



Secretary of State **Oregon Audits Division**



2018

State of Oregon Financial Condition Report

June 2019
Report 2019-26

Secretary of State **Bev Clarno**
Audits Division Director **Kip Memmott**

Office of the Secretary of State

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Secretary of State

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Dear fellow Oregonians:

Oregon state government plays a major role in the lives of its citizens. It provides vital services to a growing population in an environment of limited financial resources. Maintaining sound financial condition is key to sustaining and improving services. Various indicators can provide key information for decision makers, enabling them to capitalize on opportunities, tackle challenges, and manage the financial condition of the state effectively.

Accordingly, this biennial report presents selected high-level historical indicators of Oregon's financial condition for the period ending June 30, 2018.

Since our 2016 report, the following aspects of Oregon's financial condition are worth noting:

- Human services continues to be the largest expenditure by program area at \$12.9 billion, comprising almost half of state expenditures. Over \$9.8 billion relates to the Medicaid program, with \$7.2 billion federally funded through reimbursements.
- Education is the second-largest expenditure by program area at \$6.2 billion, with state funding being the primary revenue source. Spending increased 5%, while enrollment almost 1%.
- The state continues to make its required pension contributions. As of December 31, 2017, the state's funded liability was about 80%.
- As Oregonians continued to return to work after the recession, tax revenues and personal income per capita increased. Additionally, unemployment insurance expenditures continue to decline and unemployment insurance cash balances available to pay future claims increased.
- Oregon's population is aging, presenting challenges of increasing health care costs.

Please give thoughtful consideration to the following facts, as responsible governance of the related resources will pay dividends for all Oregonians.

Sincerely,

A handwritten signature in blue ink that reads "Bev Clarno". The signature is fluid and cursive, with the first name "Bev" and last name "Clarno" clearly distinguishable.

Bev Clarno
Secretary of State

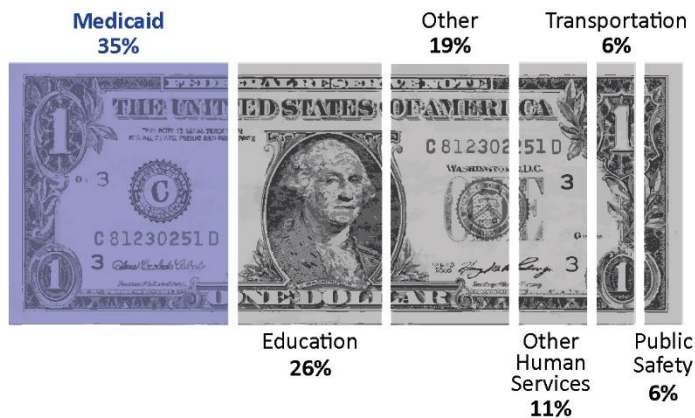
Executive Summary

Fiscal Year 2018

State of Oregon Financial Condition Report

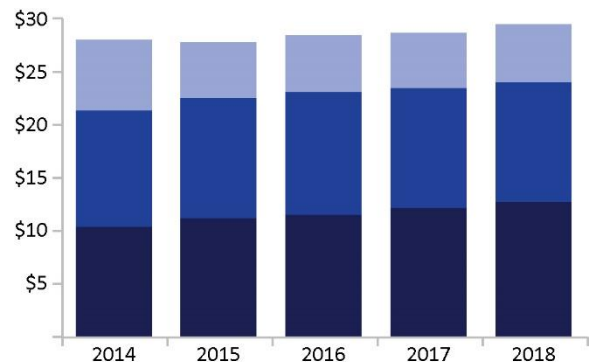
Oregon state government plays a major role in the lives of its citizens. It provides vital services to a growing population in an environment of limited financial resources. Maintaining sound financial condition is key to sustaining and improving services. Various indicators can provide key information for decision makers, enabling them to capitalize on opportunities, tackle challenges, and manage financial condition timely and effectively.

Expenditures by Program



Human services continues to be the largest program, followed by education, public safety, and transportation. The majority of human services expenditures are for the Medicaid program, which assists low-income families in paying for medical care. Education spending includes K-12 schools, community colleges, and universities.

Revenues (in billions)



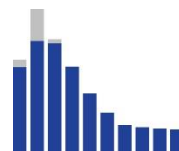
The state's main revenue sources are **taxes**, **federal revenue**, and **charges for services**. Population is increasing and the economy is growing, driving increases in tax revenues. Since 2016, tax revenues have increased about \$1.2 billion while federal revenues have declined, resulting in a net overall increase of \$1 billion.



Oregon's population continues to grow and more Oregonians are working, increasing tax revenue and personal income per capita.



The Rainy Day Fund is above 2008 pre-recession levels, after being used to weather the economic downturn.



Unemployment insurance expenditures are declining as the cash available to pay future claims grows.



The state's pension liability is about 80% funded, resulting in an unfunded liability of about \$4.8 billion.

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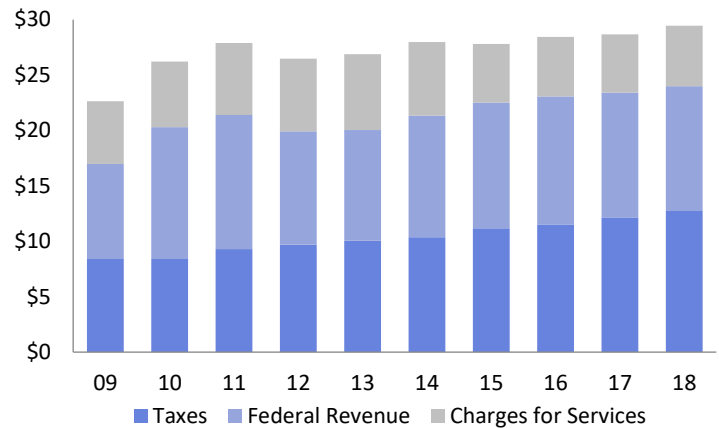
Revenues

Total Revenues

Revenues affected by economic and policy changes determine the capacity of a government to provide services to citizens. Total revenues have increased 30% since 2009 and 3% since 2017.

Total Revenues by Source

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



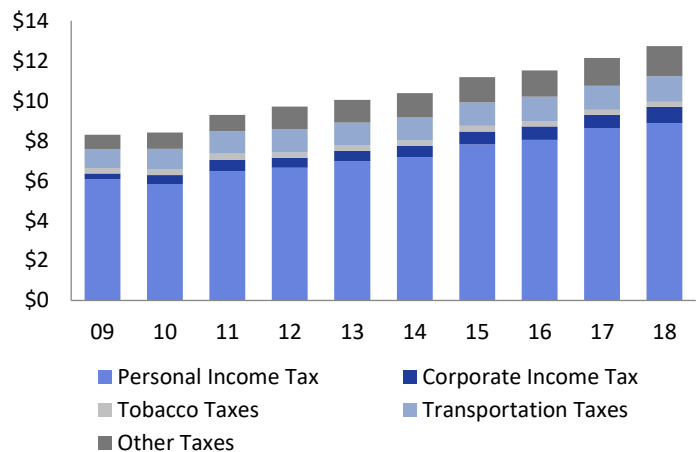
Tax Revenues

In 2017, Oregon ranked 22nd nationally in state taxes collected per capita and sixth in terms of personal income tax collections per capita, which remains Oregon's primary source of tax revenues.

Other Taxes have increased 13% since 2016 related to new marijuana tax revenues and increases in the number of inheritance tax collections. Oregon legalized recreational marijuana use in 2016 and tax collections were \$80 million and \$105 million for 2017 and 2018, respectively. This represents a 31% increase from 2017 to 2018.

Tax Revenues

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

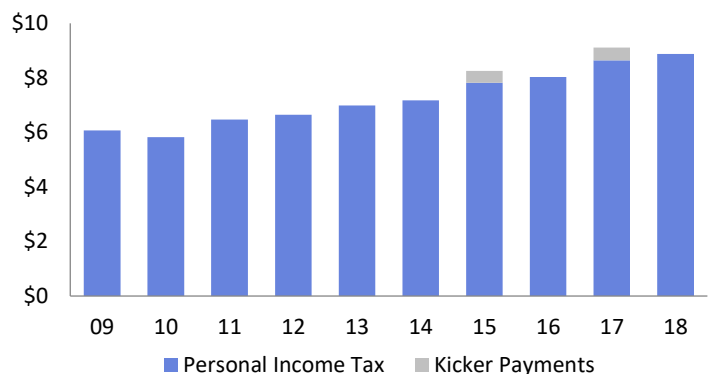


Personal Income Tax Revenues and Kicker

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. This occurred following the 13-15 biennium and the 15-17 biennium when the state refunded \$431 million and \$478 million, respectively. Kickers in these two biennia coincided with several economic occurrences, such as an increase in the Oregon Rainy Day Fund balance and a decline in unemployment compensation expenditures. Chart 3 shows the impact of the refund of the kicker on the personal income tax revenue received by the state.

Personal Income Tax Revenues

Adjusted for inflation (in billions), FY ended June 30
Chart 3



Federal Revenues

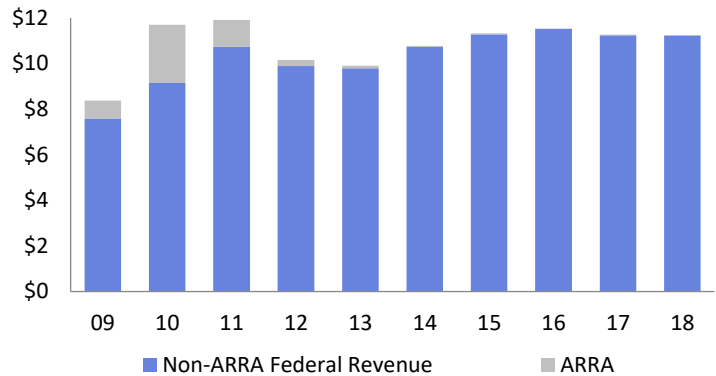
Federal revenues are grants and reimbursements received from the federal government for numerous programs and services provided to eligible recipients, and are often restricted in their use. The state received additional federal funding through the American Recovery and Reinvestment Act (ARRA) totaling \$5.1 billion from 2009 through 2018. The majority of ARRA funding, \$4.8 billion, was received by the end of 2012. Federal revenues increased from 2014 through 2016 because of implementation of the Affordable Care Act (ACA), which allowed for a higher rate of reimbursement from the federal government for an expanded population of Medicaid recipients.

Federal Revenues by Program Area

The state received about \$11.3 billion in federal assistance in fiscal year 2018, remaining steady with the 2017 level of assistance. This represented an increase of 34% since 2009. Traditionally, the largest federal revenue source is the Medicaid program in the human services program area, accounting for approximately \$7.3 billion in 2018. By contrast, Oregon received approximately \$4.5 billion in federal Medicaid revenue in 2009. The increase over the past decade is due to the implementation of the ACA in 2014. Other significant human services programs include the Supplemental Nutrition Assistance Program (formerly known as food stamps) and the Temporary Assistance for Needy Families program.

