Co-Chairs' Existing Resources Budget Framework, 2017-2019

As we prepare for the 2017 legislative session, we must grapple with the fact that Oregon is facing a $1.8 billion budget shortfall in the coming biennium. Today, we are presenting an initial budget framework based on the existing resources in the state's coffers. This is a difficult starting place – painful even. But in order to make prudent budget choices that reflect Oregon's values, we must begin the conversation here.

By examining agency budgets within the bounds of current law revenues, we can accomplish a few key objectives. First, it ensures that we can fulfill our constitutional obligation to balance the budget. Second, it allows us to scrutinize budgets for savings in order to spread the dollars further. Third, we believe that legislators, stakeholders, and the public need to wrestle with the difficult choices that our current resources create.

To be clear, we do not believe the resources as allocated in this document are sufficient. In fact, at the level of funding that we have to begin our budget work, we will actually be moving backward on investments in K-12 and higher education, health care, and critical human services. There will be Oregonians who will directly feel the reductions on a daily basis if we must adopt a budget at this level of funding.

The fact is, the deficit in Oregon's budget was caused by a fundamental imbalance in our state – not by one-off or short-term factors. Our structural deficit was caused by choices the state made decades ago, including Measures 5 and 50.

Measure 5, approved by voters in 1990, reduced property taxes and shifted the responsibility for funding K-12 schools from local property taxes to the state general fund. Passage of Measure 50 further strained the ability of local levies to fund schools. The result is almost an exact swap in the local/state responsibility for funding schools. In the 1991-92 school year, local property taxes made up 65.6 percent of funding for K-12 schools. For the 2015-16 school year, 66.3 percent of funding for K-12 came from the state.

More recently, the state made policy choices that also impacted the state budget. In 2014, we extended coverage under the Oregon Health Plan to 355,000 additional Oregonians as part of the federal Affordable Care Act. The federal government initially picked up the full tab for coverage for those Oregonians. Starting this year, the state had to begin paying a portion of those costs – or deny health care services to hundreds of thousands of Oregonians. We've known all along that those payments would come due, and stand behind the choice to expand access to health care to more low-income Oregonians.

Costs have increased as well – some more than others. Measures 11 and 57, which mandate minimum prison sentences, have added to corrections costs in the last two decades. The costs of the pension system continue to rise, despite Legislative reforms in 1995, 2003 and 2013. And just last November, voters approved three ballot measures that will cost an additional $357 million to implement in the 2017-19 biennium.

At the same, the Legislature made the choice to save first, containing costs through criminal justice reform, health care transformation, and pension adjustments, while also establishing the largest financial reserves in state history. It would take a change in current law to use those reserves to make decisions about the 2017-19 budget easier. In our existing resources framework, we leave those reserves in place for three key reasons. First, a recession is not built into the state's revenue forecasts, but we know Oregon will inevitably face another economic downturn. Second, the challenges we are facing in the current budget are expected to get worse in upcoming biennia. Third, we may lose federal funding for critical programs if state cuts trigger a reduction in federal matching funds, or if Congress and the incoming administration reduce federal funding for the states.

Oregonians – both the voters and elected officials – have made choices that impact our current budget realities. As a result, we have lower property taxes, health care for nearly everyone, a new plan for improving high school graduation rates and a host of other things that help define our state. Whether you agree or disagree with each of those choices, the reality is that they have left us with a $1.8 billion shortfall in the coming biennium. This existing resources budget framework provides a glimpse at one path forward – one we believe Oregonians will reject. We hope it can be a starting point for a new series of choices to put us on a sustainable path into the future.

This starting point is hundreds of millions of dollars less than the Governor used to produce her budget proposal, which relied on revenue that does not exist today and is not part of current law. Like the Governor, we believe additional resources will be needed to provide the programs and services Oregonians expect and deserve, but we cannot ignore the fact that the state's bank account does not have the new revenue assumed in the Governor's budget.

The following information represents our best effort to prioritize services and programs within what money we know we will have. Our "Existing Resources Framework" outlines key budget information and the targets that will be used by Subcommittees to balance within current law resources. We made choices as we constructed this framework, but nothing can alter the fact we have a structural budget problem that limits our ability to support the Oregon that we all envision.

