

Oregon Legislative Fiscal Office and State of Oregon Budget

January 2019

Constitutional Responsibility of the 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

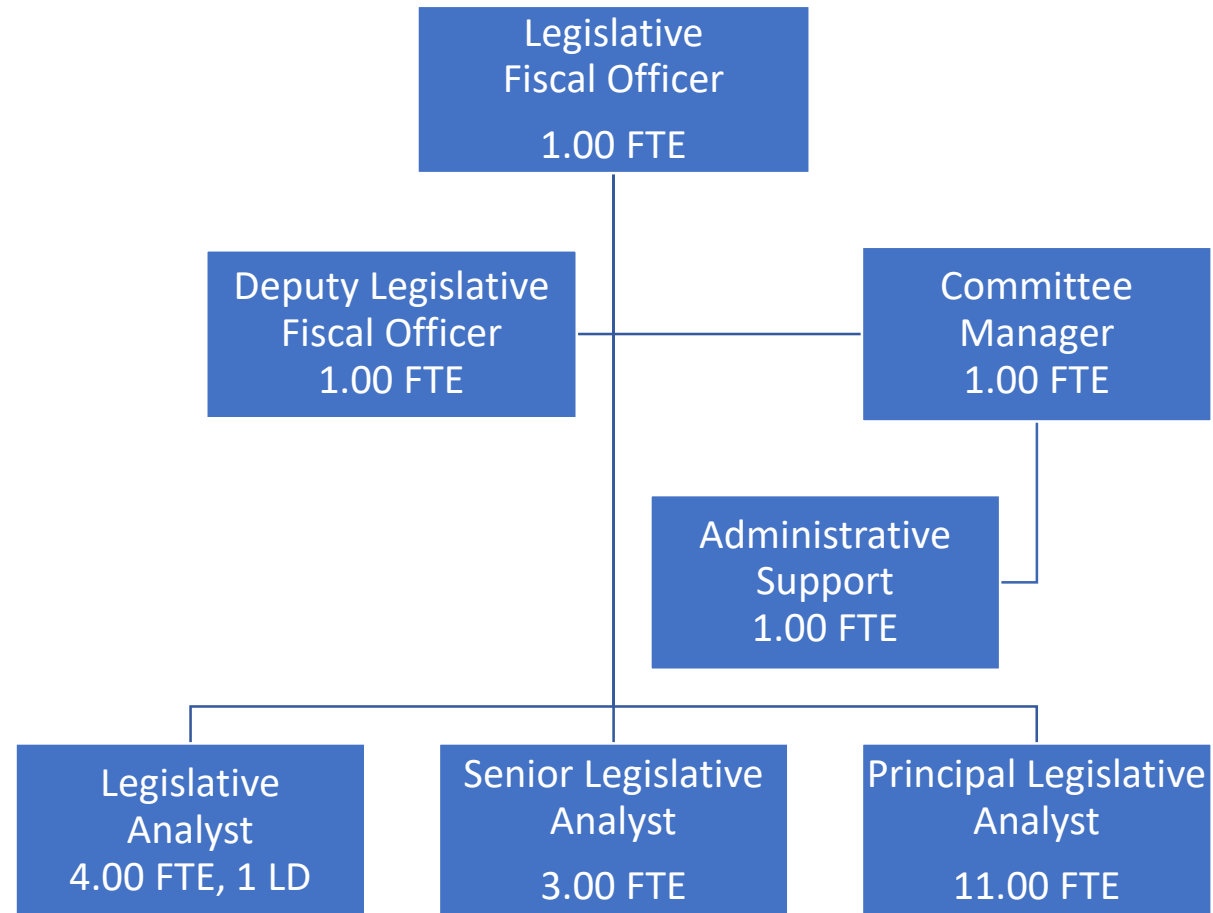
Based on principles of:

- 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

What is the Legislative Fiscal Office (LFO)?

