

The background of the top half of the cover features a large, faint, light blue seal of the State of Oregon. The seal is circular and contains an eagle with wings spread at the top, a ship on the left, a plow and a cow in the center, and a sheaf of wheat on the right. The words "SEAL OF THE STATE OF OREGON" are written around the perimeter, and the year "1859" is at the bottom. The text "THE UNION" is visible on a banner within the seal.

Financial Condition Report

State of Oregon
2012

Secretary of State
Kate Brown

Audits Division, Director
Gary Blackmer



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Dear Fellow Oregonians:

This is a biennial update to our State of Oregon Financial Condition report, covering the 10 year period from fiscal year 2003 through fiscal year 2012. This analysis by the Audits Division can provide Oregonians and public officials alike with needed information to understand our financial position and identify potential solutions to forge the future for our state and our people.

This report shows that Oregon's finances were hit hard during the current recession, but difficult budget decisions brought spending in line with lessened revenue. The state's biggest challenge was meeting the increased demand for state services with little or no increase in state revenues, and with only temporary federal funding to help.

Some of the recent favorable trends are:

- Oregon's unemployment picture continued to improve with an unemployment rate of 8.4% in November 2012 compared to a high of 11.6% in 2009;
- Per capita income is increasing, though not yet to pre-recession levels;
- Oregon, unlike many other states, had sufficient reserves to avoid borrowing to cover the benefits of the unemployed during the recession;
- Tax revenues continue to climb, but have not yet returned to previous levels, when adjusted for inflation;
- The State's outstanding debt at June 30, 2012 declined slightly, reversing a trend of increases lasting more than a decade; and
- State employees began contributing to their health care insurance in an effort to help reduce costs to the state.

Some less fortunate trends also occurred during this period:

- The number of Oregonians living in poverty continued to increase;
- Spending on K-12 education and transportation both showed sharp declines in recent years;
- Reduced value of investments during the recession produced a sharp increase in required contributions to the state retirement system (PERS); and
- The Rainy Day fund is nearly depleted.

These have been trying times for all Oregonians, but we should be proud of enduring, and prepare for the decisions that will help us flourish in the better times ahead.

Sincerely,

Kate Brown

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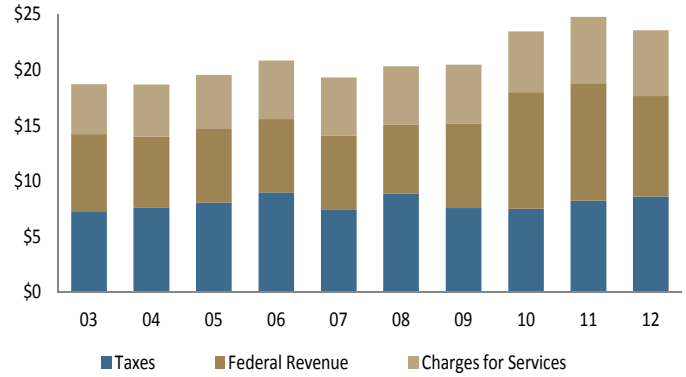
Revenues

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 2012 (FY12), tax revenues increased while federal revenues decreased resulting in an overall decrease in total state revenues of \$1.2 billion from the prior year. In recent years, 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 funds were spent in fiscal years 2010 and 2011. In 2012, significant declines in federal revenues included approximately \$420 million in Unemployment Compensation, \$270 million in Natural Resources, \$240 million for Administration, and \$140 million in Transportation.

Total Revenues by Source

Adjusted for inflation (in billions), FY ended June 30
Chart 1

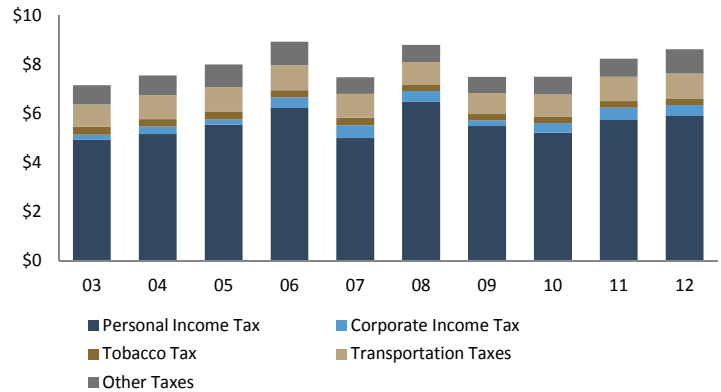


Tax Revenues

In 2011, Oregon ranked 35th 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

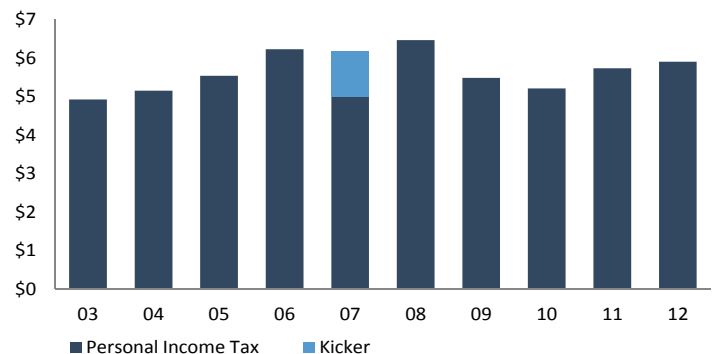


Personal Income Tax Revenues and Kicker

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 16 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



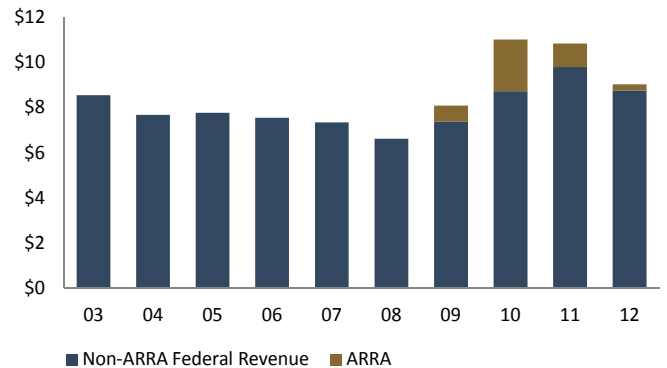
Revenues

Federal Revenues

Federal revenues are grants and reimbursements received from the federal government for numerous programs and services provided to eligible recipients. The state received additional federal funding through the American Recovery and Reinvestment Act (ARRA) totaling \$4.1 billion in fiscal years 2009 through 2012. Only minimal amounts of ARRA funds remain available.

Federal Revenues

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

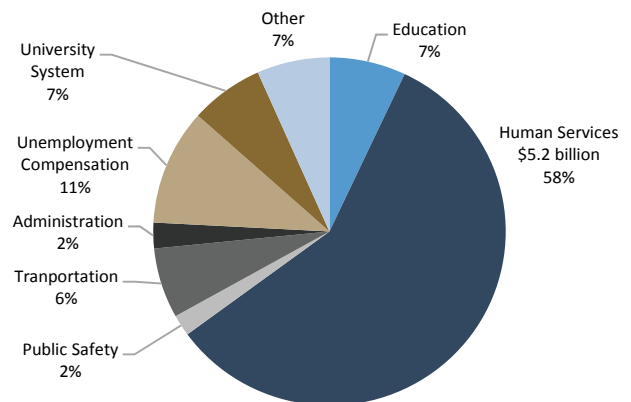


Federal Revenues by Program Area

The state received about \$9 billion in federal assistance in FY12, a decrease of \$1.5 billion from the previous year. Traditionally, the largest federal revenue source is for Medicaid in the human services program area, for which Oregon receives between \$1.8 and \$3 billion annually. Other large human services programs include Supplemental Nutrition Assistance Program (formerly known as food stamps) and Temporary Assistance to Needy Families. Due to the high unemployment rate, federal assistance for unemployment compensation increased significantly to over \$1.7 billion in FY10 but has since declined to \$1 billion in FY12.

Fiscal Year 2012 Federal Revenues by Program Area

Chart 5



Revenues

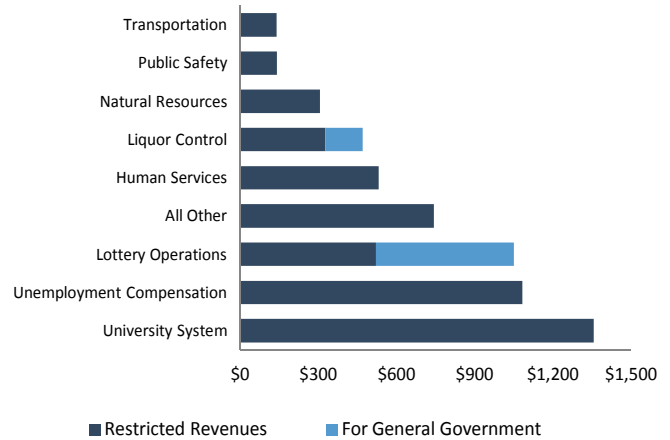
Charges for Services

Charges for services are fees collected from customers, applicants, employers, and others who use, purchase, or directly benefit from services provided. In FY12, charges for services totaled \$5.8 billion and represented 25% of total state revenues. These revenues have increased from \$3.6 to \$5.8 billion or 30% over the last ten years after adjusting for inflation. Only 12% is used for general government operations. The remainder is applied to the specific purposes collected.