We anticipate following up on this framework by releasing a Co-Chairs' recommended budget after the next economic and revenue forecast. Between now and then, we will invite Oregonians to be active participants in the discussions about how their taxpayer dollars are spent. We will use the additional information we will have gained to provide more detail and, hopefully, more options in our recommended budget. We anticipate a discussion about additional revenues, including being able to describe exactly what those new resources would pay for.

It's time to face the difficult choices built into our current resources, and have a meaningful discussion about how to build a budget that reflects our values going forward.

2017-19 Co-Chair Working Budget Framework

December 2016 Emergency Board w/ December 2016 Forecast; in millions $

Revenues	Legislatively Approved 2015-17 GF/LF	Current Service Level plus Ballot Measures 2017-19 GF/LF	Co-Chair Working Budget 2017-19 GF/LF	Co-Chair Working Change from LAB #	Co-Chair Working Change from LAB %	Co-Chair Working Change from CSL #	Co-Chair Working Change from CSL %
Projected Beginning Balance	549.3	292.0	292.0				
Carryforward (Lottery)	12.3	31.0	31.0				
1% Appropriations to Rainy Day Fund	(158.3)	(180.7)	(180.7)				
TANs	(14.0)	(20.2)	(20.2)				
Projected Revenues	19,239.6	20,779.2	20,779.2				
General Fund Revenue Reductions	(44.2)	(72.3)	(72.3)				
Less Dedications (ESF, County)	(259.0)	(262.2)	(262.2)				
One-time Resources/Expenditures							
2015-17 Emergency Fund Balance			28.3				
2015-17 Net Debt Service Savings			4.8				
CFA Savings (Costs) Relative to Forecast			0.2				
OLCC Analyst Package Adjustment			14.8				
State Agency GF/LF Assessment Savings			25.0				
2015-17 Budget Rebalance Issues			(33.9)				
Total Resources	**19,325.6**	**20,566.8**	**20,606.0**				
Expenditures*							
Education - State School Fund (K-12)	7,373.0	8,012.6	7,725.8	352.8	4.8	(286.9)	(3.6)
Education - Post Secondary (HECC)	1,855.4	2,019.7	1,990.9	135.4	7.3	(28.8)	(1.4)
Education - All Other	595.1	944.2	827.3	232.2	39.0	(116.9)	(12.4)
Human Services - Oregon Health Authority	2,181.3	3,203.1	2,321.6	140.3	6.4	(881.5)	(27.5)
Human Services - Dept. of Human Services	2,778.7	3,275.1	2,990.1	211.4	7.6	(285.0)	(8.7)
Human Services - All Other	12.7	13.6	13.1	0.4	3.5	(0.5)	(3.1)
Public Safety	2,378.9	2,570.9	2,490.8	111.9	4.7	(80.1)	(3.1)
Judicial	713.4	764.4	738.3	24.9	3.5	(26.1)	(3.4)
Economic Development	189.2	237.8	230.4	41.2	21.8	(7.4)	(3.1)
Natural Resources	413.6	414.1	405.1	(8.5)	(2.1)	(9.1)	(2.2)
Transportation	130.1	174.9	145.5	15.4	11.9	(29.4)	(16.8)
Consumer & Business Services	14.7	13.7	13.3	(1.5)	(9.9)	(0.4)	(2.8)
Administration	264.5	279.5	266.1	1.6	0.6	(13.5)	(4.8)
Legislative Branch	104.3	111.6	107.7	3.4	3.3	(3.9)	(3.5)
Total Expenditures	**19,004.9**	**22,035.3**	**20,265.9**	**1,261.0**	**6.6**	**(1,769.4)**	**(8.0)**
Emergency Fund	28.3	30.0	80.0				
Compensation Adjustment	-	145.0	50.0				
Forestry Fire SPA	-	6.0	6.0				
Target Ending Balance = 1% by formula		222.2	204.0				
Net Fiscal Position		**(1,871.7)**	**0.0**				

*** Details of each expenditure category by program area are included in the following pages of the document.**

Uses revised CSL from Governor's Budget (GB); plus assumes $294 million GF BM 98 (CTE) in Education - Other Ed, $44.4 million LF BM 99 (Outdoor School) in Education - Post-Secondary; and $18.5 million LF BM 96 (Veteran's Services) in Economic Development

CSL also assumes $60.1 million LF BM 76 in Natural Resources for OWEB grants

GB includes E-Fund and ODF SPA as part of CSL in Miscellaneous program area; included here outside of program area CSL

EDUCATION PROGRAM AREA: TOTAL				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$9,823.5	$10,976.5	$10,544.0	51.8%	52.0%

This program area is comprised of K-12, early education and youth development, community colleges, public universities, Oregon Health and Science University (OHSU), and associated administrative offices. Detail on major portions of the program area is provided below.

