

Oregon Legislative Fiscal Office and State of Oregon Budget

February 2017

Constitutional Responsibility of Legislature: To balance the budget

Article IX, Section 2 - Legislature to provide revenue to pay current state expenses and interest.

The Legislative Assembly shall provide for raising revenue sufficiently to defray the expenses of the State for each fiscal year, and also a sufficient sum to pay the interest on the State debt, if there be any.

Article IX, Section 4 - Appropriation necessary for withdrawal from treasury.

No money shall be drawn from the treasury, but in pursuance of appropriations made by law.

Article IX, Section 6 - Deficiency of funds; tax levy to pay.

Whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year.

Oregon's Budget Policy

Based on principles of:

- Balancing estimated revenues and proposed expenditures
- Allocating resources to achieve desired outcomes
- Measuring program outcomes and progress toward desired outcomes
- Encouraging savings and investments that reduce or avoid future costs
- Planning for the short term and the long term, using consistent assumptions on demographics and trends
- Providing accountability at all levels for meeting program outcomes

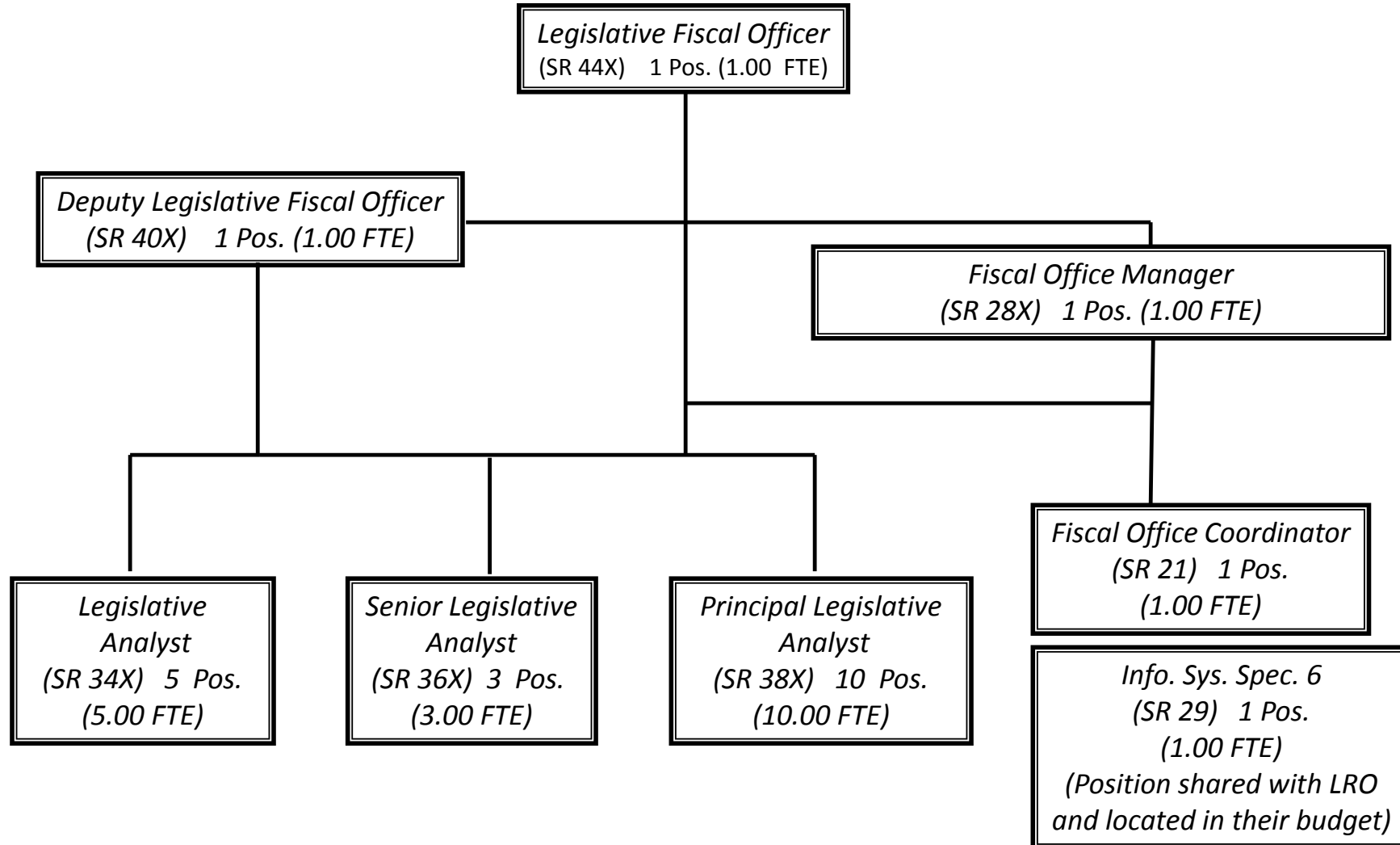
Mission

The Legislative Fiscal Office's mission is to promote state fiscal accountability.

The Legislative Fiscal Office (LFO) provides objective research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency operations. LFO also provides staffing to several legislative committees.

LFO was created in 1959 as a non-partisan, independent, permanent professional support staff office to the Legislature.

LFO Organization Chart



Session Responsibilities

- Review agency budgets for accuracy
- Analyze fiscal and policy issues
- Examine revenue sources, expenditure limitations, expenditure patterns, staffing levels, and proposed law changes
- Review impact of budget reductions or enhancements
- Make recommendations to the Legislature related to agency budgets
- Prepare fiscal impact statements
- Respond to questions and collect information requested by legislators
- Facilitate bill amendments, budget note and budget report finalization, and presentation of Ways and Means Subcommittee decisions for the Full Ways and Means Committee
- Assist bill carriers on House and Senate floors

Interim Responsibilities

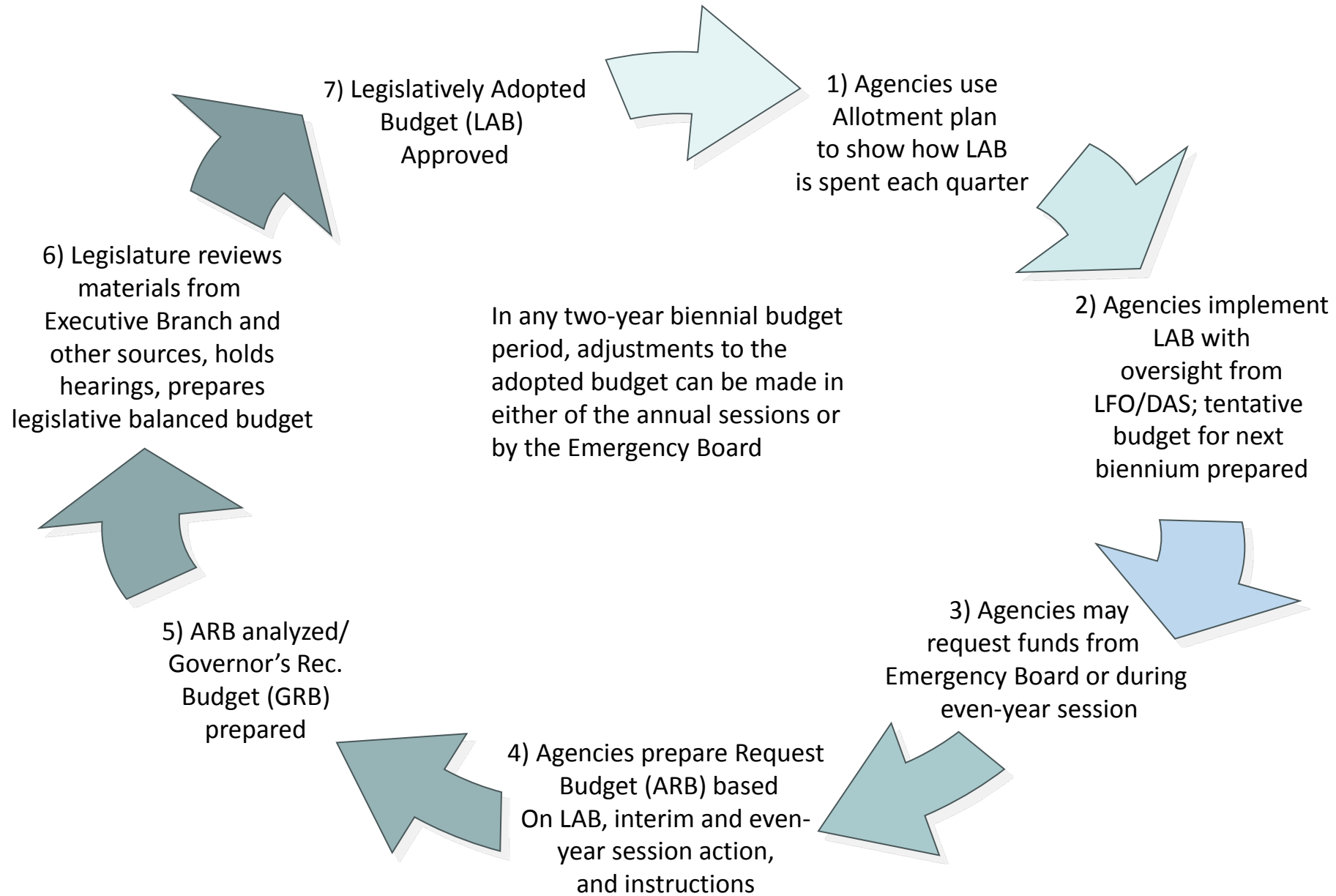
- Analyze and make recommendations on agency requests to the Emergency Board and interim Joint Committee on Ways and Means
- Evaluate and audit programs when issues are identified or as directed by the Legislature
- Analyze reports and make recommendations on major information technology projects and investments
- Publish briefs on budget-related topics and issues of interest to the Legislature
- Produce regular reports on Liquidated and Delinquent Accounts and on Semi-Independent State Agencies
- Review state agency budget execution and operations
- Work to enhance the effectiveness of Oregon's statewide key performance measurement system
- Other duties as assigned (e.g. Task Force on Reserve Funds)