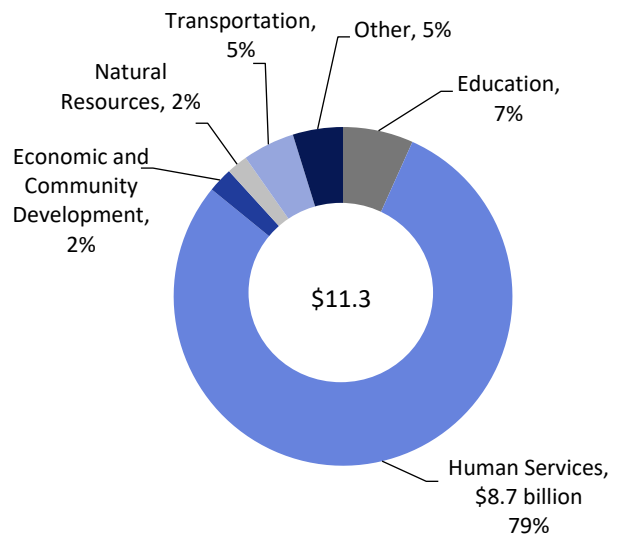
Federal Revenues

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



Fiscal Year 2018 Federal Revenues by Program Area

Chart 5



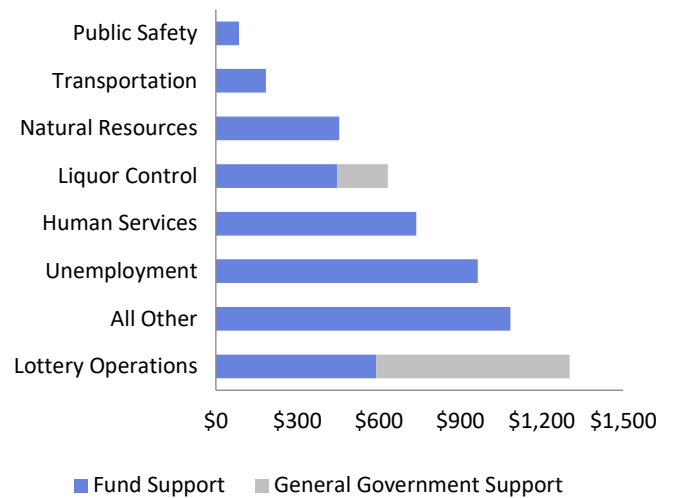
Charges for Services

Charges for services are amounts collected from customers, applicants, employers, and others who use, purchase or directly benefit from services provided. In fiscal year 2018, charges for services totaled \$5.5 billion and represented 18% of total state revenues. When omitting charges related to the university system, which was reported as a state activity until 2015, charges for services increased \$961 million, or 21%, since 2009. Charges for services generally support services of the particular program area, but those of the Liquor Control Commission and Lottery support services of other program areas.

Fiscal Year 2018 Charges for Services

(in millions)

Chart 6



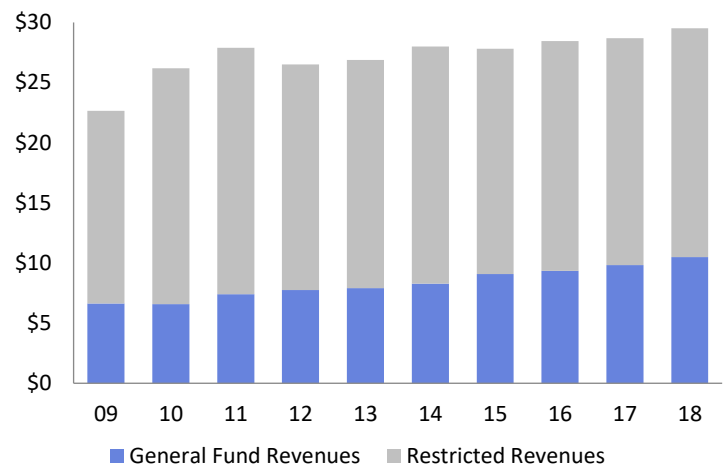
Restricted and Unrestricted Revenues

The Legislature has discretion over spending General Fund revenues. Of the \$29.5 billion in total state revenues in fiscal year 2018, 36% is in the state General Fund with the majority available to fund education, human services, and public safety programs. The remaining revenues are restricted for specific purposes by grant agreement, the Oregon Constitution, or Oregon statutes. About 59% of restricted revenues are federal revenues that can be used only for federal programs. Other significant restricted revenues include motor fuel and other vehicle taxes.

Restricted and Unrestricted Revenues

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

Chart 7



Expenditures

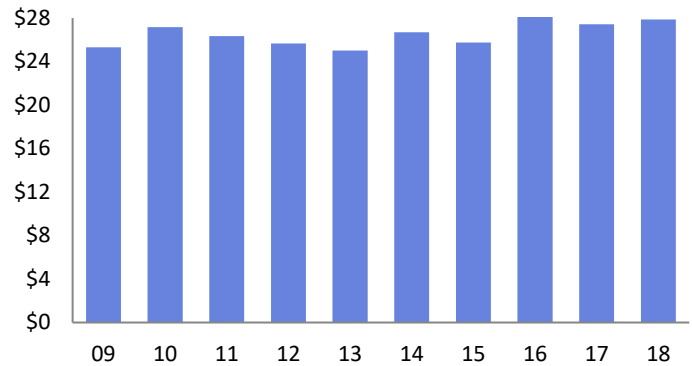
Total Expenditures

Beginning in 2008, the recession caused increased spending for human services and unemployment compensation. The decline following 2010 resulted from unemployment and transportation expenditures decreasing more than the increase in human services expenditures. Increases in human services continued into 2016, partially due to the implementation of the ACA.

In 2018, about 81% of the state's \$27.9 billion in expenditures occurred in four areas: human services, education, public safety, and transportation.

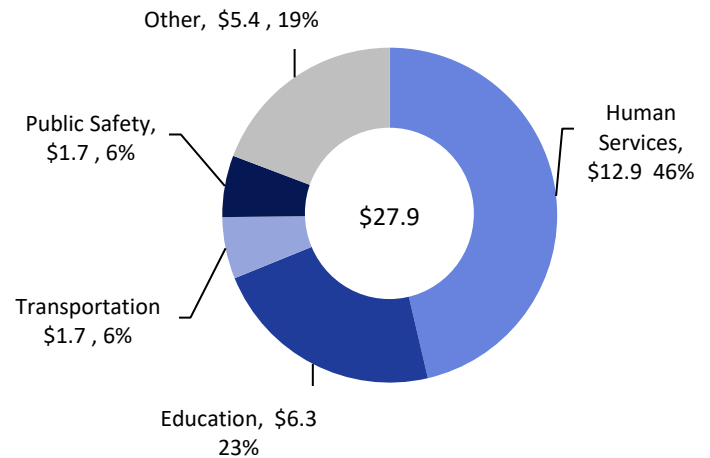
Total State Expenditures

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



Fiscal Year 2018 Total Expenditures by Program

(in billions)
Chart 9

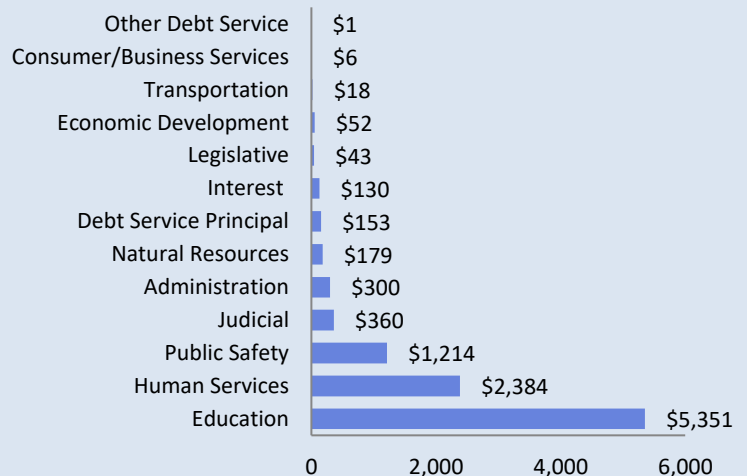


General Fund Expenditures

Of the state's \$27.9 billion in expenditures, \$10.2 billion were General Fund expenditures. The majority of General Fund spending occurred in three areas: education, human services, and public safety. These three programs accounted for 87% to 90% of General Fund expenditures in each of the last ten years.

Fiscal Year 2018 General Fund Expenditures by Program

(in millions)
Chart 10



Human Services

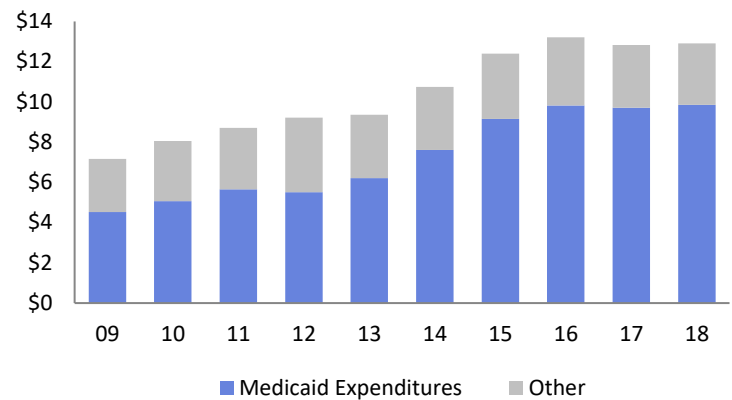
Human services spending has steadily increased in the last 10 years, with spending at \$12.9 billion in fiscal year 2018. Increases in 2015 were due to expanded eligibility for the Medicaid program as part of the ACA.

In 2018, a total of \$9.9 billion was spent for Medicaid. The state share of \$2.6 billion represents 35 cents of every state dollar; substantially more than the 18 cents of every dollar spent in 2009. The Medicaid program compensates health care providers for services for eligible individuals and the state receives federal reimbursement for a portion of eligible Medicaid expenditures.