Fiscal Year 2012 Charges for Services

(in millions)

Chart 6



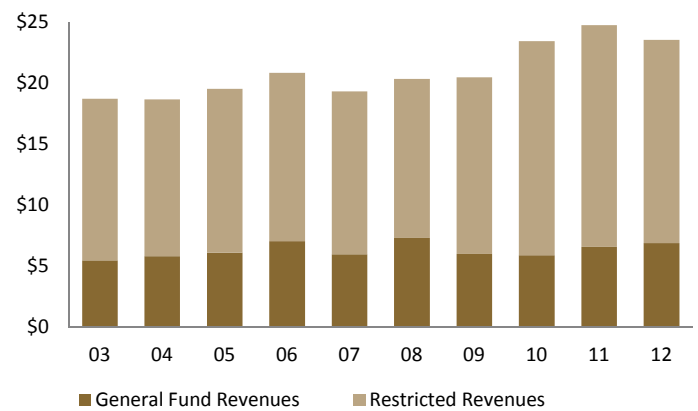
Restricted and Unrestricted Revenues

The legislature has discretion over the spending of General Fund revenues. Of the \$23.5 billion in FY12 state revenues, 29% are unrestricted and accounted for in the state's General Fund with the majority funding 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 54% 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 to roadway and bridge improvements and maintenance.

Restricted and Unrestricted Revenues

Adjusted for inflation (in billions), FY ended June 30

Chart 7



Expenditures

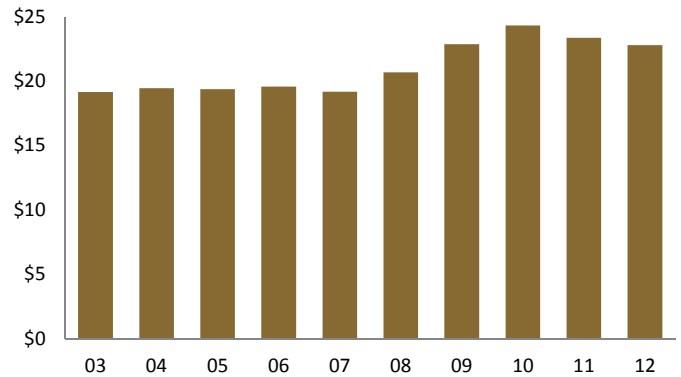
Total Expenditures

After adjusting for inflation, the state's total expenditures were relatively stable before growing substantially in FY08 and declining slightly the last two years. 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 the last two years mainly resulted from unemployment and transportation expenditures declining more than the increase in human services expenditures.

In 2012 about 83% of the state's \$22.8 billion in expenditures occurred in six areas: Human Services, K-12 Education, Unemployment Compensation, the Oregon University System, Transportation, and Public Safety. In contrast, about 88% of the state's \$6.9 billion General Fund was expended in just three program areas: K-12 Education, Human Services, and Public Safety. In 2010 about 83% of the General Fund was expended for these same program areas. For 2012, the remaining 12% of the General Fund was expended for operating the courts, state-wide administration, debt service, and a variety of other programs.

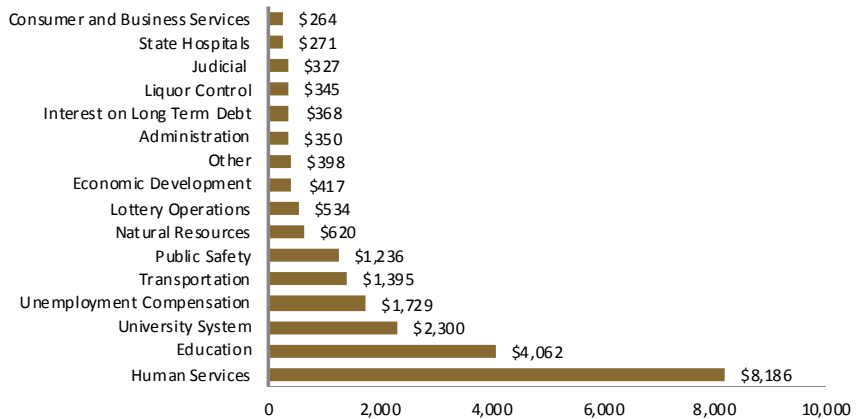
Total State Expenditures

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



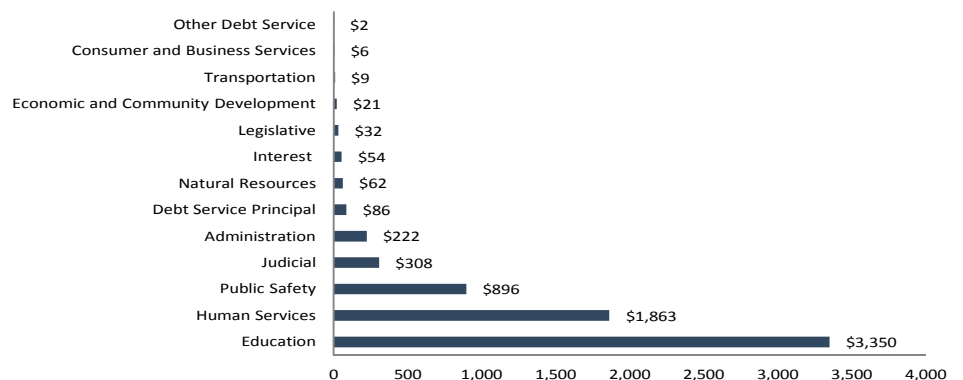
Total Expenditures by Program in FY12

(in millions)
Chart 9



General Fund Expenditures by Program in FY12

(in millions)
Chart 10



Expenditures

Human Services

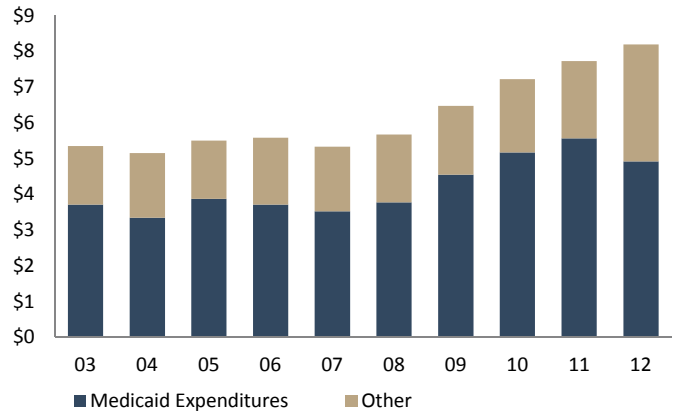
Spending in the area of human services increased substantially beginning in FY08. The recession increased the number of persons who met the eligibility requirements to receive benefits. The largest program administered by the state is Medicaid. More than one in every five dollars spent by the state is related to Medicaid. This is an “entitlement program” which 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 2012, Oregon spent \$1.8 billion in state dollars for Medicaid-eligible services and the federal government provided an additional \$3.1 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 \$155 million loss of federal revenues to Oregon, based upon service levels in 2012, not including inflation, or additional growth in the number of clients.

Human Services Expenditures

Adjusted for inflation (in billions), FY ended June 30

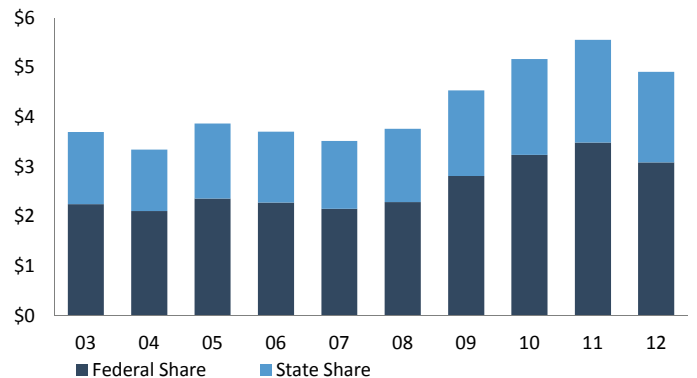
Chart 11



Total Medicaid Spending

Adjusted for inflation (in billions), FY ended June 30

Chart 12



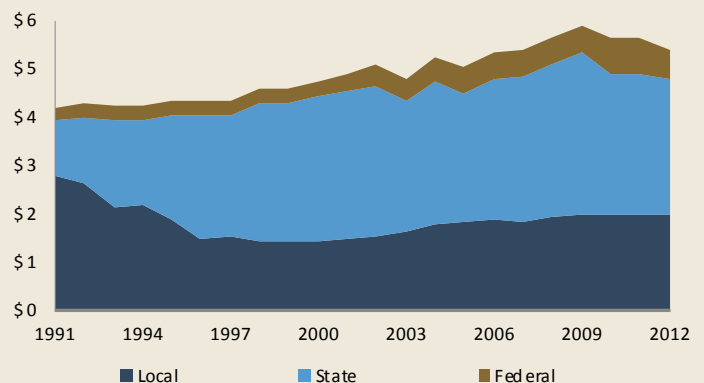
K-12 Education

In 1990, Oregon voters passed ballot Measure No. 5, which phased in property tax limitations for local governments and transferred a significant portion of the school funding responsibility to the State. Since its implementation, local funding from property taxes has increased slightly, when adjusted for inflation, while State spending has declined since 2009.