LFO Staffing

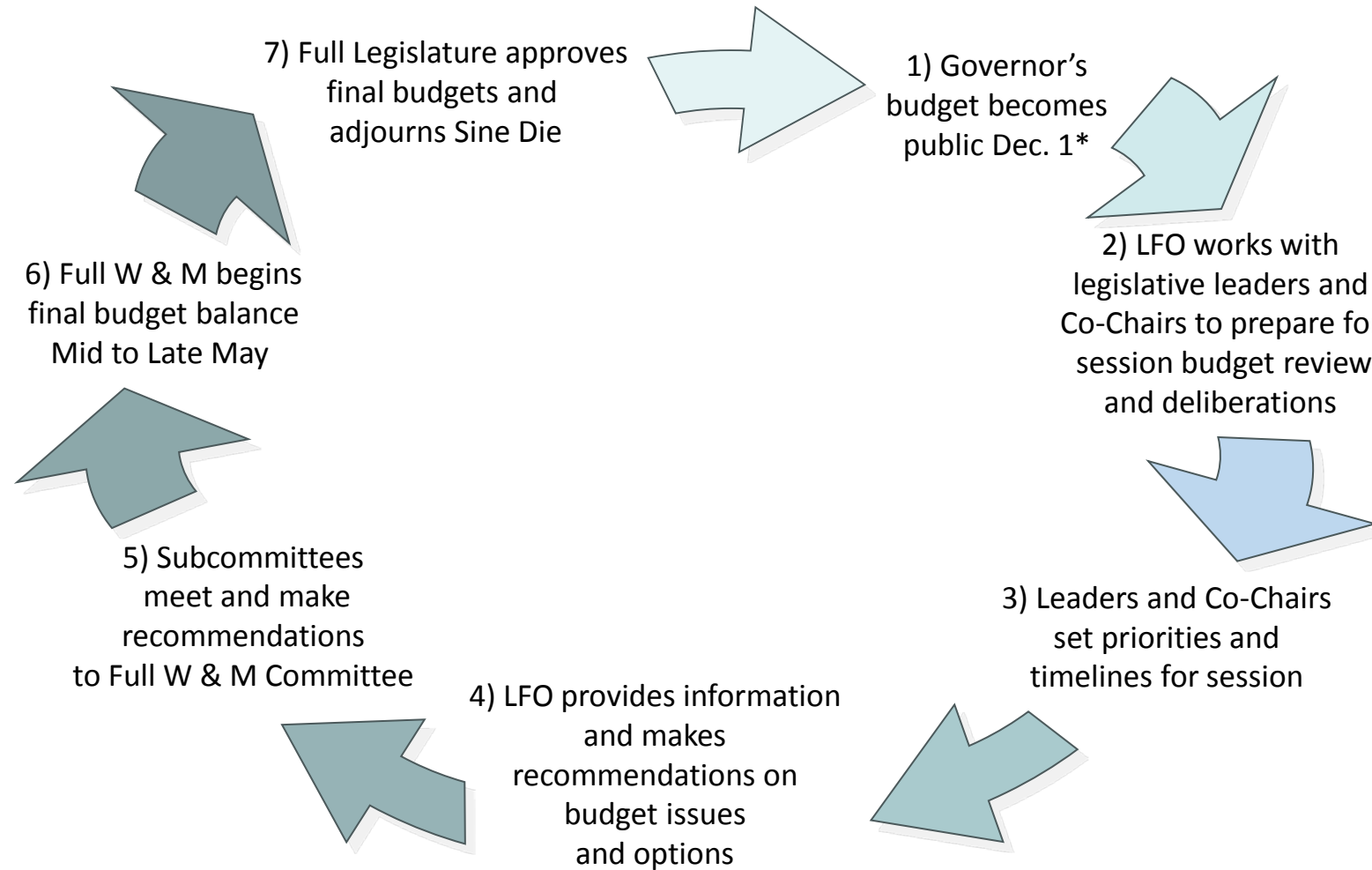
- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making recommendations for change based on audit findings.
- **Joint Legislative Committee on Information Management and Technology** is responsible for establishing statewide policy on information systems and technology and making recommendations on information resource management programs and information technology acquisitions.
- **Transparency Oregon Advisory Commission** is responsible for advising and making recommendations to the Department of Administrative Services on the creation, contents, operations, and enhancements to the state's transparency website.

Oregon Budget Process – Two Year

Oregon budgets on a biennial basis (July 1st of odd-year to June 30th of next odd-year)



Oregon Budget Process – Odd-Year Session



*Required by February 1st for Newly Elected Governor

Budget Process Detail

- Budget consists of four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds)
- General Fund is “fungible”
- Lottery Funds dedicated to economic development, education, parks/salmon habitat
- Other Funds and Federal Funds dedicated by law for specific purposes
- Other Funds and Federal Funds broken into limited and non-limited categories

Budget Process Detail

Budget tracks expenditure categories:

- **Personal Services** includes personnel costs (wages, PERS, benefits, social security, etc.)
- **Services & Supplies** includes operation costs (travel, office supplies, rent, legal expenses, contracts, expendable property, etc.)
- **Special Payments** includes revenue transfers and other payments
- **Capital Outlay** includes products with value of more than \$5,000, life of more than 2 years, used more than once
- **Capital Improvement** includes construction, remodel, improvement costs of less than \$1 million
- **Major Construction/Acquisition** (or Capital Construction) includes construction, remodel, improvement costs of more than \$1 million (\$3 million or more for OUS projects); established for a six-year period
- **Debt Service** includes principal and interest payments on bonds and certificates of participation

Budget also tracks positions and FTE (full-time equivalent)

Budget Process Details

- Appropriation bills are the budgetary control
- Appropriation bills are session law (Oregon Laws)
- Appropriation bills are not detailed to the expenditure category level
- Appropriation bills are by fund type and may be total agency or detailed to program within agency
- Budget Reports provide information on the budget but do not have force of law
- Budget Notes are directives within the Budget Report

Budget Process Detail

- Appropriation bills generally agency specific (House bills in 5000, Senate bills in 5500 series)
- Oregon has about 90 agencies
- Agencies range from small (\$400,000 biennial budget) to large (\$20 billion biennial budget)
- Budget for bonding and capital construction in bills separate from agency budget bills
- Article IX, Section 7, Oregon Constitution limits appropriation bills to state current expenses (no other subject allowed)
- Final bills of session are commonly known as the Program Change bill and the Emergency Fund bill

Subcommittee Role and Responsibilities

- Agency Budget Presentations – Phase 1, Phase 2, and Phase 3 (Work Session).
- Budget or Appropriation Bills
- Budget Report – Corresponds to a specific appropriation bill.
- Budget Notes – Included in a Budget Report to provide budget execution to agency. Cannot be used lieu of legislations.
- Federal Grants – Required by statute to have Joint Committee on Ways and Means or Emergency Board approval. Subcommittee makes recommendation to Full Committee.

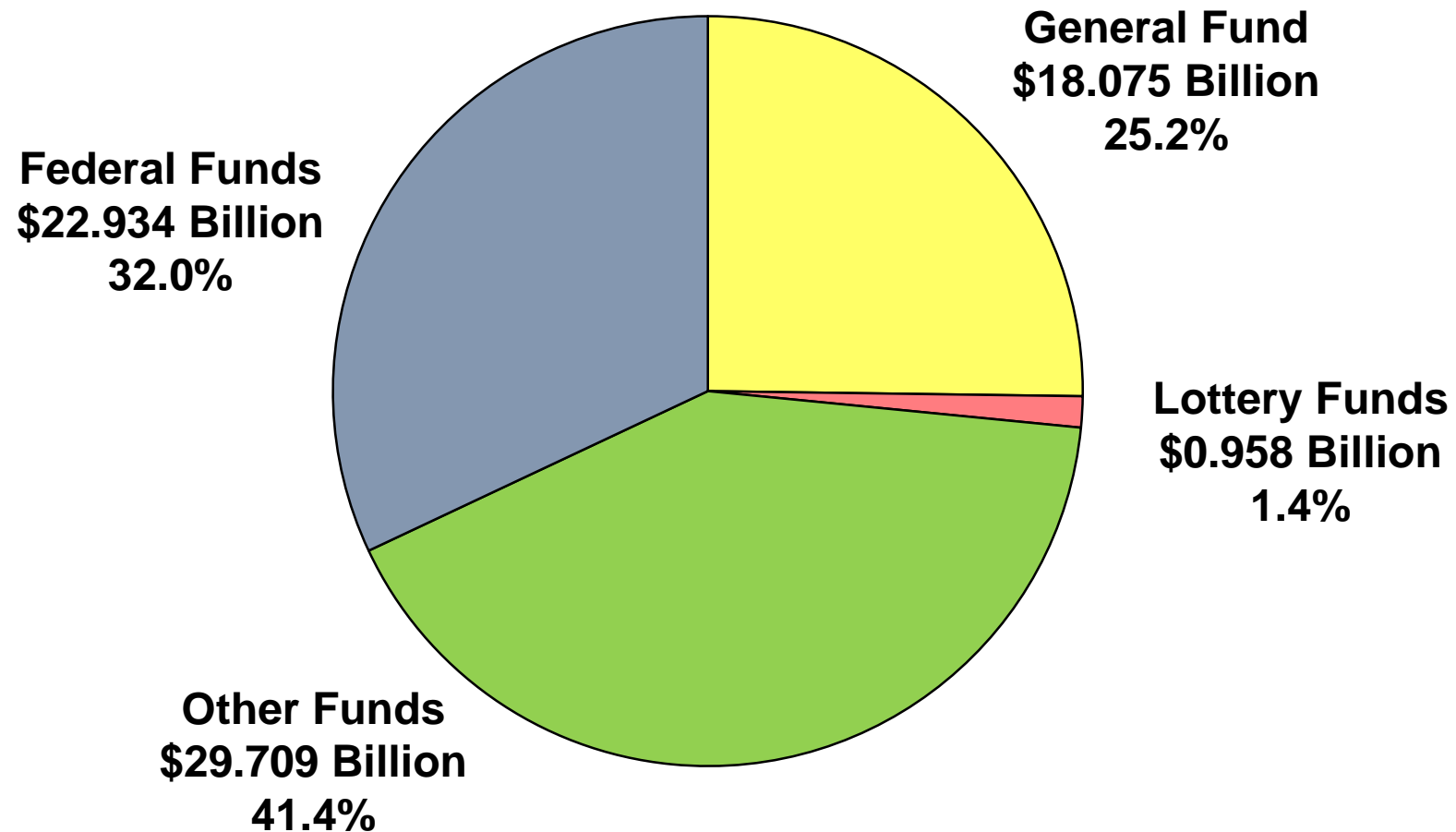
Subcommittee Role and Responsibilities (cont.)

- Reports – Often required by Budget Report or Subcommittee instructions. If formally, required by a Budget Report or statute, Subcommittee makes formal recommendation to Full Committee.
- Informational Hearings
- Fee Related Bills – Generally tied to an agency's budget request.
- Policy Bills – Referred to Joint Committee on Ways and Means by legislative leadership or a policy committee. Assigned to a Subcommittee by Full Committee Co-Chairs. Often has a financial impact or may be tied to assumptions in an agency budget.