Human Services Expenditures

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

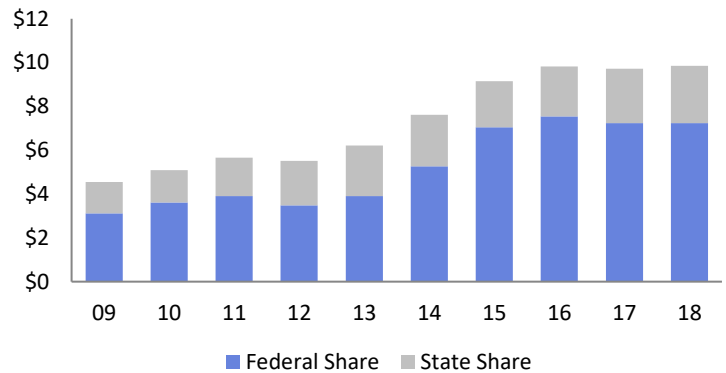
Chart 11



Total Medicaid Spending

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

Chart 12



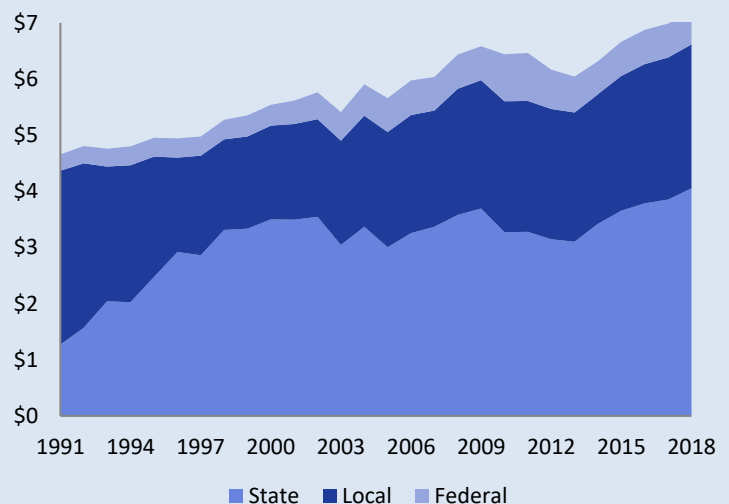
K-12 Education

In 1990, Oregon voters passed ballot Measure 5, which phased in property tax limitations for local governments and shifted a significant portion of the responsibility for school funding to the state. Before the full implementation of Measure 5 in 1995, local funds accounted for more than 50% of K-12 public education funding. Since 1995, local funds have provided between 30% and 38% annually. Total K-12 public education spending increased 9% since 2009 and 3% since 2017. Since 2009, K-12 enrollment increased 3.1% to approximately 581,000 students in 2018.

Education (K-12) Spending by Source 1991-2018

Adjusted for inflation (in billions)

Chart 13



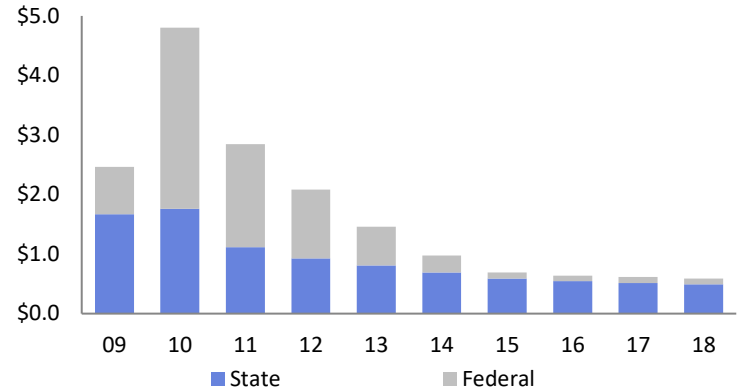
Unemployment Insurance

The Unemployment Insurance program provides payments to eligible individuals who have lost their jobs through no fault of their own. Employers are assessed a payroll tax based on employee earnings, the funds from which are 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. Unemployment expenditures declined 7% since 2016 due to sustained lower unemployment rates. Cash balances have increased an average of 21% per year since 2011.

Unemployment Insurance Expenditures

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

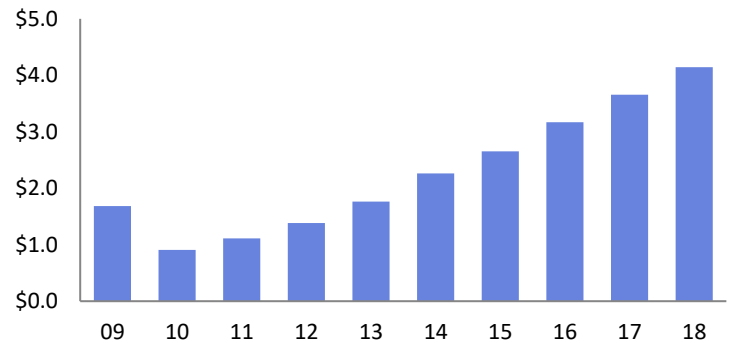
Chart 14



Unemployment Insurance Cash Balance

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

Chart 15



Transportation

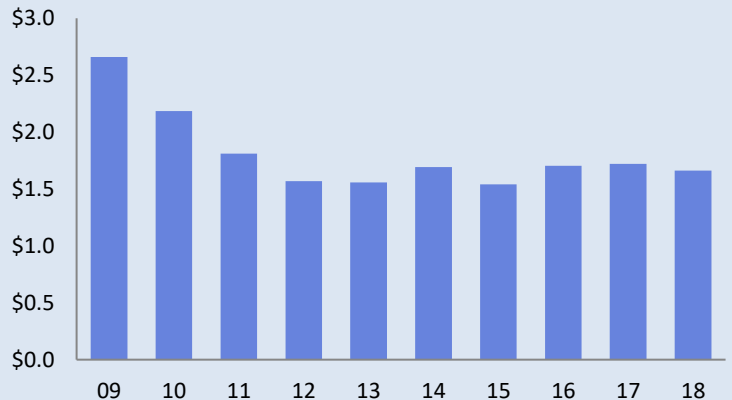
Transportation expenditures consist of costs to maintain, build, and repair Oregon's network of highways, tunnels, and bridges. Transportation revenues are primarily from the State Highway Fund, which includes constitutionally dedicated highway user taxes and vehicle registration taxes, in addition to various federal highway funds.

Expenditures have remained fairly stable since 2012, following the expiration of ARRA funding. In 2018, the Oregon Department of Transportation distributed \$492 million (30% of program expenditures) to cities and counties for general transportation purposes, as required by statutes.

Transportation Expenditures

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

Chart 16

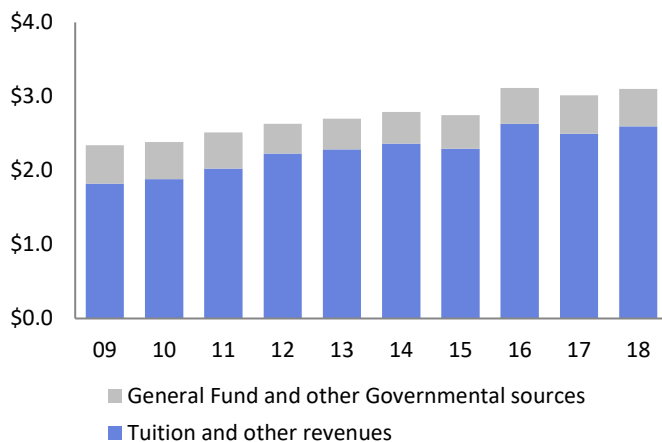


Public Universities

There are seven public universities in Oregon, the largest of which are Oregon State University, Portland State University, and the University of Oregon. University expenditures focus on instruction, research, public service, auxiliary services such as housing and dining, athletics, health services, and academic, student, and institutional support. The majority of university funding is tuition and grants, with additional funding from the state's General Fund, Lottery funds, and other sources. In 2018, the universities received \$465 million from the General Fund and another \$43 million from other governmental sources. Since 2009, university enrollment increased 10% to approximately 101,000 students in 2018.

Universities' Expenditures by Revenue Source

Adjusted for inflation (in billions), FY ended June 30
Chart 17



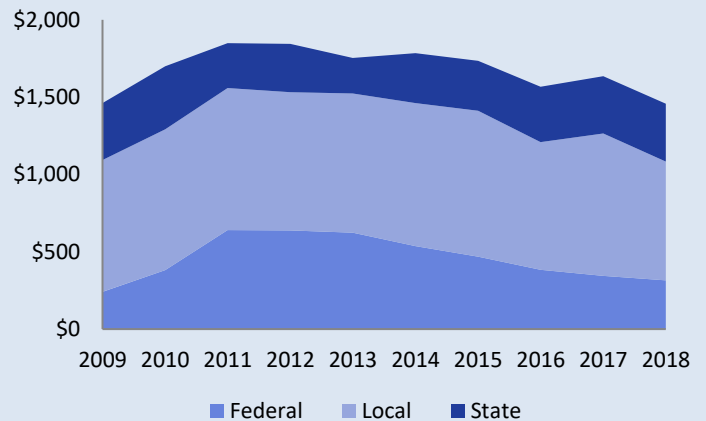
Community Colleges

Oregon has a network of 17 community colleges with independently elected boards. These schools are not part of state government, but received approximately \$374 million in state funding in 2018. Since 2009, community colleges received approximately 53% of funding from local sources, such as tuition and taxes and 27% from federal sources.

Community college enrollment has declined 26% since 2009, due in part to improving economic conditions encouraging people to remain employed instead of seeking education for a career change.

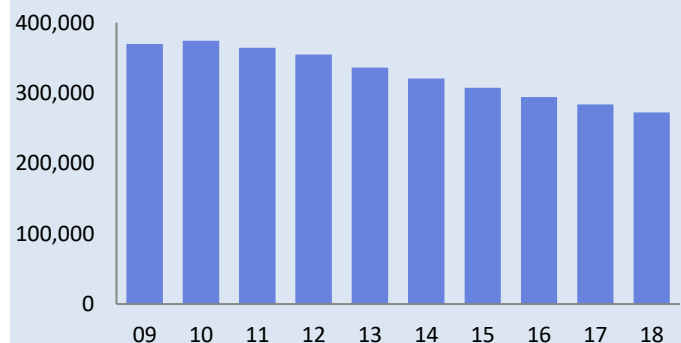
Community College Expenditures by Revenue Source

Adjusted for inflation (in millions), FY ended June 30
Chart 18



Community College Enrollment

Number of Students
Chart 19



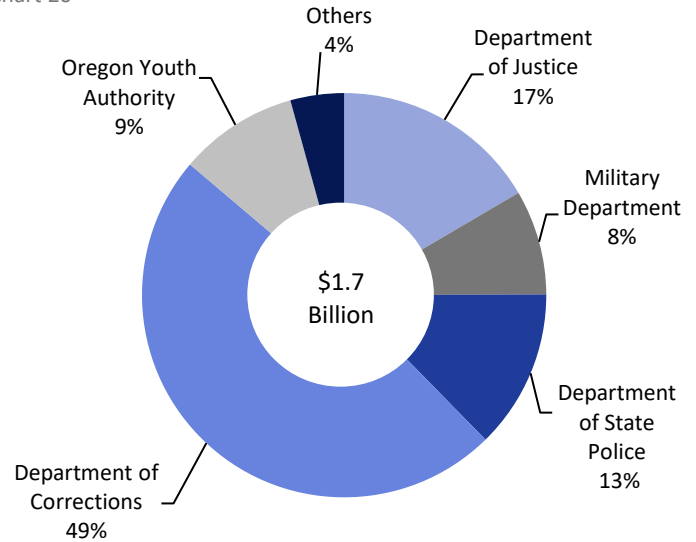
Public Safety

The Public Safety program provides services to protect Oregonians. Nearly half of public safety expenditures were by the Department of Corrections to operate 14 correctional facilities, which house approximately 14,900 adults in custody. The number of adults in custody in Oregon's prisons increased 7% over the past decade and represents 0.35% of the state's 2018 total population.