EDUCATION PROGRAM AREA: K-12 (STATE SCHOOL FUND)				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$7,373.0	$8,012.6	$7,725.8	38.9%	38.1%

To achieve the working budget total of $7.7 billion, the budget reduction target for K-12 (State School Fund) is $286.9 million General Fund/Lottery Funds, a 3.6% reduction from the current service level (CSL) of slightly over $8 billion.

The State School Fund (SSF), when combined with almost $4 billion in local resources (mostly property taxes), represents the largest source of funding for K-12 spending by school districts and Education Service Districts (ESDs). In addition to the funds shown above, another $74 million from marijuana tax revenue (Other Funds currently provided to the Common School Fund, but proposed to be changed to the State School Fund in the 2017 session) will be added to bring the state support level for K-12 to $7.8 billion, which is over $200 million below the amount needed to fund the current service level.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

- After factoring in the $74 million in marijuana tax revenue, the resulting $212.6 million reduction from the current service level represents a 2.6% cut and a 5.8% increase from the 2015-17 legislatively approved budget.
- Reduce spending through teacher layoffs; increased class size; limited class availability for some subjects, such as music or physical education; reduced educational support staff including library staff, school nurses, counselors, and mental health related staff; reduced administrative costs. Programmatic reductions will likely vary from district to district, especially considering that some districts have reduced the impact of funding reductions by accessing school reserve funds.

EDUCATION PROGRAM AREA: POST SECONDARY				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$1,855.4	$2,019.7	$1,990.9	9.8%	9.8%

To achieve the working budget total of just under $2 billion, the budget reduction target for Post-Secondary Education is $28.8 million General Fund/Lottery Funds, a 1.4% reduction from the current service level of slightly over $2 billion.

Post-Secondary education spending corresponds to the budget for the Higher Education Coordination Commission (HECC), which includes general support for Community Colleges and Public Universities, debt service, special programs at the Public Universities (e.g., Extension Service), support for education and other functions of OHSU, Student Assistance programs, and HECC staff.

The following are program and/or service reductions to be considered:

- Reduce funding for post-secondary educational institutions including general support for Community Colleges and the Public Universities, as well as spending for specific Public University-based programs such as the Extension Service, Experiment Station, Forest Research Lab, and other state programs.
- Provide funds to plan for and implement, in a timely manner, the Outdoor School program authorized under Ballot Measure 99. Assume implementation will occur by the second year of the biennium.
- Reduce administrative costs of the Higher Educational Coordinating Commission.
- Reduce the Sports Action Lottery program.
- Fund the Oregon Promise program at the current statutory funding levels. At this level, demand for the program, as experienced in the second year of the current biennium, will not be met.

EDUCATION PROGRAM AREA: OTHER				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$595.1	$944.2	$827.3	3.1%	4.1%

To achieve the working budget total of $827.3 million, the budget reduction target for the Education program area (other than K-12 and Post-Secondary Education) is $116.9 million General Fund/Lottery Funds, a 12.4% reduction from the current service level of $944 million.

The “Other Education” category includes Early Learning programs; Youth Development programs; and all other K-12 payments to districts other than the State School Fund, including grant-in-aid programs for special education, nutrition, Career Technical Education/Science, Technology, Engineering, and

Mathematics (CTE/STEM), and professional development. This category also includes the Chief Education Office and the program and infrastructure staff of the Oregon Department of Education (ODE). The current service level estimate includes $294 million for CTE and graduation rate-related programs authorized under Ballot Measure 98.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

- Use administrative and program staff savings in ODE from increased vacancy savings, limiting inflation adjustments, and reducing positions.
- Reduce the budget for the Chief Education Office which is scheduled to sunset at the end of the 2017-19 biennium.
- Reduce the funding for Early Learning programs, such as Head Start and Early Intervention/Early Childhood Special Education, which had significant funding increases in 2015-17, as well as for Youth Development grant programs.
- Reduce General Fund for various K-12 grant-in-aid programs while protecting nutrition and special education programs.
- Fund CTE, college-level educational opportunities, and dropout prevention strategies under Ballot Measure 98 and other currently authorized CTE grant programs at a reduced amount from the current service level.