Oregon 2015-17 Budget Information

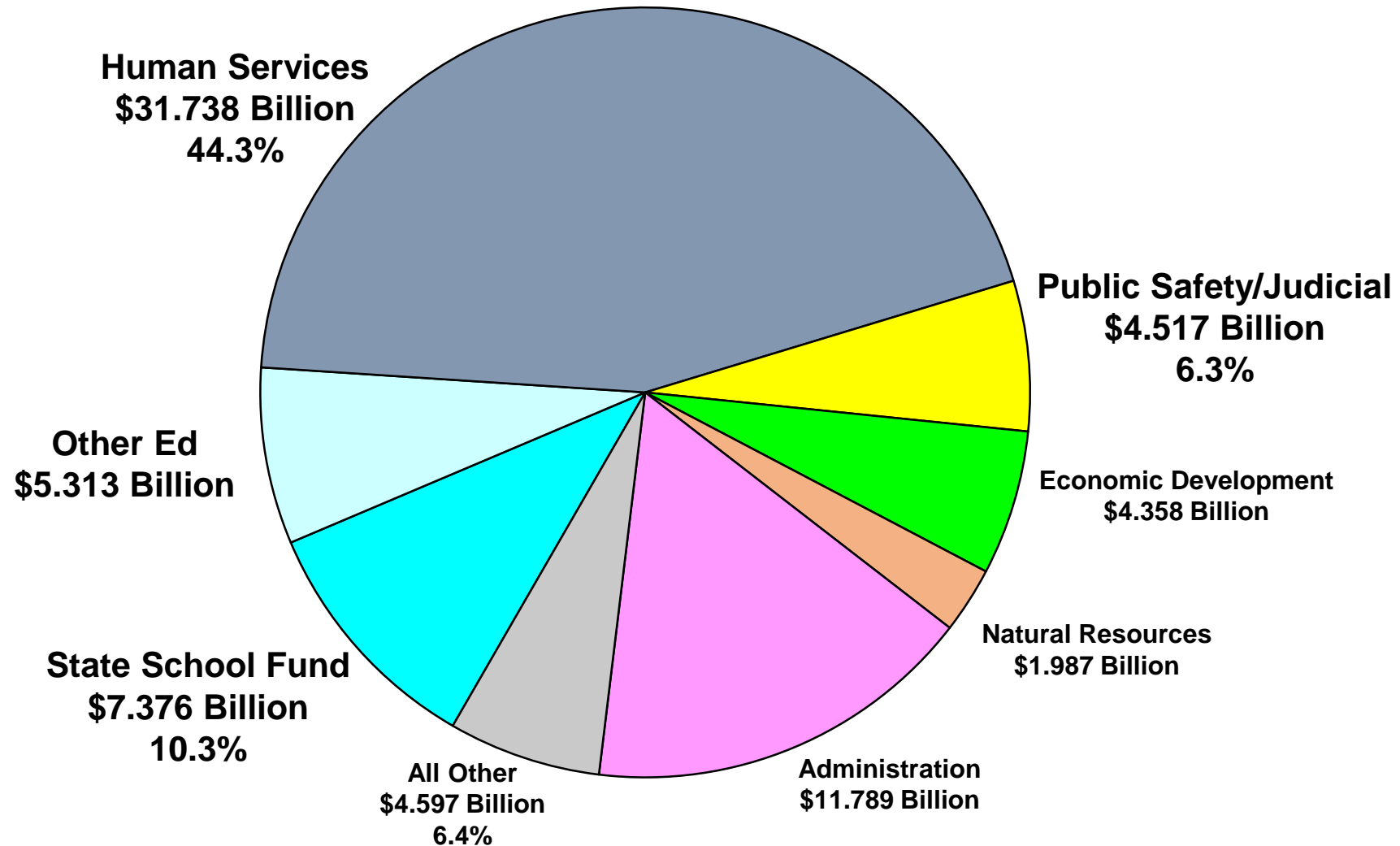
2015-17 Legislatively Approved Budget Totals \$71.676 Billion

8.5% Increase from 2013-15 Approved



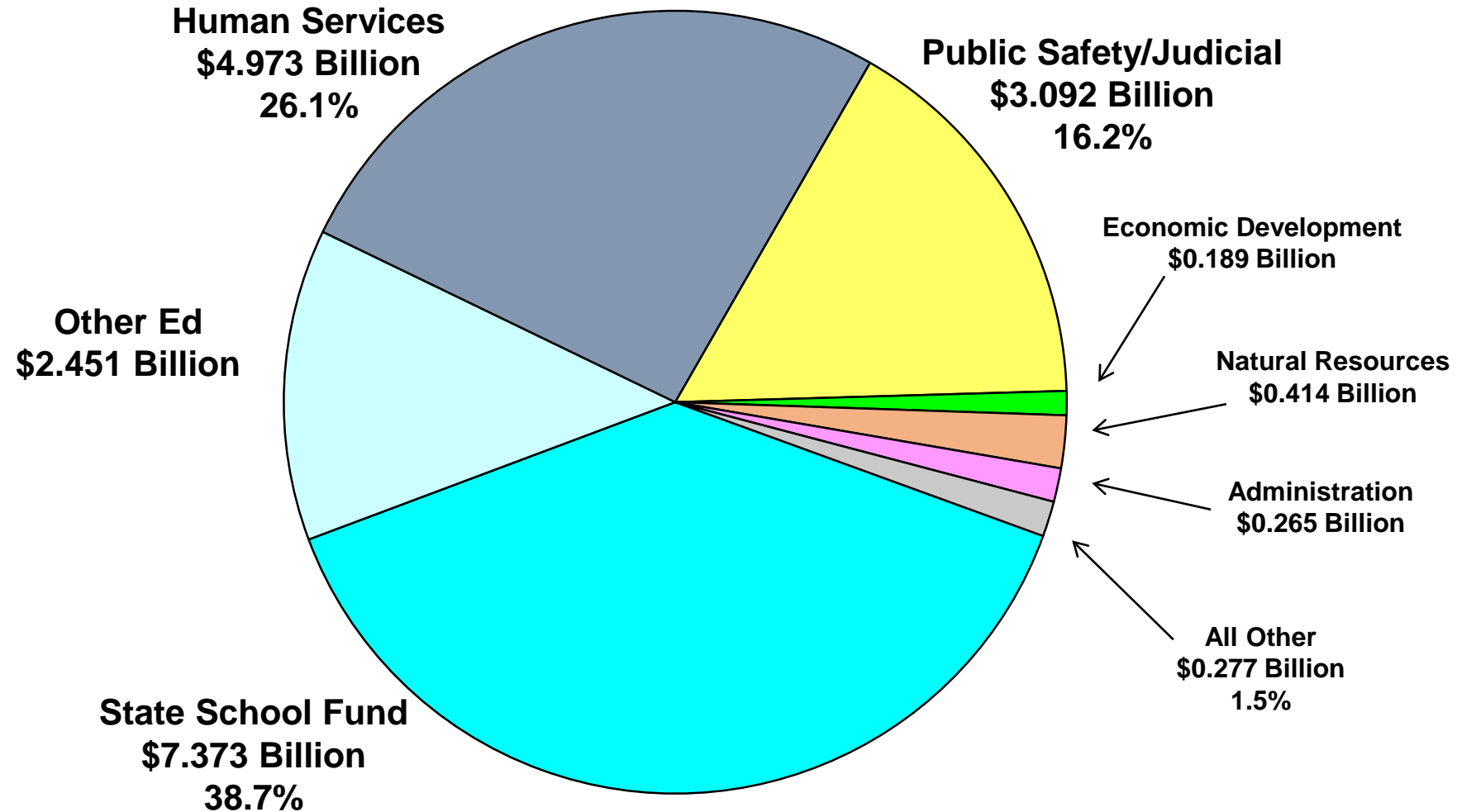
2015-17 Legislatively Approved Budget - Total Funds \$71.676 Billion

8.5% Increase from 2013-15 Approved
(through Dec. 2016 Emergency Board)