Education K-12 Spending

Adjusted for inflation (in billions)

Chart 13



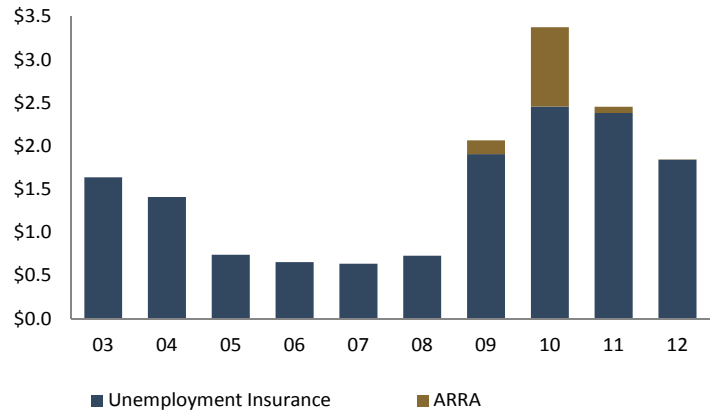
Expenditures

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 current recession with sufficient reserves to avoid borrowing from the federal government to maintain benefits. The cash balance has increased by \$500 million over the last 2 years due to the decline in the need for unemployment benefits.

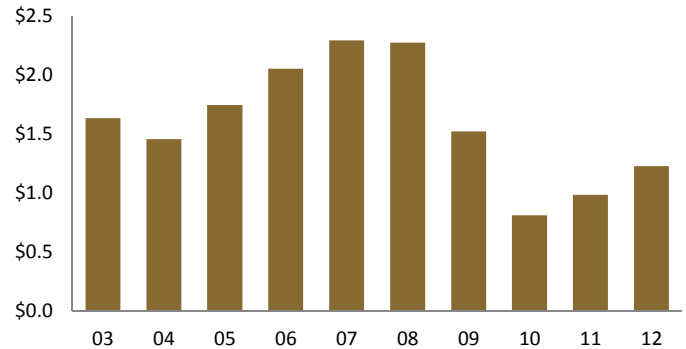
Unemployment Insurance Expenditures

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



Expenditures

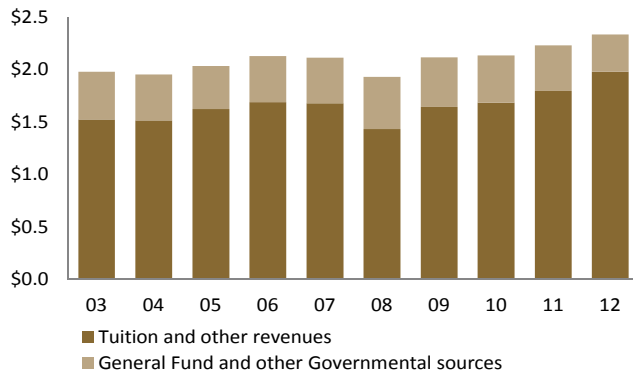
Oregon University System

The Oregon University System consists of seven colleges and universities throughout the state; it does not include community colleges. The majority of funding is from tuition and grants, with additional funding from the state's General Fund, State Lottery, and other sources. In 2012, the universities received about \$328 million from the General Fund and another \$29 million in other governmental sources. Over the last 10 years enrollment has increased 26%.

Oregon University System Expenditures by Revenue Source

Adjusted for inflation (in billions), FY ended June 30

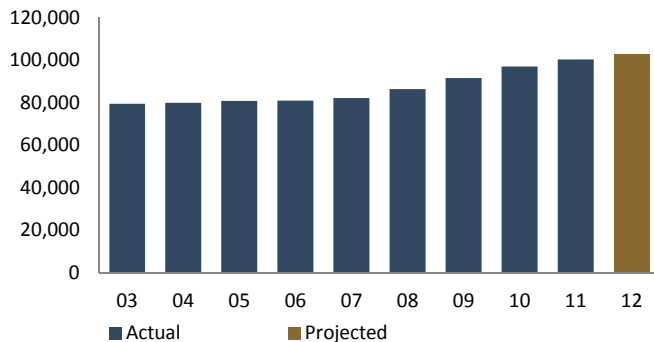
Chart 16



Oregon University System Enrollment

FY ended June 30

Chart 17



Transportation

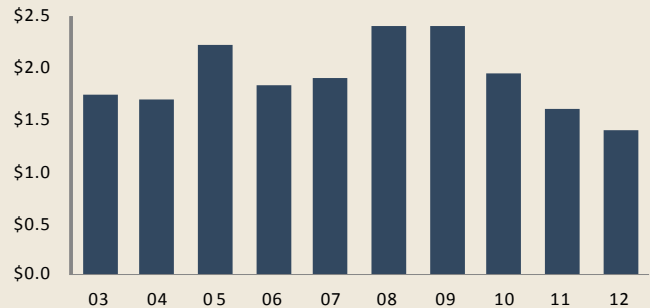
Expenditures are incurred for transportation purposes such as maintaining, building, and repairing Oregon's network of highways, tunnels and bridges. Transportation spending in recent years was augmented with debt-financed funding. Transportation expenditures are primarily funded from the Highway Trust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

The Oregon Department of Transportation estimates that Oregonians travelled over 19.4 billion miles on Oregon's highways during fiscal year 2012. As of June 30, 2012, the value of Oregon's highways, tunnels and bridges was estimated at over \$16.5 billion and is a reflection of the resources utilized to create the transportation network for the state. Annual transportation expenditures have declined in recent years. The decline is due to reduced federal revenues and the expiration of ARRA funding, fewer bonds issued for highway and bridge construction, and changes in how the Oregon Department of Transportation capitalizes transportation infrastructure and calculates depreciation on those assets.

Transportation Expenditures

Adjusted for inflation (in billions), FY ended June 30

Chart 18



Expenditures

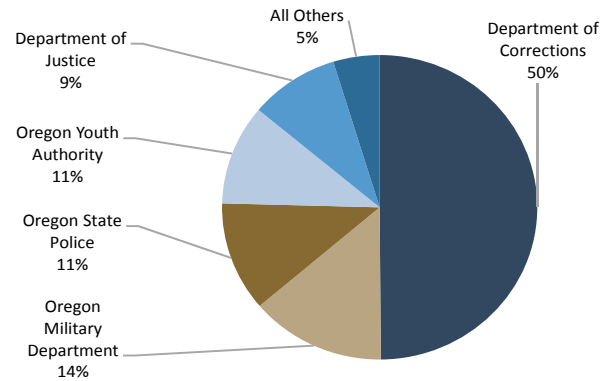
Public Safety

In 2012, public safety programs expended \$896 million from the General Fund and \$339 million from other sources such as federal revenues. The Department of Corrections spent about 50% of the public safety funds to operate its 14 correctional facilities, which held approximately 14,200 inmates. The remainder was mostly spent by four agencies: Oregon Youth Authority, Oregon State Police, Oregon Military Department, and the Department of Justice.

The number of inmates in Oregon's prisons has increased by 18% over the last 10 years. For each of the last several years, the prison inmate population has represented about 0.36% of the state's total population.

Fiscal Year 2012 Public Safety Expenditures by Agency

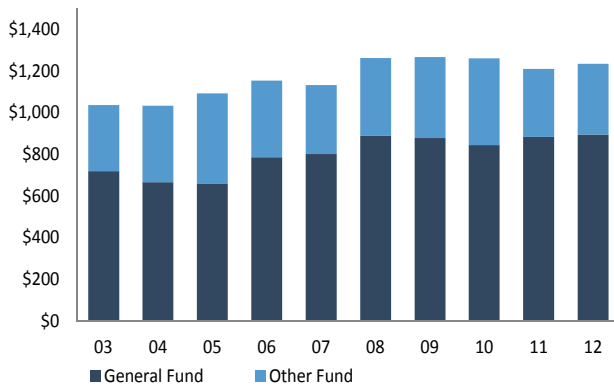
Chart 20



Public Safety Expenditures

Adjusted for inflation (in millions), FY ended June 30

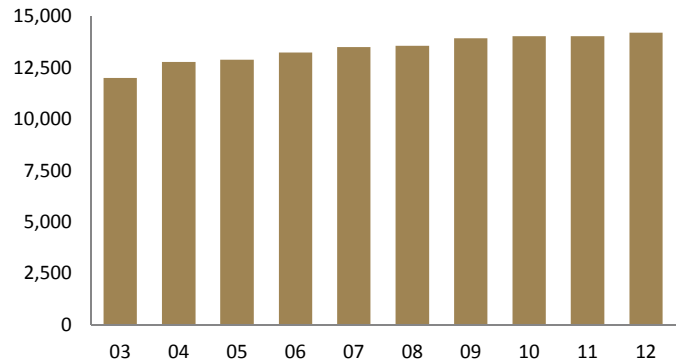
Chart 19



Prison Inmate Population

FY ended June 30

Chart 21



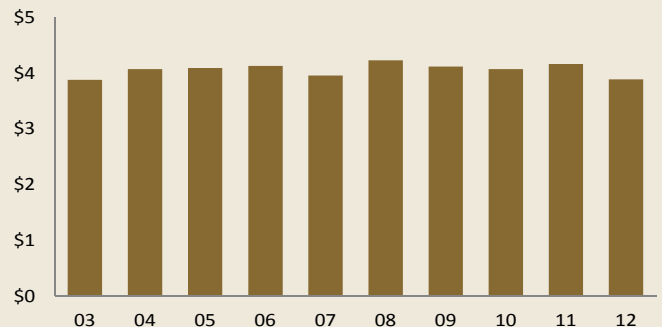
Other

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 preservation and maintenance of natural resources.

