Financial Condition Report

State of Oregon

2014

Secretary of State
Jeanne P. Atkins

Audits Division, Director
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Report 2015-12
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Office of the Secretary of State

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Dear Fellow Oregonians:

The impact of the Great Recession and the beginnings of recovery are told in this report about Oregon's finances. The report covers the period ending June 30, 2014.

Oregon was hard hit, forcing difficult budget decisions to bring spending in line with revenues. The state's biggest challenge was meeting the increased need for state services without enough state revenues, though extra federal funding helped.

As the economy recovers, and Oregonians get back to work, it is a good time to examine the state's financial health for areas that need attention.

- The state borrowed to build infrastructure and create jobs but the debt payments continue after the money is spent, leaving less money for future maintenance.
- Health and human services spending grows year after year, reflecting the continued needs of the Oregonians whose income hasn't rebounded enough from the recovery.
- Oregon also relied on its Rainy Day Fund during the recession but has not yet begun to rebuild it.

It's important to note areas of success and we should be pleased to see some encouraging longer-term trends.

- State health care costs for employees have leveled off in the past four years, and declined slightly in 2014 as a result of employee contributions.
- PERS assets reached 97% of liabilities, mainly as a result of investment growth.
- Crime rates for violent crimes continue their long decline though property crimes recently increased slightly.
- With federal assistance, Oregon had sufficient unemployment insurance reserves to provide benefits through the recession, and has already made great progress rebuilding the reserves.

As we have seen, sound financial condition is vital for sustainable government services. Now we need to continue rebuilding, and prepare for the next economic storm.

Sincerely,

Jeanne P. Atkins

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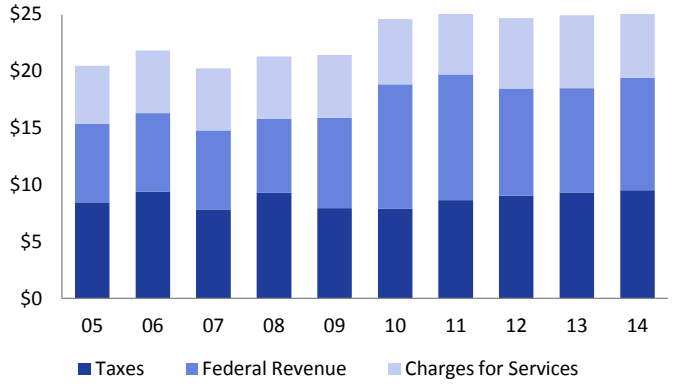
Revenues

Total Revenues

Revenues determine the capacity of a government to provide services to citizens and are affected by economic and policy changes. Total revenues have increased 26% over the last ten years. In fiscal year 2014, tax revenues and federal revenues increased while charges for services decreased resulting in an overall increase in total state revenues of $1.4 billion from the prior year. The state benefited from federal funding under the American Recovery and Reinvestment Act (ARRA). However, ARRA provided only temporary funding increases, and the majority of those funds were spent in fiscal years 2010 and 2011. In 2014 declines in federal revenues included approximately $327 million in Unemployment Compensation and $73 million to Economic Development. The decreases were offset by an increase of $1 billion for Human Services.

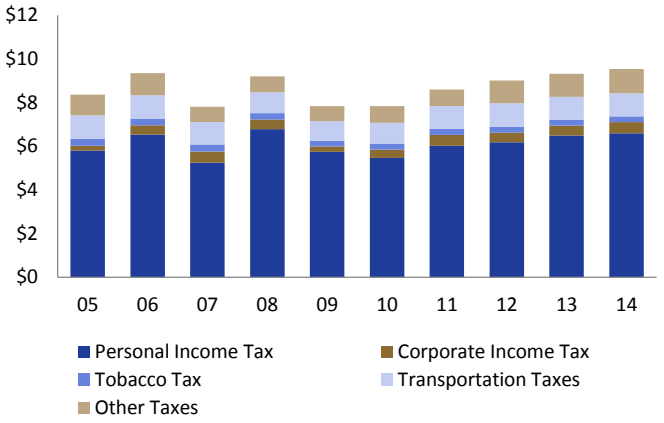
Total Revenues by Source
Adjusted for inflation (in billions), FY ended June 30
Chart 1



Tax Revenues

In 2013, Oregon ranked 34th nationally in the amount of state taxes collected per capita. Oregon's primary source of taxes is the personal income tax. Oregon ranks 6th highest in terms of personal income tax collections per capita. Other tax revenues include inheritance taxes, public utility taxes, and insurance premium taxes.

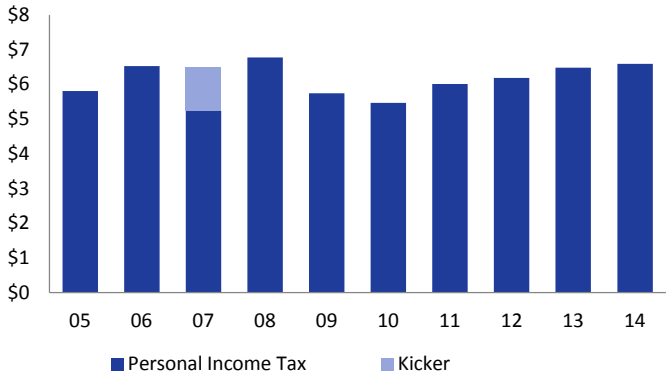
Tax Revenues
Adjusted for inflation (in billions), FY ended June 30
Chart 2



Personal Income Tax Revenues and Kicker

Personal income taxes are the main revenue source for the state's General Fund. When personal income tax revenues exceed forecasted revenues by 2%, state law requires the excess amount (referred to as the "kicker") be refunded to taxpayers. During the past 10 years, this occurred following the 05-07 biennium when the state refunded about $1 billion. In the 17 biennia since the kicker became effective, 8 biennia resulted in kicker payments to taxpayers, and one kicker was suspended.

Personal Income Tax Revenues
Adjusted for inflation (in billions), FY ended June 30
Chart 3

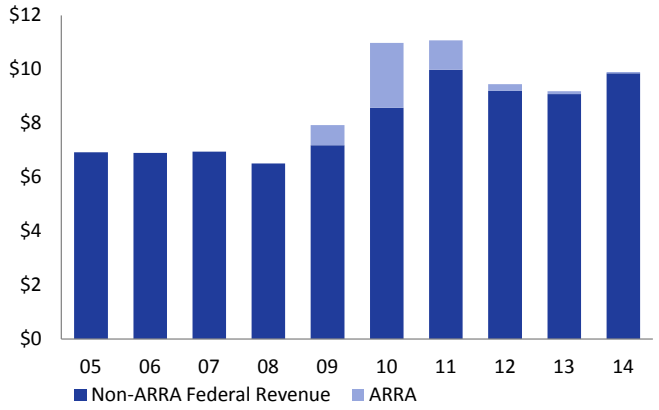


Revenues

Federal Revenues

Federal revenues are grants and reimbursements received from the federal government for numerous programs and services provided to eligible recipients; federal revenues are often restricted as to use. The state received additional federal funding through the American Recovery and Reinvestment Act (ARRA) totaling $4.2 billion in fiscal years 2009 through 2014.

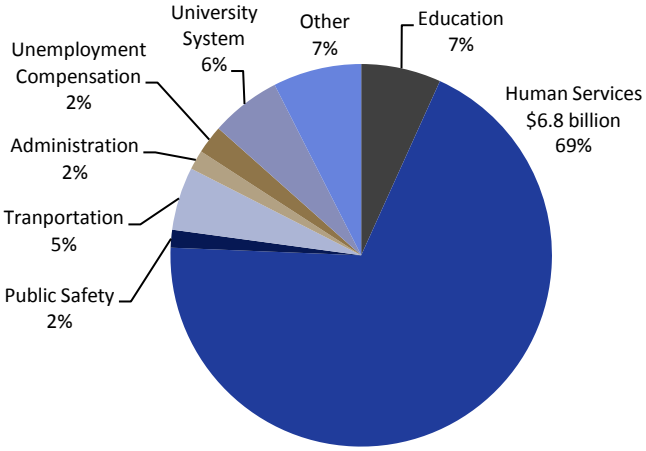
Federal Revenues
Adjusted for inflation (in billions), FY ended June 30
Chart 4



Federal Revenues by Program Area

The state received about $9.9 billion in federal assistance in FY14, an increase of $950 million from the previous year. Traditionally, the largest federal revenue source is for Medicaid in the human services program area, for which Oregon receives between $2.0 and $4.8 billion annually. Other large human services programs include Supplemental Nutrition Assistance Program (formerly known as food stamps) and Temporary Assistance to Needy Families.

Fiscal Year 2014 Federal Revenues by Program Area
Chart 5

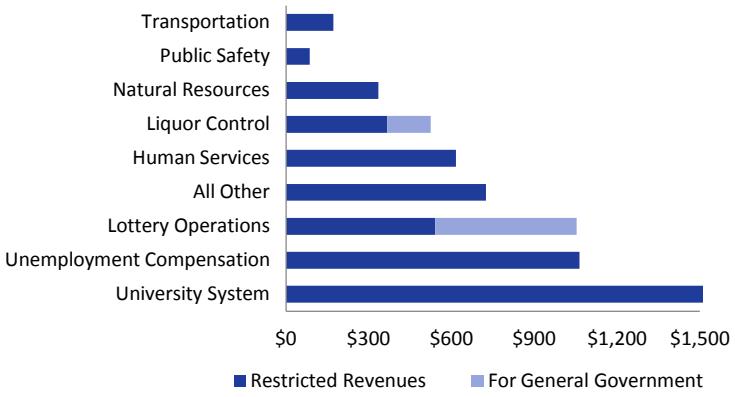


Revenues

Charges for Services

Charges for services are fees collected from customers, applicants, employers, and others who use, purchase, or directly benefit from services provided. In FY14, charges for services totaled $6.1 billion and represented 24% of total state revenues. These revenues have increased from $5.1 to $6.1 billion, or 20%, over the last ten years after adjusting for inflation. Only 11% is used for general government operations. The remainder is applied to the specific purposes collected.

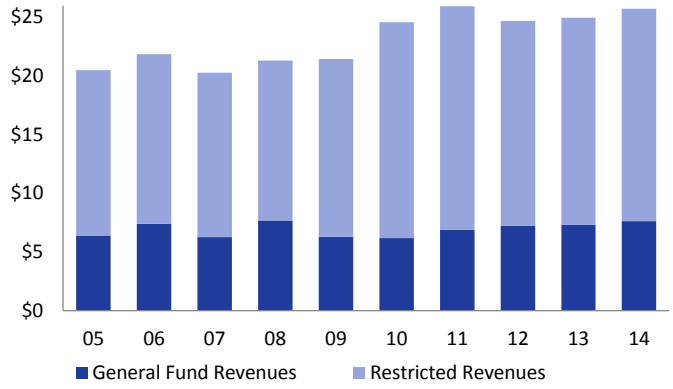
Fiscal Year 2014 Charges for Services
(in millions)
Chart 6



Restricted and Unrestricted Revenues

The legislature has discretion over the spending of General Fund revenues. Of the $25.7 billion in FY14 total state revenues, 30% are accounted for in the state's General Fund with the majority available to fund education, human service, and public safety programs. The remaining revenues are restricted either by statute, grant agreement or the Oregon Constitution for specific purposes. About 55% of restricted revenues are federal revenues that can only be used for federal programs. Other large restricted revenues include motor vehicle and fuel taxes, which are restricted by the Oregon Constitution for roadway and bridge improvements and maintenance.