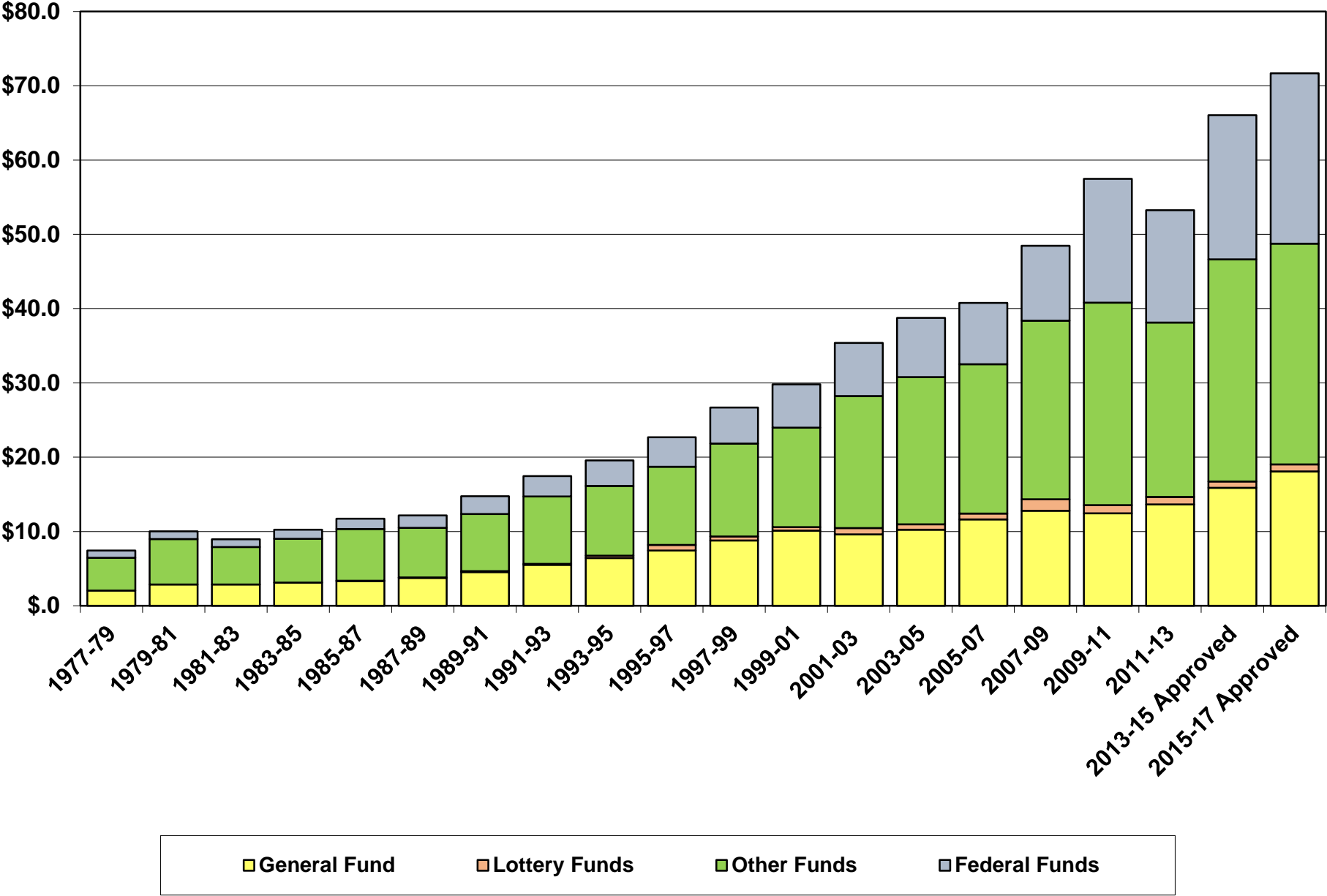


2015-17 General Fund & Lottery Funds Approved Total \$19.033 Billion

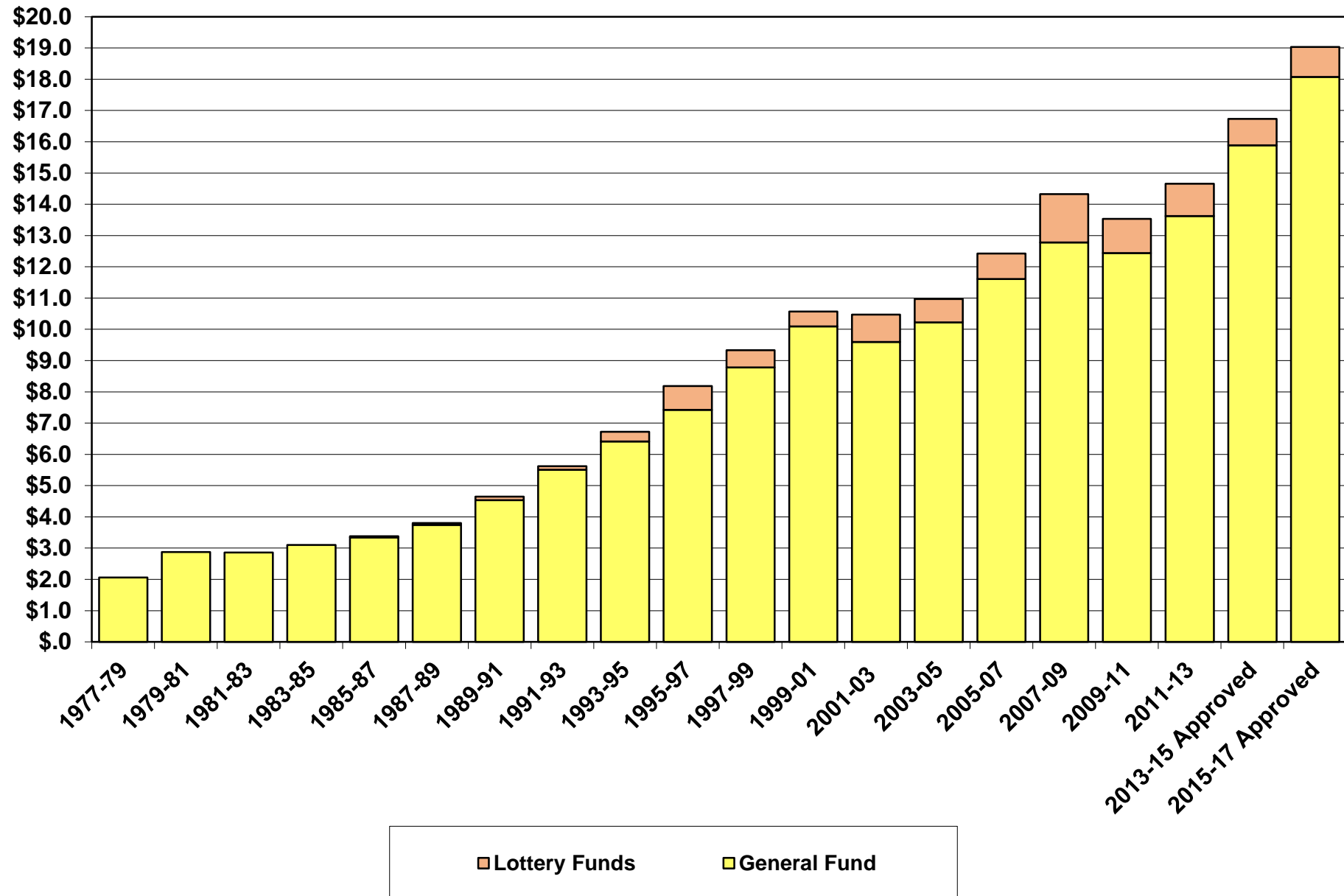
13.8% Increase from 2013-15 Approved
(through Dec. 2016 Emergency Board)



Oregon Budget History -- All Funds
(Billions \$)

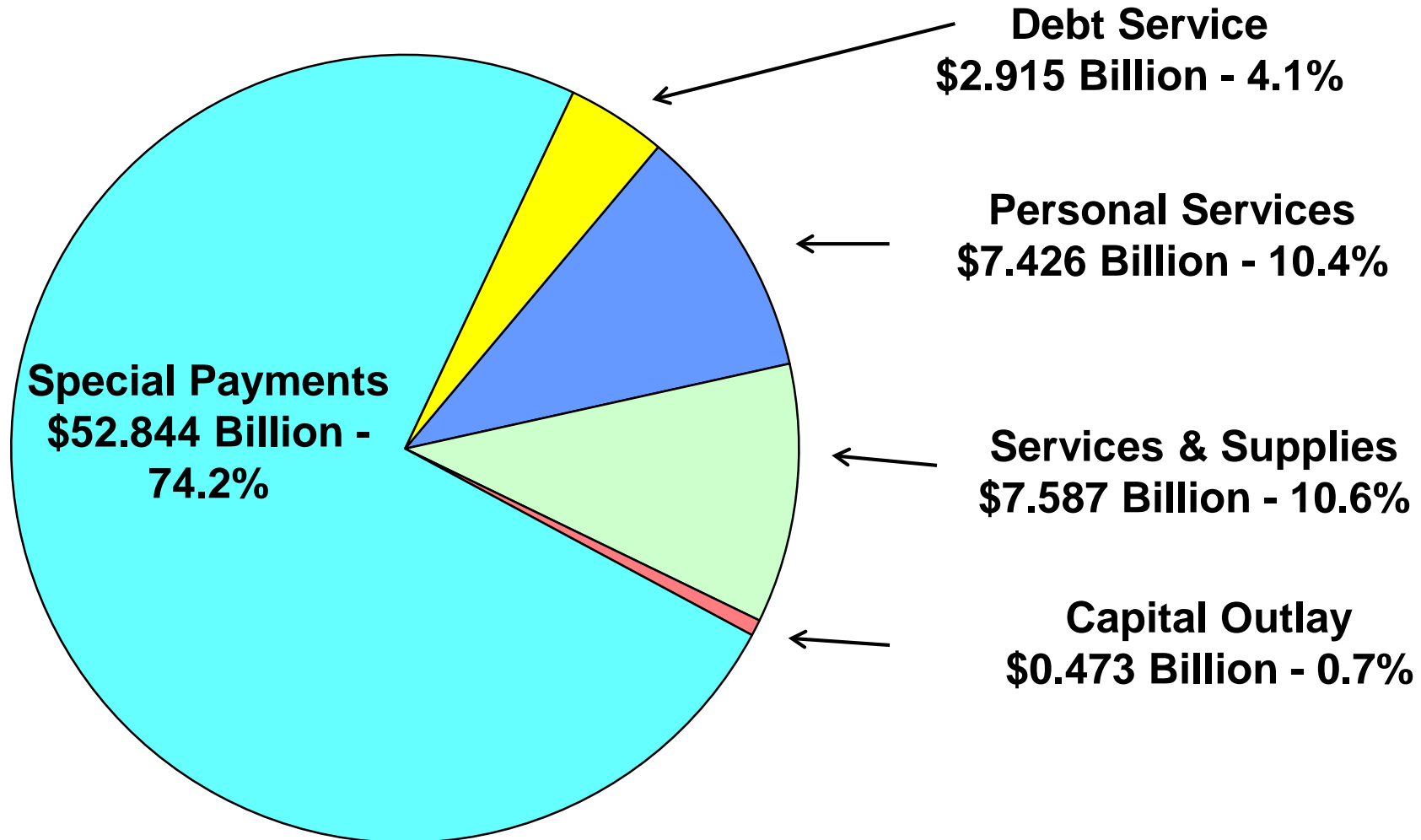


Oregon Budget History -- General Fund and Lottery Funds (Billions \$)



Expenditures by Category

**Total Funds - 2015-17 Legislatively Approved Budget
(through May 2016; \$71.2 Billion)**



Budget Issues

Key Drivers of Budget Change:

- Population Growth
- Demographics
- Inflation
- Health Care Costs
- Mandated Caseloads
- Federal Policy Changes
- Lawsuits
- Initiatives
- Rollup Costs
- Public Employees Retirement System
- Replacement of One-Time Revenues
- State Policy Decisions

Budget Issues Facing 2017 Legislature

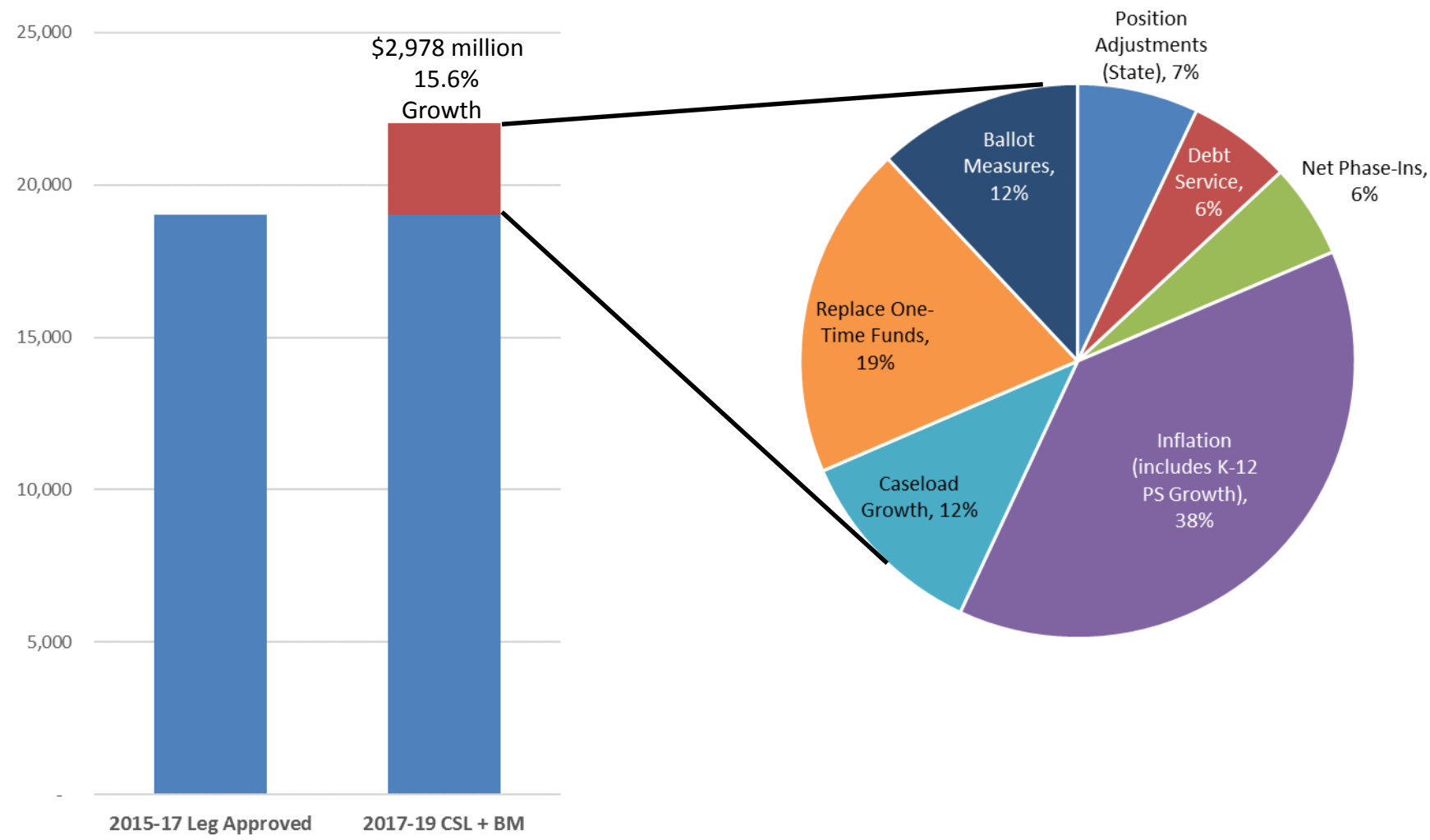
- Rebalancing the 2015-17 budget
- Revenue Forecast Changes
- Potential difficulty continuing current General Fund programs and services
- Governor and other stakeholder budget proposals
- Potential Issues (e.g., lawsuits, decreased federal funding)
- State employee and non-state employee compensation
- Responding to successful ballot initiatives
- 2019-21 tentative budget and revenue forecast