The increase in expenditures in 2016 is due to the Oregon Supreme Court ruling in *Moro v. State of Oregon*, which reversed a significant portion of reductions and resulted in the recognition of \$373 million in expenses in 2016; expenditures have since remained stable.

Fiscal Year 2018 Public Safety Expenditures by Agency

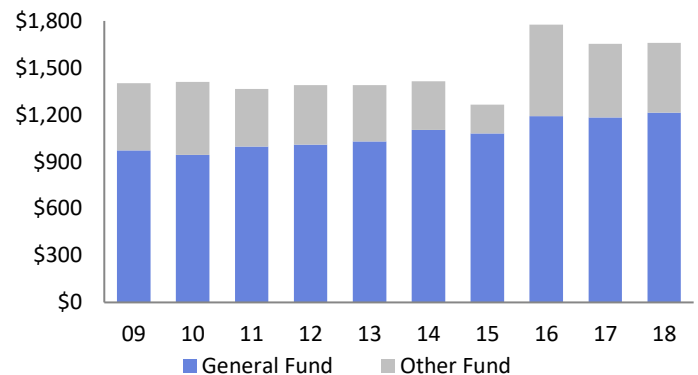
Chart 20



Public Safety Expenditures

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

Chart 21



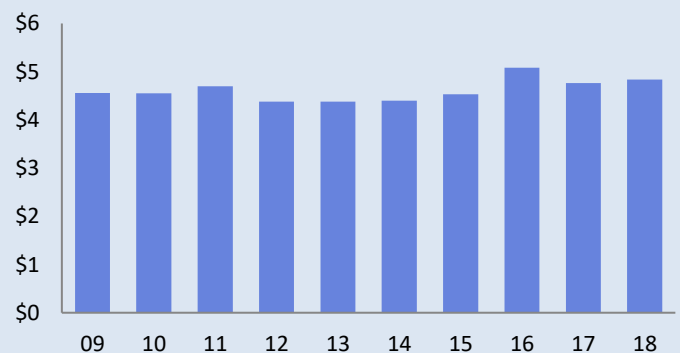
Other

Governmental funds also support the operations of other smaller agencies and programs. Examples include expenditures for operations of the judicial system, economic development, and the preservation and maintenance of natural resources. See the appendix for a detail of expenditures by program area and state agency.

All Other Expenditures

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

Chart 22



Long-Term Debt

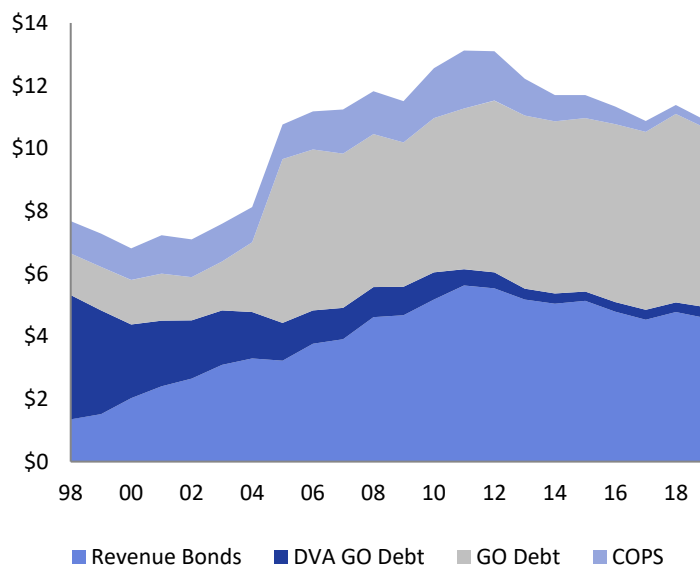
Long-Term Debt Structure

The issuance of long-term debt allows the state to acquire major assets and finance large projects such as buildings, bridges and highways, and prisons. An increase in debt, however, limits the state's ability to react to current economic conditions. When resources are committed to pay fixed amounts for debt service, the ability to maintain service levels becomes more difficult, especially when revenues decline.

The Oregon Constitution and state statutes limit the total amount of debt the state may incur, but individual agencies may issue debt for specific programs pursuant to state law.

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 finance a variety of general government projects. Repayment is secured by a pledge of specific revenues, such as highway projects using highway user taxes as the repayment source. The amount of revenue bonds outstanding as of June 30, 2018, was \$4.6 billion.

General Obligation Bonds finance a variety of general government 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 of general obligation bonds outstanding as of June 30, 2018, was \$5.7 billion, or 10.6% of the maximum allowed.

DVA General Obligation Bonds issued by the Department of Veterans' Affairs (DVA) finance housing loans for qualifying veterans. Veterans' home loan repayments fund the debt service payments for these bonds, but other state funds are available if DVA is unable to repay the bonds. The amount of DVA general obligation bonds outstanding as of June 30, 2018 was \$350 million.

Certificates of Participation are financing agreements used to purchase computer and telecommunications systems and other state facility projects. The amount of certificates of participation outstanding as of June 30, 2018, was \$241 million.

In fiscal year 2018, state agencies took advantage of lower interest rates and issued \$523 million of new debt to refund \$379 million of outstanding debt. These refundings are expected to reduce future debt payments by \$59 million.

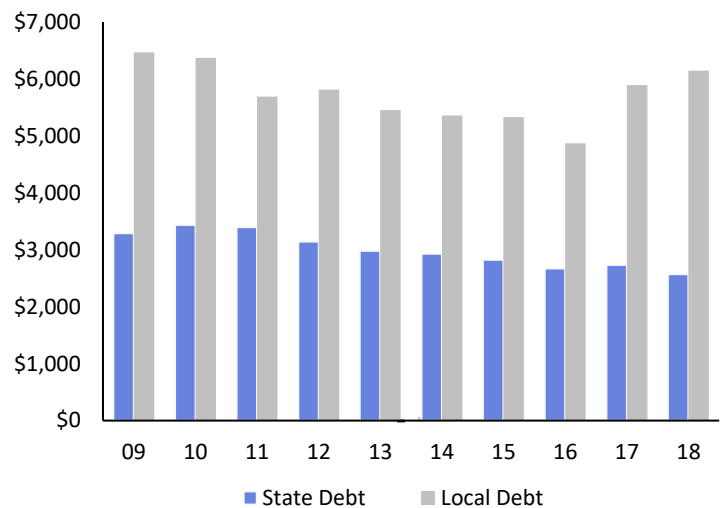
Debt Per Capita

For fiscal year 2018, the state's bonded debt totaled \$10.8 billion, or \$2,570 per Oregonian. The estimated local government outstanding debt totaled \$25.8 billion, or \$6,148 per Oregonian. Both amounts are in addition to outstanding federal government debt of \$19.3 trillion, or \$59,011 per person. The significant increases to estimated local debt outstanding in 2017 and 2018, as shown in Chart 24, are partly caused by additional types of debts, such as outstanding revolving lines of credit, and partly because local governments chose to finance increased investments in infrastructure under the recent favorable economic conditions.

Debt Per Capita

Adjusted for inflation, FY ended June 30

Chart 24



Future Debt Service

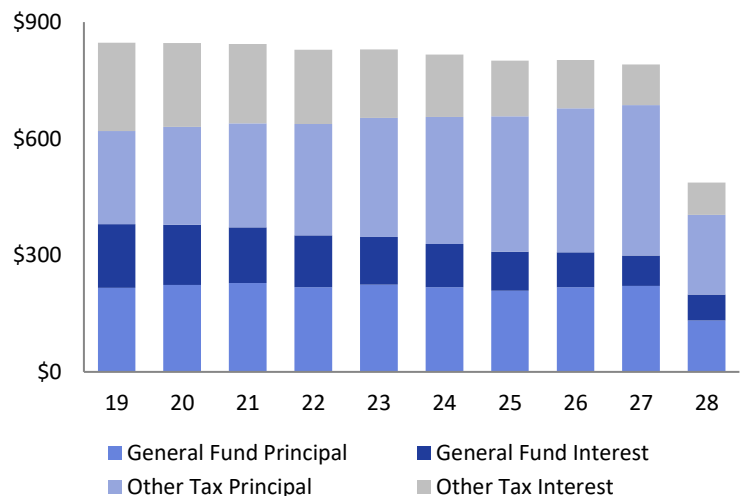
Expected future debt service payments are the amounts to be paid using General Fund monies and other tax revenues. The amounts in this section are not inflation adjusted. Other tax revenues include lottery revenue bond debt and state highway bond debt.

As of June 30, 2018, the outstanding General Fund debt was \$3.4 billion and the outstanding other tax supported debt totaled \$4.8 billion. The State expects to make approximately \$11.7 billion in future debt payments (principal and interest) until the debt is satisfied in 2043, with the majority paid by 2028.

Future Debt Service Payments 2019-2028

(in millions)

Chart 25



Fiscal Health

Governmental Fund Balance

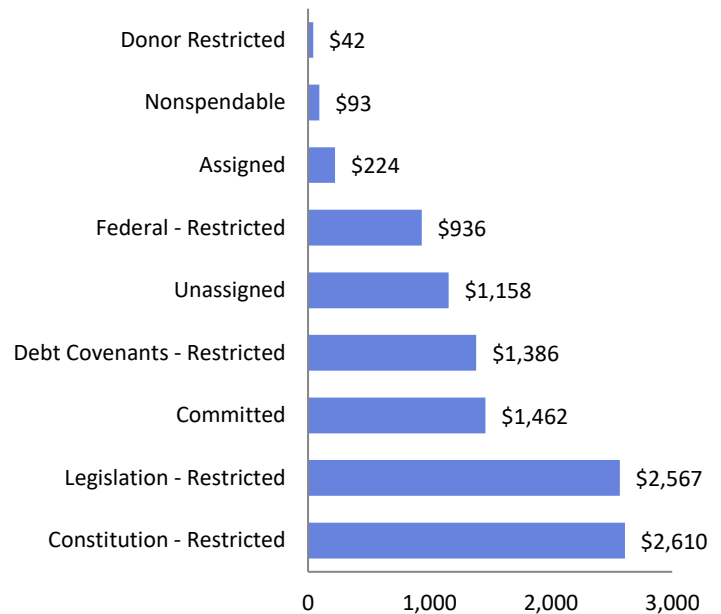
Fund balance is the excess of assets over liabilities. Accounting standards require governments to report fund balance based upon constraints on the use of the resources reported in governmental funds. The five fund balance classifications are: nonspendable, restricted, committed, assigned, and unassigned. In general, nonspendable balances are “not in spendable” form, such as inventories. Restricted fund balances identify constraints imposed by state or federal law, the Oregon Constitution, or external parties such as creditors or grantors. Committed balances are constrained through the legislative process. Assigned balances reflect the state’s intent to use the funds for specific purposes. Unassigned balances are General Fund amounts not otherwise restricted, committed, or assigned.