Restricted and Unrestricted (General Fund) Revenues
Adjusted for inflation (in billions), FY ended June 30
Chart 7



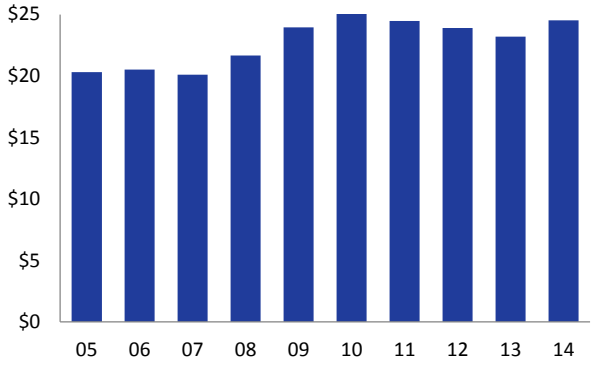
Expenditures

Total Expenditures

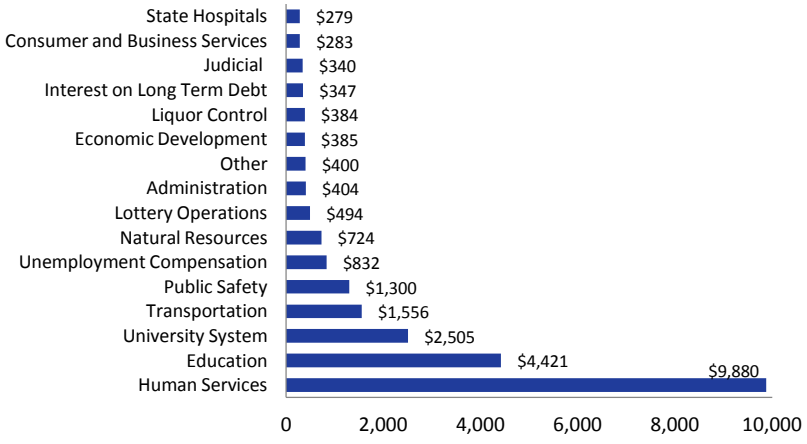
After adjusting for inflation, the state's total expenditures were relatively stable before growing substantially in FY08. The increase was largely in response to the recession, with increased spending for human services and unemployment compensation using both state and federal funds. The decline following FY 2010 resulted mainly from unemployment and transportation expenditures declining more than the increase in human services expenditures. The increase in FY 2014 was primarily due to an increase in human service expenditures as detailed in Charts 11 and 12.

In 2014 about 84% of the state's $24.5 billion in expenditures occurred in six areas: Human Services, K-12 Education, the Oregon University System, Transportation, Public Safety, and Unemployment Compensation.

Total State Expenditures
Adjusted for inflation (in billions), FY ended June 30
Chart 8

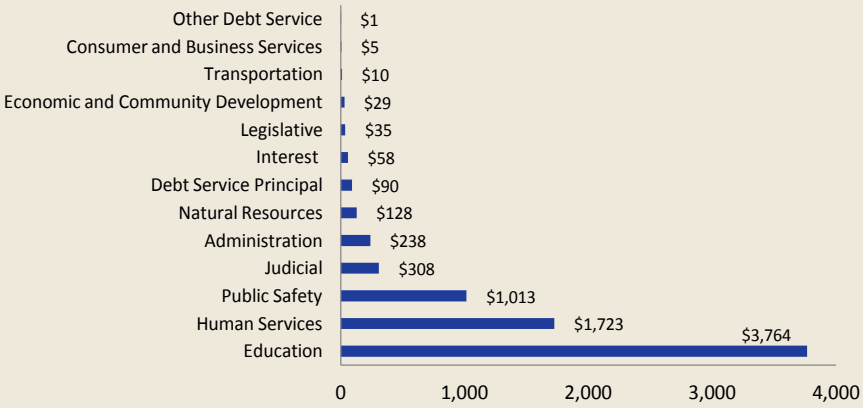


Total Expenditures by Program in FY14
(in millions)
Chart 9



In contrast, about 88% of the state's $7.4 billion General Fund was expended in just three program areas: K-12 Education, Human Services, and Public Safety. These three program areas have accounted for 87% to 90% of General Fund expenditures in each of the last 10 years. For 2014, the remaining 12% of the General Fund was expended for operating the courts, state-wide administration, debt service, and a variety of other programs.

General Fund Expenditures by Program in FY14
(in millions)
Chart 10

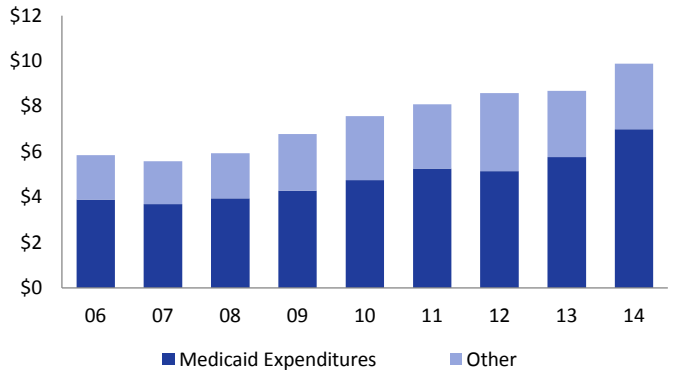


Human Services

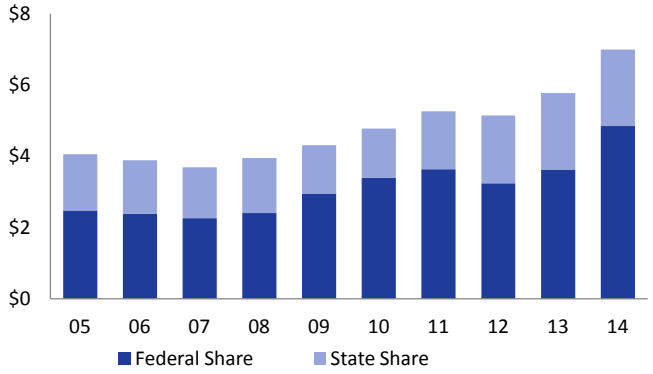
Spending in the area of human services increased substantially beginning in FY08. The recession resulted in the increased number of persons who met the eligibility requirements to receive benefits. The largest program administered by the state is Medicaid, representing $1 in every $3.50 of state expenditures. Medicaid compensates health care and nursing home providers for services to eligible individuals. The federal government reimburses each state for a portion of eligible Medicaid expenditures. In 2014, Oregon spent $2.15 billion in state dollars for Medicaid-eligible services and the federal government provided an additional $4.85 billion.

As the federal government seeks to reduce its own deficits, Medicaid is a likely program to receive less federal assistance. A 5% reduction in the federal matching rate translates into a $350 million loss of federal revenues to Oregon, based upon service levels in 2014, not including inflation, or additional growth in the number of clients.

Human Services Expenditures
Adjusted for inflation (in billions), FY ended June 30
Chart 11



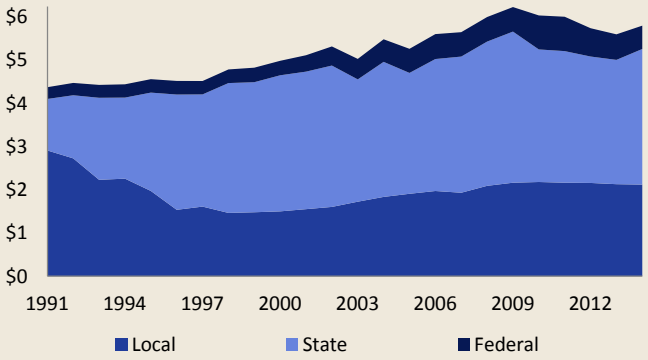
Total Medicaid Spending
Adjusted for inflation (in billions), FY ended June 30
Chart 12



K-12 Education

In 1990, Oregon voters passed ballot Measure 5, which phased in property tax limitations for local governments and transferred a significant portion of the school funding responsibility to the state. Since Measure 5's full implementation in 1995-96, federal funding and local funding from property taxes has increased slightly, when adjusted for inflation, though funding from both sources has declined in each of the last three years.

Education (K-12) Spending by Source 1991-2014
Adjusted for inflation (in billions)
Chart 13

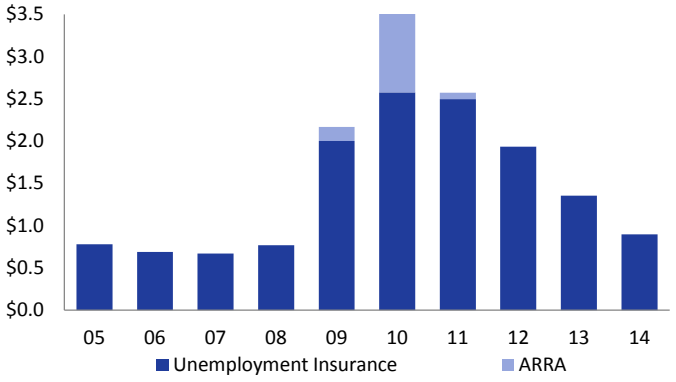


Expenditures

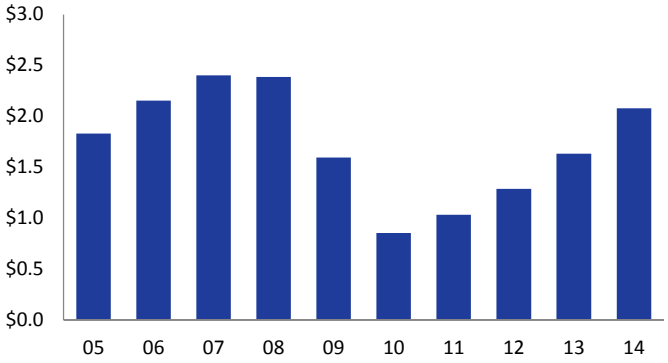
Unemployment Insurance

The Unemployment Insurance program provides payments to eligible individuals who have lost their jobs. Employers are assessed a payroll tax based on employee earnings, which is used to make benefit payments. When tax assessments exceed benefit payments, the unemployment compensation fund balance increases, building cash reserves to help weather periods of high unemployment. Unlike many other states, Oregon weathered the recession with sufficient reserves to avoid borrowing from the federal government to maintain payments. By FY14 expenditures had declined close to prerecession levels. The cash balance has increased $1 billion over the last 3 years due to the drop in the unemployment rate and need for unemployment benefits.