Current Service Level Budget - Adjustments

- Personal Services adjustments for 2017-19
- Debt Service adjustments
- Program phase-in costs for new programs that did not operate for the entire biennium
- Program phase-out savings for programs that will be discontinued or were one-time
- Inflation (3.7% general, 4.1% medical, exceptions)
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds

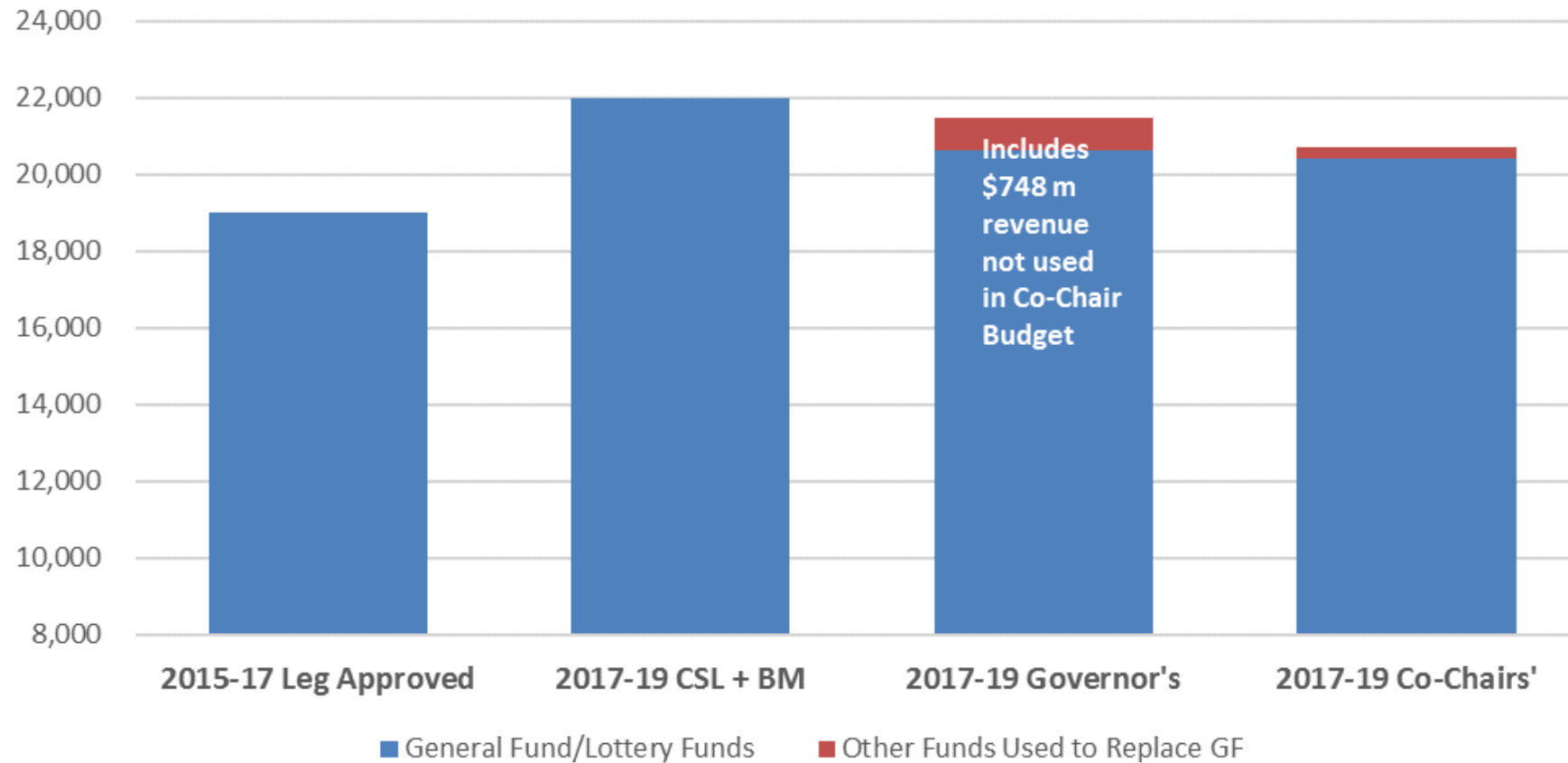
2017-19 Budget Growth – General Fund/Lottery Funds

Current Service Level



Statewide General Fund/Lottery Funds Budget

Millions of Dollars



General Government Subcommittee 2017-19 Current Service Level Budget Information

General Government Subcommittee

The General Government program area is comprised of 14 budget measures covering 19 separate agencies: 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, Construction Contractors Board, the Board of Accountancy, the Board of Tax Practitioners, and Legislative Branch agencies (6).

Agency Overview

Agencies in this Subcommittee provides services to state agencies and local governments. Such services include: central administration and support of agencies, retirement administration, labor relations, government ethics and lobby regulation, library services, income and property tax administration, regulation of construction contracting, among others. Additionally, it includes the Governor's Office, financial, performance, and information technology auditing, elections, and records management by the Secretary of State, and cash management, bonding, and investment activities of the State Treasurer, and Legislative Branch activities of the Assembly, administration, law, revenue, fiscal, and the Commission on Indian Affairs. Lastly, it includes state pass-through funding for Oregon Public Broadcasting, state and county fairs, and the Oregon Historical Society.

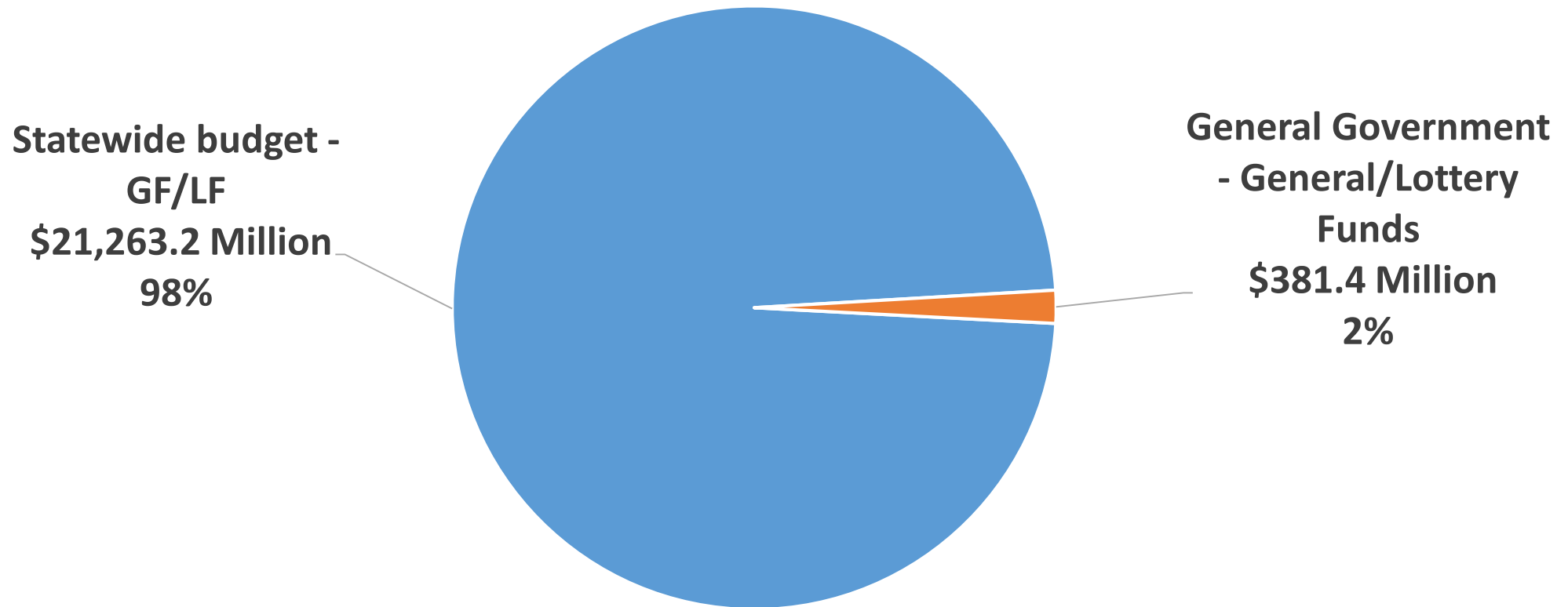
General Government Subcommittee

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	281,942,612	347,965,272	354,676,160	337,792,734
Lottery Funds	15,481,181	20,852,199	26,694,904	25,766,705
Other Funds	1,191,598,447	1,381,943,384	1,261,161,435	1,309,885,785
Other Funds (Nonlimited)	9,194,367,477	10,008,045,183	11,125,218,842	11,124,524,294
Federal Funds	7,192,945	11,399,924	10,470,979	10,366,665
Total Funds	10,690,582,662	11,770,205,962	12,778,222,320	12,808,336,183
Positions	3,334	3,433	3,395	3,385
FTE	3,029.40	3,119.40	3,136.68	3,086.34
* Includes Emergency Board and administrative actions through December 2016.				

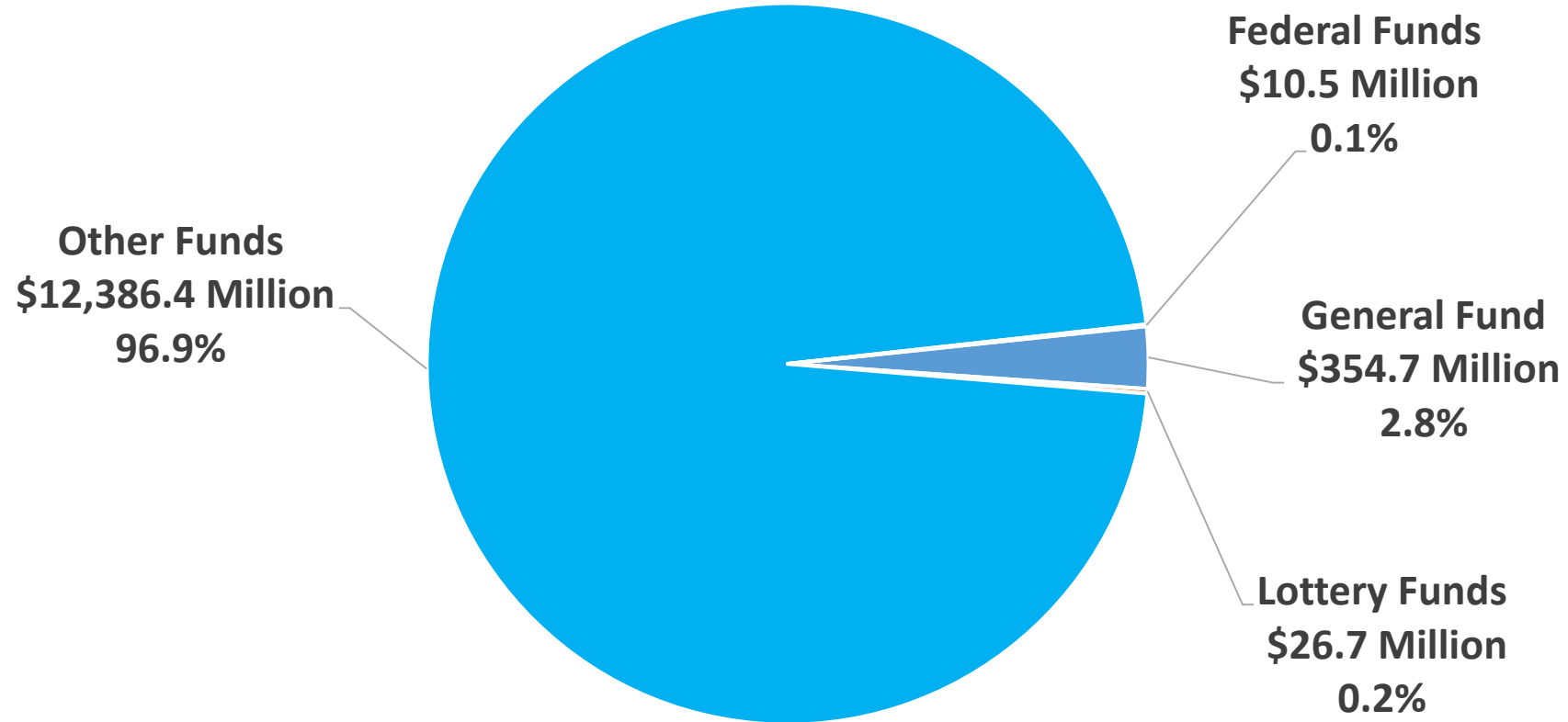
All Funds Comparison to the Statewide Budget