All Other Expenditures

Adjusted for inflation (in billions), FY ended June 30

Chart 22



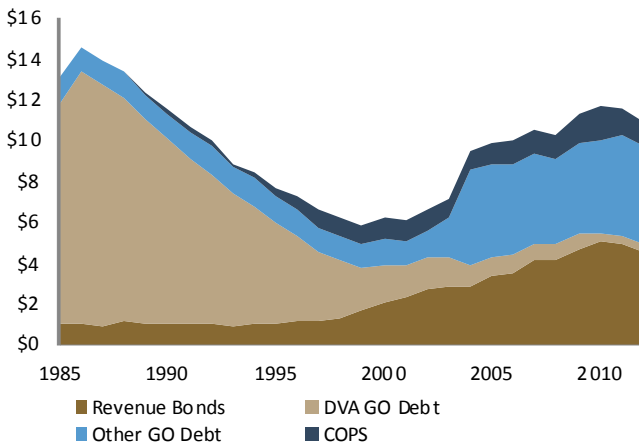
Long-Term Debt

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 23



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, 2012, was approximately \$4.6 billion.
- General obligation bonds (GO 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 outstanding as of June 30, 2012, was \$312 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, 2012, was approximately \$4.8 billion or 13.3% 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, 2012, was approximately \$1 billion.

Oregon's long-term debt decreased through the 1990s and then started increasing. The decline was mainly attributed to the repayment of outstanding debt related to the Veterans' Loan Program. The more recent increase in general obligation debt is due to the 2004 issuance of \$2 billion in pension bonds to refinance the state employees' retirement and \$1.9 billion in revenue bonds to renovate and replace the state's bridges and highways. In fiscal year 2012, state agencies took advantage of lower interest rates and issued \$640 million of new debt to refund \$678 million of previous debt. The debt refunding will reduce future principal and interest payments by more than \$81 million.

Long-Term Debt

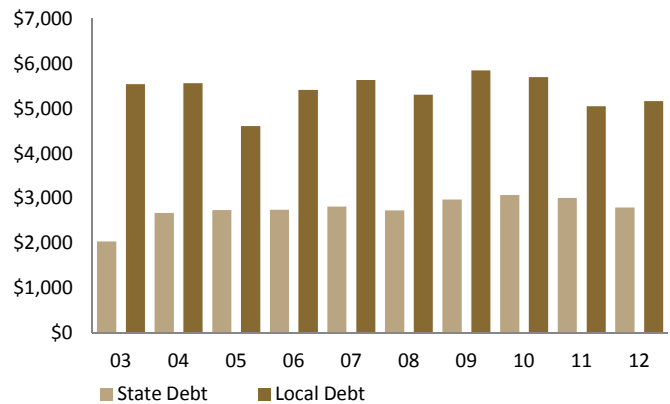
Debt Per Capita

For fiscal year 2012, the state's long-term debt totaled \$10.8 billion or \$2,800 per Oregonian and the estimated local government outstanding debt totaled \$20 billion, or an additional \$5,200 per Oregonian. These totals are in addition to the estimated \$49,100 of federal debt per capita as of June 30, 2012.

Debt Per Capita

Adjusted for inflation, FY ended June 30

Chart 24



Future Debt Service

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

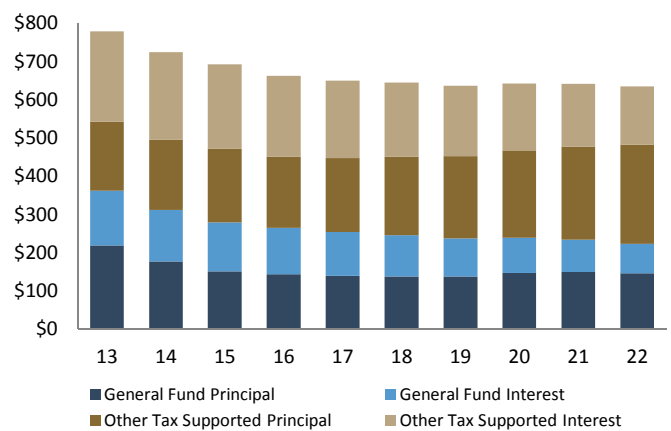
As of June 30, 2012, the outstanding General Fund debt was \$2.9 billion and the outstanding other tax supported debt totaled more than \$4.9 billion. In 2012, \$278 million of lottery funds and transportation taxes were used to pay debt service on the other tax supported debt; the use of these funds for debt service payments has more than doubled since 2006.

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 2013-2022

(in millions)

Chart 25



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, 2012, 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.

In 2011, the state implemented a reporting change required by the Governmental Accounting Standards Board. The change required governmental fund balances (the amount by which assets exceed liabilities) to be reported in financial statements based on constraints imposed upon the use of resources reported in the governmental funds. The five new classifications for fund balances are nonspendable, restricted, committed, assigned, and unassigned. In general, nonspendable balances are values for categories 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. The General Fund unassigned fund balance of a negative \$163 million indicates more resources were used than received as of June 30, 2012.

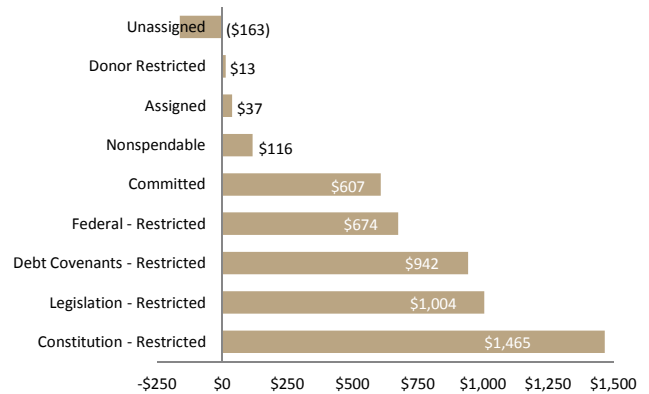
Oregon Rainy Day Fund

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.

Fiscal Year 2012 Governmental Fund Balance

(in millions)

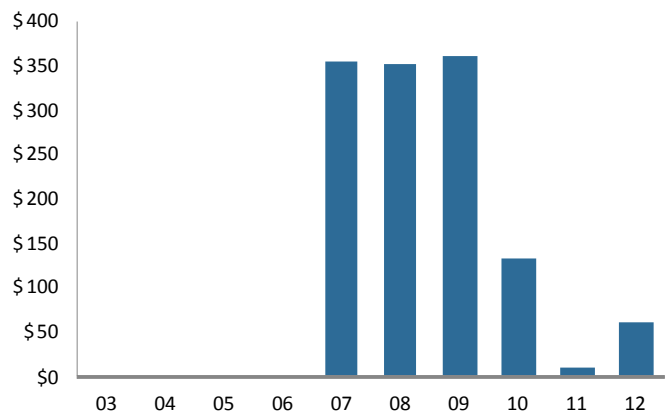
Chart 26



Oregon Rainy Day Fund

Adjusted for inflation (in millions)

Chart 27



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, 2011, the state was 84% funded and had an unfunded liability of approximately \$2.5 billion, which is the liability expected to be paid over a 20-year period. The current economic crisis has 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, 2010, Oregon had the 8th best funded pension system of all the states. Of the remaining state pension systems, 34 were below 80% funded, including 8 below 60% funded.

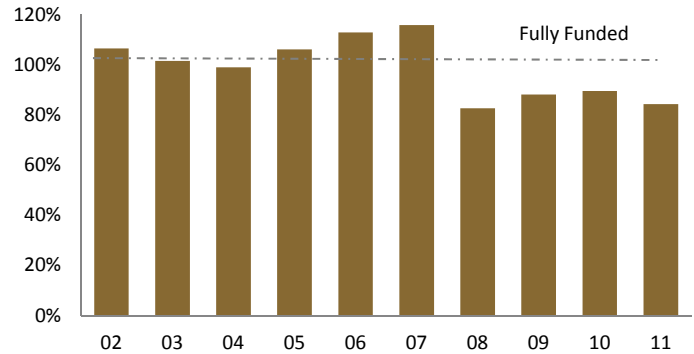
To pay for pension benefits, state agencies make required contributions based on a percentage of employee payrolls. The total retirement cost includes a PERS employer rate, member contribution rate, and a rate for pension bond costs. The PERS Board sets the employer rate every two years, changing July 1 of every odd-numbered year. Increases in the contribution rates from FY11 through FY15 are mainly due to the increase in the PERS employer rate, which increased due to investment balance declines during the recession. Currently, the member contribution, known as the "6% pick-up" is paid by state agencies. These two contributions are paid to the state's pension system and are invested at an acceptable level of investment risk as determined by the Oregon Investment Council. 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 \$984 million in retiree benefit payments in 2011. For December 2011, the state made payments to 45,369 retirees with 77% of the payments ranging from \$0 - \$3,000. The average monthly state service payment was \$1,784 while the average years of state service was 16 years.