Unemployment Insurance Expenditures
Adjusted for inflation (in billions), FY ended June 30
Chart 14



Unemployment Insurance Cash Balance
Adjusted for inflation (in billions), FY ended June 30
Chart 15

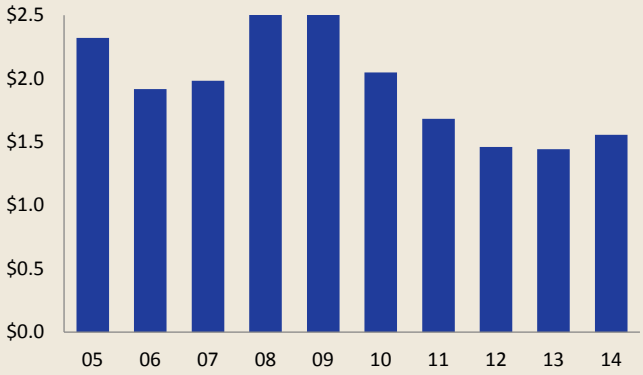


Transportation

Expenditures are incurred for transportation purposes such as maintaining, building, and repairing Oregon's network of highways, tunnels and bridges. Transportation spending in recent years was augmented with debt-financed funding. Transportation revenues are primarily derived from the Highway Trust Fund, which includes constitutionally dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway funds.

Expenditures have declined in recent years due to the expiration of Federal ARRA funding and decreased bond sales over prior years . In fiscal year 2014, ODOT distributed almost $375 million (24% of program expenditures) to cities and counties for general transportation purposes, as required by statute. The amounts distributed are consistent with the amounts distributed in recent years.

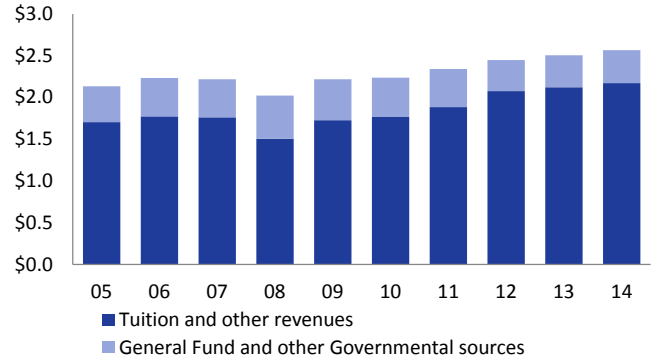
Transportation Expenditures
Adjusted for inflation (in billions), FY ended June 30
Chart 16



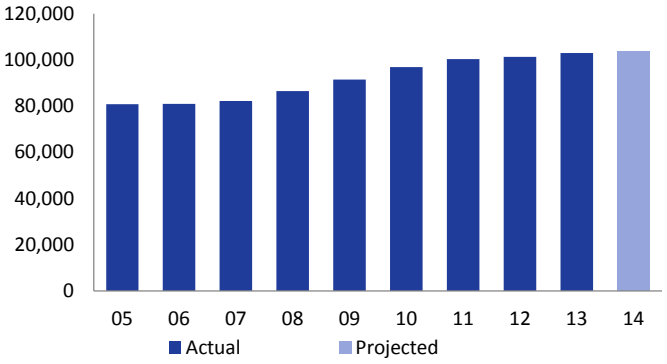
Oregon University System

The Oregon University System consists of seven colleges and universities throughout the state. The majority of funding is from tuition and grants, with additional funding from the state's General Fund, State Lottery, and other sources. In 2014, the universities received about $355 million from the General Fund, and another $39 million in other governmental sources. Over the last 10 years school enrollment has increased 29%.

Oregon University System Expenditures by Revenue Source
Adjusted for inflation (in billions), FY ended June 30
Chart 17



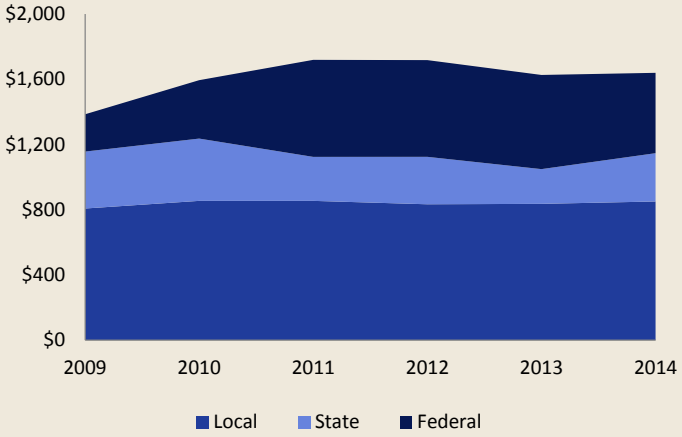
Oregon University System Enrollment
FY ended June 30
Chart 18



Community Colleges

In addition to the colleges and universities that are part of the Oregon University System, there is a network of 17 community colleges with independently elected boards. These schools are not part of state government but do receive state funding. In FY14, the state provided approximately $296 million in funding. The majority of community college funding comes from local sources such as tuition and taxes, with additional funding from federal and state sources. Funding from federal sources, consisting primarily of grants and contracts, has more than doubled since 2009, whereas state funding has decreased by 15% over the same period, after adjusting for inflation.

Community College Expenditures by Revenue Source
Adjusted for inflation (in millions), FY ended June 30
Chart 19



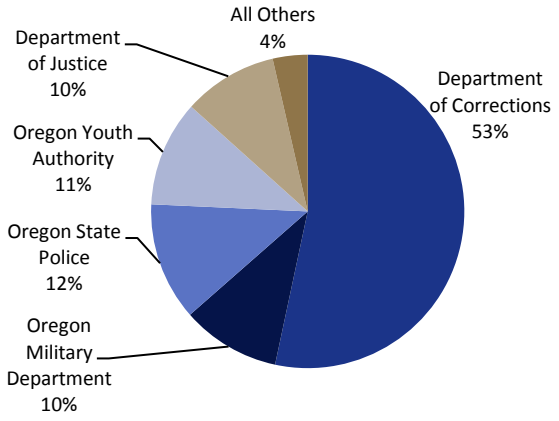
Expenditures

Public Safety

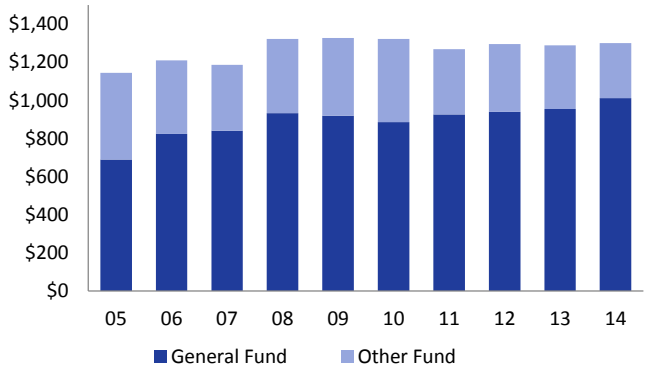
In 2014, public safety programs expended $1 billion from the General Fund and $287 million from other sources including federal revenues. The Department of Corrections spent about 53% of the public safety funds to operate its 14 correctional facilities, which housed approximately 14,600 inmates. The remainder was mostly spent by four agencies: Oregon State Police, Oregon Youth Authority, Oregon Military Department, and the Department of Justice.

The number of inmates in Oregon's prisons has increased by 15% over the last 10 years. Prison inmate population represents about 0.37% of the state's total population.

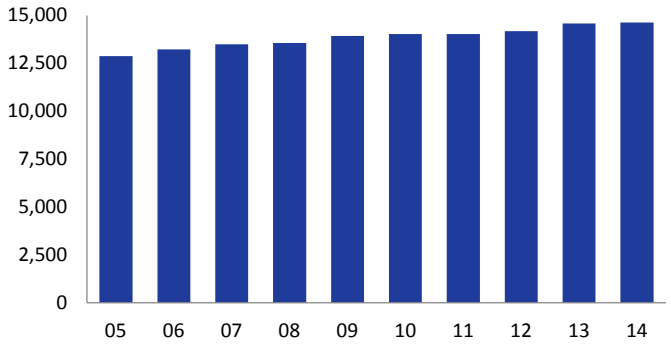
Fiscal Year 2014 Public Safety Expenditures by Agency
Chart 21



Public Safety Expenditures
Adjusted for inflation (in millions), FY ended June 30
Chart 20



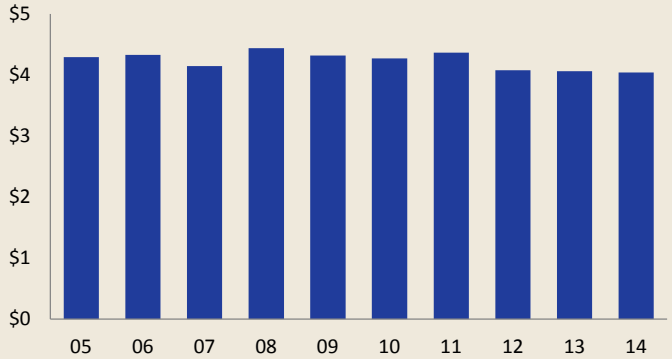
Prison Inmate Population
FY ended June 30
Chart 22



Other

Governmental funds also support the operations of other smaller agencies and programs. Examples include expenditures for legislative purposes, operations of the judicial system, economic development, and the preservation and maintenance of natural resources.

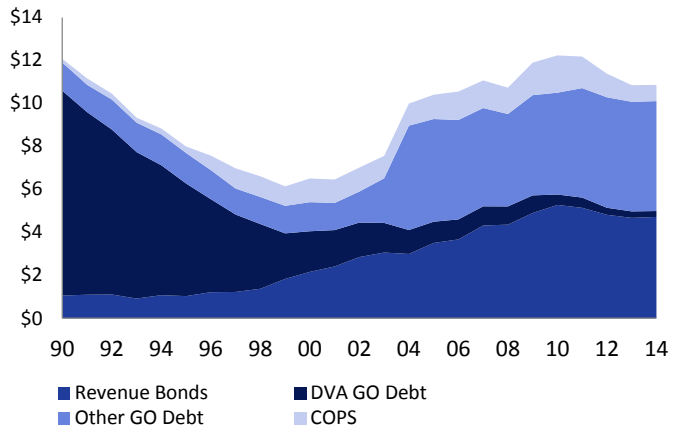
All Other Expenditures
Adjusted for inflation (in billions), FY ended June 30
Chart 23



Long-Term Debt

The issuance of long-term debt allows a state to acquire major assets and finance large projects such as buildings, bridges and highways, and prisons. The increase in the amount of debt to repay, however, limits the state's ability to react to current economic conditions. The Oregon Constitution places limits on the total amount of debt the state may incur and state law authorizes state agencies to issue debt for specific purposes.

Long-Term Debt
Adjusted for inflation (in billions), FY ended June 30
Chart 24



Oregon's outstanding debt falls into four broad categories:

- Revenue bonds pay for projects that have specific revenue sources to repay the debt. The amount outstanding as of June 30, 2014, was approximately $4.7 billion.
- General obligation bonds issued by the Department of Veterans' Affairs (DVA) finance housing loans to qualifying veterans. These bonds are paid with loan repayments, but will be paid with other state funds if DVA is unable to repay the bonds. The amount out-standing as of June 30, 2014, was $274 million.
- General obligation bonds finance a variety of governmental projects. These bonds are secured by a pledge of the full faith, credit, and taxing power of the state, and are limited to a percentage of the real market value of all taxable real property in the state. The amount outstanding as of June 30, 2014, was approximately $5.1 billion, or 14.5% of the maximum allowed.
- Certificates of Participation (COPs) are financing agreements used to purchase computer and telecommunication systems and other state facility projects. The amount outstanding at June 30, 2014, was approximately $754 million.