Governmental Fund Balance

June 30, 2018

(in millions)

Chart 26



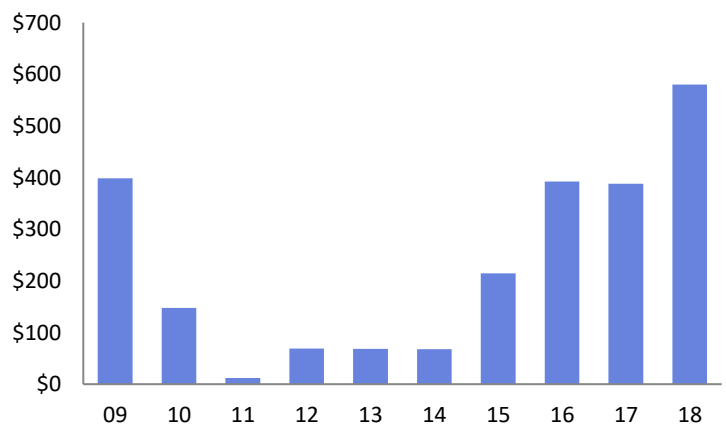
Oregon Rainy Day Fund

The 2007 Legislature established the Oregon Rainy Day Fund and directed the transfer of \$396 million in excess corporate income taxes to this fund. Its purpose is to serve as a resource in times of economic downturns that significantly affect state government. Much of the Rainy Day Fund was used to weather the Great Recession; however, the fund rebounded to pre-recession levels in fiscal year 2016. State law requires General Fund transfers to the Oregon Rainy Day fund when General Fund revenues exceed appropriations. For example, \$179 million was transferred to the Oregon Rainy Day Fund in 2018.

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, administered through the Public Employees Retirement System (PERS). PERS also administers pension plans for local governments, including cities, counties, and school districts. The following 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 PERS FY2018 financial statements are located on the PERS website.¹

The funded ratio is an analysis of resources to pay estimated pension obligations. Generally, a funded ratio of 80% or above is considered healthy. As of December 31, 2017, the state's funded liability was about 80%, resulting in an unfunded PERS liability of about \$4.8 billion. As expressed in the PERS system-wide actuarial valuation for 2017, the funded status declined in recent years due to the combined effects of a court ruling and investment losses. The Oregon Supreme Court ruling in *Moro v. State of Oregon*, issued in April 2015, reversed a significant portion of reductions to future cost of living adjustments passed by the 2013 Oregon Legislature. The reversal increased projected benefits compared to those developed prior to the Moro decision, thereby increasing plan liabilities, and lowering the funded ratio.

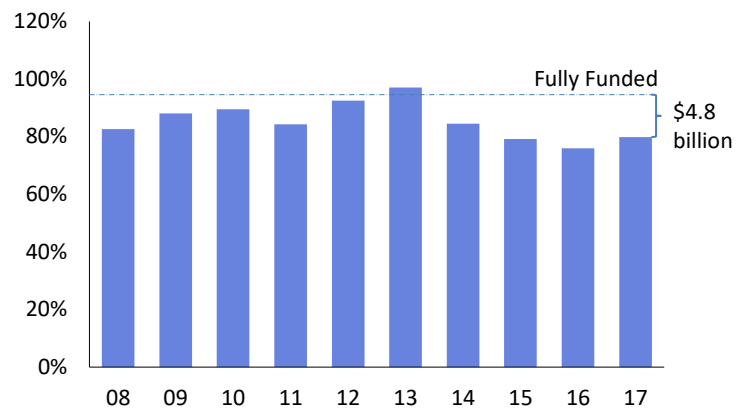
To pay for pension benefits, agencies make required contributions based on a percentage of employee payroll. The required contribution includes a PERS employee rate, a member contribution rate, and a rate for pension bond costs. The PERS Board sets the employer rate every two years, changing July 1 of every odd-numbered year. In 2004, the state issued \$2 billion (not inflation adjusted) in pension obligation bonds to reduce the state's pension liability. The pension bond rate covers the payments on these bonds.

The state paid \$1.4 billion in retiree benefit payments in 2017 to 55,738 retirees. About 73% of the monthly payments were for \$3,000 (not inflation adjusted) or less. The average monthly state service payment was \$2,226 (not inflation adjusted) in 2017.

Funded Ratio: State Agencies

Calendar Year ended Dec 31

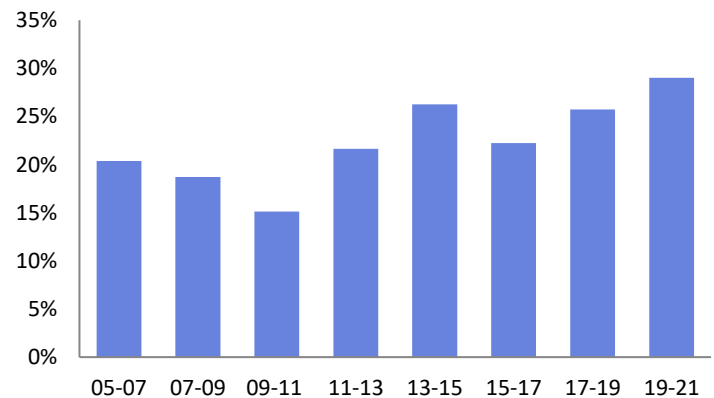
Chart 28



State Agency Retirement Contribution Rates

Percentage of payroll, Biennia ended June 30

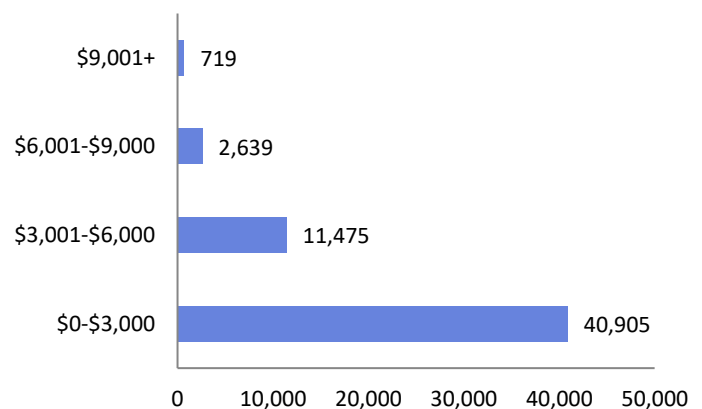
Chart 29



State Service Retirement Monthly Payment

In thousands, Month ended December 31, 2017

Chart 30



¹ <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

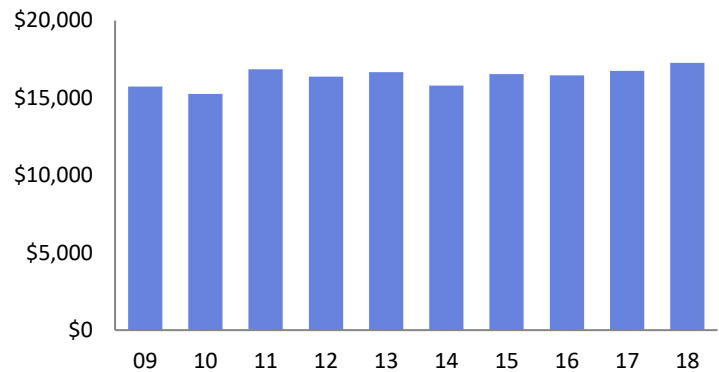
Employee Health Care Costs

There has been significant attention on rising health care costs in recent years. Beginning in January 2012, state employees began contributing a portion of their salary to their health insurance premiums, slowing the increase of costs to the state. From 2009 to 2011, the average annual increase in employee healthcare costs was 3.5%. By comparison, from 2012 to 2018, the average annual increase in employee healthcare costs was only 0.9%. In 2018 the state paid, on average, \$17,523 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. These provisions primarily support specific activities or assist specific groups of taxpayers. Thus, tax expenditures often accomplish the same goals as direct spending programs at the cost of reduced tax revenues.

The Legislature, as the law-making and budget-setting branch of state government, decides how to balance tax expenditures with other policies. While the Legislature can define most tax expenditures, some are beyond their ability to change due to pre-existing laws and regulations. For example, Article IX, Section 9, of the Oregon Constitution prohibits the taxation of social security benefits. Many other tax expenditures are the result of the Legislature's desire for Oregon's income tax laws to align with federal income tax laws.

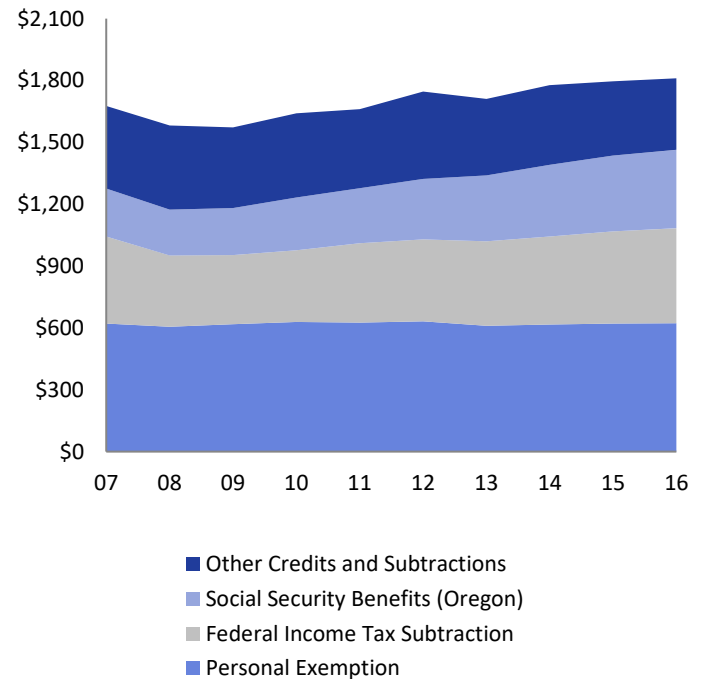
The governor issues a report outlining the estimated tax expenditures for the upcoming biennium pursuant to Oregon's 1995 Budget Accountability Act. This Tax Expenditure Report helps legislators and citizens to understand the nature and estimated fiscal impact of tax expenditures. The complete tax expenditures report is available on the Department of Revenue website.

Selected Oregon Income Tax Expenditures

Tax Years 2007-2016

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

Chart 32



Demographics

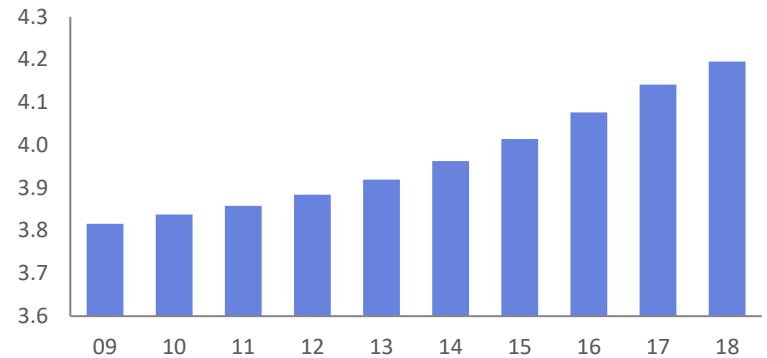
Population

Oregon has an estimated population of 4,195,300 as of July 1, 2018. The state's population has grown 11% since July 1, 2009.

