

April 26, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

**SUBJECT: Agenda Item E: 2005-2007 Budget Adjustment
May 16-17, 2006 OWEB Board Meeting**

I. Introduction

This report seeks Board approval to increase funding associated with interagency agreements with Oregon Department of Fish and Wildlife (ODFW) and Oregon Department of Environmental Quality (DEQ) up to \$450,000 to address 2005-2007 biennium compensation plan changes that were not included in the 2005-2007 legislatively adopted budgets.

II. Background

At the September 2005 meeting, the Board authorized Pacific Coastal Salmon Recovery Fund (PCSRF) funding to state agencies as directed by the 2005 Legislature. These allocations included support for agency personnel. The State budget system normally does not include a budget for compensation plan changes involving negotiated cost of living and health insurance increases throughout the biennium. Instead, the Legislature typically sets aside a "salary pot" of General Funds and Lottery Funds for the Emergency Board to allocate as needed during the interim. ODFW and DEQ agency personnel funded from PCSRF did not have any "salary pot" set aside by the Legislature with the expectation that future PCSRF grants would fund the salary increases.

III. Discussion

At its April 7, 2006, meeting, the Emergency Board authorized expenditure limitation for OWEB to receive and expend \$4.1 million in FFY06 PCSRF funds. The authorization was made with the express understanding that OWEB would utilize other PCSRF funds to address the unmet compensation plan needs.

The current calculations for the ODFW and DEQ compensation plan increases are at approximately \$400,000. This figure, which will increase over time, does not include a potential adjustment for pension obligation bonds and new Public Employee Retirement System (PERS) rates. Two billion dollars in Pension Obligation Bonds were issued in October 2003 and agencies are assessed their cost share based on PERS subject payroll. PERS rates are typically adopted by the PERS Board in the spring.

OWEB has identified recapture of \$450,000 from 2003-2005 legislatively directed agency PCSRF allocations. Staff recommend funding up to \$450,000 for the 2005-2007 compensation plan increase from this recapture. Details on the recapture funds and the estimated compensation plan changes are contained in Attachment A.

OWEB also recommends amending the ODFW and DEQ agreements for the compensation plan increases after the Emergency Board gives the agencies the expenditure limitation (budget) for the compensation plan increases. It is unknown when the Emergency Board will address the compensation plans, but it could be addressed as early as June 2006.

IV. Recommendation

Staff recommend the Board authorize amending the ODFW and DEQ 2005-2007 PCSRF interagency agreements for a total of up to \$450,000 for compensation plan increases contingent upon Emergency Board action to increase the agencies expenditure limitation for the compensation plan increases.

Attachment

- A. 2003-2005 PCSRF Revenue and 2005-2007 Estimated Compensation Plan Impact

2003-2005 PCSRF revenue carryover

ODFW	260,782
ODF	94,484
IMST	97,095
	<u>452,361</u>

Estimated Compensation Plan Impact, PCSRF funded positions (3-20-06 estimates)

ODFW	357,350
DEQ	37,191
Total comp plan impact est	<u>394,541</u>
Balance	57,820

Note: this is not final, since CBIS has not been run and potential adjustments for pension obligation bonds and for OPSRP (new PERS) rate changes are not included.