Funded Ratio: State Agencies

Calendar year ended December 31

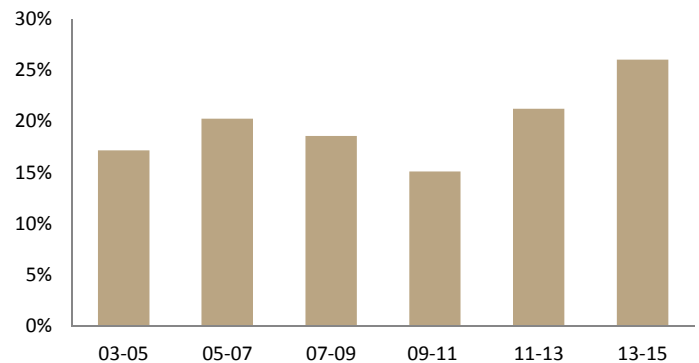
Chart 28



State Agency Retirement Contribution Rates

Percentage of payroll, Biennia ended June 30

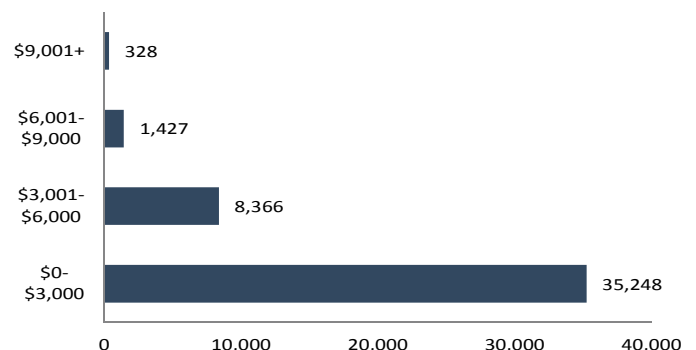
Chart 29



State Service Retirement Monthly Payment

In thousands, Month ended Dec 31, 2011

Chart 30



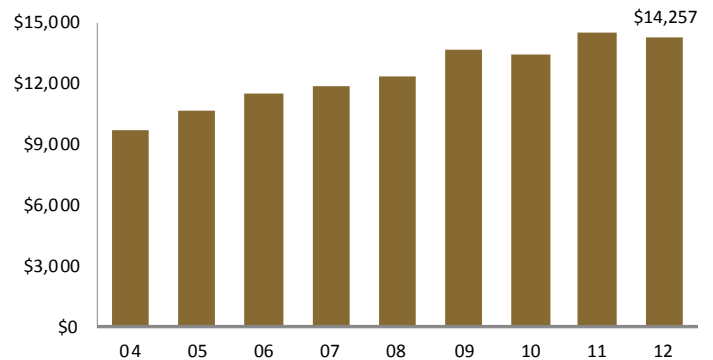
Employee Health Care Costs

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 2012, the State paid, on average, \$14,257 per employee. By comparison, in 2004, the state paid approximately \$9,679 per employee.

Average Annual State Employee Health Care Costs

Adjusted for inflation, FY ended June 30

Chart 31



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 governor, with the assistance of the Oregon 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.

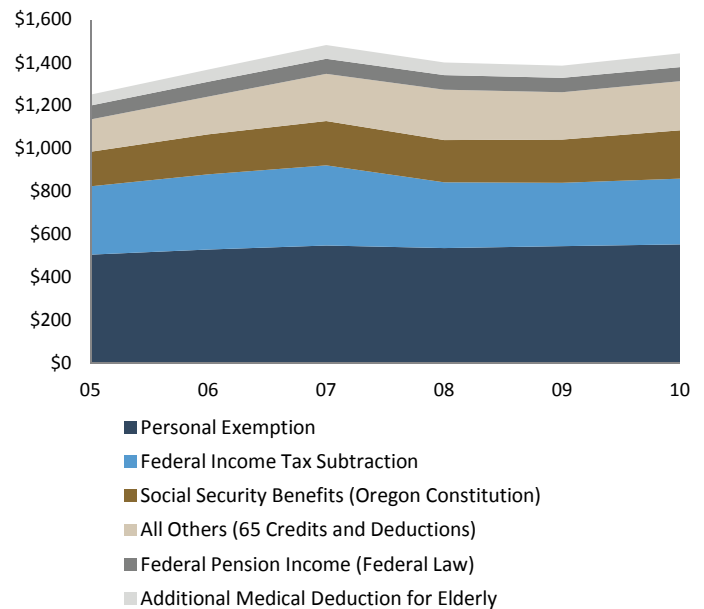
Some tax expenditures are beyond the ability of the state legislature to change or limit due to other existing laws and regulations. For example, the Oregon Constitution (Article IX, Section 9) prohibits the taxation of social security benefits, and federal law prohibits taxation of federal pension benefits. 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 2013-2015 biennium, the estimated revenue impact to the state for the home mortgage interest deduction is reduced tax revenues of approximately \$1.3 billion.

The chart below provides a summary of the income tax expenditures to Oregon's tax code for personal income taxes.

Oregon Income Tax Expenditures Tax Years 2005-2010

Tax Credits and Tax Subtractions, Adjusted for inflation (in millions)

Chart 32



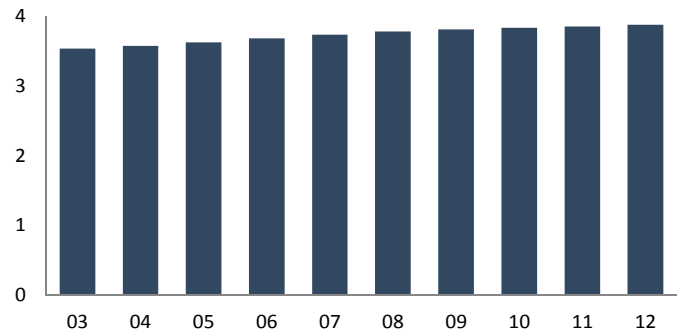
Demographics

Population

Oregon ranks 27th among the states, with its estimated population of 3,883,100 as of July 2012. From 2004 through 2008, the state's population grew by approximately 5.74%. The population growth rate has since slowed to 1.76% and is projected to average 1.1% through 2020.

Oregon Population

(in millions), Calendar Year as of July 1
Chart 33

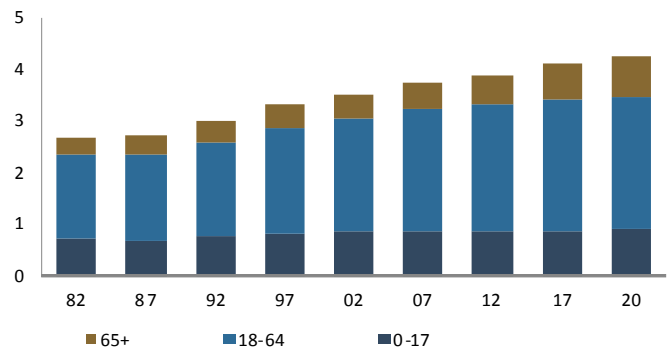


Age Structure

Oregon's population is aging. Forecasters expect a steady increase in those 65 and over through 2020. 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 4.2% from 2012-2020. By 2020, nearly one of every six Oregonians will be over age 65.

Age Structure (1982-2020)

(in millions), Calendar Year as of July 1
Chart 34



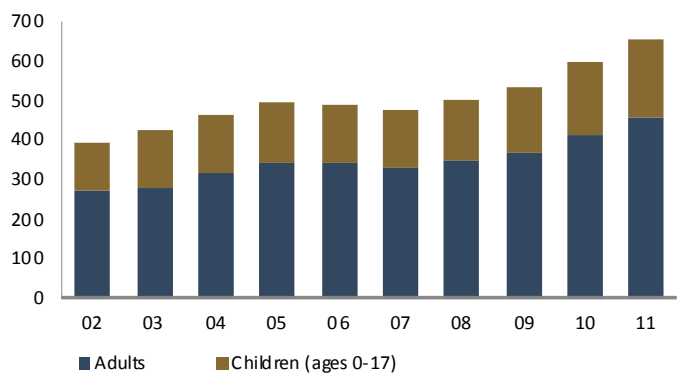
Poverty

The poverty line is defined as the minimum level of income necessary to achieve an adequate standard of living. For example, in 2011 a family of four with a gross yearly income below \$22,811 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.

Oregon's poverty rate has increased substantially since the beginning of the recession in 2008. From 2002 to 2011 the population living in poverty grew from 11.3% to 17.3%. The US Census Bureau estimated that 655,000 Oregonians lived in poverty in 2011, including more than 197,000 children. In 2011, Clackamas County had the lowest poverty level in the state at 11% and Malheur County the highest at 24.5%.

Number of Persons in Poverty 2002-2011

(in thousands) Calendar Year as of December 31
Chart 35



Demographics

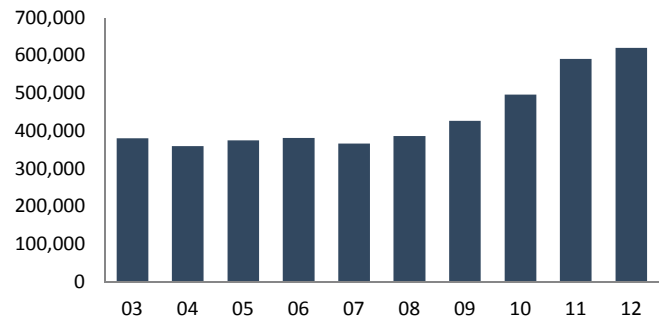
Oregon Health Plan

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, represents 22% of the state's total expenditures, and is the primary component of the plan. The recession has resulted in a sharp increase in the number of eligible clients, and in 2012 approximately 620,000 Oregonians (16% of the population) received benefits from the plan.

