Below

HB 3177

Permits issuance of farm truck licenses only when combined weight of vehicle is 44,000 pounds or less. Limits to combined weight of 44,000 pounds certain vehicles owned by farmer that are not subject to weight-mile tax.

Changes carrier tax and fee tables used in computing the weight-mile taxes or fees imposed on carriers and changes annual fees of carriers engaged in transportation of logs and in transportation of other materials in motor vehicles equipped with dump bodies.

Terminates tax or fee changes and other provisions not later than June 30, 1977, or an earlier date, depending on taking effect of any 1975 Act that changes same taxes or fees or other provisions.

Operative first day of first calendar quarter following effective date.

Governor's
Transportation
Package--see
Below

Positive Fiscal Impact (Department of Environmental Services)

Estimated
Fiscal Impact

HB 3178

Increases from seven to nine cents per gallon tax on motor vehicle fuel.

Requires Act to be referred to people for their approval or rejection at special election to be held on same date as state-wide primary election in 1976.

Governor's
Transportation
Package--see
below.

HB 3179

Imposes an additional tax of two cents per gallon on motor vehicle fuel, operative on first day of first calendar quarter following effective date of Act. Deletes additional tax after June 30, 1977, or after the operative date of any other 1975 Act that increases motor vehicle fuel taxes.

TOTAL GOVERNOR'S TRANSPORTATION PACKAGE:

Governor's
Transportation
Package--see
Below.

\$2,400,000

Negative Fiscal Impact (Department of Environmental Services)

SB 630

Requires economic impact report for all zone and land use changes. Authorizes court challenge to accuracy of report; permits court to order revision of report.

(\$20,000-
50,000)

DEPARTMENT OF HUMAN SERVICES
Positive Fiscal Impact

SB 304

Requires, rather than authorizes, county governing body to levy tax to create fund to finance certain benefits for indigent veterans.

Makes eligible for relief indigent war veterans with other than a dishonorable discharge and the indigent wives, widows and minor children of such veterans.

Authorizes payment of salary of administrative officer from relief funds. Limits expenditures from relief fund for administrative expenses to 15 percent.

600,000

Positive Fiscal Impact (Department of Human Services)

Estimated
Fiscal Impact

SB 691

Authorizes research and demonstration project to determine cost of providing medical assistance to medically needy. Extends benefits and limits for medically needy in research and demonstration project. Requires county financial participation in such projects.

Declares emergency. Effective July 1, 1975.

\$3,500,000

SB 5522

Appropriates \$66,550,611 from General Fund to Children's Services Division of the Department of Human Resources for biennial expenses. Appropriates \$566,174 from General Fund to division for capital construction. Limits biennial expenditures of division from federal funds to \$58,571,202. Limits biennial expenditures from fees, moneys or other revenues collected or received by division to \$5,338,670.

Declares emergency.

186,000

SB 5532

Appropriates \$92,934,853 from General Fund to Mental Health Division of Department of Human Resources for biennial expenses. Limits biennial expenditures from fees, moneys or other revenues collected or received by division to \$4,460,583. Limits biennial expenditures of division from federal funds to \$15,526,169. Continuously appropriates moneys to division from Motor Vehicle Division Account for expenses of Alcohol Safety Action Program.

Declares emergency.

706,000

HB 2097

Transfers county funding of food stamp program to state. Authorizes Public Welfare Division to contract with United States Postal Service or other governmental agencies for distribution of food stamps or coupons.

80,000

HB 2099

Requires Mental Health Division to fund an approved community mental health program up to 50 percent of costs. Exempts certain contributions to community mental health program from serving as offset to operating costs of program. Modifies allocation between Mental Health Division

Positive Fiscal Impact (Department of Human Services)

Estimated
Fiscal Impact

HB 2099 (continued)

and community mental health program of federal portion of Medicaid payments received by the program.

\$ 50,000

HB 2145

Increases amount of matching fund for reimbursement by state for money expended by counties for financing community health programs, including but not limited to alcoholism treatment, to require formula of 75 percent state funds to 25 percent county funds. Requires counties to maintain previous year expenditures for health programs to receive funds.

Requires plans submitted by counties for community mental health programs reflect improvements and expansion of services delivered under such programs.

Creates County Mental Health Account in General Fund of State Treasury. Directs State Treasurer to deposit and credit 10 percent of General Fund share of liquor revenues to County Mental Health Account to be posed to reimburse counties for expenditures related to mental health programs.

\$1,000,000

HB 2243

Requires educational program at Pacific Child Treatment Center and JANIS Project be approved by State Board of Education.