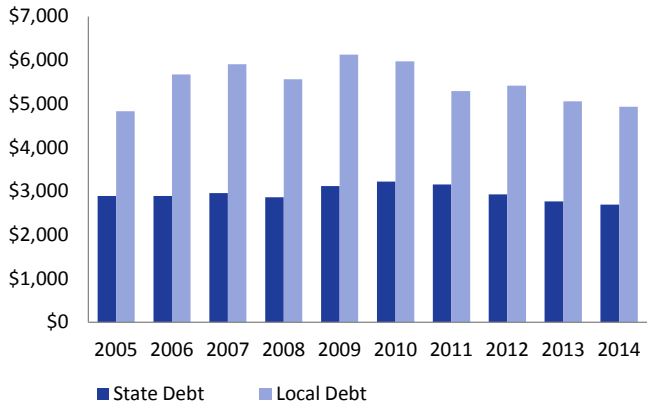
Oregon's long-term debt declined through the 1990s before increasing again in the 2000s. The decline was mainly attributed to the repayment of outstanding debt related to the Veterans' Loan Program. In fiscal year 2014, state agencies took advantage of lower interest rates and issued $402 million of new debt to refund $323 million of previous debt. The debt refunding will reduce future principal and interest payments by approximately $15.8 million.

Long-Term Debt

Debt Per Capita

For fiscal year 2014, the state's bonded debt totaled $10.6 billion or $2,700 per Oregonian. The estimated local government outstanding debt totaled $19.5 billion, or $4,900 per Oregonian. Both amounts are in addition to approximately $53,600 of federal debt per capita.

Debt Per Capita
Adjusted for inflation, FY ended June 30
Chart 25



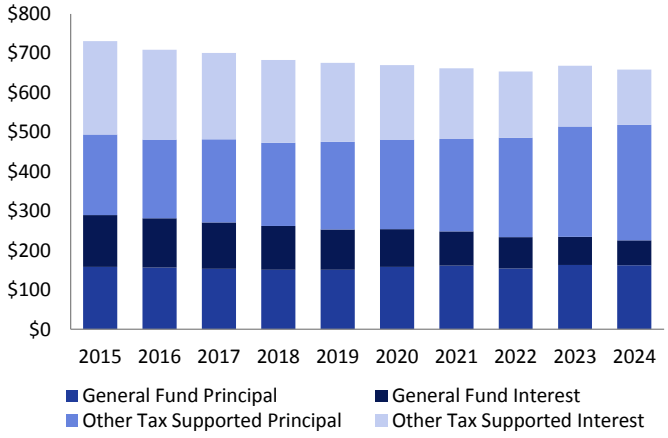
Future Debt Service

Future debt service payments are the amounts to be paid on existing debt using General Fund monies and tax revenues. Other tax is defined as all debt serviced by tax revenues of the state and includes lottery revenue bond debt and state highway bond debt.

As of June 30, 2014, the outstanding General Fund debt was $2.7 billion and the outstanding other tax supported debt totaled $5.1 billion. Approximately $268 million of lottery funds and transportation taxes were used to pay debt service on the other tax supported debt in 2014.

While issuing debt provides quick access to resources to finance projects, the debt burden can impact the state's ability to support current services. When resources are committed to pay fixed amounts for debt service, the ability to maintain service levels becomes more difficult, especially when revenues decline.

Future Debt Service Payments 2015-2024
(in millions)
Chart 26

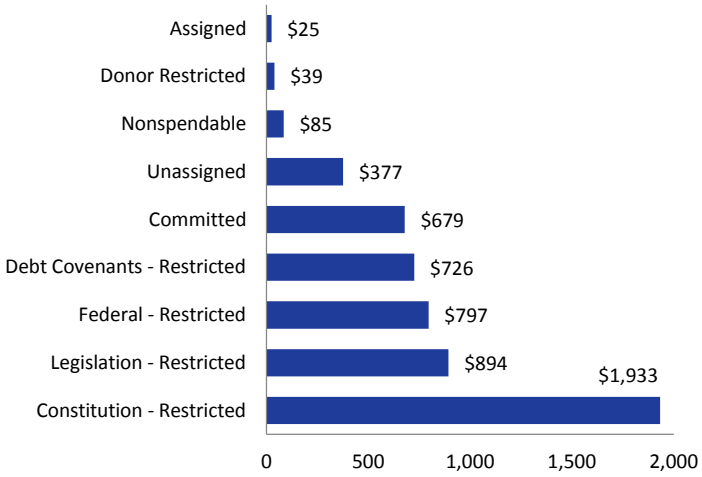


Governmental Fund Balance

The state budgets on a biennial basis with biennia ending on June 30 of odd-numbered years. Ending balances in even-numbered years such as June 30, 2014, are important but not as critical as balances at the end of the biennium. Because budget forecasts are made at least two years prior to the end of a biennium, revenues may exceed or fall short of budgeted amounts.

Accounting standards require that governments report fund balance based upon constraints imposed on the use of resources reported in the governmental funds. The five classifications for fund balances are nonspendable, restricted, committed, assigned, and unassigned. In general, nonspendable balances are amounts in nonspendable form such as inventories. Restricted fund balances result when constraints are imposed on the balances by state law, federal law, the Oregon Constitution or by parties such as creditors and grantors. Committed balances result from internal constraints imposed through the legislative process. Assigned balances represent amounts constrained by the state's intent to use the balances for specific purposes. Unassigned balances are General Fund amounts not otherwise restricted, committed, or assigned.

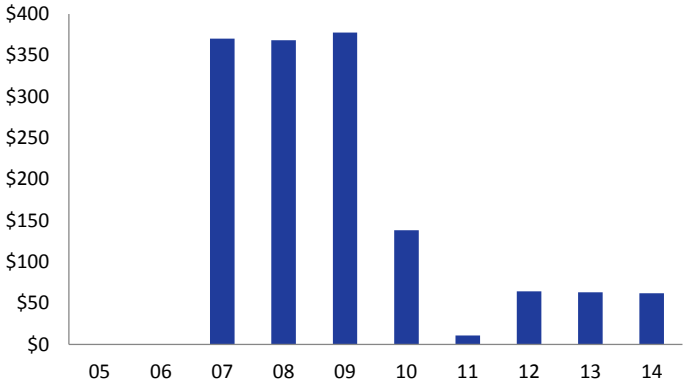
Fiscal Year 2014 General Fund Balance
(in millions)
Chart 27



Oregon Rainy Day Fund

The 2007 Legislature established the Oregon Rainy Day Fund and directed the transfer of $319 million in excess corporate income taxes ("corporate kicker") to this fund. Its purpose is to serve as a resource in times of economic downturns that significantly impact state government. Much of the Rainy Day Fund has been used to weather the recession that began in fiscal year 2009. The increase in fiscal year 2012 was from interest earned on cash balances in the General Fund.

Oregon Rainy Day Fund
Adjusted for inflation (in millions)
Chart 28



State Retirement Liabilities

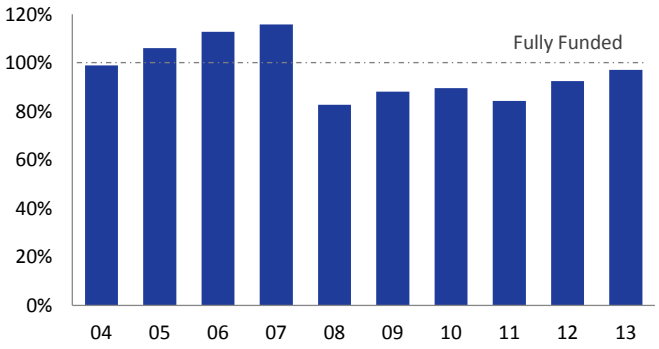
The state of Oregon provides pension and other retirement benefits to its employees. Pension benefits are administered through the Public Employees Retirement System (PERS). In addition to state agencies, PERS administers the pension plans for local governments including cities, counties, and school districts. The charts are limited to only the state's share of the pension liabilities and are not intended to provide a comprehensive analysis of all plans administered by PERS.

The funded ratio is an analysis of resources to pay estimated pension obligations. As of December 31, 2013, the state was 97% funded and had an unfunded liability of approximately $488 million, which is the liability expected to be paid over a 20-year period. The recession impacted the PERS investment portfolio, resulting in a significant decline in the funded ratio in 2008. Generally, an 80% funded ratio is considered a strong rating. Many states are significantly below Oregon's funding level. As of December 31, 2012, Oregon had the 6th best funded pension system of all the states. Of the remaining state pension systems, 36 were below 80% funded, including 10 below 60% funded.

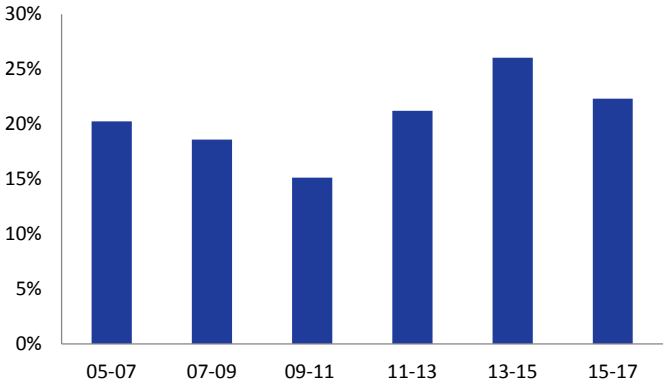
To pay for pension benefits, state agencies make required contributions based on a percentage of employee payrolls. The total retirement cost includes a PERS employer rate, member contribution rate, and a rate for pension bond costs. The PERS Board sets the employer rate every two years, changing July 1 of every odd-numbered year. Increases in the contribution rates from FY11 through FY15 were required to compensate for declining investment balances during the 2008 recession. In 2004 the state issued $2 billion in pension obligation bonds to reduce the state's pension liability. The pension bond rate covers the payments on these bonds.

The state paid $1.1 billion in retiree benefit payments in 2013. For the calendar year ending December 2013, the state made payments to 49,521 retirees with 77% of the payments ranging from $0 - $3,000 per month. The average monthly state service payment was $2,039 while the average years of state service was 15 years.