Oregon Health Plan Clients

Fiscal year ended June 30

Chart 36



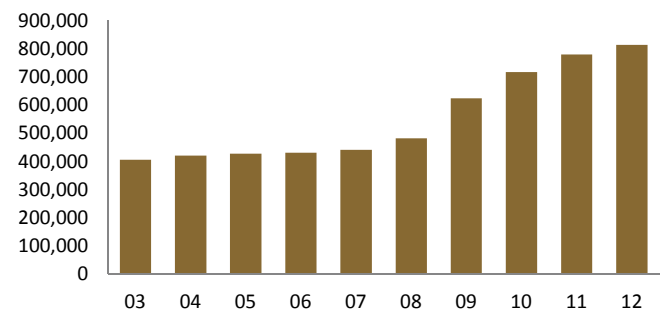
Supplemental Nutrition Assistance Program - (formerly food stamps)

In 2011, 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 second highest participation rate in the nation. Even though Oregon's population has not changed significantly, the demand for benefits has increased dramatically and has continued to rise through 2012. In July 2003, there were approximately 406,000 individuals receiving nutrition assistance. By July 2012 the number doubled to 813,446 individuals, or 21% of the Oregon population. In 2003, only 11.5% of the population received nutrition assistance.

Supplemental Nutrition Assistance Program

Number of Individuals (in thousands), Calendar Year ended December 31

Chart 37



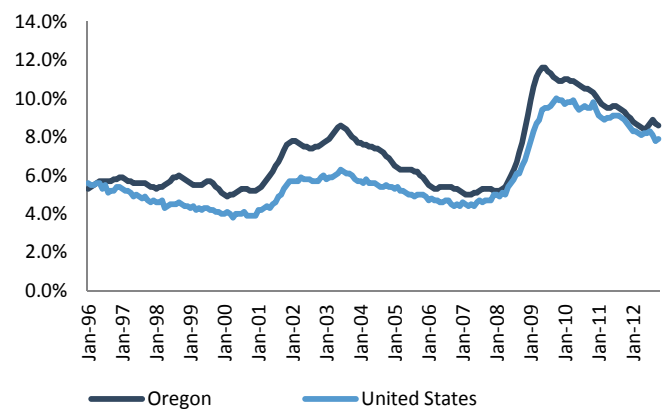
Percent Unemployed

As of November 2012, Oregon's unemployment rate of 8.4% was the 11th highest in the nation. Within Oregon, Grant and Crook counties were the highest at 13.5% and 13.4%, respectively, and Benton County was the lowest at 6.1%. Oregon unemployment rates have exceeded U.S. rates since 1996.

Percent Unemployed

Seasonally Adjusted, Calendar Year Ended Dec 31

Chart 38



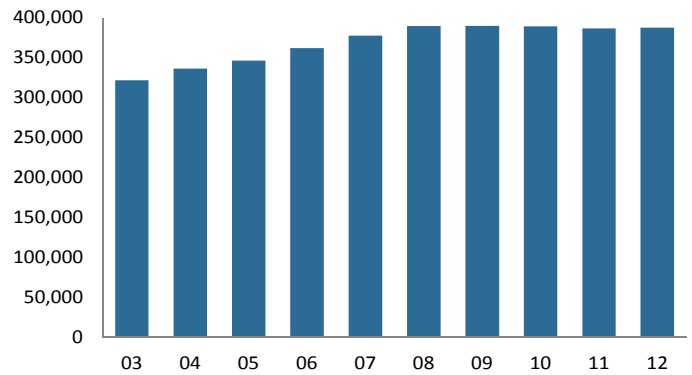
Demographics

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

Calendar Year ended June 30
Chart 39

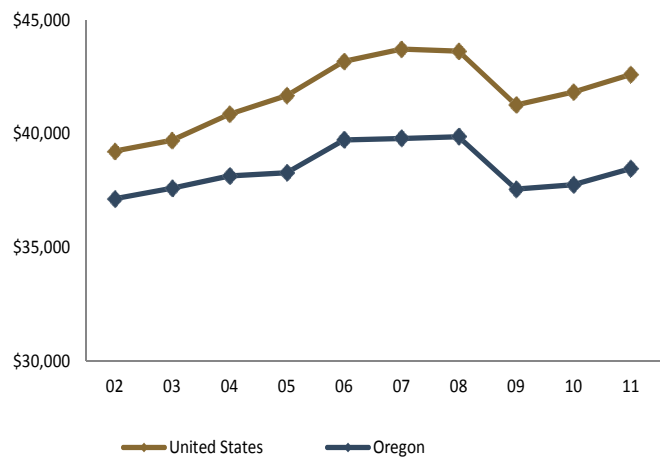


Per Capita Personal Income

Oregon's per capita personal income (PCPI) has followed the national trends in recent years, but has remained significantly below the national average for many years with a widening gap. In 2011 Oregon's PCPI totaled \$37,527 or 90.3%, of the national average, making Oregon 33rd among states.

Per Capita Personal Income

Adjusted for inflation, Calendar Year ended December 31
Chart 40



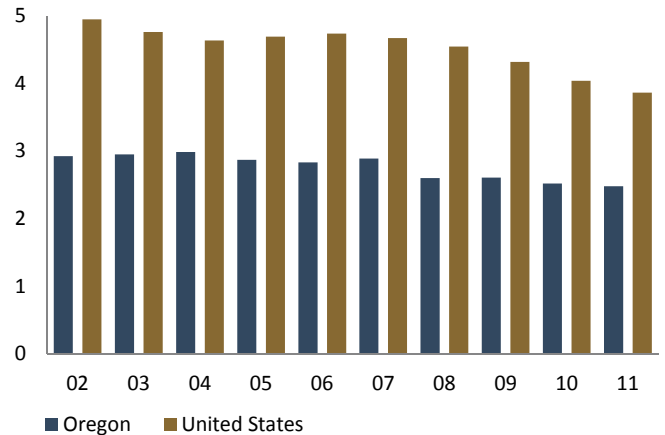
Demographics

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 2 percent from 2010 to 2011 and by 15 percent from 2002 to 2011. In 2011, Oregon was ranked 38th in the nation with a violent crime rate of 2.5 crimes per 1,000 residents.

Violent Crime Rate

Crimes per 1,000 residents, Calendar Year ended December 31
Chart 41

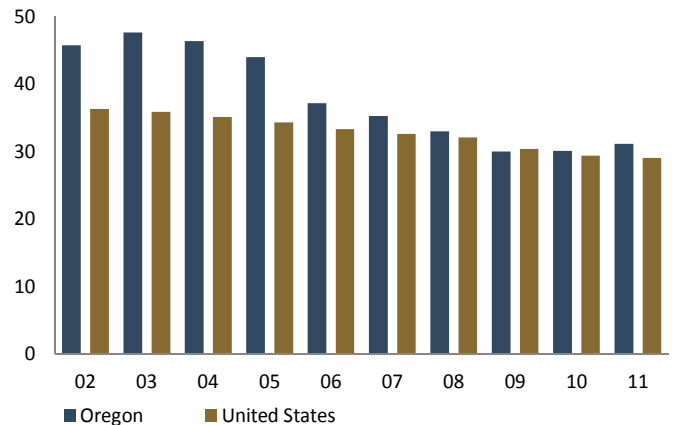


Property Crime Rate

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 2002 to 2011 property crime fell by 32 percent and from 2008 forward Oregon's rate is in line with the national average. In 2011, Oregon was ranked 19th highest in the nation with a property crime rate of 31.1 crimes per 1,000 residents. South Carolina was 1st with a property crime rate of 39.0 and South Dakota was 50th with a crime rate of 18.2.

Property Crime Rate

Crimes per 1,000 residents, Calendar Year ended December 31
Chart 42



Significant Financial Events

FY03

- Oregon experienced an overall decline in jobs for the third consecutive year.
- Oregon’s outstanding debt increased \$579.2 million to \$6.0 billion.

FY04

- Oregon experienced four consecutive quarters of job growth.
- Oregon’s outstanding debt increased primarily due to the issuance of \$2.1 billion in bonds that are the result of 2003 legislative action to reform the public employee retirement system (PERS). The state’s outstanding debt increased to \$8.1 billion.

FY05

- Oregon’s unemployment rate is 6.0%, down from 7.3% the previous year.
- Job growth increased for the eighth consecutive quarter.
- Oregon’s outstanding debt increased \$512.3 million to \$8.6 billion.
- Voters do not pass Ballot Measure 30, which called for temporary and permanent tax increases to maintain current levels of public education, senior services, and public safety, resulting in a final budgeted decrease of \$356.8 million in General Fund expenditures.
- Corporate income tax revenues exceeded the forecast for the 2003- 2005 biennium by \$101 million. The excess collections triggered a future tax credit through Oregon’s “kicker” tax law, which ultimately refunded \$161 million to corporate taxpayers.