80,000

HB 2354

Requires Health Division partially to reimburse counties for certain public health services. Requires division, in cooperation with Conference of Local Health Officers, to develop criteria therefor. Appropriates \$5 million to division for biennial expenses under Act.

Requires district or county health departments to file annual community health maintenance work plan, covering specified items, with division. Requires district or county health departments to promote provision of specified services. Allows district or county health departments injunctive relief in enforcing public health laws and rules.

Declares emergency. Effective July 1, 1975.

800,000

Positive Fiscal Impact (Department of Human Services)

Estimated
Fiscal Impact

HB 3009

Requires Children's Services Division to pay counties per diem for wards remaining in county detention facilities for longer than three calendar days.

\$ 72,000
(in cost
savings)

HB 5021

Appropriates \$5,622,491 from General Fund to Health Division, Department of Human Resources, for biennial expenses. Continuously appropriates moneys to Health Division from State Highway Fund for Implied Consent and Impaired Drivers Programs. Limits biennial expenditures from fees, moneys, or other revenues collected or received by division to \$2,806,250. Limits biennial expenditures of division from federal funds to \$11,504,014. Excludes federal funds credited to Medical Facilities Construction Account from limitations. Limits biennial expenditures from Miscellaneous Receipts Account of division to \$2,956,091.

Declares emergency.

50,000

HB 5031

Appropriates \$240,370,458 from General Fund to Public Welfare Division of the Department of Human Resources for biennial expenses. Limits biennial expenditures of division from federal funds to \$285,349,706. Limits biennial expenditures from fees, moneys, or other revenues collected or received by division to \$3,233,069.

Declares emergency.

unknown

3. Other Factors and Issues. In addition to collective bargaining proceedings and activities at the State Legislature, there are several other matters which will have a pronounced budget impact. Some of the most important items are identified below:

- a. Courts Process Reorganization. A proposed reorganization would distribute Courts Process functions between the Courts, the Department of Administrative Services, and the Office of the Director in the Department of Justice Services. Potential savings of \$40,000 (approximately) could result.
- b. Department of Environmental Services Reorganization. The final budget impact of the reorganization has not been determined.
- c. Contingency Fund Cash Carryover. No cash carryover from the contingency fund is included among budgeted resources in the Expenditures Budget for 1975-76. It now appears there may be approximately \$1 million carryover (likely less) from this fund. (We reiterate the caution which must be exercised in interpreting cash carryover -- see Section I of this report.)
- d. DPA Work Program. There has been an indication from the City of Portland that they may decrease the level of services requested from DPA during fiscal year 1975-76. County resources would be required to pick up this slack. No estimates are available from the City as of this date.

e. CRAM. We are assuming the CRAM project has been terminated. It was recently learned that a tie-in with the State Justice Information System (SJIS) may save additional personnel, equipment, and development costs. This possibility requires additional analysis and no cost savings estimates are available at this date.

f. Aging Contract. The City-County aging contracts for 1975-76 are under discussion at this time. The Executive Budget includes \$143,000 for these aging services and an additional \$196,357 may be requested. If additional funds are approved, they will likely need to come from the contingency.

SECTION III

A Response to the Major Financial Issues

A careful review of the materials contained in the two earlier Financial Planning Reports and Sections I and II of this report, point to the necessity of developing a long-term revenue strategy to counteract and hopefully remedy the serious fiscal problems Multnomah County has been forced to confront during the middle years of the present decade. Anything less than an entirely re-designed revenue strategy (or a marked decline in the rate of inflation) can only mean that the Board of County Commissioners will be forced for the indefinite future to make painful budgetary decisions like those which have characterized the budget process during the last two years.

In looking to the future, the Office of County Management is developing a 1975-76 work program which will speak to the major financial issues outlined in this report and provide the Board of County Commissioners with a range of alternatives which will begin to remedy the major financial problems facing the County.

Elements of the 1975-76 work program include the following:

A. First, and foremost, Multnomah County's current revenue position will not brighten appreciably until more inflation-resistant, elastic revenue sources are identified and secured. While anti-inflation measures are largely beyond the control of local government, the associated root problem of revenue inelasticity can be addressed by local government. With regard to local government in the State of Oregon, two alternatives deserve more staff attention:

- 1) the search for new sources of revenue with the necessary growth

potential; and

- 2) revising the revenue structure of the existing property tax.

In the case of the property tax, the key revision of any real revenue significance would require voter approval of a measure establishing a fixed rate of taxation based on assessed valuation rather than following the current practice where voters merely establish a tax base. Local units of government in some states have moved in this direction but a great deal of additional research is required to determine whether the approach is either practical or feasible in the State of Oregon since a Constitutional Amendment would be required.