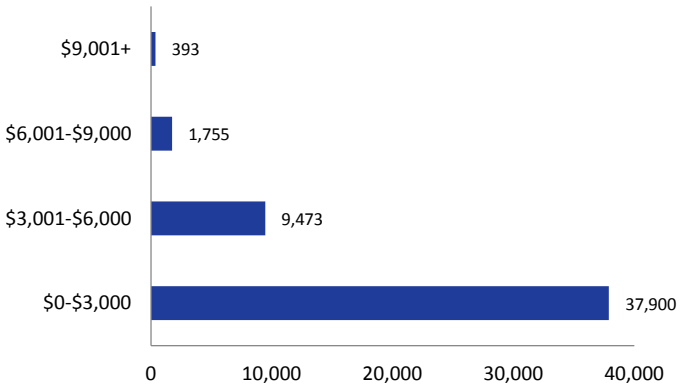
Funded Ratio: State Agencies
Calendar Year ended Dec 31
Chart 29



State Agency Retirement Contribution Rates
Percentage of payroll, Biennia ended June 30
Chart 30



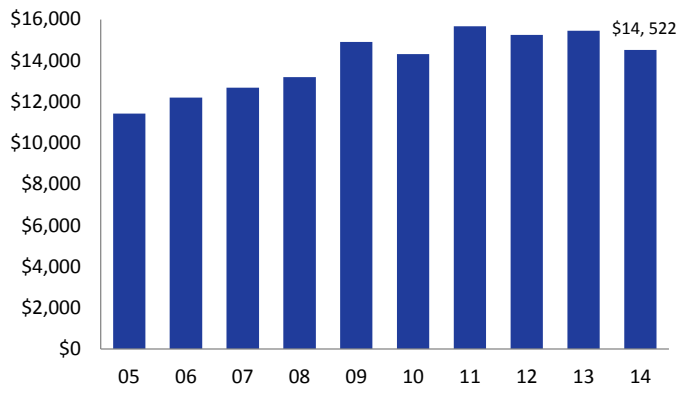
State Service Retirement Monthly Payment
In thousands, Month ended Dec 31, 2013
Chart 31



Employee Health Care Costs

In recent years, significant attention has been given to the costs of health care at both the national and local levels. In Oregon, employer paid health benefits are non-taxable. Beginning in January 2012, state employees began contributing a portion to their health care insurance premiums, resulting in lower costs to the state. In 2014, the State paid, on average, $14,522 per employee. By comparison, in 2004, the state paid approximately $9,868 per employee, after adjusting for inflation.

Average Annual State Employee Health Care Costs
Adjusted for inflation, FY ended June 30
Chart 32



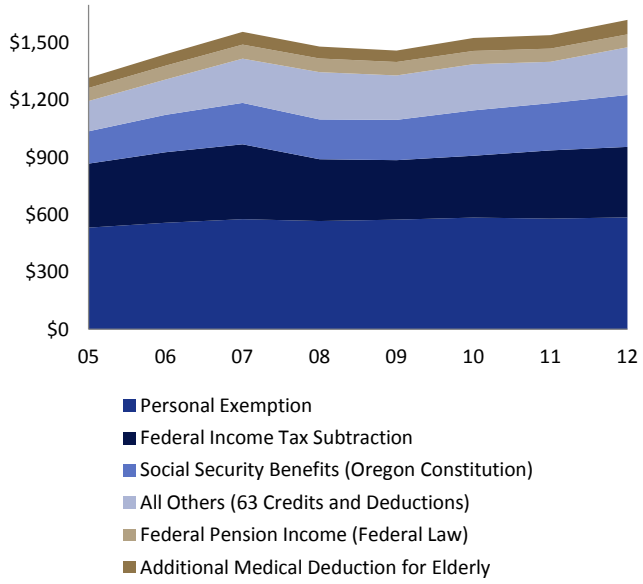
Tax Expenditures

Tax expenditures are federal or state laws that exempt certain persons, property, income, goods, or services from the impact of established taxes through tax deductions, exemptions, or credits. The Department of Revenue issues a report outlining the estimated tax expenditures for the upcoming biennium. The purpose of the biennial report is to allow policy makers to periodically analyze tax expenditures and make decisions on whether the expenditures should be continued. Balancing the need for revenues with the needs of Oregonians is a difficult process. Proposed changes to the state's tax code are carefully considered before implementing any changes. The complete Tax Expenditures report is available on the Department of Revenue website.

Some tax expenditures are beyond the ability of the state legislature to change or limit due to other existing laws and regulations. For example, the Oregon Constitution (Article IX, Section 9) prohibits the taxation of social security benefits, and federal law prohibits taxation of federal pension benefits. Many tax expenditures are the result of the legislature's desire for Oregon's income tax laws to align with federal income tax laws. For example, federal tax law allows for the deduction of home mortgage interest from taxable income. Oregon law refers to the federal tax code and allows for a similar deduction. For the 2015-2017 biennium, the estimated revenue impact to the state for the home mortgage interest deduction is reduced tax revenues of approximately $962 million.

Chart 33 provides a summary of the income tax expenditures to Oregon's tax code for personal income taxes.

Selected Oregon Income Tax Expenditures Tax Years 2005-2012
Tax Credits and Tax Subtractions, Adjusted for inflation (in millions)
Chart 33

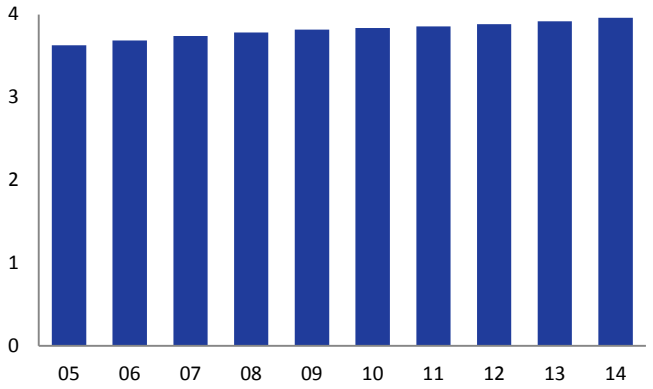


Demographics

Population

Oregon ranks 27th among the states, with an estimated population of 3,960,700 as of July 2014. From 2006 through 2010, the state's population grew by approximately 4.13%. The population growth rate has since slowed to 3.22%.

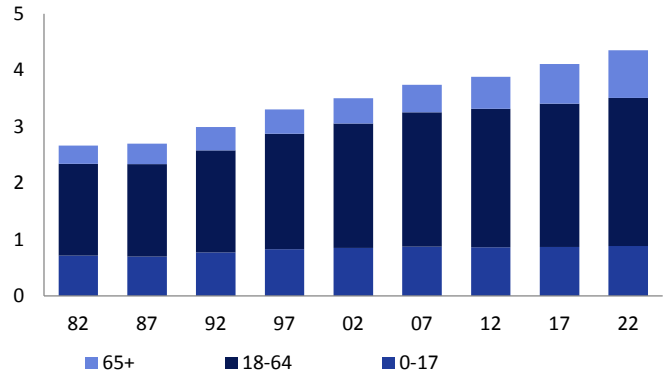
Oregon Population
(in millions), Year ended July 1
Chart 34



Age Structure

Oregon's population is aging. Forecasters expect a steady increase in those 65 and over through 2022. The eldest members of the baby boom generation are becoming eligible for Social Security benefits and many are considering retirement. At the same time, more retirees mean greater demand for health care services. The average annual growth rate of the elderly population is expected to be 4.0% from 2014-2022. By 2022, nearly one of every five Oregonians will be over age 65.

Age Structure (1982-2022)
(in millions), Year ended July 1
Chart 35

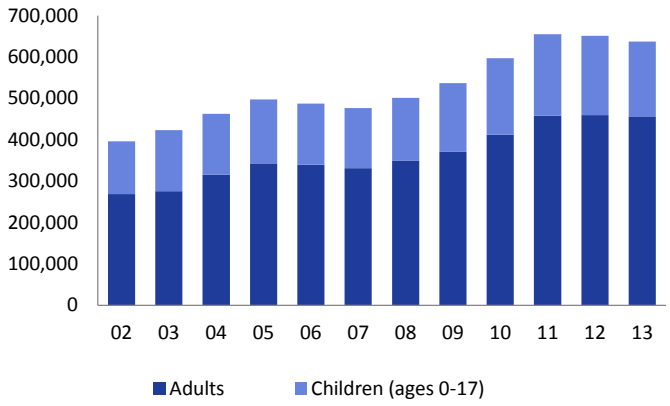


Poverty

The poverty line is defined as the minimum level of income necessary to achieve an adequate standard of living. For example, in 2013 a family of four with a gross yearly income below $23,624 would be considered living in poverty. People living in poverty increase the demand for many state services such as health care, unemployment, and public assistance.

From 2004 to 2013 the population living in poverty grew from 12.7% to 16.5%. The US Census Bureau estimated that 637,000 Oregonians lived in poverty in 2013, including more than 181,000 children. In 2013, Clackamas County had the lowest poverty level in the state at 9.7% and Malheur County the highest at 29.4%.

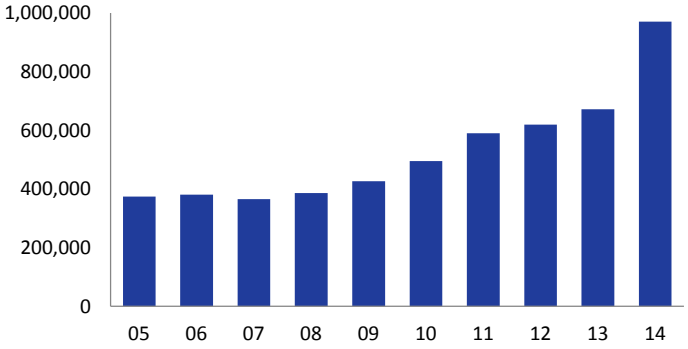
Number of Persons in Poverty 2004-2013
(in thousands), Calendar Year ended December 31
Chart 36



Oregon Health Plan

The Oregon Health Plan is a public/private partnership that ensures universal access to a basic level of health care for Oregonians. Medicaid is the single largest state program, and represents 30% of the state's total expenditures, and is the primary component of the plan. The 2008 recession resulted in a sharp increase in the number of eligible clients. The recent increase is a result of changes to eligibility requirements under the federal health care law.

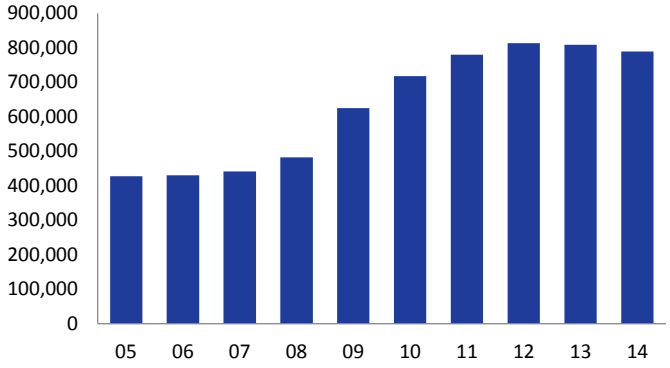
Oregon Health Plan Clients
Fiscal Year ended June 30
Chart 37



Supplemental Nutrition Assistance Program (SNAP) - (formerly food stamps)

In 2014, nearly one in five Oregonians relied on government assistance to eat, whereas the national average was one in seven. As a percentage of the population receiving benefits, Oregon had the third highest participation rate in the nation. Even though Oregon's population did not change significantly, the demand for benefits has increased dramatically and rose significantly through 2012 before slightly declining the past two years. In July 2005, there were approximately 427,000 individuals receiving nutrition assistance. By July 2012 the number nearly doubled to 813,446 individuals. The increases from 2010 to 2014 (average of 6.2% per year) is less than the national average for the same period (6.45% per year).