- Non-partisan, independent, permanent professional support staff office to the Legislature that was created in 1959
- Mission is to provide objective research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency operations; LFO also provides staffing to several legislative committees
- Staff consists of a director, a deputy, 18 analysts, a committee manager, and an administrative support
- Each analyst has a portfolio of agencies with which they work

LFO Organization Chart



LFO Analyst Responsibilities During Session

- 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 the House and Senate floors

Other Staffing Responsibilities

- Emergency Board is a constitutional body responsible for making certain allowable budget adjustments when the Legislature 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 making recommendations to the Department of Administrative Services on the creation, contents, operations, and enhancements to the state's transparency website

Staff Responsibilities During the Interim

- Publish highlights report of session budgetary actions and detailed analysis reports of the legislatively adopted budget by agency and program
- Publish briefs and reports on budget-related topics and issues of interest to the Legislature
- Produce analysis and recommendations on agency requests for Emergency Board action
- Review state agency budget execution and operations
- Monitor agency expenditures and program implementation
- Respond to inquiries from legislators, press, agencies, citizens, NCSL, etc.

Oregon's Two-Year Budget Cycle

- Oregon budgets on a biennial basis
 - July 1st of odd-numbered year to June 30th of next odd-numbered year
 - Currently 19 months into the 2017-19 biennium; started creating the 2019-21 biennium budget in March 2018
- 2019 Legislative Session (January to June)
- 2019 Short Interim (July to January)
 - Interim Joint Ways and Means only makes recommendations
- 2020 Legislative Session (February)
 - Recommendations from Interim Joint Ways and Means or new items
- 2020 Long Interim (March to December)
 - Emergency Board
 - Budget development for next biennium

Oregon's Two-Year Budget Cycle

**In any two-year biennial budget period,
adjustments to the adopted budget
can be made in either of the annual sessions
or by the Emergency Board**

7) Legislatively Adopted Budget (LAB) is passed

1) Agencies use Allotment plan to show how LAB is spent each quarter

2) Agencies implement LAB with oversight from LFO/DAS; tentative budget for next biennium prepared

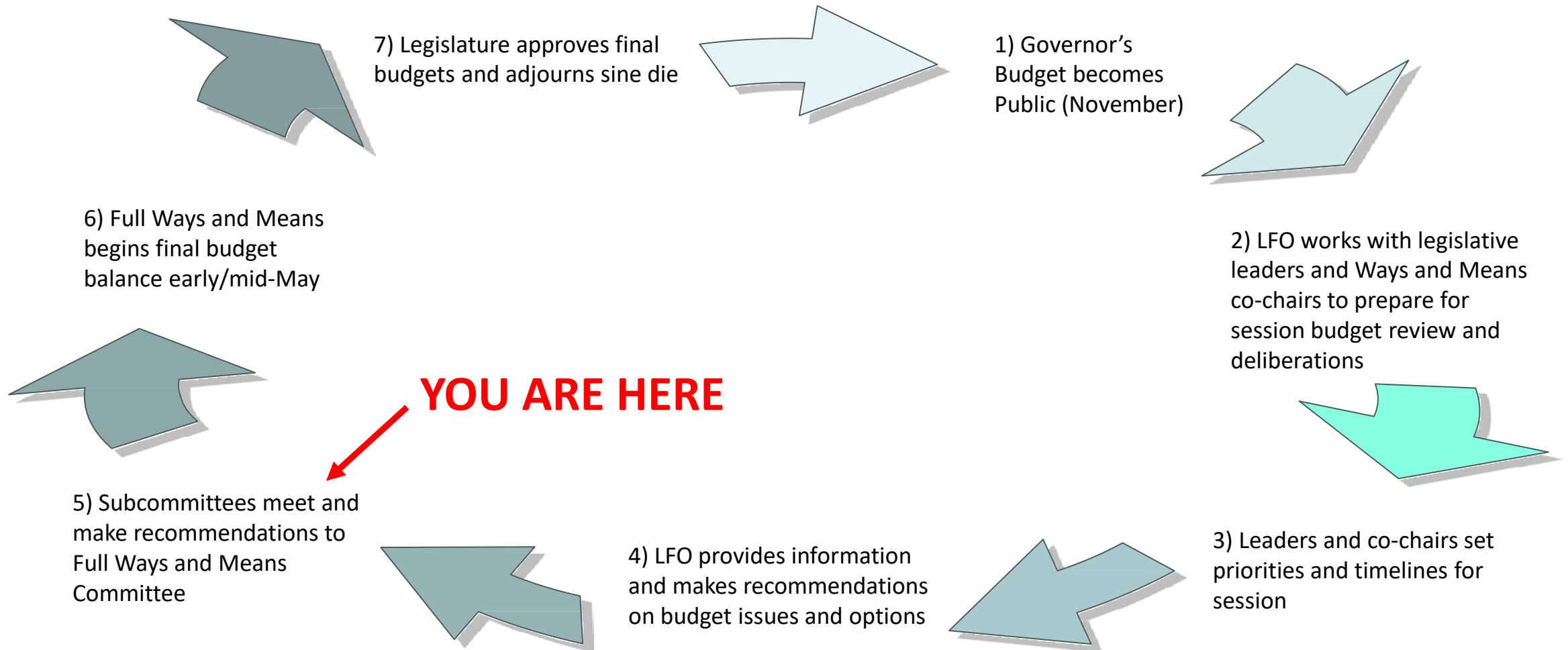
3) Agencies may request funding from Emergency Board