Oregon Population

(in millions), July 1

Chart 33



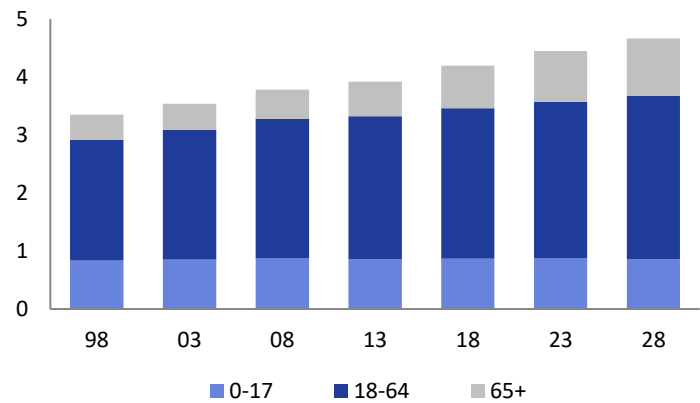
Age Structure

Oregon's population is aging. The eldest members of the baby boom generation are eligible for Social Security benefits and many are retired, which also means greater demand for health care services. The expected average annual growth rate of the population over age 65 is 3.1% over the next decade. By 2028, roughly one in every five Oregonians will be over 65.

Age Structure (1998-2028)

(in millions), July 1

Chart 34



Poverty

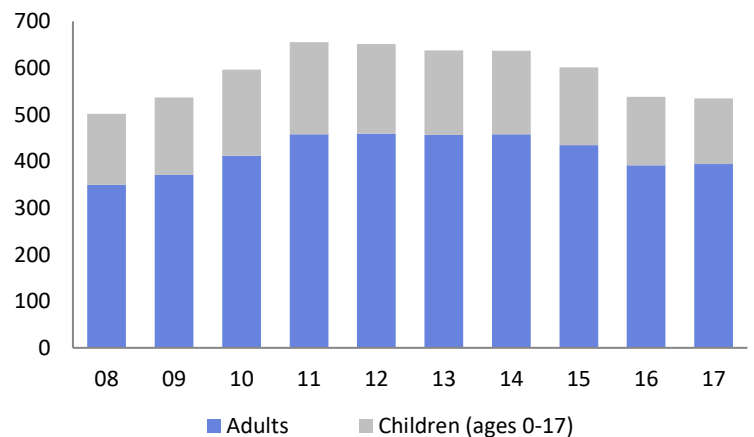
The poverty line is the minimum level of income necessary to achieve an adequate standard of living. For example, in calendar year 2017, a family of four with a gross annual income of less than \$24,600 (not inflation adjusted) would be considered living in poverty. People living in poverty drive demand for many state services such as health care, unemployment, and public assistance.

The population living in poverty has decreased since the recession. For calendar year 2017, Washington County had the lowest poverty rate in the state at 8.0% and Malheur County had the highest at 22.2%.

Number of Persons in Poverty 2008-2017

(in thousands), December

Chart 35



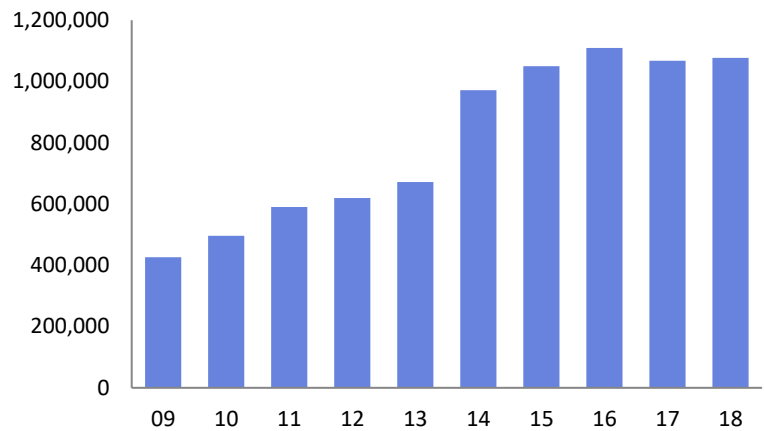
Oregon Health Plan

The Oregon Health Plan is a public/private partnership that provides access to basic health care for Oregonians. Medicaid, the single largest state program, is the primary component of the plan. The sharp increase in 2014 was the result of changes to eligibility requirements due to the implementation of the ACA. In 2018, 26% of Oregon's population was eligible for the Oregon Health Plan; this is an increase of over 150% since 2009.

Oregon Health Plan Clients

Fiscal Year ended June 30

Chart 36



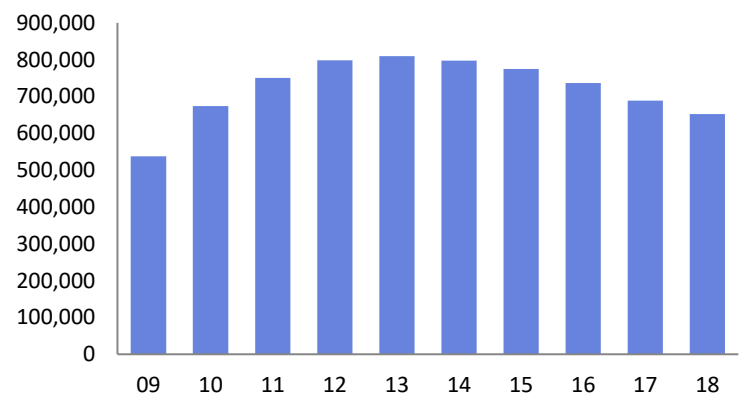
Supplemental Nutrition Assistance Program (SNAP)

In 2018, 16% of Oregonians participated in SNAP, formerly known as food stamps, relying partly on government assistance to eat. In recent years, Oregon typically ranked in the top five states in terms of SNAP participants per capita. Increases through 2013 are due to the Great Recession; however, an improved economy has not equated to a reduction of SNAP participants to pre-recession levels. While SNAP participants have declined since 2016, the reduction is only 12%.

Supplemental Nutrition Assistance Program

Number of Individuals, Month ended July 31

Chart 37



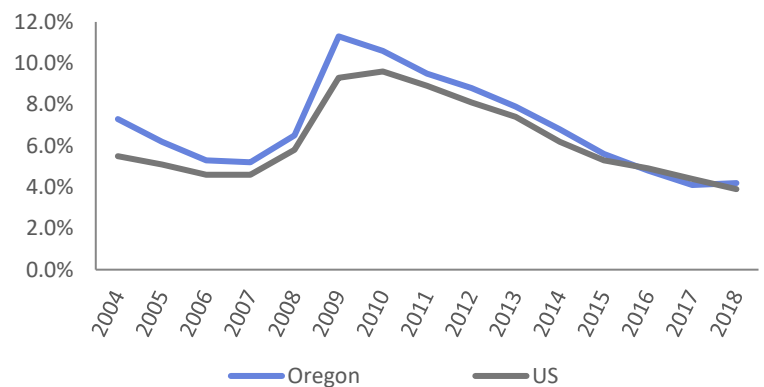
Percent Unemployed

The unemployment rate measures those without employment actively seeking employment. Oregon ranks 41st nationally. Within Oregon, Benton and Hood River counties have the lowest unemployment rates at 3.3% and 3.5%, respectively, while Klamath and Grant counties have the highest rates of 6.6% and 7.4%, respectively.

Percent Unemployed

Seasonally Adjusted, Calendar Year ended December 31

Chart 38



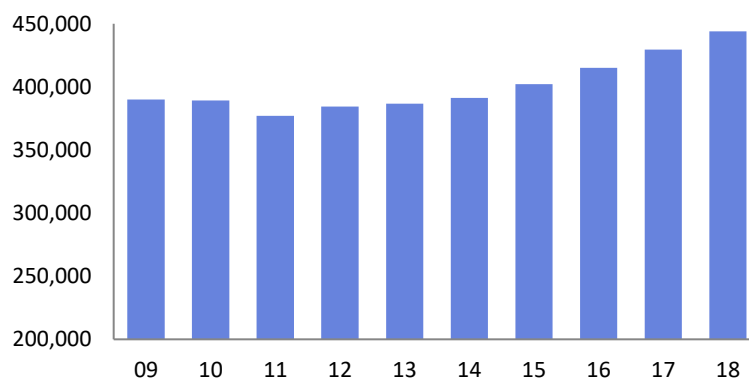
Oregon Businesses

One measure of economic strength is the number of businesses in the state. Businesses provide goods and services for consumers and provide jobs and benefits for employees. The number of Oregon businesses increased 14% since 2009, despite declines due to the Great Recession.

Number of Businesses Registered in Oregon

Fiscal Year ended June 30

Chart 39



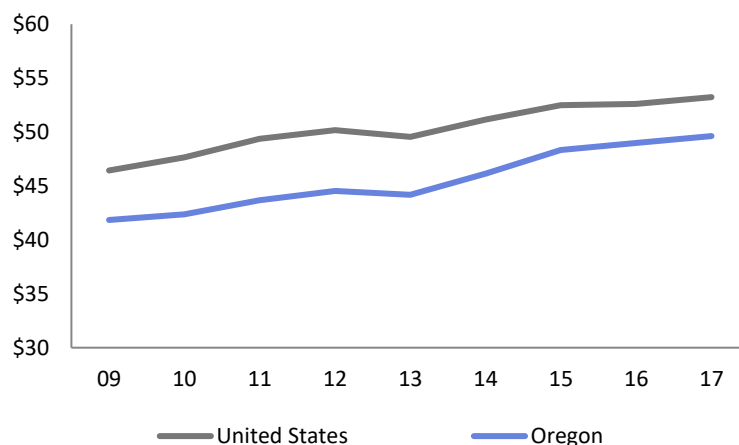
Per Capita Personal Income

Oregon's per capita personal income (PCPI) followed national trends in recent years, but remains significantly below the national average. In 2017, Oregon's PCPI was 93% of the national average at \$49,625 annually, making Oregon 25th among states. The gap has steadily improved since 2011 when Oregon's PCPI was 88.4% of the national average. A recent report issued by the Oregon Employment Department cited lower industry wages and a fast-growing population as key contributors to the PCPI gap.