HUMAN SERVICES PROGRAM AREA: TOTAL				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$4,972.7	$6,491.8	$5,324.8	26.2%	26.3%

This program area is comprised of the Oregon Health Authority, the Department of Human Services, the Psychiatric Security Review Board, the Long Term Care Ombudsman, and the Commission for the Blind. Detail on major portions of the program area is provided below.

HUMAN SERVICES PROGRAM AREA: OREGON HEALTH AUTHORITY				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$2,181.3	$3,203.1	$2,321.6	11.5%	11.5%

To achieve the working budget total of $2.3 billion, the budget reduction target for the Oregon Health Authority is $881.5 million General Fund/Lottery Funds, a 27.5% reduction from the current service level of $3.2 billion.

The budget reduction target for the Oregon Health Authority from the current service level of $3.2 billion is $881.5 million General Fund/Lottery Funds, a 27.5% reduction. While some revenues are expected to be available to backfill General Fund, the target will need to be met primarily through program reductions. Program reductions of this magnitude will affect the entire system of healthcare, including coordinated care organizations (CCOs); hospitals and other providers; services provided through the Oregon Health Plan (OHP), community mental health programs, and the Oregon State Hospital; public health programs; and agency administration. In addition, these reductions would likely result in the loss of over $1.2 billion Federal Funds.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

- About $250 million of additional revenues are expected to be available to backfill General Fund in the budget. The largest is hospital assessment revenues carried over from 2015-17, or 2017-19 revenues not included in the current service level. Small amounts of revenue are expected from additional drug rebate revenues, savings resulting from program integrity efforts, and additional Other Funds revenues at the Oregon State Hospital.
- Reduce funding for CCOs, the Hospital Transformation Performance Program, and state assistance for graduate medical education. In addition, other programs funded by the hospital assessment would likely be reduced, including certain increased payments to hospitals.

- Reduce dental and addiction services provided through the Oregon Health Plan, except for services to pregnant women. Reduce the prioritized list of services covered by the Oregon Health Plan by as many as 50 medical services that are currently covered.
- Cut health insurance coverage to 335,000 adults recently added to the Oregon Health Plan under the federal Affordable Care Act.
- Reduce inflationary increases for community mental health and addiction services programs, and cut funding for contracts with community mental health programs.
- Close wards and cottages at the Junction City and the Salem campuses of the Oregon State Hospital.
- Reduce funding for the Babies First program, school-based health centers, family planning services (CCare), tobacco cessation programs, and the state support for county health departments.

HUMAN SERVICES PROGRAM AREA: DEPT. OF HUMAN SERVICES				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$2,778.7	**$3,275.1**	**$2,990.1**	**14.7%**	**14.8%**

To achieve the working budget total of just under $3 billion, the budget reduction target for the Department of Human Services is $285 million General Fund/Lottery Funds, an 8.7% reduction from the current service level of just under $3.3 billion.

As limited revenues are expected to be available to backfill General Fund, the target will need to be met primarily through program reductions across agency programs. Program reductions of this magnitude will be felt across all agency programs. Prioritizing programs will be key, as deeper reductions in some areas will likely be needed to maintain or enhance other, more critical programs. For example, without additional resources, recent demands to improve safety and outcomes for children in the child welfare system might result in shifting resources from programs serving seniors or families in poverty. While administrative efficiencies or one-time actions may be able to help offset or lessen the pain of reductions, it is anticipated that specific policy choices will need to be made and the associated program outcomes clearly outlined.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

- About $17.4 million in federal revenues are expected to be available to backfill General Fund in the budget. While not a certainty, both Temporary Assistance for Needy Families (TANF) contingency funding and reallotment of Vocational Rehabilitation State Grants may help free up General Fund.
- Keep positions vacant, hold inflation flat, or other short-term management actions could help suppress spending.