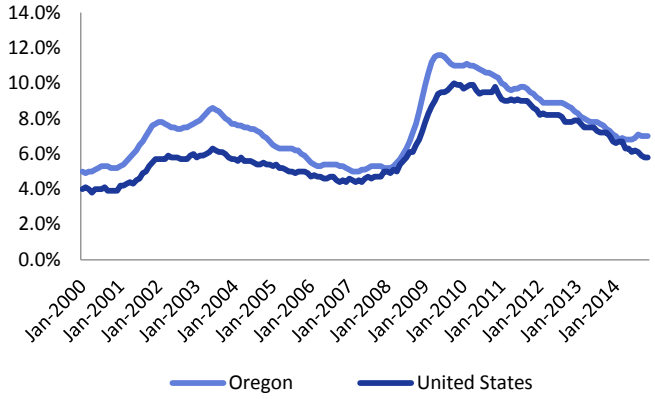
Supplemental Nutrition Assistance Program
Number of Individuals, Month ended July 31
Chart 38



Percent Unemployed

As of November 2014, Oregon's unemployment rate of 7.0% was the 5th highest in the nation. Within Oregon, Grant and Curry counties were the highest at 10.7% and 10.5%, respectively, and Hood River county was the lowest at 5.4%. Oregon unemployment rates have exceeded U.S. rates since 1996.

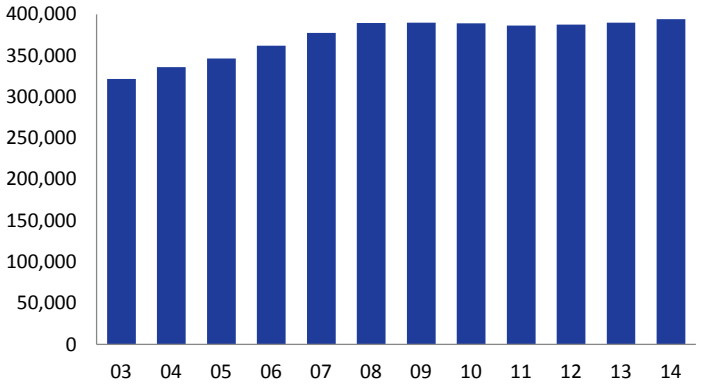
Percent Unemployed
Seasonally Adjusted, Calendar Year ended Dec 31
Chart 39



Oregon Businesses

One measure of the strength of the economy is the number of businesses in the State. Businesses provide goods and services for consumers, as well as providing jobs and benefits for its employees. Despite the recent recession and high unemployment, the number of businesses registered in Oregon has not substantially changed in recent years.

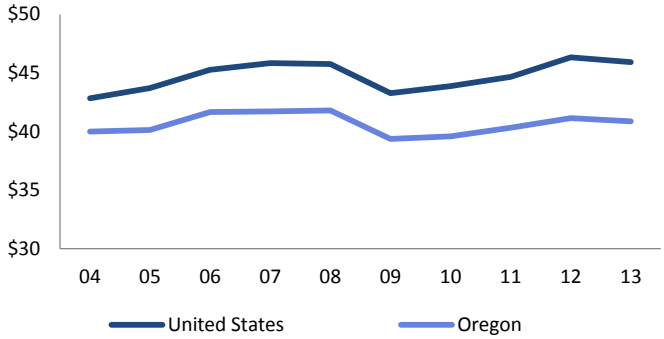
Number of Businesses Registered in Oregon
Fiscal Year ended June 30
Chart 40



Per Capita Personal Income

Oregon's per capita personal income (PCPI) has followed national trends in recent years, but has remained significantly below the national average. The gap has been steadily widening since 2004 when the gap was the smallest and Oregon was 94.7% of the national average. In 2013 Oregon was 88.8% of the national average with a PCPI of $40,872, making Oregon 33rd among states.

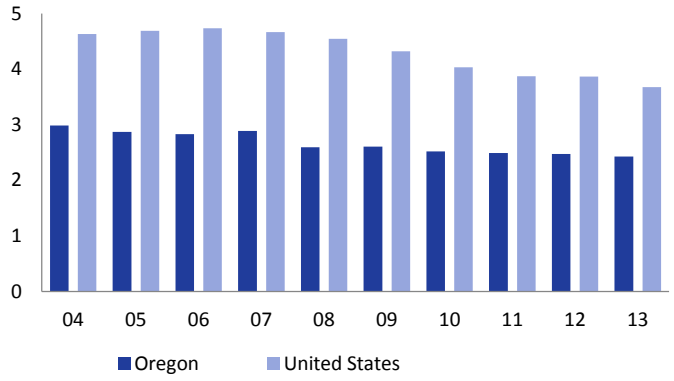
Per Capita Personal Income
Adjusted for Inflation (in thousands), Calendar Year ended Dec 31
Chart 41



Violent Crime Rate

Oregon's crime rate is related to public safety expenditures such as prisons and state police. In the FBI's Uniform Crime Reporting Program, violent crime is composed of four offenses: murder, forcible rape, robbery, and aggravated assault. Violent crimes are defined by the program as those offenses that involve force or threat of force. Oregon has historically had a lower violent crime rate than the nation as a whole. Violent crime in Oregon fell by 1.9 percent from 2012 to 2013 and by 18.7 percent from 2004 to 2013. In 2013, Oregon was ranked 40th in the nation with a violent crime rate of 2.4 crimes per 1,000 residents.

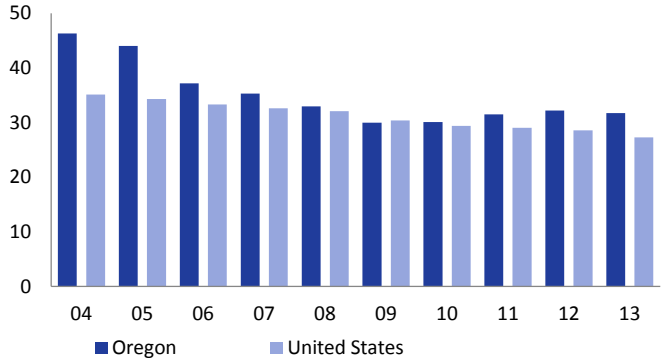
Violent Crime Rate
Crimes per 1,000 residents, Calendar Year ended Dec 31
Chart 42



Property Crime Rate

In the FBI's Uniform Crime Reporting Program, property crime is composed of four offenses: burglary, larceny-theft, motor vehicle theft, and arson. The object of the theft-type offenses is the taking of money or property, but there is no force or threat of force against the victims. Oregon has also experienced decreases in the property crime rate. From 2004 to 2013 property crime fell by 31.5 percent. In 2013, Oregon was ranked 12th highest in the nation with a property crime rate of 31.7 crimes per 1,000 residents. Washington was 1st with a property crime rate of 37.1 and New York was 50th with a crime rate of 18.2.

Property Crime Rate
Crimes per 1,000 residents, Calendar Year ended Dec 31
Chart 43

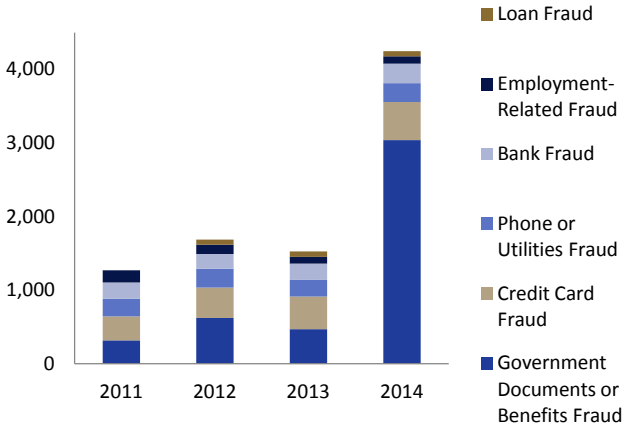


Identity Theft

Identity theft is a crime in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception that usually results in personal gain. The Federal Trade Commission reports on cases of fraud and identity theft reported by law enforcement, regulatory agencies and state Departments of Justice across the country. In 2014, Oregon had the 3rd highest rate of identity theft behind only Florida and Washington. In the preceding years, Oregon ranked 33rd, 35th, and 31st highest.

In 2013, the Portland Metro Region ranked 155th nationally with 68.1 consumer complaints of identity theft per 100,000 residents. In 2014, Portland was 7th highest with 159.2 reported complaints per 100,000 residents. The significant increase is largely due to cases of fraudulent tax returns filed as a form of identity theft.

Reported Cases of Identity Theft
Calendar Year ended Dec 31
Chart 44



Reporting Methods and Sources

Objectives, Scope, and Methodology

The objective of this report is to evaluate the financial condition of the State of Oregon to the decision makers, the Oregon legislature, and the citizens of Oregon. To complete our objective, we used selected measurements from the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA).

We conducted this performance audit in accordance with generally accepted government auditing standards except as noted below. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We did not make conclusions or provide recommendations as required by generally accepted governmental auditing standards. We believe that the evidence obtained provides a reasonable basis for our findings.

The data in the report generally covers a 10 year period from FY 2004-05 through FY 2013-14. Unless otherwise indicated, data are presented on a fiscal year basis (e.g., FY 2006, represents July 1, 2005 through June 30, 2006). In order to account for inflation, we expressed financial data in constant dollars. We adjusted dollar amounts for each prior year to equal the purchasing power of money in FY 2014. We used the Consumer Price Index for Portland, Oregon, as reported by the Bureau of Labor Statistics, U.S. Department of Labor. Charts that have been adjusted for inflation will be indicated in the title of the chart.

We reviewed information for reasonableness and consistency. We did not, however, audit the accuracy of source documents or the reliability of the data in computer-based systems. Our review of data was not intended to give absolute assurance that all information was free from error. Rather, our intent was to provide reasonable assurance that the reported information presented a fair picture of the state of Oregon's financial condition. In addition, while the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. More analysis may be needed to provide such explanations.

Data Sources

Nearly all financial information was obtained from the State of Oregon Comprehensive Annual Financial Reports. Additional information, such as environmental indicators, was obtained from state and federal agencies such as the Oregon Employment Department and the U.S. Census Bureau and may present different time periods because it is only available on the basis of calendar year instead of fiscal year. Some information extends beyond the ten fiscal years covered in the report but is nevertheless useful to readers. We used the following sources for economic and demographic indicators:

- Oregon Criminal Justice Commission
- Oregon Department of Education
- Oregon Department of Justice
- Oregon Department of Human Services
- Oregon Department of Revenue
- Oregon Employment Department
- Oregon Office of Economic Analysis
- Oregon Public Employees' Retirement System
- Oregon Secretary of State Corporations Division
- Oregon State Treasury
- Oregon University System
- Portland State University Population Research Center
- United States Bureau of Economic Analysis
- United States Census Bureau
- United States Department of Labor, Bureau of Labor Statistics
- United States Federal Trade Commission
- Comprehensive Annual Financial Reports issued by the Department of Administrative Services for Fiscal Years Ended June 30, 2005 through June 30, 2014.
- Schedule of Expenditures of Federal Awards for the years ended June 30, 2005 through June 30, 2014, provided by the Department of Administrative Services.