Per Capita Personal Income

Adjusted for inflation (in thousands), Calendar year basis

Chart 40



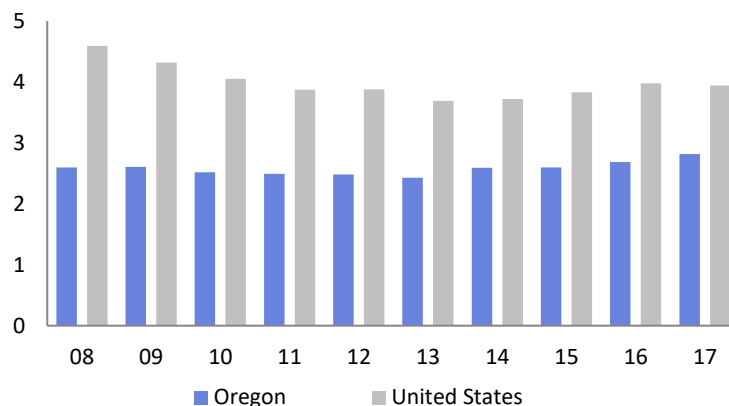
Violent Crime Rate

Oregon's crime rate relates to public safety expenditures, such as prisons and state police. The Federal Bureau of Investigation's (FBI) Uniform Crime Reporting Program defines violent crimes as those offenses involving force or threat of force. Violent crime is composed of four offenses: murder, rape, robbery, and aggravated assault. Oregon has historically had a lower violent crime rate than the nation as a whole, ranking 36th in 2017.

Violent Crime Rate

Crimes per 1,000 residents, Calendar year basis

Chart 41



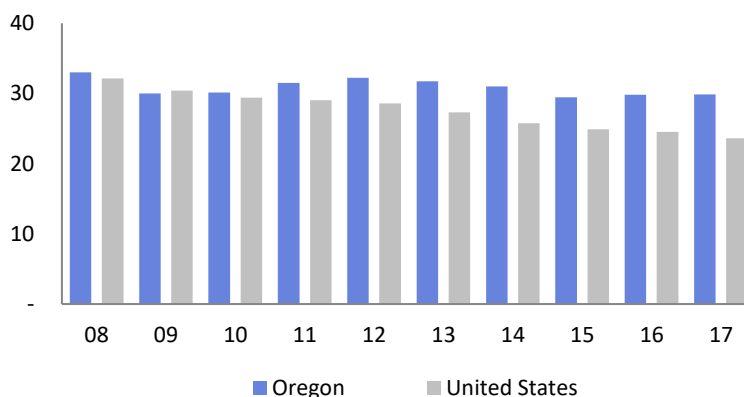
Property Crime Rate

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 offense is the taking of money or property, but there is no force or threat of force against the victims. Historically, Oregon has had a higher property crime rate than the nation as a whole, ranking seventh in 2017, up from 11th in 2015.

Property Crime Rate

Crimes per 1,000 residents, Calendar Year ended December

Chart 42



Objective, Scope, Methodology

The objective of this report is to provide information for the evaluation of the financial condition of the State of Oregon by decision makers, the Oregon Legislature, and the citizens of Oregon. To complete our objective, we used select measurements from the Financial Trend Monitoring System developed by the International City and County Management Association.

The data in the report generally covers a 10-year period from fiscal year 2009 through 2018. Unless otherwise indicated, data is on a fiscal year basis (e.g., fiscal year 2018 represents July 1, 2017, through June 30, 2018). We express financial data in constant dollars to account for inflation by adjusting dollar amounts from each prior year to equal the purchasing power of money on June 30, 2018. We used the Consumer Price Index for the West region, as reported by the Bureau of Labor Statistics, US Department of Labor.

We reviewed information for reasonableness and consistency. However, we did not audit the accuracy of the source documents or the reliability of the data in computer-based systems. Our review is not to give absolute assurance that all information is free from error. Rather, our intent was to provide reasonable assurance the reported information presents a fair picture of the state's financial condition. In addition, while the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. Explanations would require more analysis.

This report is for informational purposes and does not constitute an audit performed in accordance with generally accepted government auditing standards.

The courtesies and cooperation extended by state agencies during the course of this engagement were commendable and sincerely appreciated.

Data Sources

Nearly all financial information is from the State of Oregon's Comprehensive Annual Financial Reports. Additional information, such as environmental indicators, is from state and federal agencies and may present different time periods because it is only available on a calendar year basis. Some information useful to readers extends beyond the 10 fiscal years covered in the report. Resources used include the following:

- Oregon Criminal Justice Commission
- Oregon Department of Education
- Oregon Department of Justice
- Oregon Department of Human Services
- Oregon Health Authority
- Oregon Higher Education Coordinating Commission
- Oregon Employment Department
- Oregon Department of Revenue
- Oregon Office of Economic Analysis
- Oregon Public Employees' Retirement System
- Oregon Secretary of State Corporations Division
- Oregon State Treasury
- 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 State Federal Trade Commission
- State of Oregon Comprehensive Annual Financial Reports
- State of Oregon Schedule of Expenditures of Federal Awards

Appendix: Oregon Expenditures by Program Area and State Agency

not adjusted for inflation

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Chief Education Office	-	-	-	-	-	2,381,231	18,123,218	3,585,915	4,160,245	1,913,201
Higher Education	-	-	-	-	-	1,620,737	3,420,841	1,057,704,449	1,095,955,804	1,241,856,431
Oregon Student Access	76,239,561	84,549,850	21,450,546	50,383,523	62,928,227	65,597,267	67,942,412	(369,191)	-	-
Department of Education	3,910,420,544	3,799,884,166	3,684,207,454	3,708,816,167	3,619,194,996	4,077,959,368	4,388,400,994	4,571,698,837	4,722,392,027	5,148,109,407
Teacher Standards & Community Colleges & Workforce Development	2,613,356	2,652,347	2,662,584	2,640,800	2,267,216	2,377,376	2,582,331	3,177,438	3,417,280	3,317,914
Oregon University System	331,272,644	447,941,715	307,025,177	355,991,743	202,992,798	349,729,652	261,269,192	15,265,331	-	-
Education Total	6,300,989,104	6,365,510,078	6,196,190,761	6,444,801,234	6,328,464,238	7,066,149,631	5,076,681,987	5,651,062,779	5,825,925,356	6,368,196,953
Department of Human Services ¹	6,290,514,137	7,237,331,751	7,843,270,249	4,133,108,249	4,221,991,892	4,424,369,756	4,699,810,770	4,966,442,591	5,098,817,160	5,217,100,155
Long Term Care Ombudsman	1,413,524	1,476,750	1,325,130	1,074,342	1,149,697	1,488,455	1,695,144	2,586,841	3,120,550	3,066,948
Psychiatric Security Review Board	539,377	543,124	761,373	912,323	1,050,010	1,076,936	1,119,413	1,230,104	1,475,477	1,339,570
Oregon Health Authority ¹	-	-	-	4,536,689,010	5,349,648,204	6,655,470,892	8,218,683,330	8,715,629,335	8,696,037,875	9,058,159,448
Commission for the Blind	7,495,762	7,179,951	7,688,565	7,333,942	7,662,147	8,031,352	8,006,035	8,508,364	10,557,455	10,579,162
State Commission on Children & Families	45,953,124	27,322,249	36,583,999	27,744,409	(590,610)	-	-	-	-	-
Office of Private Health Partnerships ¹	24,644,736	25,678,883	41,570,965	-	50	-	-	-	-	-
Human Services Total	6,370,560,661	7,299,532,708	7,931,200,282	8,706,862,275	9,580,911,390	11,090,437,391	12,929,314,691	13,694,397,236	13,810,008,518	14,290,245,284
Department of Justice	119,110,915	122,995,597	125,646,144	122,991,895	202,041,579	215,331,259	222,477,424	282,236,828	275,772,782	290,703,768
District Attorneys and their Deputies	5,319,728	5,186,956	5,223,293	5,232,585	5,321,950	5,293,070	5,623,530	5,959,513	6,032,223	6,385,608
Oregon Criminal Justice Commission	3,299,729	8,134,454	7,930,924	10,275,997	10,979,968	23,510,631	8,491,938	28,387,534	30,702,716	35,376,176
Military Department	202,849,431	193,896,107	191,297,547	202,724,251	163,691,125	140,344,795	128,023,076	115,047,885	159,643,769	147,333,804
State Board of Parole and Post-Prison Supervision	1,780,797	1,966,438	1,785,098	1,797,905	1,736,730	2,004,623	2,113,098	2,780,013	3,776,537	4,033,0326
Department of State Police	161,980,552	168,314,143	156,368,108	155,562,285	160,413,772	167,558,374	174,961,634	198,975,385	198,363,099	223,662,527
Department of Public Safety Standards	24,612,379	19,111,514	22,611,882	46,758,337	22,515,445	18,786,119	21,431,558	25,878,985	26,012,586	29,487,479
Training	683,949,454	824,544,803	795,294,247	906,931,987	692,132,552	747,886,443	749,221,836	800,121,631	815,786,500	868,701,995
Department of Corrections	150,980,164	154,826,460	148,344,698	148,093,573	145,394,100	150,265,560	152,077,639	158,553,166	163,195,741	167,170,831
Oregon Youth Authority	150,980,164	154,826,460	148,344,698	148,093,573	145,394,100	150,265,560	152,077,639	158,553,166	163,195,741	167,170,831
Public Safety Total	1,353,883,150	1,498,976,473	1,454,501,941	1,600,368,814	1,404,227,220	1,470,980,875	1,464,421,732	1,617,940,940	1,679,285,952	1,772,885,514
Business Oregon	105,033,730	117,368,686	132,896,239	171,500,567	79,237,750	90,519,961	95,951,211	99,304,806	121,316,618	162,520,148
Oregon Department of Veterans' Affairs	43,011,096	34,931,542	33,855,880	33,867,367	39,580,880	40,374,181	49,014,487	64,657,724	72,087,935	81,071,848
Employment Department	1,975,687,117	3,255,158,385	2,531,998,677	1,950,595,759	1,449,080,620	973,798,408	708,225,743	678,274,757	674,229,641	671,733,993