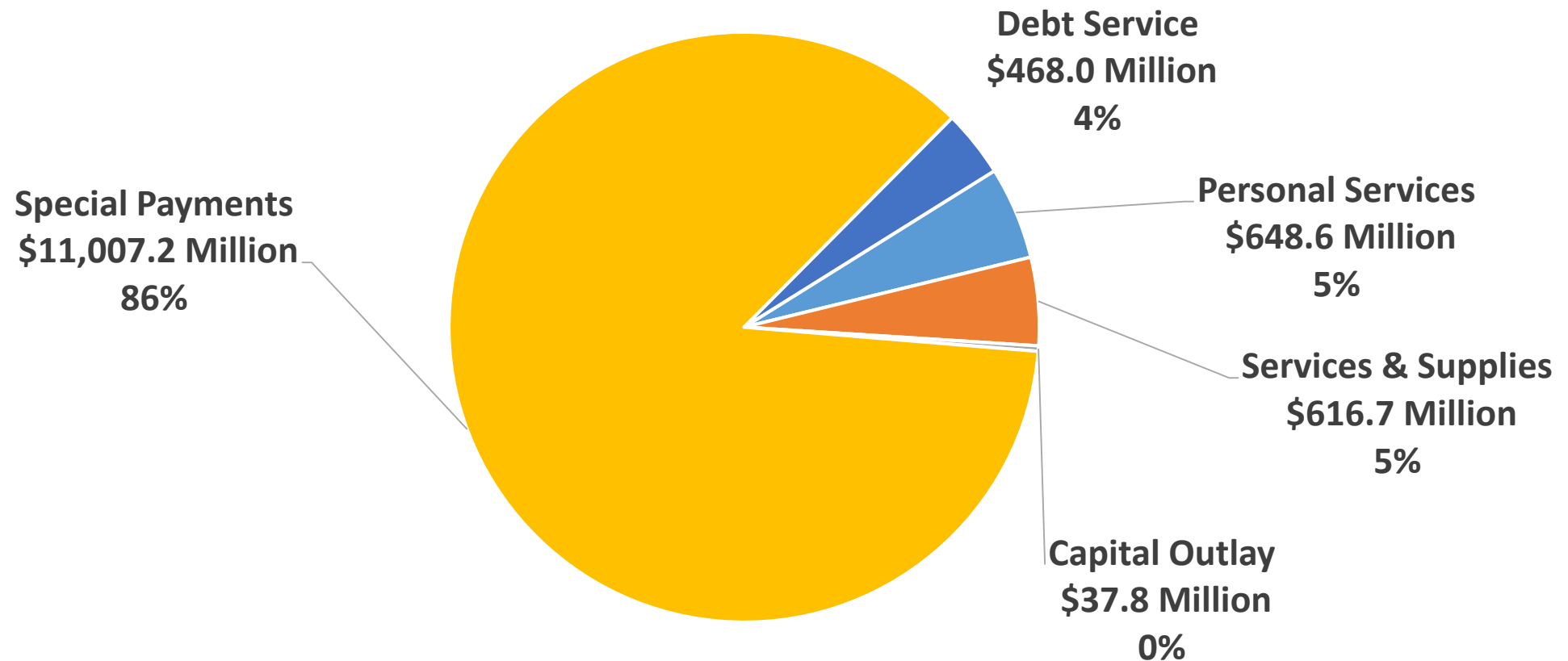
General/Lottery Fund Comparison to the Statewide Budget