FY06

- Oregon’s outstanding debt increased \$410.2 million to \$9.0 billion.

FY07

- Legislature created the Oregon Rainy Day Fund to set aside resources for difficult economic times.
- Revenues decreased by \$775.4 million from the prior fiscal year, largely due to the \$1.1 billion reduction of personal income taxes revenue associated with the kicker law.
- State pension plan assets increased in value by \$9.5 billion.
- Oregon’s outstanding debt increased \$639.2 million to \$9.6 billion, which included \$250 million for the Southeast Portland Light Rail Project.

FY08

- Rainy Day Fund received \$319.3 million transfer from state General Fund
- Oregon’s outstanding debt increased \$185.1 million to \$9.8 billion.

Significant Financial Events

FY09

- Oregon’s outstanding debt increased \$948.1 million to \$10.8 billion, which included \$347.3 million to finance projects under the Oregon Transportation Investment Act and \$381.2 million to fund multimodal transportation projects, the Portland Light Rail Project, and Oregon street car project.
- Oregon experienced significant decreases in personal and corporate taxes and investment income while at the same time the downturn in the economy resulted in increased spending in the area of human services.
- Oregon received \$665 million in federal ARRA funds.
- The net assets in the state retirement fund decreased by \$15.4 billion, primarily due to the decrease in the fair value of investments.

FY10

- Oregon’s outstanding debt increased \$610.3 million to a total of \$11.4 billion, which include \$544.7 million for transportation projects under the Oregon Transportation Investment Act.
- Voters approved tax increases for both personal income taxes and corporate income taxes
- Unemployment benefit payments increased by 61%.
- Oregon received an additional \$2.2 billion in federal ARRA funds.
- Legislature created the GO Oregon stimulus package with the infusion of \$175 million into local economy projects.
- Legislature approved transfers totaling \$235 million from the Rainy Day Fund

FY11

- Ending fund balance in the state’s General Fund was a positive \$244 million primarily due to increases in personal and corporate tax revenues and a change in financial reporting that required certain activities previously reported in special revenue funds to be reported in the General Fund.
- Oregon’s outstanding debt increased \$161 million to a total of \$11.6 billion.
- Unemployment rate down to 9.1% in November from a high of 11.6% in 2009

FY12

- Oregon’s outstanding debt decreased \$450 million to \$11.1 billion. Significant amounts of debt were refunded to capitalize on better interest rates for the outstanding debt.
- The unemployment rate continued to slowly decline to 8.4% in November, the lowest in more than three years.
- The General Fund unrestricted (committed, assigned, and unassigned) ending fund balance netted to a negative \$101.3 million at year end.

Objectives, Scope, and Methodology

Objectives, Scope, and Methodology

The objective of this report is to evaluate the financial condition of the State of Oregon using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA). This report provides historical financial and demographic data and trends that may be useful to decision-makers responsible for developing public policy and the strategic direction of the State of Oregon.

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 and reported provides a reasonable basis to achieve our audit objective.

The data in the report covers a 10 year period from FY 2002-03 through FY 2011-12. Unless otherwise indicated, data are presented on a fiscal year basis (e.g., 2006, represents FY 2005-06, 2005 represents FY 2004-05). 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 2012. 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 demographic 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 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
- Comprehensive Annual Financial Reports issued by the Oregon Department of Administrative Services for Fiscal Years Ended June 30, 2003, through June 30, 2012.
- Schedule of Expenditures of Federal Awards for the years ended June 30, 2003, through June 30, 2012, provided by the Oregon Department of Administrative Services.

Appendix

Expenditures by Program Area and State Agency

FY ended June 30, not adjusted for inflation

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Oregon Student Assistance Commission	55,781,922	52,380,830	43,941,555	34,676,393	39,652,164	42,735,483	76,239,561	84,549,850	21,450,546	50,383,523
Department of Education	2,649,729,904	3,231,695,023	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
Teacher Standards & Practices Commission	1,589,680	1,760,826	1,917,237	2,052,150	2,124,785	2,393,329	2,613,356	2,652,347	2,662,584	2,640,800
Department of Community Colleges & Workforce Development	236,523,934	331,573,787	225,182,986	346,645,735	251,947,188	393,713,268	331,272,644	447,941,715	307,025,177	355,991,743
Education Totals	\$2,943,625,440	\$3,617,410,466	\$3,240,012,848	\$3,907,275,603	\$3,789,065,132	\$4,203,698,584	\$4,320,546,104	\$4,335,028,078	\$4,015,345,761	\$4,117,832,234
Department of Human Services ¹	4,432,726,466	4,303,179,711	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
Long Term Care Ombudsman	921,445	963,018	1,044,603	1,019,616	1,053,151	1,293,012	1,413,524	1,476,750	1,325,130	1,074,342
Psychiatric Security Review Board	337,915	341,383	390,283	382,149	484,941	511,924	539,377	543,124	761,373	912,323
State Commission on Children & Families	41,076,462	26,410,851	35,222,308	35,222,308	39,960,496	33,184,409	45,953,124	27,322,249	36,583,999	27,744,409
Office of Private Health Partnerships ¹	11,689,570	15,360,255	22,997,264	22,997,264	39,560,220	47,889,541	24,644,736	25,678,883	41,570,965	0
Oregon Health Authority ¹	0	0	0	0	0	0	0	0	0	4,536,689,010
Commission for the Blind	6,207,313	5,558,753	6,549,289	6,999,465	8,829,183	7,780,676	7,495,762	7,179,951	7,688,565	7,333,942
Human Services Totals	\$4,492,959,170	\$4,351,813,971	\$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
Department of Justice	36,961,911	83,043,028	87,322,574	92,909,189	96,290,622	114,297,489	119,110,915	122,995,597	125,646,144	122,991,895
District Attorneys and their Deputies	4,273,628	5,113,181	4,214,279	4,967,682	4,191,383	5,144,047	5,319,728	5,186,956	5,223,293	5,232,585
Oregon Criminal Justice Commission	9,269,518	4,150,116	4,343,181	1,013,922	2,147,783	3,151,850	3,299,729	8,134,454	7,930,924	10,275,997
Military Department	40,422,569	41,026,131	48,788,862	48,234,477	50,702,584	171,351,995	202,849,431	193,896,107	191,297,547	202,724,251
State Board of Parole and Post Prison Supervision	1,509,834	1,686,574	1,608,155	1,755,742	1,638,863	2,137,321	1,780,797	1,966,438	1,785,098	1,797,905
Department of State Police	173,632,873	196,696,702	228,836,566	243,454,759	238,509,777	157,166,074	161,980,552	168,314,143	156,368,108	155,562,285
Department of Public Safety Standards & Training	11,022,390	11,710,111	38,249,787	54,443,105	25,809,033	22,391,834	24,612,379	19,111,514	22,611,882	46,758,337
Department of Corrections	481,020,820	475,595,896	541,741,491	616,350,582	663,184,626	698,928,887	683,949,454	824,544,803	795,294,247	906,931,987
Oregon Youth Authority	124,040,102	107,663,627	120,799,788	119,867,175	123,441,086	139,100,536	150,980,164	154,826,460	148,344,698	148,093,573
Public Safety Totals	\$882,153,645	\$926,685,366	\$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

Appendix

Business Oregon	81,060,058	105,098,491	106,938,616	76,269,632	96,457,511	110,851,631	105,033,730	117,368,686	132,896,239	171,500,567
Oregon Department of Veterans' Affairs	79,775,415	67,050,439	71,547,149	62,076,985	66,398,229	60,577,783	43,011,096	34,931,542	33,855,880	33,867,367
Employment Department	1,489,821,784	1,271,413,938	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
Housing & Community Services Department	222,774,473	216,075,252	224,801,048	232,928,575	243,628,585	253,493,774	275,394,505	302,593,432	307,210,136	268,252,533
Economic and Community Development Totals	\$1,873,431,731	\$1,659,638,120	\$1,166,614,699	\$1,077,696,375	\$1,119,110,994	\$1,273,542,403	\$2,399,126,448	\$3,710,052,045	\$3,005,960,932	\$2,424,216,225
Department of State Lands	1,744,019	1,505,104	1,500,883	30,925,788	11,052,201	15,392,192	27,616,105	18,923,124	22,656,341	19,891,410
Oregon State Marine Board	11,386,379	10,071,310	14,449,388	12,535,449	15,525,971	12,331,010	19,994,223	13,353,089	14,729,742	12,215,128
Oregon Department of Energy	18,180,619	16,981,231	15,178,418	15,875,401	16,625,217	22,541,252	30,642,444	32,089,454	49,585,863	58,004,870
Department of Environmental Quality	86,192,634	98,046,219	104,921,736	105,267,276	83,342,435	90,520,765	98,910,131	91,347,201	104,995,742	91,359,218
Columbia River Gorge Commission	394,621	306,773	308,948	411,252	440,539	521,585	500,481	422,161	394,990	391,139
Oregon Department of Agriculture	35,015,173	32,081,949	34,041,262	34,745,733	38,029,325	38,325,268	40,239,166	37,693,454	39,739,662	40,410,477
Oregon Forest Resources Institute	3,131,014	3,327,495	3,704,899	3,930,791	4,347,702	3,961,290	2,906,067	2,535,464	2,834,631	3,346,177
Department of Forestry	140,206,073	110,938,705	102,693,914	118,001,061	116,685,400	121,900,427	126,730,957	127,517,710	104,125,459	116,589,373
Department of Geology & Mineral Industry	3,675,802	3,821,357	3,444,745	3,903,267	3,952,489	4,561,139	7,490,783	6,991,406	7,596,218	6,933,788
Parks and Recreation Department	70,175,347	79,994,110	87,602,788	88,433,451	100,181,591	101,740,775	104,400,675	83,321,658	97,930,477	87,890,615
Oregon Department of Fish & Wildlife	90,861,817	95,698,367	107,153,335	102,962,960	107,138,865	113,498,322	123,509,384	121,418,055	135,901,795	138,604,711
Department of Land Conservation & Development	7,948,430	5,835,508	8,570,226	8,180,783	11,663,373	11,054,438	12,995,804	11,485,388	10,449,030	7,874,648
Land Use Board of Appeals	616,901	587,616	623,226	671,738	694,699	788,651	778,870	766,091	703,137	690,689
Water Resources Department	13,953,160	12,383,476	13,878,219	12,511,531	13,641,477	14,214,758	16,964,105	14,384,518	15,174,806	14,396,534
Oregon Watershed Enhancement Board	28,460,339	33,805,970	30,823,657	25,954,743	33,891,886	34,299,019	46,263,262	36,408,597	46,699,818	46,785,707
Natural Resources Totals	\$511,942,329	\$505,385,186	\$528,895,647	\$564,311,223	\$557,213,170	\$585,650,891	\$659,942,458	\$598,657,371	\$653,517,711	\$645,384,485
Department of Aviation	6,908,566	6,542,163	5,918,934	7,098,038	5,241,147	6,663,261	7,736,632	4,856,373	2,466,950	5,648,333
Department of Transportation	1,047,549,632	1,015,112,674	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
Transportation Totals	\$1,054,458,199	\$1,021,654,836	\$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