- Reduce rates paid to service providers, usually by not providing any reasonable inflation adjustment (i.e., flat funding despite increased administrative costs). Since some providers are already experiencing instability because of many years of inadequate reimbursement, such action may lead many to cease operating or severely reduce their capacity to provide care.
- Reduce the spending trajectory in programs for seniors and people with intellectual and/or developmental disabilities. This will result in fewer people being served and in some compromises around the service array. Potential actions include tightening up eligibility requirements and the number of service hours authorized.
- Pressure to increase system capacity and resources for child welfare is fierce. This needs to be considered in the context of immediate program needs coupled with recognition for and potential repurposing of recent investments in both provider contracts and staffing for child welfare.
- Reduce state funding for TANF and Employment Related Day Care. In the current biennia, self-sufficiency programs – particularly TANF and Employment Related Day Care – received an infusion of state funds to compensate for capped federal dollars and pay for some targeted investments in welfare transition programs and child care. These efforts may not be sustainable moving forward.
- Consistent with legislative direction, the agency is continuing to develop workload models in caseload programs. While associated cost increases have been built into the budget, the models have never been fully funded. It may be time to assess whether or not the models have helped the agency quantify substantive workload efficiencies and if the cost of maintaining them is worth it.

HUMAN SERVICES PROGRAM AREA: OTHER				
2015-17 Approved Total GF/LF Budget (millions)	**2017-19 GF/LF Budget Current Service Level**	**2017-19 Working Total GF/LF Budget (millions)**	**2015-17 Approved Percent of Total GF/LF Expenditures**	**2017-19 Proposed Percent of Total GF/LF Expenditures**
$12.7	**$13.6**	**$13.1**	**0.1%**	**0.1%**

To achieve the working budget total of $13.1 million, the budget reduction target for the other Human Services program area agencies is $500,000 General Fund/Lottery Funds, a 3.1% reduction from the current service level of $13.6 million.

This portion of the Human Services program area consists of the Psychiatric Security Review Board, the Long Term Care Ombudsman, and the Commission for the Blind.

The following are program and/or service reductions to be considered:

- Implement a cap on the number of participants in the Oregon Public Guardian program. This new program was initiated with limited resources and needs significant investments above current service level to begin to address service needs.

- Reduce inflation on discretionary services and supplies.

PUBLIC SAFETY PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$2,378.9	$2,570.9	$2,490.8	12.6%	12.3%

To achieve the working budget total of just under $2.5 billion, the budget reduction target for the Public Safety program area is $80.1 million General Fund/Lottery Funds, a 3.1% reduction from the current service level of just under $2.6 billion.

The agencies in the Public Safety program area provide services to ensure the safety of Oregonians as it relates to criminal activities, civil disputes, highway safety, natural disasters, and homeland security. Public safety activities provide a systemic approach representing four major interconnected components: community safety, law enforcement, and resolution of civil matters; prosecution and defense services related to the court system; incarceration and related treatment services; and prevention and intervention programs. Agencies in the Public Safety program are: the Department of Justice, District Attorneys and their Deputies, the Department of Corrections, the Oregon State Police, the Oregon Military Department, the Department of Public Safety Standards and Training, the Criminal Justice Commission, the Board of Parole and Post-Prison Supervision, and the Oregon Youth Authority.

The following are program and/or service reductions to be considered:

- Close the 50-bed North Coast Youth Correctional Facility and reduce more than 175 community treatment beds statewide for youth in custody of the Oregon Youth Authority.
- Significantly reduce the Drug Enforcement section in the Oregon State Police, a shift of much of the State Police's Criminal Investigations Division onto marijuana tax funding, and close the Pendleton Forensics Laboratory.
- Reduce community corrections funding to counties and provide fewer alcohol and drug treatment services for adults in the custody of the Department of Corrections.
- Reduce funding available to the Department of Justice's Defense of Criminal Convictions divisions.
- Reduce Criminal Fine Account support for basic police and corrections classes at the Department of Public Safety Standards and Training. The impact of this reduction would be felt at the local level, where public safety agencies must wait to send their new hires through the required training classes.
- Reduce rates charged by the Department of Justice.

JUDICIAL BRANCH PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$713.4	$764.4	$738.3	3.8%	3.6%

To achieve the working budget total of just over $738 million, the budget reduction target for the Judicial Branch is $26.1 million General Fund/Lottery Funds, a 3.4% reduction from the current service level of $764.4 million.