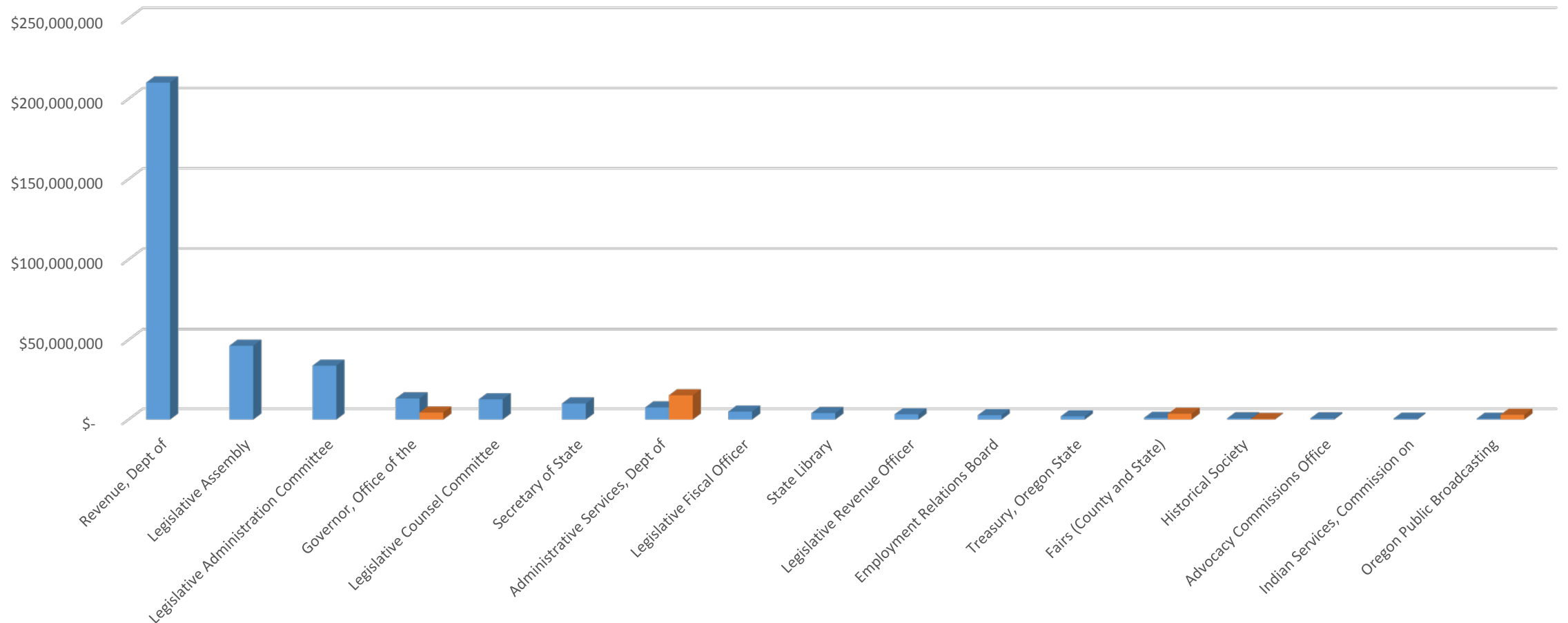
Subcommittee Budgets by Fund-Type



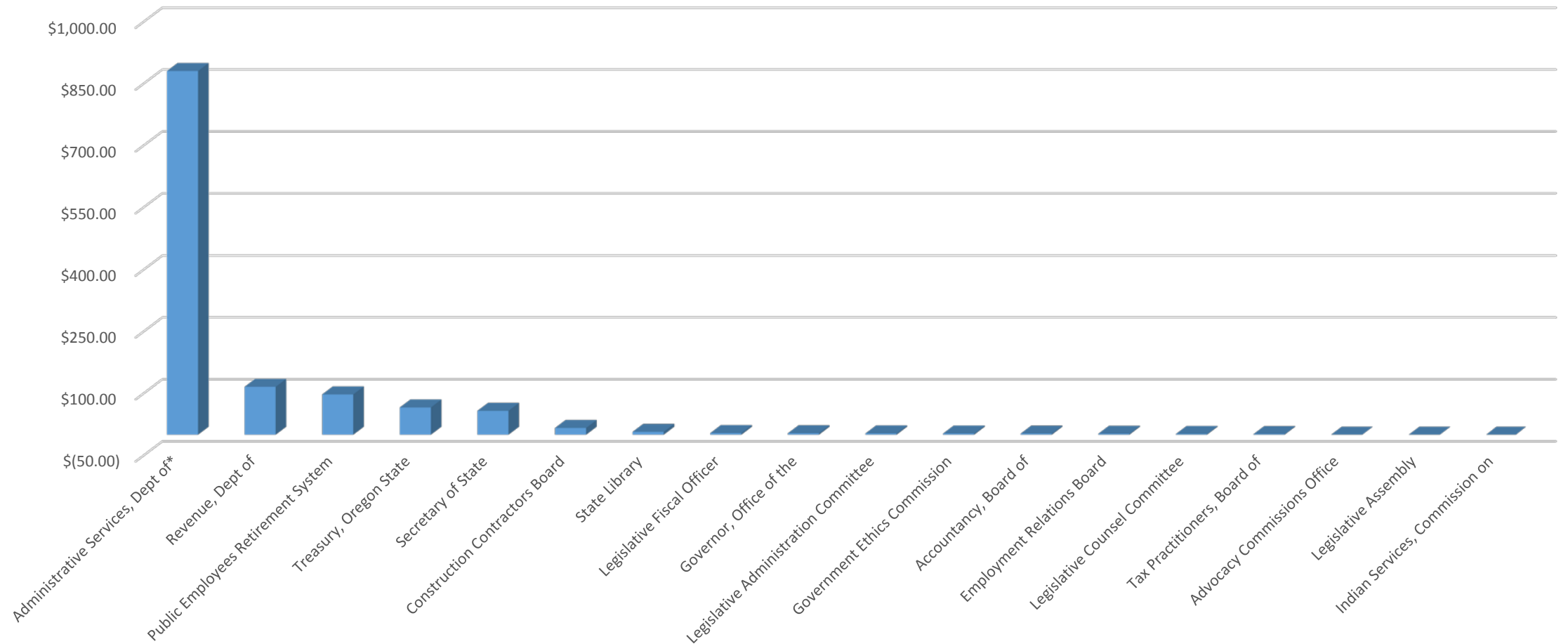
Expenditures by Category



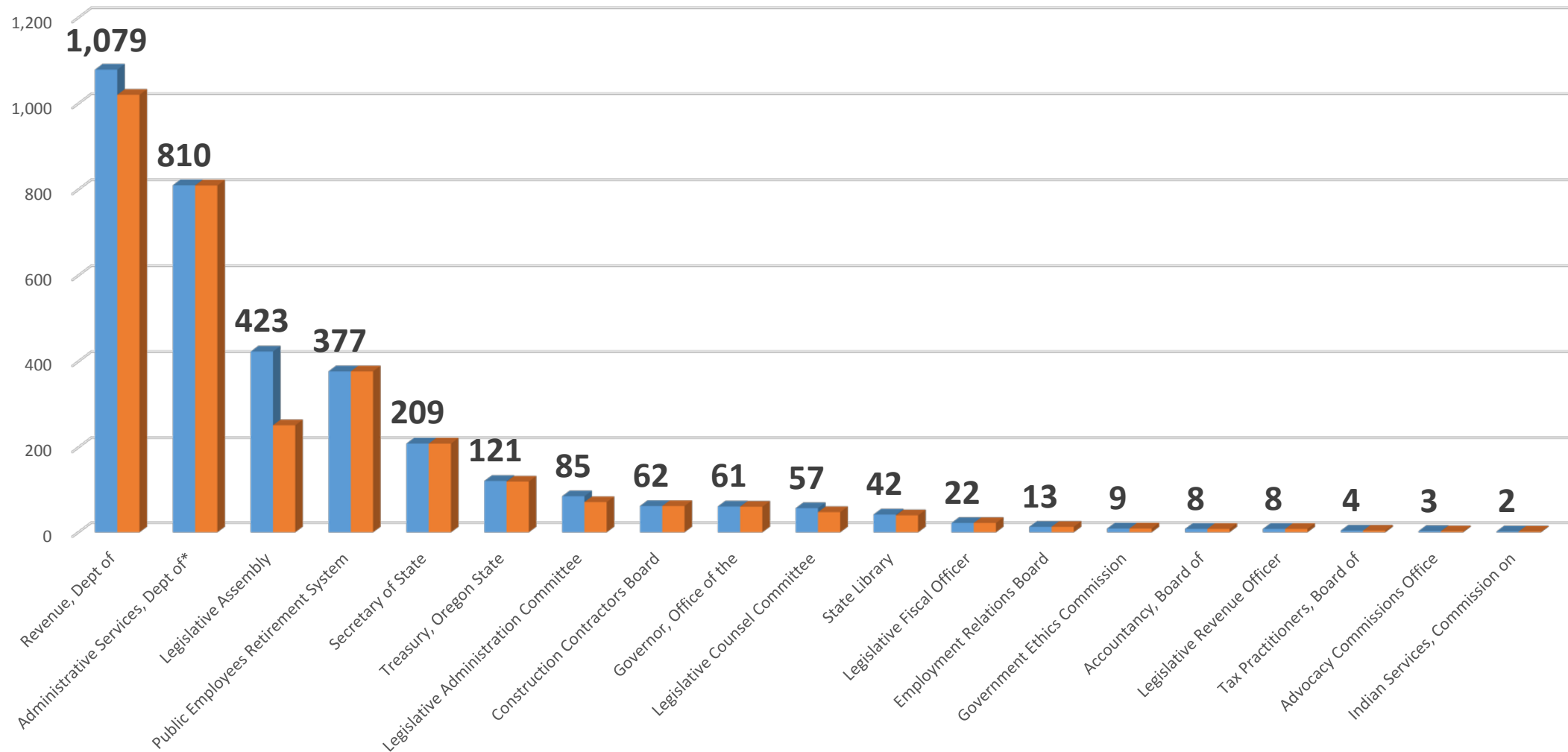
General and Lottery Funds by Agency/ Non-Governmental Units



Other Funds by Agency



Positions and Full-Time Equivalency



Total Budget vs. Operating Budget

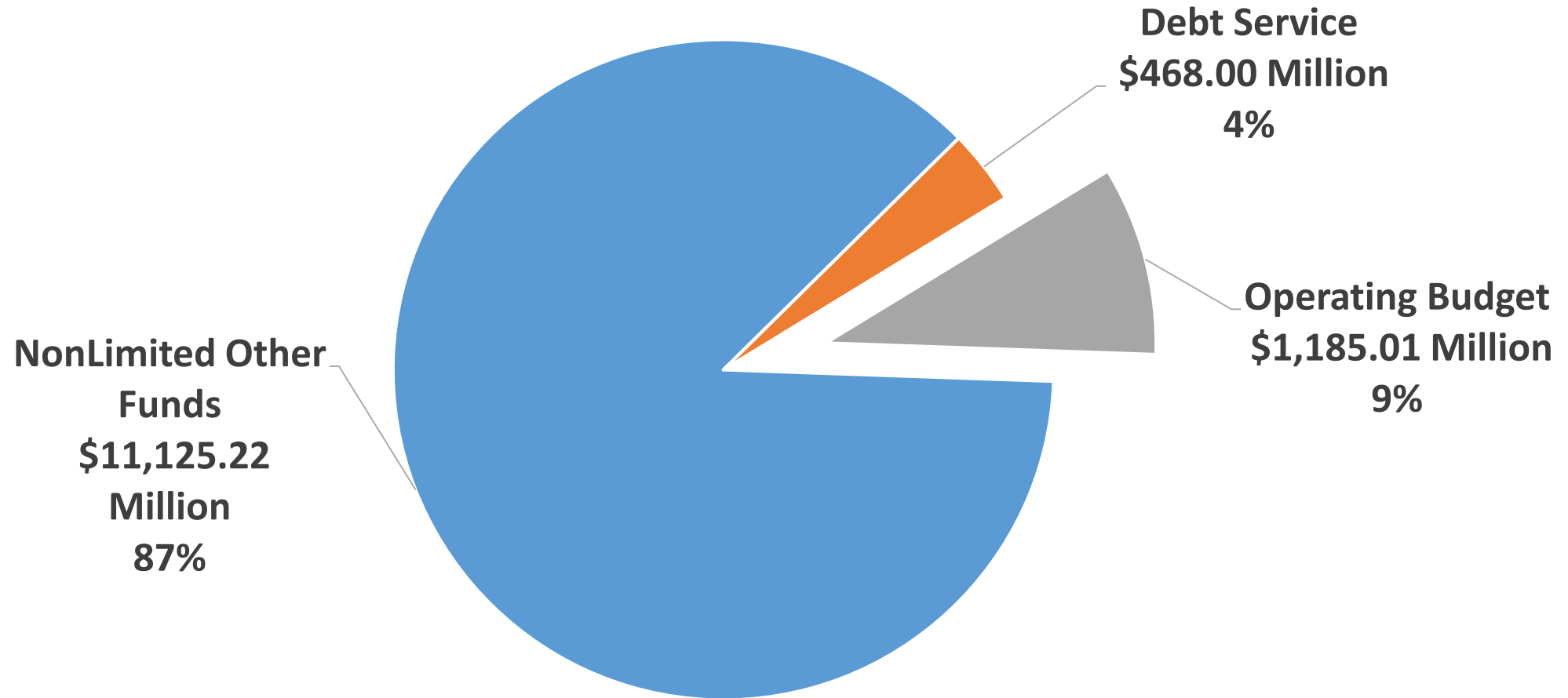
Total Funds Budget

- Includes four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds) and Other Funds limited and non-limited.
- Nonlimited expenditures are expenditures for legislatively defined purposes but which are generally outside an agency's control.
- Contractually mandated Debt Service payments.

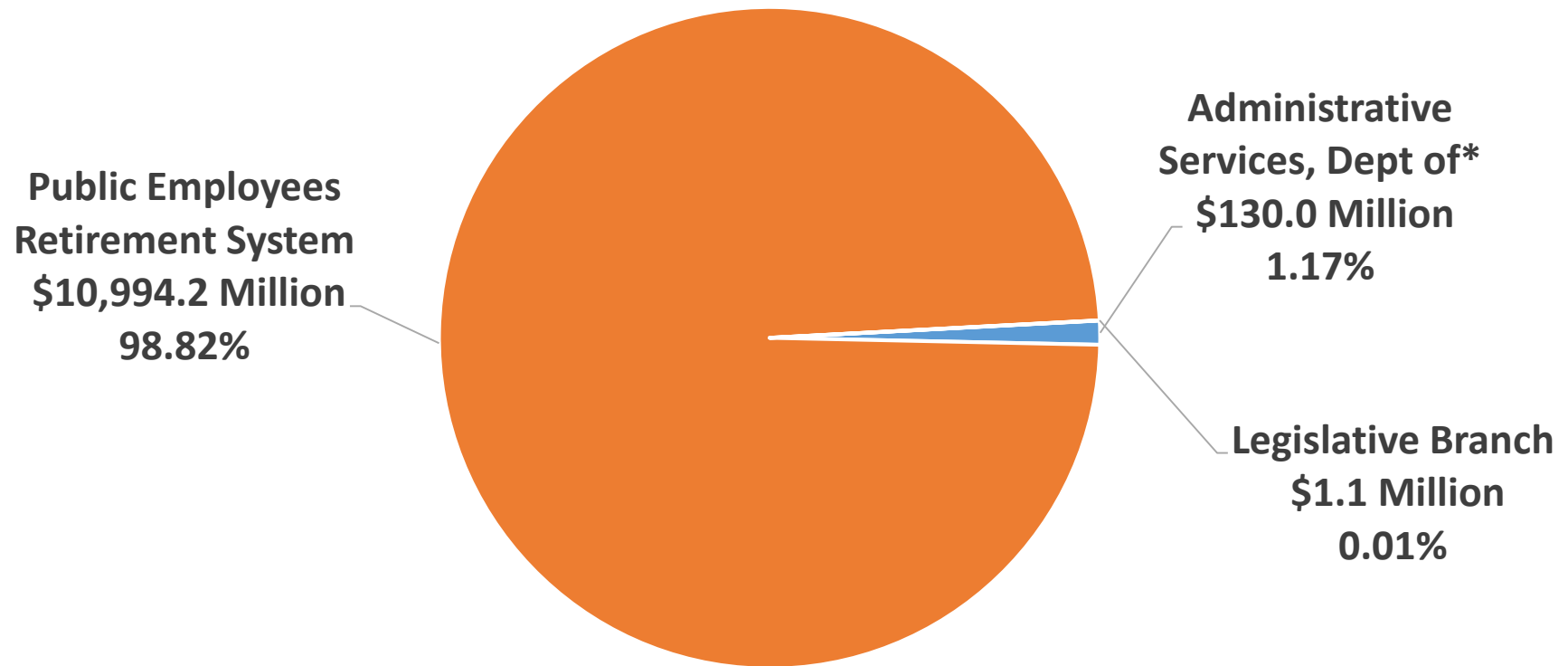
Operating Budget

- Includes four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds).
- Excludes non-limited funds and contractually mandated Debt Service.
- Provides for focus on General Fund appropriations, Lottery Fund allocations, and Other and Federal Funds expenditures ***subject to expenditure limitation***.