Turning to those new sources of revenue which have the necessary elasticity or growth capacity, attention is usually directed to various forms of personal or corporate income taxes. "Commuter" or payroll taxes would also be included in this broad grouping. Financial Planning Report #1 touched on these taxes in general but much additional research is required to make them relevant to the local government situation in the State of Oregon. Some of the key concerns which would be incorporated into the 1975-76 work program include the following:

- problems related to tax administration (collection, enforcement, etc.)
- establishing an appropriate tax rate
- legal barriers
- the matter of exemptions, credits, deductions, etc.
- property tax offsets (this item is likely a key to any new revenue strategy.)
- apportionment of revenues between local jurisdictions
- the State role (withholding, collection, etc.)
- voter reaction

B. In addition to the foregoing, there are a variety of revenue sources which have restricted growth capacity but would yield sizable new revenues to the County. Because these sources are often seen as "special taxes" they sometimes face less voter resistance. Some of these revenue alternatives which might have applicability in Multnomah County include the following:

- excise taxes on restaurant meals, cameras and film, records and tapes, etc.
- motorcycle transfer tax
- a tax on automobile and truck rentals
- a ton/mile tax
- an extension on the number of days permitted for dog and/or horse racing
- a parking lot tax, etc.

Many of the questions outlined in "A" above would be applicable to these revenue sources as well.

C. During the past three months a great deal of staff time and effort has been directed at a comprehensive and systematic analysis of fees and charges collected by Multnomah County. The contents of Financial Planning Report #2 confirm that this significant revenue source has been largely underutilized in the past. The work program for next year includes not only a review of the existing fee structure but an analysis of other services or programs where either a new fee schedule or basic modification of existing schedules would be appropriate.

D. As of July 1, 1975, Multnomah County will have no outstanding bonded indebtedness. Development of a new debt policy, together with recommendations for implementation, is a matter of substantial urgency and worthy of Board attention. In light of the County's present fiscal situation, a strong argument can be made to support the case for borrowing and building

today and repaying with future dollars (assuming continuing inflation). Further, there are individuals who would argue persuasively that a debt free situation for a County of this size is evidence of poor financial planning. Before implementing a new borrowing program, however, additional analysis is required to determine what level of indebtedness would result in an optimum fiscal planning policy. Revenue bonding opportunities, in particular, deserve careful analysis.

E. Closely associated with the question of bonded indebtedness is the question of capital budgeting. The future fiscal impact of deferred spending for buildings, land, and equipment has been addressed in only the most rudimentary fashion in the past. The short and long-range implications of deferred capital improvement spending must be addressed soon.

The need for a capital improvement program is particularly acute in the area of County buildings, in general, and equipment replacement in the Department of Environmental Services, to be specific. A wide range of additional capital improvements can be identified. Basic to this discussion is the point that borrowing is the only way to finance major capital improvements. During the next fiscal year, the Office of County Management, supporting the work already begun by the Department of Environmental Services and the other departments, will prepare a five or twelve year capital improvement program for Board consideration which will not only outline financing opportunities and their implications but will also establish a tentative timetable for implementation.

F. It is especially critical during a period of tight finances, such as the County is presently experiencing, to be certain that the dollars spent do, in fact, buy only those goods and services necessary to get the

job done in a cost-effective manner. The County began earlier to establish programs and identify goals and objectives for those programs. In some areas measurement of output and productivity has been started. During the next year, the Office of County Management plans to move even more strongly into the area of performance measurement. It is essential that information be developed that will measure our effectiveness in meeting goals and objectives and whether the most efficient use of resources is being realized. These measures will be developed in a format that will be useful to management in evaluating programs and performance and in making decisions related to them. Use of program information will be increased in future budgets. In addition to program description information, performance data (historical, current and projected) will be shown. It is essential that the budget continue to be developed as a management tool rather than as simply an accounting document. It should document the County's plans for the next one to three years and provide the information necessary to evaluate success in accomplishing those plans.

Directly or indirectly, all of the issues identified in this section have an important impact on the County's fiscal situation for 1975-76 and beyond. The work program established by the Office of County Management for the next fiscal year will reflect the necessity of breaking out of a short-range budget cycle and presenting the Board of County Commissioners with a range of alternatives for dealing with the financial issues identified in this report. It is intended that future budgets will include not only current and historical data, but will also project the budget at least two years into the future. In this way the Board of County Commissioners will be better able to judge the long-term implications of decisions made each year.