This program area houses three agencies: the Judicial Department (OJD), Public Defense Services Commission (PDSC), and the Commission on Judicial Fitness and Disability (CJFD). Approximately $20.4 million of the program area current service level total is for debt service costs on previously-authorized General Obligation bonds. Excluding this debt service, which is a commitment that cannot be reduced absent refinancing the debt, the remaining CSL totals $744 million, and the $26.1 million reduction is equal to 3.5% of that amount.

The Judicial Branch does not have control over the demand for the services it provides. In general, funding reductions reduce the ability of the courts to provide timely conclusion of the criminal and civil cases brought before them. In a situation of reduced financial resources to OJD, the courts would work to maintain statutory timelines on criminal and dependency cases. Reduction impacts would be concentrated on civil caseloads, increasing the time needed for litigants to resolve civil matters. PDSC funding does not support civil cases and reductions there would affect the ability to provide representation in criminal cases and dependency hearings. Prosecutions cannot proceed when defendants lack access to legal representation, resulting in delays and the possible dismissal of charges. As a result of these restrictions, the required reductions will impact the Judicial Branch's ability to process both criminal and non-criminal cases.

The following are program and/or service reductions to be considered:

- Apply projected OJD General Fund ending balances to address 2017-19 biennium costs. These are additional resources not included in the General Fund revenue forecast.
- Reduce Criminal Fine Account support for courthouse security. This would reduce support for needed security upgrades and for added security for high-profile cases.
- Reduce support to county law libraries, county mediation/conciliation programs, the Oregon Law Commission and the Council on Court Procedures.
- Reduce support for state court system operations. This would require staffing reductions in the Trial and Appellate courts and at the Office of State Court Administrator. The Chief Justice would allocate remaining resources to minimize the impact on court operations. Likely impacts would be to reduce court operating hours and services and to delay case processing.
- Reduce PDSC support for trial-level public defense. Absent other adjustments to the contracts with attorneys who provide these services, providers would not be funded

and would not be required to provide representation for a portion of the biennium. During that period, prosecutions could not proceed.

- Reduce support for the PDSC Appellate and Contract & Business Services divisions. This would require staffing reductions in the agency. The impacts would be to increase the time for filing appellate opening briefs and the potential for federal intervention. The reduction would also increase the time it will take for the agency to audit contractor fee statements and to process contractors' reimbursement requests.

ECONOMIC DEVELOPMENT PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$189.2	$237.8	$230.4	1.0%	1.1%

To achieve the working budget total of $230.4 million, the budget reduction target for the Economic Development program area is $7.4 million General Fund/Lottery Funds, a 3.1% reduction from the current service level of $237.8 million.

This program area houses four agencies: the Oregon Business Development Department, Employment Department, Housing and Community Services Department, and Department of Veterans' Affairs. The full amount of Lottery revenues dedicated to veterans' services by Measure 96, $18.5 million, is added to the current service level of the Department of Veterans' Affairs, though these funds could also be used to support services to veterans in other state agency programs. A significant portion of the program area CSL total is for debt service costs on previously-authorized Lottery and General Obligation bonds. Excluding this debt service, which is a commitment that cannot be reduced absent refinancing the debt, the remaining CSL totals $122.3 million, and the $7.4 million reduction is equal to 6% of that amount.

The following are program and/or service reductions to be considered:

- Reduce support for the Strategic Reserve Fund and for Oregon InC.
- Reduce staffing for underutilized programs.
- Eliminate funding of positions that are eliminated in an announced OBDD agency reorganization plan, plus eliminate contingency services and supplies funding.
- Reduce support for Solar Incentivization Program payments.
- Reduce support for the Oregon Talent Council.
- Reduce support for the Emergency Housing Assistance, State Homeless Assistance Program, Low Income Rental Housing Fund, Housing Choice Landlord Guarantee Fund and Elderly Rental Assistance housing stabilization programs.
- Reduce Court Appointed Special Advocates (CASA) program support.
- Increase state support for veterans' services programs as Measure 96 Lottery revenues are phased-in. Increase state support to $23.5 million, a 135% increase over current biennium levels.
- Limit growth in Lottery support for county economic development programs.