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Housing & Community Services Department	275,394,505	302,593,432	307,210,136	268,252,533	264,503,212	222,652,456	219,451,998	239,362,052	245,554,059	251,922,890
Oregon State Lottery	545,429,540	522,519,925	517,269,921	540,089,847	499,364,470	500,963,009	526,946,242	600,010,390	589,576,034	616,000,884
Economic and Community Development Total	2,944,555,988	4,232,571,970	3,523,230,853	2,964,306,072	2,331,766,932	1,828,308,015	1,599,589,682	1,681,609,729	1,702,764,286	1,783,249,763
Department of State Lands	27,616,105	18,923,124	22,656,341	19,891,410	20,274,903	23,418,078	24,917,287	25,240,500	25,426,006	36,303,711
Oregon State Marine Board	19,994,223	13,353,089	14,729,742	12,215,128	15,683,158	12,393,581	16,922,197	13,675,010	16,636,629	14,397,289
Oregon Department of Energy	30,642,444	32,089,454	49,585,863	58,004,870	32,616,650	23,766,536	26,564,385	21,659,299	22,492,997	19,755,665
Department of Environmental Quality	98,910,131	91,347,201	104,995,742	91,359,218	85,409,562	86,495,836	95,341,695	95,551,769	103,691,408	100,488,525
Columbia River Gorge Commission	500,481	422,161	394,990	391,139	387,700	427,472	461,579	446,512	469,251	476,319
Oregon Department of Agriculture	40,239,166	37,693,454	39,739,662	40,410,477	42,091,796	43,573,717	45,500,571	49,204,836	51,121,561	53,545,935
Oregon Forest Resources Institute	2,906,067	2,535,464	2,834,631	3,346,177	3,649,448	3,734,086	3,870,971	4,172,094	4,206,238	4,101,673
Department of Forestry	126,730,957	127,517,710	104,125,459	116,589,373	121,659,570	185,743,692	181,081,293	193,026,253	158,702,725	190,553,019
Department of Geology & Mineral Industry	7,490,783	6,991,406	7,596,218	6,933,788	8,422,781	6,458,609	9,635,344	9,045,406	6,833,962	7,746,413
Parks and Recreation Department	104,400,675	83,321,658	97,930,477	87,890,615	87,334,264	87,493,442	93,098,026	83,240,184	98,855,445	94,633,462
Oregon Department of Fish & Wildlife	123,509,384	121,418,055	135,901,795	138,604,711	153,027,578	142,964,483	147,208,816	145,873,040	156,386,687	161,142,114
Department of Land Conservation & Development	12,995,804	11,485,388	10,449,030	7,874,648	9,212,411	8,020,075	9,981,742	8,317,511	9,565,295	7,821,949
Land Use Board of Appeals	778,870	766,091	703,137	690,689	709,325	792,281	856,298	915,082	931,726	1,000,834
Water Resources Department	16,964,105	14,384,518	15,174,806	14,396,534	15,450,496	16,215,802	19,043,178	20,412,688	23,143,073	28,635,769
Oregon Watershed Enhancement Board	46,263,262	36,408,597	46,699,818	46,785,707	44,913,141	38,267,939	35,381,892	41,141,201	45,038,690	43,451,462
Natural Resources Total	659,942,458	598,657,371	653,517,711	645,384,485	640,842,786	679,765,629	709,865,273	711,921,386	723,201,692	764,144,142
Department of Aviation	7,736,632	4,856,373	2,466,950	5,648,333	4,175,686	5,276,643	5,120,346	5,837,991	6,512,078	8,637,979
Department of Transportation	1,612,345,290	1,801,472,197	1,908,440,864	1,743,491,104	1,190,088,347	1,336,185,306	1,197,282,929	1,238,945,548	1,1352,053,784	1,304,315,606
Transportation Total	1,620,081,922	1,806,328,570	1,910,907,814	1,749,139,437	1,194,264,033	1,341,461,949	1,202,403,275	1,244,783,538	1,358,565,863	1,312,953,585
Board of Licensed Professional Counselors & Therapists	337,518	440,316	462,810	430,163	448,992	472,603	516,102	644,654	674,297	-
Mental Health Regulatory Agency ³	-	-	-	-	-	-	-	-	-	1,428,007
State Board of Tax Practitioners	511,056	556,705	464,492	519,107	517,592	546,236	533,631	602,976	512,956	529,286
State Board of Accountancy	907,357	733,681	821,993	865,435	957,171	1,144,836	1,168,638	1,114,850	1,159,860	1,151,440
State Board of Psychologists Examiners	559,624	406,524	476,709	503,970	441,527	516,955	531,006	648,667	613,558	-

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
State Board of Licensed Social Workers	433,198	462,100	551,838	614,105	612,753	597,191	658,345	692,594	718,439	780,627
Department of Consumer & Business Services ¹	378,230,103	353,004,955	364,591,113	188,117,644	174,475,825	200,571,691	190,112,140	207,538,583	210,546,721	1,95,324,259
State Board of Chiropractic Examiners	528,066	589,417	629,612	657,001	703,788	751,760	705,714	795,478	877,769	1,052,246
Oregon Health Licensing Agency	3,074,338	3,176,962	3,280,510	3,397,162	3,570,090	3,618,705	(106,215)	-	-	-
Health Related Licensing Boards	1,755,864	1,650,681	1,890,681	1,769,474	1,866,121	2,166,492	2,247,289	2,340,031	2,562,587	3,010,120
Board of Dentistry	965,034	939,290	1,225,404	1,126,320	1,184,548	1,313,857	1,346,039	1,380,272	1,469,712	1,478,009
Bureau of Labor and Industries	10,681,148	9,804,852	11,290,562	11,247,955	10,665,227	10,930,377	11,994,990	11,701,520	12,809,502	12,588,195
Oregon Medical Board	4,628,859	4,738,614	4,653,029	4,582,325	4,441,598	4,933,583	4,798,897	5,173,655	5,104,893	5,523,524
Board of Nursing	5,312,679	5,674,094	6,509,687	6,227,809	6,165,589	6,583,483	6,947,295	7,513,440	7,880,622	8,086,215
State Board of Pharmacy	2,288,742	2,318,489	2,147,593	2,350,699	2,338,381	2,570,414	3,052,531	3,055,459	3,261,800	3,445,004
Public Utility Commission	60,312,007	61,182,417	60,955,307	55,153,900	57,831,170	60,108,856	59,702,358	55,206,255	51,268,803	51,850,963
Construction Contractors Board	7,467,110	7,355,925	6,424,797	6,496,701	6,144,190	6,612,310	6,347,075	6,426,351	6,791,268	6,379,967
Real Estate Agency	3,263,943	3,486,563	3,265,888	3,249,677	3,022,426	3,176,033	3,544,553	3,312,991	3,529,201	3,777,699
Consumer and Business Services Total	481,256,647	456,521,583	469,642,026	287,309,446	275,386,986	306,615,380	294,100,389	308,147,775	310,141,988	294,977,554
Legislative Counsel Committee	5,383,853	4,999,018	5,392,384	4,642,923	5,608,148	4,800,477	6,086,962	5,558,239	6,148,870	5,956,105
Legislative Policy & Research Committee	-	-	-	-	-	-	-	-	-	3,973,176
Legislative Revenue Officer	952,415	1,005,089	973,183	948,642	1,036,073	1,156,757	1,437,078	1,397,672	1,363,473	1,306,424
Legislative Fiscal Officer	3,089,540	2,821,886	2,851,198	2,699,150	2,827,124	2,961,250	3,385,923	3,504,400	3,752,938	4,011,468
Legislative Assembly	18,393,931	13,841,844	16,941,840	15,391,896	18,233,134	17,170,132	19,110,903	17,852,634	21,141,424	18,826,856
Legislative Administration Committee	29,551,126	14,537,636	15,320,219	14,404,812	15,569,616	16,886,034	18,038,811	10,703,439	17,735,986	19,255,727
Commission on Indian Services	188,315	187,420	183,549	185,483	195,061	180,231	215,249	223,927	199,487	308,415
Legislative Total	57,559,180	37,392,893	41,662,373	38,272,906	43,469,156	43,154,881	48,274,926	39,240,311	50,342,178	53,638,171
Commission on Judicial Fitness	4,217,630	2,930,209	76,997	80,428	86,529	88,764	112,538	276,561	134,406	144,111
Judicial Department	184,402,879	177,226,527	185,913,248	208,869,245	187,487,935	204,704,938	228,398,956	257,007,848	258,901,373	282,203,379
Office of Public Defense Services	108,461,973	110,176,823	113,328,263	118,743,887	110,898,614	130,667,820	128,782,935	141,893,541	145,587,215	154,862,235
Judicial	297,082,482	290,333,559	299,318,508	327,693,560	298,473,078	335,461,522	357,294,429	399,177,950	404,622,994	437,209,725
Department of Employment Relations Board	307,613,190	419,876,884	334,648,462	390,189,235	465,050,114	491,832,768	800,847,779	1,282,744,192	826,415,875	606,897,501
Office of the Governor	1,732,448	1,535,816	1,557,557	1,753,917	1,881,769	1,966,345	1,976,809	2,115,962	2,143,976	2,292,253
	7,382,396	8,670,649	7,112,055	7,558,892	36,077,912	8,781,121	8,983,611	8,722,991	8,685,488	12,630,231

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Oregon Advocacy Commissions Office	200,590	176,859	207,782	178,839	194,829	189,595	240,838	297,155	331,495	304,105
Department of Revenue	83,127,090	82,110,386	83,214,871	84,986,667	85,204,683	91,363,171	110,707,689	100,851,923	141,149,361	139,131,572
Secretary of State	20,320,912	19,548,229	30,939,439	20,359,809	24,764,359	26,387,812	30,007,598	33,317,980	33,419,538	36,340,657
Oregon State Treasury	1,697,194	1,607,614	2,313,781	1,910,113	19,206,461	21,397,221	22,896,672	29,314,901	30,739,487	34,585,543
Oregon Facilities Authority	167,369	208,174	275,424	217,685	208,859	204,656	237,775	277,541	324,495	297,413
Oregon Government Ethics Commission	686,959	722,227	685,091	750,363	767,602	918,540	1,076,765	1,236,946	1,249,855	1,243,843
Oregon Public Employees Retirement System ²	3,127,277,665	3,274,885,330	3,611,058,332	3,889,352,293	4,182,946,399	4,590,438,649	4,700,710,394	4,990,121,863	5,138,220,721	5,604,638,747
Oregon State Library	7,181,750	6,625,293	6,872,346	6,618,696	6,548,719	6,690,677	6,511,071	6,907,249	8,210,690	7,432,842
Oregon Liquor Control Commission	315,166,332	313,587,852	326,025,159	345,172,016	367,834,925	385,255,945	404,347,404	427,625,200	453,471,369	478,153,278
Oregon Racing Commission	2,888,947	2,686,420	2,390,469	2,483,567	2,408,927	2,747,883	2,396,591	2,825,259	3,063,905	3,002,340
Central Agency/State General Fund	13,328,267	4,020,577	4,074,309	2,447,939	1,843,013	10,166,109	1,391,759	1,759,931	4,281,236	5,462,095
Citizens' Initiative Review Commission	-	-	-	-	111,881	-	-	-	-	-
Administration Total	3,888,771,108	4,136,262,312	4,411,375,078	4,753,980,031	5,195,050,452	5,638,340,493	6,092,332,754	6,888,119,092	6,651,707,490	6,932,412,419
Total Expenditures	23,974,682,700	26,722,087,516	26,891,547,347	27,518,118,261	27,292,856,271	29,800,675,767	29,774,279,139	32,236,400,737	32,516,566,318	34,009,883,109

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 the Oregon Medical Insurance Pool was incorporated into the Oregon Health Authority.

²The Public Employees Retirement System (PERS) expenditures include distributions on non-state resources held in an agent capacity for local governments as PERS includes pensions for both state and non-state employees and retirees.

³The Mental Health Regulatory Agency was formed on May 8, 2017, pursuant to ORS 675.160 through 178. It provides administrative and regulatory oversight to the Board of Psychology and the Board of Licensed Professional Counselors and Therapist.



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About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.
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