Appendix

Expenditures by Program Area and State Agency

FY ended June 30, not adjusted for inflation

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oregon Education Investment Board	-	-	-	-	-	-	-	-	-	2,381,231
Higher Education Coordinating Commission	-	-	-	-	-	-	-	-	-	1,620,737
Oregon Student Access Commission	43,941,555	34,676,393	39,652,164	42,735,483	76,239,561	84,549,850	21,450,546	50,383,523	62,928,227	65,597,267
Department of Education	2,968,971,070	3,523,901,326	3,495,340,995	3,764,856,504	3,910,420,544	3,799,884,166	3,684,207,454	3,708,816,167	6,458,752,362	7,292,152,356
Teacher Standards Practices Commission	1,917,237	2,052,150	2,124,785	2,393,329	2,613,356	2,652,347	2,662,584	2,640,800	2,267,216	2,377,376
Department of Community Colleges & Workforce Development	225,182,986	346,645,735	251,947,188	393,713,268	331,272,644	447,941,715	307,025,177	355,991,743	203,036,636	349,795,242
Oregon University System	1,733,508,000	1,859,309,000	1,701,161,000	1,810,340,000	1,980,443,000	2,030,483,000	2,180,845,000	2,326,969,000	2,441,083,000	2,566,484,000
Education Totals	**$4,973,520,848**	**$5,766,584,603**	**$5,490,226,132**	**$6,014,038,584**	**$6,300,989,104**	**$6,365,511,078**	**$6,196,190,761**	**$6,444,801,234**	**$9,168,067,442**	**$10,280,408,209**
Department of Human Services [1]	4,767,351,538	4,971,914,255	4,900,859,577	5,501,689,441	6,290,514,137	7,237,331,751	7,843,270,249	4,133,108,249	4,222,744,489	4,428,559,873
Long Term Care Ombudsman	1,044,603	1,019,616	1,053,151	1,293,012	1,413,524	1,476,750	1,325,130	1,074,342	1,149,697	1,488,455
Psychiatric Security Review Board	390,283	382,149	484,941	511,924	539,377	543,124	761,373	912,323	1,050,010	1,076,936
State Commission on Children & Families	35,222,308	35,222,308	39,960,496	33,184,409	45,953,124	27,322,249	36,583,999	27,744,409	-590,610	-
Office of Private Health Partnerships [1]	22,997,264	22,997,264	39,560,220	47,889,541	24,644,736	25,678,883	41,570,965	-	50	-
Oregon Health Authority [1]	-	-	-	-	-	-	-	4,536,689,010	5,591,246,791	6,833,556,916
Commission for the Blind	6,549,289	6,999,465	8,829,183	7,780,676	7,495,762	7,179,951	7,688,565	7,333,942	7,662,147	8,031,352
Human Services Totals	**$4,833,555,285**	**$5,038,535,057**	**$4,990,747,568**	**$5,592,349,003**	**$6,370,560,661**	**$7,299,532,708**	**$7,931,200,282**	**$8,706,862,275**	**$9,823,262,575**	**$11,272,713,533**
Department of Justice	87,322,574	92,909,189	96,290,622	114,297,489	119,110,915	122,995,597	125,646,144	122,991,895	202,041,579	215,331,259
District Attorneys and their Deputies	4,214,279	4,967,682	4,191,383	5,144,047	5,319,728	5,186,956	5,223,293	5,232,585	5,321,950	5,293,070
Oregon Criminal Justice Commission	4,343,181	1,013,922	2,147,783	3,151,850	3,299,729	8,134,454	7,930,924	10,275,997	10,979,968	23,510,631
Military Department	48,788,862	48,234,477	50,702,584	171,351,995	202,849,431	193,896,107	191,297,547	202,724,251	163,231,125	140,344,795
State Board of Parole and Post Prison Supervision	1,608,155	1,755,742	1,638,863	2,137,321	1,780,797	1,966,438	1,785,098	1,797,905	1,736,730	2,004,623
Department of State Police	228,836,566	243,454,759	238,509,777	157,166,074	161,980,552	168,314,143	156,368,108	155,562,285	160,413,772	167,558,374
Department of Public Safety Standards Training	38,249,787	54,443,105	25,809,033	22,391,834	24,612,379	19,111,514	22,611,882	46,758,337	22,515,445	18,786,119
Department of Corrections	541,741,491	616,350,582	663,184,626	698,928,887	683,949,454	824,544,803	795,294,247	906,931,987	692,132,552	747,886,443
Oregon Youth Authority	120,799,788	119,867,175	123,441,086	139,100,536	150,980,164	154,826,460	148,344,698	148,093,573	145,394,100	150,265,560
Public Safety Totals	**$1,075,904,682**	**$1,182,996,632**	**$1,205,915,758**	**$1,313,670,034**	**$1,353,883,150**	**$1,498,976,473**	**$1,454,501,941**	**$1,600,368,814**	**$1,403,767,220**	**$1,470,980,875**
Business Oregon	106,938,616	76,269,632	96,457,511	110,851,631	105,033,730	117,368,686	132,896,239	171,500,567	79,237,750	90,519,961
Oregon Department of Veterans' Affairs	71,547,149	62,076,985	66,398,229	60,577,783	43,011,096	34,931,542	33,855,880	33,867,367	39,580,880	40,374,181
Employment Department	763,327,885	706,421,183	712,626,669	848,619,215	1,975,687,117	3,255,158,385	2,531,998,677	1,950,595,759	1,449,080,620	973,798,408
Housing & Community Services Department	224,801,048	232,928,575	243,628,585	253,493,774	275,394,505	302,593,432	307,210,136	268,252,533	268,049,596	226,250,673
Oregon State Lottery	511,527,885	536,744,846	577,103,135	583,829,257	545,429,540	522,519,925	517,269,921	540,089,847	499,364,470	500,963,009
Economic and Community Development Totals	**$1,678,142,584**	**$1,614,441,221**	**$1,696,214,129**	**$1,857,371,660**	**$2,944,555,988**	**$4,232,571,970**	**$3,523,230,853**	**$2,964,306,072**	**$2,335,313,316**	**$1,831,906,232**

Appendix

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Department of State Lands	1,500,883	30,925,788	11,052,201	15,392,192	27,616,105	18,923,124	22,656,341	19,891,410	20,274,903	23,418,078
Oregon State Marine Board	14,449,388	12,535,449	15,525,971	12,331,010	19,994,223	13,353,089	14,729,742	12,215,128	15,683,158	12,393,581
Oregon Department of Energy	15,178,418	15,875,401	16,625,217	22,541,252	30,642,444	32,089,454	49,585,863	58,004,870	32,616,650	23,766,536
Department of Environmental Quality	104,921,736	105,267,276	83,342,435	90,520,765	98,910,131	91,347,201	104,995,742	91,359,218	85,409,562	86,495,836
Columbia River Gorge Commission	308,948	411,252	440,539	521,585	500,481	422,161	394,990	391,139	387,700	427,472
Oregon Department of Agriculture	34,041,262	34,745,733	38,029,325	38,325,268	40,239,166	37,693,454	39,739,662	40,410,477	42,091,796	43,573,717
Oregon Forest Resources Institute	3,704,899	3,930,791	4,347,702	3,961,290	2,906,067	2,535,464	2,834,631	3,346,177	3,649,448	3,734,086
Department of Forestry	102,693,914	118,001,061	116,685,400	121,900,427	126,730,957	127,517,710	104,125,459	116,589,373	126,480,856	217,790,026
Department of Geology & Mineral Industry	3,444,745	3,903,267	3,952,489	4,561,139	7,490,783	6,991,406	7,596,218	6,933,788	8,422,781	6,458,609
Parks and Recreation Department	87,602,788	88,433,451	100,181,591	101,740,775	104,400,675	83,321,658	97,930,477	87,890,615	87,334,264	87,493,442
Oregon Department of Fish & Wildlife	107,153,335	102,962,960	107,138,865	113,498,322	123,509,384	121,418,055	135,901,795	138,604,711	153,027,578	142,964,483
Department of Land Conservation & Development	8,570,226	8,180,783	11,663,373	11,054,438	12,995,804	11,485,388	10,449,030	7,874,648	9,212,411	8,020,075
Land Use Board of Appeals	623,226	671,738	694,699	788,651	778,870	766,091	703,137	690,689	709,325	792,281
Water Resources Department	13,878,219	12,511,531	13,641,477	14,214,758	16,964,105	14,384,518	15,174,806	14,396,534	15,450,496	16,315,802
Oregon Watershed Enhancement Board	30,823,657	25,954,743	33,891,886	34,299,019	46,263,262	36,408,597	46,699,818	46,785,707	44,913,141	38,267,939
Natural Resources Totals	**$528,895,647**	**$564,311,223**	**$557,213,170**	**$585,650,891**	**$659,942,458**	**$598,657,371**	**$653,517,711**	**$645,384,485**	**$645,664,072**	**$711,911,963**
Department of Aviation	5,918,934	7,098,038	5,241,147	6,663,261	7,736,632	4,856,373	2,466,950	5,648,333	4,175,686	5,276,643
Department of Transportation	1,641,733,716	1,220,813,578	1,646,199,161	1,461,887,565	1,612,345,290	1,801,472,197	1,908,440,864	1,743,491,104	1,190,088,347	1,336,185,306
Transportation Totals	**$1,647,652,650**	**$1,227,911,616**	**$1,651,440,307**	**$1,468,550,826**	**$1,620,081,922**	**$1,806,328,570**	**$1,910,907,814**	**$1,749,139,437**	**$1,194,264,033**	**$1,341,461,949**
Board of Licensed Professional Counselors & Therapist	223,991	261,298	393,732	329,803	337,518	440,316	462,810	430,163	448,992	472,603
Oregon Board of Investigators	219,016	70,418	-	-	-	-	-	-	517,592	-
State Board of Tax Practitioners	415,054	426,865	470,212	476,179	511,056	556,705	464,492	519,107	957,171	546,236
State Board of Accountancy	715,898	715,063	752,713	756,924	907,357	733,681	821,993	865,435	441,527	1,144,836
State Board of Psychologists Examiners	311,093	340,335	366,880	436,041	559,624	406,524	476,709	503,970	612,753	516,955
State Board of Licensed Social Workers	255,749	286,046	296,234	359,930	433,198	462,100	551,838	614,105	111,881	597,191
Department of Consumer & Business Services [1]	259,182,621	277,464,594	315,391,928	354,702,043	378,230,103	353,004,955	364,591,113	188,117,644	174,475,825	200,571,691
State Board of Chiropractic Examiners	460,180	496,286	506,602	583,743	528,066	589,417	629,612	657,001	703,788	751,760
Oregon Health Licensing Agency	2,458,545	2,496,061	2,567,257	3,075,019	3,074,338	3,176,962	3,280,510	3,397,162	3,570,090	3,618,705
Health Related Licensing Boards	2,174,341	3,147,386	3,398,555	1,669,386	1,755,864	1,650,681	1,890,681	1,769,474	1,866,121	2,166,492
Board of Dentistry	1,435,768	829,423	838,792	1,004,574	965,034	939,290	1,225,404	1,126,320	1,184,548	1,313,857
Bureau of Labor and Industries	9,210,437	9,909,622	10,238,967	10,691,447	10,681,148	9,804,852	11,290,562	11,247,955	10,665,227	10,930,377
Oregon Medical Board	3,258,937	3,403,097	3,616,058	4,005,248	4,628,859	4,738,614	4,653,029	4,582,325	4,441,598	4,933,583
Board of Nursing	3,647,456	3,797,868	4,413,775	4,922,768	5,312,679	5,674,094	6,509,687	6,227,809	6,165,589	6,583,483
State Board of Pharmacy	-	-	-	2,115,145	2,288,742	2,318,489	2,147,593	2,350,699	2,338,381	2,570,414
Public Utility Commission	69,076,966	68,132,398	69,287,573	66,228,151	60,312,007	61,182,417	60,955,307	55,153,900	57,831,170	60,108,856
Construction Contractors Board	5,136,572	5,391,988	5,881,154	7,243,346	7,467,110	7,355,925	6,424,797	6,496,701	6,144,190	6,612,310
Real Estate Agency	3,416,423	3,268,209	3,535,783	3,685,205	3,263,943	3,486,563	3,265,888	3,249,677	3,022,426	3,176,033
Consumer and Business Services Totals	**$361,599,047**	**$380,436,957**	**$421,956,215**	**$462,284,951**	**$481,256,647**	**$456,521,583**	**$469,642,026**	**$287,309,446**	**$275,498,868**	**$306,615,380**