NATURAL RESOURCES PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$413.6	**$414.1**	**$405.1**	**2.2%**	**2.0%**

To achieve the working budget total of $405.1 million, the budget reduction target for the Natural Resources program area is just over $9 million General Fund/Lottery Funds, a 2.2% reduction from the current service level of $414.1 million.

The Natural Resources program area is comprised of fourteen agencies: Department of Agriculture; Columbia River Gorge Commission; Department of Energy; Department of Environmental Quality; Department of Fish & Wildlife; Department of Forestry; Department of Geology and Mineral Industries; Department of Land Conservation and Development; Land Use Board of Appeals; Department of State Lands; Marine Board; Department of Parks and Recreation; Water Resources Department; and Oregon Watershed Enhancement Board.

Natural resource agencies are largely funded with Other Funds, 61.2% of the total funds for the program area, generated through fee assessments and other regulatory actions, and receive an additional 15.8% from Federal Funds. General and Lottery Funds supplement other sources and fund constitutionally dedicated programs. Neither the Department of State Lands nor the Marine Board receive General Fund or Lottery Fund support. Lottery Funds are limited to debt service only at the Department of Energy, Department of Forestry, and Water Resources Department. Combined, Lottery Funds and General Fund, exclusive of debt service, provide 21.8% of the natural resources program area total funding.

The following are program and/or service reductions to be considered:

- Oregon Department of Agriculture - Shift funding for the Pesticide Analytical Response Center to pesticides program fees, shift funding for some Food Safety inspectors to program fees, reduce positons in the Agriculture Water Quality program, reduce funding for the Wolf Compensation and Grant Assistance Program, and/or reduce funding for Predator Control.
- Columbia River Gorge Commission - Reduce services and supplies expenditures, including travel, information technologies maintenance, and contract services.
- Department of Environmental Quality - Reduce staffing for the Portland Harbor Superfund site coordination that was added during the current biennium, reduce biomonitoring data collection, reduce water quality plan implementation in Eastern Oregon, reduce funding added to coordinate with other agencies on the Integrated Water Resources Strategy, and/or reduce nonpoint source pollution policy development.
- Department of Fish and Wildlife - Reduce Predator Control Funding and funding for the Western Oregon Stream Restoration program.
- Department of Forestry - Reduce support for Rangeland Protection Associations, reduce subsidies for low-productivity woodlands, reduce funding for the Sudden Oak Death

program, reduce funding for the Oregon Plan for Salmon and Watersheds Administration, redirect the ongoing maintenance budget for the yet-to-be implemented e-procurement system, reduce the subsidy in private landowner per-acre assessments for base fire protection related to agency administration costs, reduce agency administrative costs, and reduce assessments for the Equipment Pool.

- Department of Geology and Mineral Industries - Eliminate a vacant position and adjust administrative overhead charges between programs.
- Department of Land Conservation and Development - Reduce the Planning Program through staffing and services and supplies cuts.
- Water Resources Department - Reduce water availability feasibility studies grants, and reduce positions, services and supplies in the Technical Services Division.

TRANSPORTATION PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$130.1	$174.9	$145.5	0.7%	0.7%

To achieve the working budget total of $145.5 million, the budget reduction target for the Transportation program area is $29.4 million General Fund/Lottery Funds, a 16.8% reduction from the current service level of just under $175 million.

The 2017-19 current service level budget for the Transportation program area includes $175 million General Fund/Lottery funds. Most of this amount, $155 million, is for Department of Transportation (ODOT) debt service. The remainder supports public transit subsidies for seniors and individuals with disabilities, and the operation and maintenance of intercity passenger rail.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

- Continue to use State Highway Fund money to pay 2017-19 debt service on the State Radio Project.
- Reduce public transit subsidies for seniors and persons with disabilities.
- Reduce General Fund support for intercity passenger rail.

CONSUMER & BUSINESS SERVICES PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$14.7	$13.7	$13.3	0.1%	0.1%

To achieve the working budget total of $13.3 million, the budget reduction target for the Consumer and Business Services program area is $400,000 General Fund/Lottery Funds, a 2.8% reduction from the current service level of just under $13.7 million.

The Consumer and Business Services program area consists of agencies funded primarily with fee and assessment revenue, including professional licensing boards, the Department of Consumer and Business Services, the Public Utility Commission, and the Bureau of Labor and Industries. Of these, the Bureau of Labor and Industries is the only agency that receives General Fund in its budget.