Appendix

Board of Licensed Professional Counselors & Therapist	220,321	275,784	223,991	261,298	393,732	329,803	337,518	440,316	462,810	430,163
Oregon Board of Investigators	181,062	197,930	219,016	70,418	-	-	-	-	0	0
State Board of Tax Practitioners	334,393	368,085	415,054	426,865	470,212	476,179	511,056	556,705	464,492	519,107
State Board of Accountancy	738,552	702,384	715,898	715,063	752,713	756,924	907,357	733,681	821,993	865,435
State Board of Psychologists Examiners	269,312	274,771	311,093	340,335	366,880	436,041	559,624	406,524	476,709	503,970
State Board of Licensed Social Workers	232,574	238,387	255,749	286,046	296,234	359,930	433,198	462,100	551,838	614,105
Dept of Consumer & Business Services ¹	227,701,787	239,440,553	259,182,621	277,464,594	315,391,928	354,702,043	378,230,103	353,004,955	364,591,113	188,117,644
State Board of Chiropractic Examiners	459,794	429,211	460,180	496,286	506,602	583,743	528,066	589,417	629,612	657,001
Oregon Health Licensing Agency	1,918,889	1,978,715	2,458,545	2,496,061	2,567,257	3,075,019	3,074,338	3,176,962	3,280,510	3,397,162
Health Related Licensing Boards	3,525,277	3,557,594	2,174,341	3,147,386	3,398,555	1,669,386	1,755,864	1,650,681	1,890,681	1,769,474
Board of Dentistry	-	40,554	1,435,768	829,423	838,792	1,004,574	965,034	939,290	1,225,404	1,126,320
Bureau of Labor and Industries	9,054,403	9,827,288	9,210,437	9,909,622	10,238,967	10,691,447	10,681,148	9,804,852	11,290,562	11,247,955
Oregon Medical Board	2,909,892	3,084,099	3,258,937	3,403,097	3,616,058	4,005,248	4,628,859	4,738,614	4,653,029	4,582,325
Board of Nursing	3,636,707	3,433,363	3,647,456	3,797,868	4,413,775	4,922,768	5,312,679	5,674,094	6,509,687	6,227,809
State Board of Pharmacy	-	-	-	-	-	2,115,145	2,288,742	2,318,489	2,147,593	2,350,699
Public Utility Commission	65,782,697	66,128,766	69,076,966	68,132,398	69,287,573	66,228,151	60,312,007	61,182,417	60,955,307	55,153,900
Construction Contractors Board	4,829,133	5,224,736	5,136,572	5,391,988	5,881,154	7,243,346	7,467,110	7,355,925	6,424,797	6,496,701
Real Estate Agency	2,748,529	2,892,944	3,416,423	3,268,209	3,535,783	3,685,205	3,263,943	3,486,563	3,265,888	3,249,677
Consumer and Business Services Totals	\$324,543,322	\$338,095,165	\$361,599,047	\$380,436,957	\$421,956,215	\$462,284,951	\$481,256,647	\$456,521,583	\$469,642,026	\$287,309,446
Legislative Counsel Committee	3,929,825	4,012,653	4,192,327	4,044,390	4,784,571	5,112,815	5,383,853	4,999,018	5,392,384	4,642,923
Legislative Revenue Officer	722,065	685,279	723,792	769,605	813,033	847,250	952,415	1,005,089	973,183	948,642
Legislative Fiscal Officer	1,936,062	1,870,286	2,013,808	2,069,134	2,497,026	2,307,470	3,089,540	2,821,886	2,851,198	2,699,150
Legislative Assembly	13,134,444	10,139,497	13,476,917	11,767,493	16,172,209	13,664,355	18,393,931	13,841,844	16,941,840	15,391,896
Legislative Administration Committee	12,840,424	9,221,756	11,478,202	11,793,698	14,306,259	34,399,479	29,551,126	14,537,636	15,320,219	14,404,812
Commission on Indian Services	125,448	122,076	145,945	156,250	133,468	192,569	188,315	187,420	183,549	185,483
Legislative Totals	\$32,688,268	\$26,051,548	\$32,030,992	\$30,600,569	\$38,706,566	\$56,523,937	\$57,559,180	\$37,392,893	\$41,662,373	\$38,272,906
Council on Court Procedures	40,095	3,468	2,126	7,694	2,919	-	-	-	-	-
Commission on Judicial Fitness	91,871	73,651	87,022	1,836,435	1,904,512	1,950,592	4,217,630	2,930,209	76,997	80,428
Judicial Department	180,014,790	130,233,528	143,656,636	147,879,555	163,746,903	175,707,245	184,402,879	177,226,527	185,913,248	208,869,245
Office of Public Defense Services	3,043,998	84,698,177	81,086,077	93,423,537	90,434,911	104,010,790	108,461,973	110,176,823	113,328,263	118,743,887
Judicial Totals	\$183,190,755	\$215,008,824	\$224,831,860	\$243,147,222	\$256,089,245	\$281,668,627	\$297,082,482	\$290,333,558	\$299,318,508	\$327,693,560

Appendix

Department of Administrative Services	186,335,441	282,852,193	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
Oregon Facilities Authority	104,529	84,825	128,908	111,610	164,011	167,660	167,369	208,174	275,424.41	217,685
Oregon Liquor Control Commission	203,739,487	220,060,754	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
Employment Relations Board	1,367,833	1,291,431	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
Office of the Governor	4,029,364	4,766,240	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
Oregon Advocacy Commissions Office	666,712	443,926	443,926	82,569	168,660	151,611	200,590	176,859	207,782.30	178,839
Department of Revenue	84,277,155	65,889,726	86,819,580	73,851,964	78,100,045	82,585,254	83,127,090	82,110,386	83,214,871	84,986,667
Secretary of State	17,442,162	19,614,944	21,447,027	17,563,740	20,051,925	29,654,456	20,320,912	19,548,229	30,939,439	20,359,809
Oregon State Treasury	202,746	395,198	717,189	853,519	1,373,331	1,502,171	1,697,194	1,607,614	2,313,781	1,910,113
Oregon Government Ethics Commission	321,085	284,576	288,800	324,176	315,573	572,038	686,959	722,227	685,091	750,363
Oregon Public Employees Retirement System ²	2,207,353,805	2,739,953,994	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
Oregon State Library	5,373,842	5,781,561	6,447,699	6,462,148	7,227,386	6,955,179	7,181,750	6,625,293	6,872,346	6,618,696
Oregon Racing Commission	2,367,601	2,533,044	2,409,077	2,422,543	2,559,087	2,774,978	2,888,947	2,686,420	2,390,469	2,483,567
Central Agency/State General Fund/Backup WH	15,811,120	1,097,581	18,356,898	206,940	4,934,701	26,129,856	13,328,267	4,020,577	4,074,309	2,447,939
Administration Totals	\$2,729,392,883	\$3,345,049,993	\$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

Total Governmental Activities Expenses	\$15,028,385,740	\$16,006,793,476	\$16,365,324,964	\$16,969,477,075	\$17,590,241,905	\$19,148,278,517	\$21,448,810,160	\$24,169,085,591	\$24,193,432,426	\$24,651,059,413
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¹The 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) were incorporated into the Oregon Health Authority.

²The totals for the Public Employees Retirement System include 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 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.

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Mary Wenger, CPA, Deputy Director

Philip Hopkins, CPA, Audit Manager

Geoff Hill, CPA, Principal Auditor

Nicole Jordan, Desktop Publishing

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