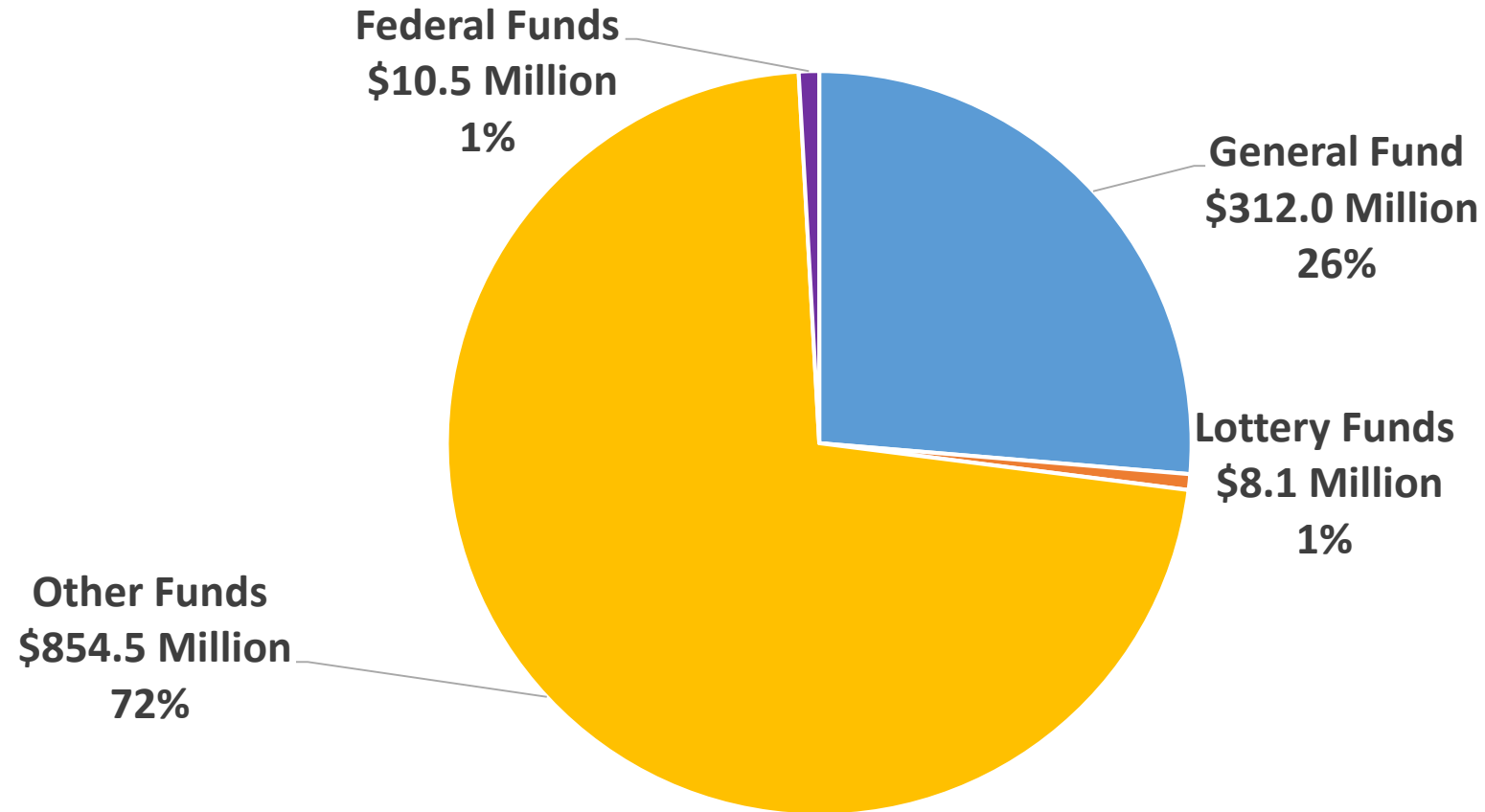
Nonlimited/Debt Service vs. Operating Budget



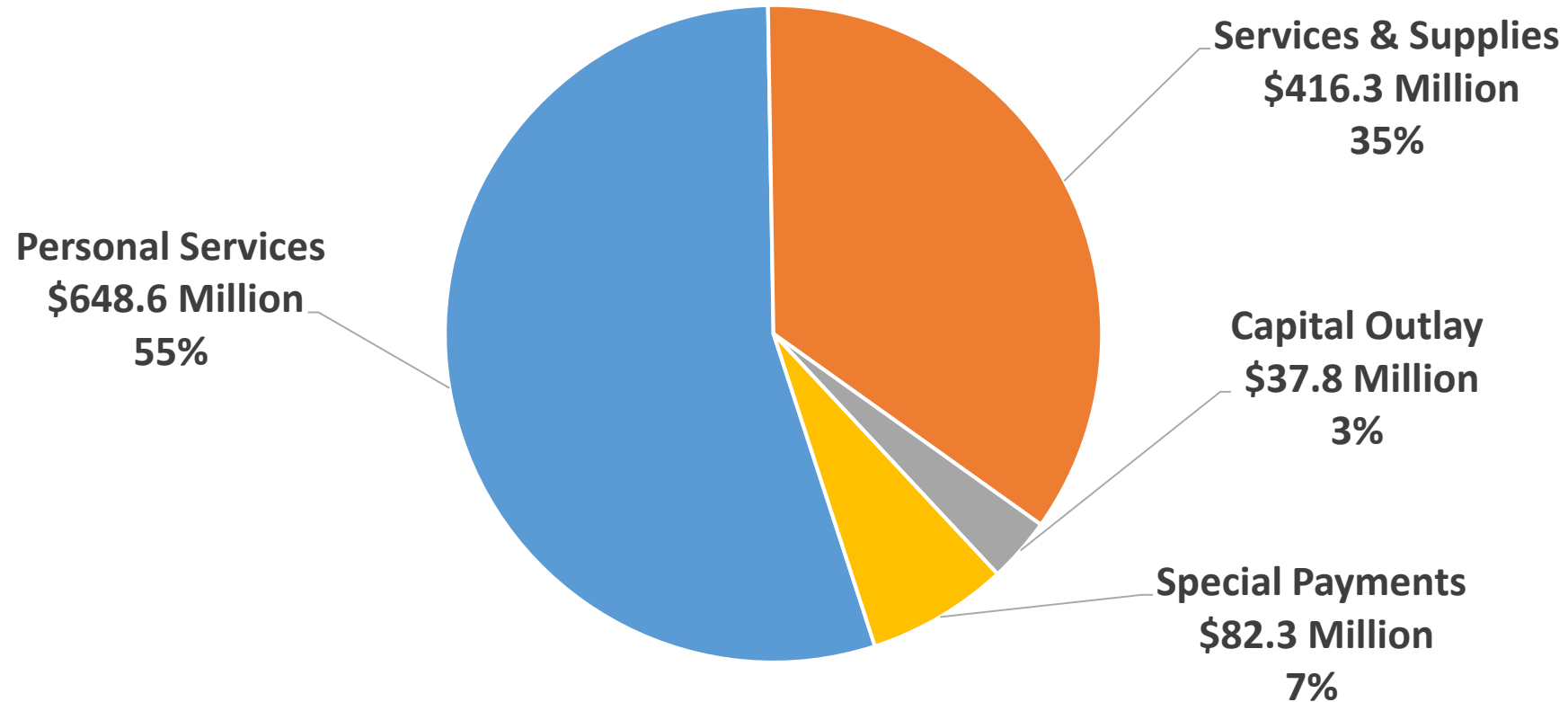
Nonlimited Expenditures



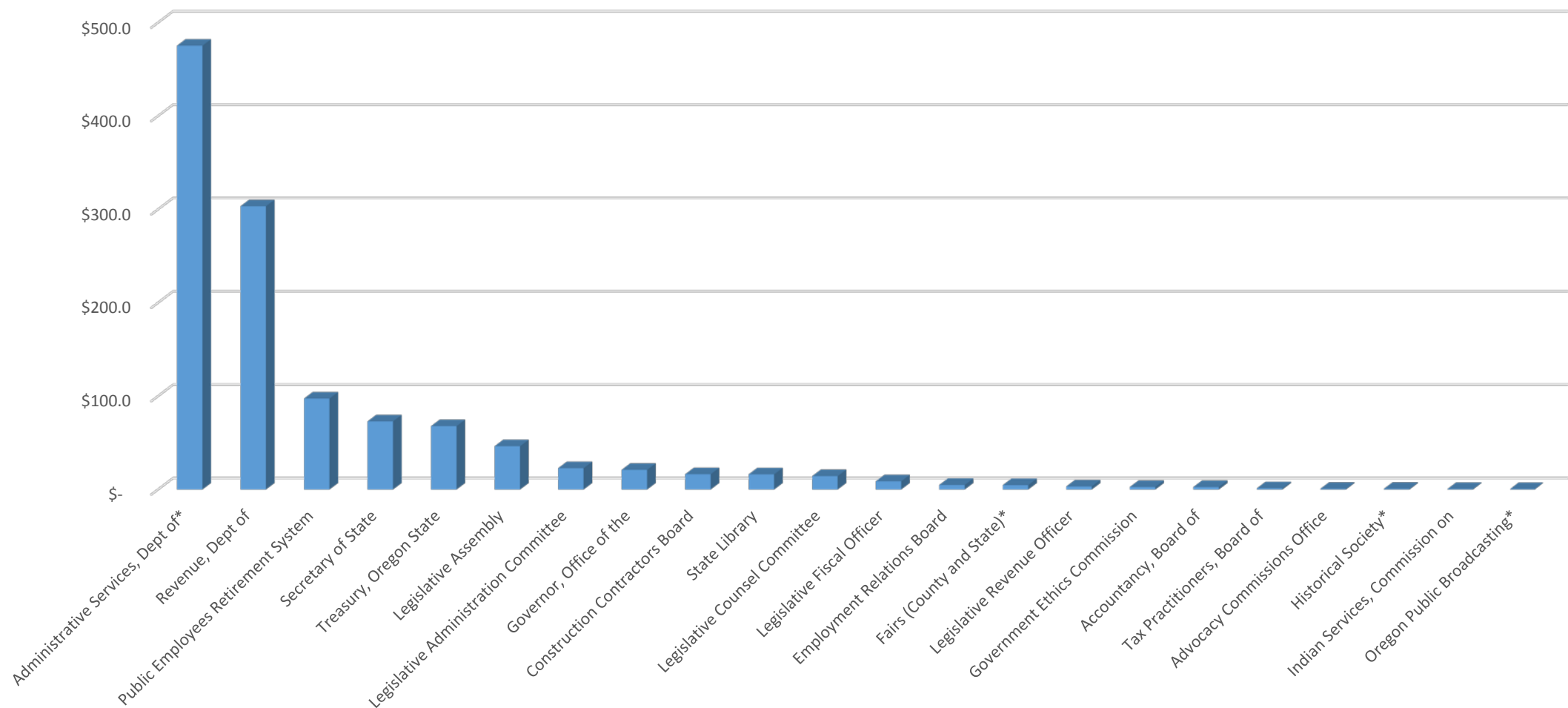
Operating Budget by Fund-Type



Operating Budget by Expenditure Category



Operating Budget by Agency



Key Drivers of Budget Change

2017-19 Current Service Level is 8.6% more than the 2015-17 Legislatively Approved budget.

Key Drivers of Budget Change:

- Retiree benefit payments
- Debt Service adjustments
- Position adjustments
- Inflation
- Other Adjustments

Budget Issues Facing the Subcommittee

- Potential difficulty continuing current General Fund programs and services
- Revenue shortfalls
- State agency assessments
- Revenue collections
- Funding critical investments above the current service level
- Information technology investments
- Agency reorganizations

Beginning of the Phased Approach

Phase	Timeframe	Purpose	Who
Phase-I	Early February through late March to Early April	Public hearings/public testimony – LFO overview; agency presentation of its mission, organization, budget, performance metrics, and reduction options; and CFO summary of the Governor’s budget.	All agencies
Phase-II	Upon completion of Phase-I through Early May	Public hearings for in-depth discussion of major budget issues/decision points/policy packages.	Select agencies
Phase-III	May be conducted as soon as agency hearings are completed	Agency work session	All agencies