The following are program and/or service reductions to be considered:

- Reduce staffing in the Director's Office and the Wage and Hour division of the Bureau of Labor and Industries. Positions to potentially be eliminated could include training and development specialists that provide training and labor compliance information to employers; compliance specialist positions, which would impact the timeliness of processing wage claims; and/or field representative positions, which could result in elimination of a toll-free hotline related to employment complaints or inquiries associated with performance of live entertainment.

ADMINISTRATION PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	2017-19 GF/LF Budget Current Service Level	2017-19 Working Total GF/LF Budget (millions)	2015-17 Approved Percent of Total GF/LF Expenditures	2017-19 Proposed Percent of Total GF/LF Expenditures
$264.5	**$279.5**	**$266.1**	**1.4%**	**1.3%**

To achieve the working budget total of just over $266 million, the budget reduction target for the Administration program area is $13.5 million General Fund/Lottery Funds, a 4.8% reduction from the current service level of just under $280 million.

This program area is comprised of the Department of Administrative Services, the Department of Revenue, the Public Employees Retirement System, the Governor's Office, the Secretary of State, the State Treasurer, the Employment Relations Board, Government Ethics Commission, State Library, Advocacy Commissions, Oregon Liquor Control Commission, and the Racing Commission.

The reduction of $13.5 million is needed to achieve the working budget; however, after excluding contractually required debt service payments, the reduction from the current service level is 5.9%. Also, in order to fund critical policy package enhancements, as noted below, the reduction target may need to be increased for specific agencies.

The following are program and/or service reductions to be considered:

- Reduce non-core areas in the Administrative, Personal Income Tax and Compliance, and Business Divisions of the Department of Revenue. Deeper reductions in these areas may be needed to fund the final stage of the Core [Tax] Systems Replacement project and associated high-speed scanners.
- Reduce Regional Solutions staffing in Office of the Governor and services and supplies costs.
- Reduce staffing in the Corporation, Elections, and Audits Divisions of the Office of the Secretary of State. A deeper reduction may be needed to fund the Election Night Reporting System.
- Reduce the Oregon Retirement Savings Board and the Achieving a Better Life Experience Act programs in the Office of the Treasurer.
- Reduce the Ready-to-Read program in the State Library.
- Reduce subsidies for the Oregon Historical Society, Oregon Public Broadcasting, County Fairs, and the State Fair.
- Reduce labor and management dispute resolution and minority advocacy.
- Reduce Department of Administrative Services assessments on state agencies.

LEGISLATIVE BRANCH PROGRAM AREA				
2015-17 Approved Total GF/LF Budget (millions)	**2017-19 GF/LF Budget Current Service Level**	**2017-19 Working Total GF/LF Budget (millions)**	**2015-17 Approved Percent of Total GF/LF Expenditures**	**2017-19 Proposed Percent of Total GF/LF Expenditures**
$104.3	**$111.6**	**$107.7**	**0.6%**	**0.5%**

To achieve the working budget total of $107.7 million, the budget reduction target for the Legislative Branch is $3.9 million General Fund/Lottery Funds, a 3.5% reduction from the current service level of $111.6 million.

The Legislative Branch program area consists of the Legislative Assembly and six other professional, non-partisan staff offices (Legislative Administration, Legislative Counsel, Legislative Fiscal, Legislative Revenue, Legislative Policy and Research, and the Commission on Indian Services). These independent state agencies are primarily funded by the General Fund, although the Legislative Fiscal Office (43% of its total budget) and, to a lesser extent, Legislative Counsel and Legislative Administration rely on Other Fund revenues for portions of their budgets.

Approximately 12% of the Legislative Branch General Fund current service level calculation ($12.9 million) is for debt service related to Capitol Building remodeling and repair activities. Excluding debt service, a reduction of $3.9 million from the branch current service level represents about a 4% reduction.

The following are program and/or service reductions to be considered, as well as additional resources that are expected to be available:

Eliminate positions in Legislative Administration, Legislative Counsel, Legislative Policy and Research, and Legislative Fiscal. The expenditures of the branch agencies are primarily driven by staffing costs, so it would be necessary to eliminate several positions to achieve the reduction target.