Appendix

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legislative Counsel Committee	4,192,327	4,044,390	4,784,571	5,112,815	5,383,853	4,999,018	5,392,384	4,642,923	5,608,148	4,800,477
Legislative Revenue Officer	723,792	769,605	813,033	847,250	952,415	1,005,089	973,183	948,642	1,036,073	1,156,757
Legislative Fiscal Officer	2,013,808	2,069,134	2,497,026	2,307,470	3,089,540	2,821,886	2,851,198	2,699,150	2,827,124	2,961,250
Legislative Assembly	13,476,917	11,767,493	16,172,209	13,664,355	18,393,931	13,841,844	16,941,840	15,391,896	18,233,134	17,170,132
Legislative Administration Committee	11,478,202	11,793,698	14,306,259	34,399,479	29,551,126	14,537,636	15,320,219	14,404,812	15,569,616	16,886,034
Commission on Indian Services	145,945	156,250	133,468	192,569	188,315	187,420	183,549	185,483	195,061	180,231
Legislative Totals	**$32,030,992**	**$30,600,569**	**$38,706,566**	**$56,523,937**	**$57,559,180**	**$37,392,893**	**$41,662,373**	**$38,272,906**	**$43,469,155**	**$43,154,881**
Council on Court Procedures	2,126	7,694	2,919	-	-	-	-	-	-	-
Commission on Judicial Fitness	87,022	1,836,435	1,904,512	1,950,592	4,217,630	2,930,209	76,997	80,428	86,529	88,764
Judicial Department	143,656,636	147,879,555	163,746,903	175,707,245	184,402,879	177,226,527	185,913,248	208,869,245	187,487,935	204,704,938
Office of Public Defense Services	81,086,077	93,423,537	90,434,911	104,010,790	108,461,973	110,176,823	113,328,263	118,743,887	110,898,614	130,667,820
Judicial Totals	**$224,831,860**	**$243,147,222**	**$256,089,245**	**$281,668,627**	**$297,082,482**	**$290,333,558**	**$299,318,508**	**$327,693,560**	**$298,473,079**	**$335,461,522**
Department of Administrative Services	251,056,572	259,354,307	266,723,214	318,852,342	307,613,190	419,876,884	334,648,461.86	390,189,235	465,050,114	491,832,768
Oregon Facilities Authority	128,908	111,610	164,011	167,660	167,369	208,174	275,424.41	217,685	208,859	204,656
Oregon Liquor Control Commission	237,608,038	263,748,427	284,264,636	307,284,935	315,166,332	313,587,852	326,025,159.38	345,172,016	367,834,925	385,255,945
Employment Relations Board	1,291,431	1,405,480	1,396,347	1,630,892	1,732,448	1,535,816	1,557,557.10	1,753,917	1,881,769	1,966,345
Office of the Governor	5,027,047	5,785,956	5,116,583	8,395,230	7,382,396	8,670,649	7,112,055.28	7,558,892	36,077,912	8,781,121
Oregon Advocacy Commissions Office	443,926	82,569	168,660	151,611	200,590	176,859	207,782.30	178,839	194,829	189,595
Department of Revenue	86,819,580	73,851,964	78,100,045	82,585,254	83,127,090	82,110,386	83,214,871	84,986,667	88,113,513	93,702,974
Secretary of State	21,447,027	17,563,740	20,051,925	29,654,456	20,320,912	19,548,229	30,939,439	20,359,809	24,764,359	26,387,812
Oregon State Treasury	717,189	853,519	1,373,331	1,502,171	1,697,194	1,607,614	2,313,781	1,910,113	19,206,461	21,397,221
Oregon Government Ethics Commission	288,800	324,176	315,573	572,038	686,959	722,227	685,091	750,363	767,602	918,540
Oregon Public Employees Retirement System [2]	2,622,185,061	2,684,392,441	2,887,601,447	3,123,682,660	3,127,277,665	3,274,885,330	3,611,058,332	3,889,352,293	4,182,946,399	4,590,438,649
Oregon State Library	6,447,699	6,462,148	7,227,386	6,955,179	7,181,750	6,625,293	6,872,346	6,618,696	6,548,719	6,690,677
Oregon Racing Commission	2,409,077	2,422,543	2,559,087	2,774,978	2,888,947	2,686,420	2,390,469	2,483,567	2,408,927	2,747,883
Central Agency/State General Fund/Backup WH	18,356,898	206,940	4,934,701	26,129,856	13,328,267	4,020,577	4,074,309	2,447,939	1,843,013	10,166,109
Administration Totals	**$3,254,227,255**	**$3,316,565,822**	**$3,559,996,948**	**$3,910,339,261**	**$3,888,771,108**	**$4,136,262,312**	**$4,411,375,078**	**$4,753,980,031**	**$5,197,847,400**	**$5,640,680,296**
Total Governmental Activities Expenses	**$18,610,360,849**	**$19,365,530,921**	**$19,868,506,040**	**$21,542,447,774**	**$23,974,682,700**	**$26,722,088,516**	**$26,891,547,347**	**$27,518,118,260**	**$30,385,627,160**	**$33,235,294,839**

[1] The 2009 Legislature passed House Bill 2009, which split a portion of the Department of Human Services into the Oregon Health Authority. In the reorganization, the Office of Private Health Partnerships and a portion of the Department of Consumer and Business Services (dealing with Oregon Medical Insurance Pool) was incorporated into the Oregon Health Authority.

[2] Note that the totals for the Public Employee's Retirement System includes pension payments for both State and Non-State retirees. The expenditures include distributions on non-state resources held in an agent capacity for local governments.

About the Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other state agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Audit Team

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This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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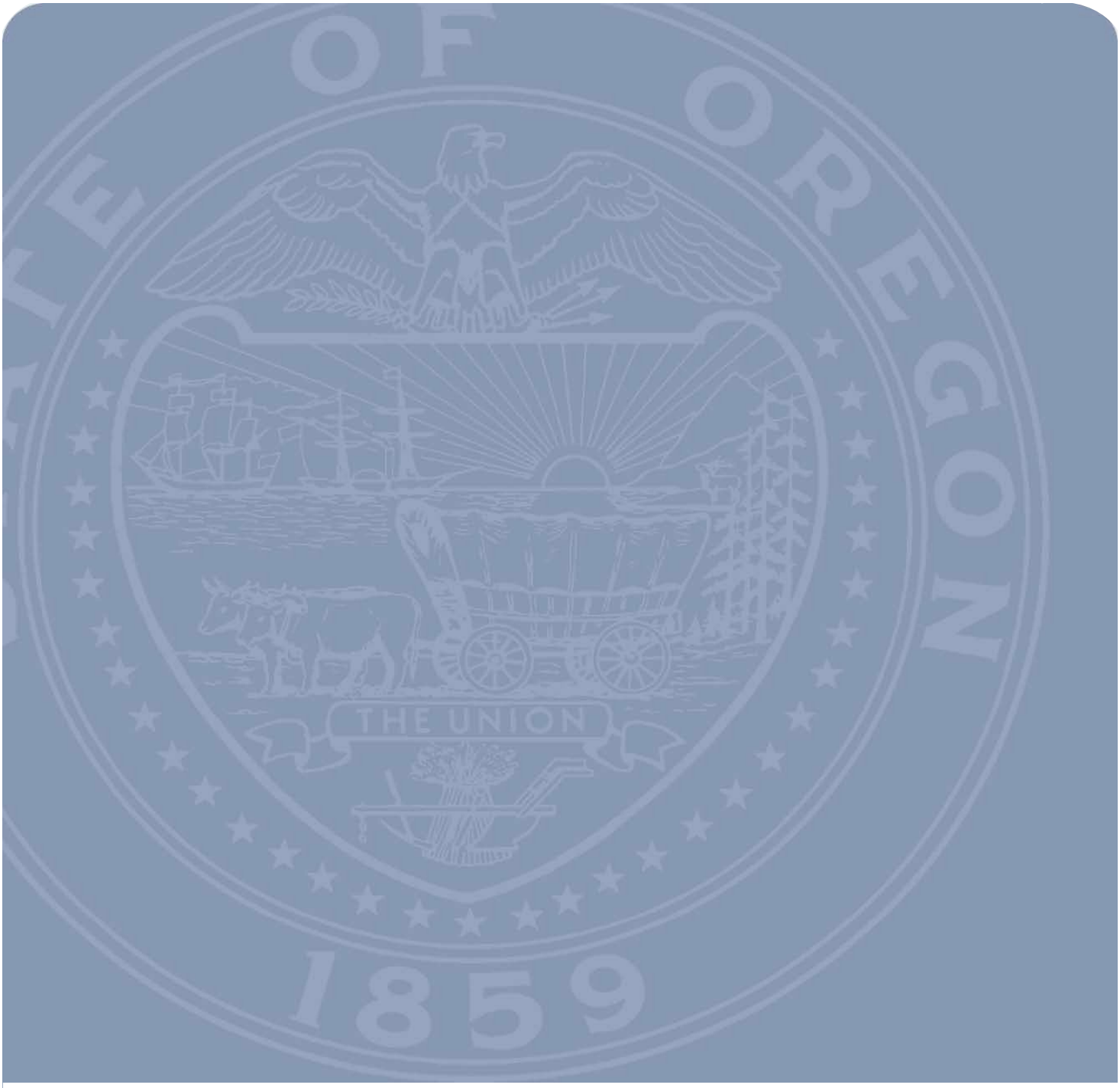
The courtesies and cooperation extended by state agencies were commendable and sincerely appreciated.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