4) Agencies prepare Request Budget (ARB) based on LAB, interim action, and instructions

5) ARB analyzed; Governor's Budget prepared

6) Legislature reviews materials from Executive Branch and other sources; holds hearings, prepares balanced budget

Oregon Budget Process – Long Legislative Session



Budget Basics – Fund Types

- 1) General Fund – appropriation
 - Primarily personal and corporate income taxes, estate and inheritance taxes, corporate excise taxes; 7% other (i.e., liquor revenue)
 - “Fungible”
- 2) Lottery Funds – allocation
 - Sale of tickets and video lottery gaming proceeds, associated interest and penalties
 - Dedicated to economic development, education, parks/salmon habitat, veterans
- 3) Other Funds – limitation
 - Fees, interest earnings, excise taxes, dedicated fee or tax revenue (9-1-1 tax, lodging tax, forest harvest tax, vehicle and gas tax, etc.), bond proceeds
 - Dedicated by law for specific purposes
 - Limited and Nonlimited
 - Nonlimited: debt service, cost of issuance, Unemployment Insurance benefit payments
- 4) Federal Funds – limitation
 - Grants, formula funds from federal agencies such as HUD, HHS
 - Dedicated by law for specific purposes
 - Limited and Nonlimited
 - Nonlimited: federally funded food and housing vouchers

Budget Basics – Expenditure Categories

- Personal Services includes personnel costs (wages, PERS, benefits, social security, etc.)
- Services and Supplies includes operation costs (travel, office supplies, rent, legal expenses, expendable property, contracts, etc.)
- Capital Outlay includes products with value of more than \$5,000, life of more than two 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; 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)

What
you'll
see in
work
sessions

Corrections, Dept of

LFO Analyst Recommended

Agency Number: 29100

LFO102 - Work Session Presentation Report
2017-19 Biennium

Version: L - 01 - LFO Analyst Recommended

Cross Reference: 29100-000-00-00-00000

Corrections, Dept of

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	1,555,904,536	-	53,232,352	5,710,107	-	1,119,495	1,615,966,490	4,523	4,479.62
2015-17 Ebds, SS & Admin Act	44,313,966	-	2,644,641	-	27,167,985	-	74,126,592	67	38.12
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	1,600,218,502	-	55,876,993	5,710,107	27,167,985	1,119,495	1,690,093,082	4,590	4,517.74
2015-17 Leg Approved Budget (Base)	1,593,133,894	-	55,776,993	5,710,107	-	1,119,495	1,655,740,489	4,534	4,487.41
Summary of Base Adjustments	43,456,207	-	(15,850,133)	-	-	(80,982)	27,525,092	(26)	(6.93)
2017-19 Base Budget	1,636,590,101	-	39,926,860	5,710,107	-	1,038,513	1,683,265,581	4,508	4,480.48
010: Non-PICS Pers Svc/Vacancy Factor	22,092,609	-	240,030	-	-	-	22,332,639	-	-
020: Phase In / Out Pgm & One-time Cost	(3,626,956)	-	(242,490)	(300,551)	-	-	(4,169,997)	-	-
030: Inflation & Price List Adjustments	28,177,477	-	1,016,067	37,668	-	-	29,231,212	-	-
040: Mandated Caseload	36,061,526	-	657,000	-	-	-	36,718,526	97	88.98
050: Fundshifts and Revenue Reductions	1,083,915	-	-	(1,083,915)	-	-	-	-	-
060: Technical Adjustments	-	-	-	-	-	-	-	31	33.93
2017-19 Current Service Level	1,720,378,672	-	41,597,467	4,363,309	-	1,038,513	1,767,377,961	4,636	4,603.39
080: E-Boards	9,139,932	-	-	-	-	-	9,139,932	33	29.10
Adjusted 2017-19 Current Service Level	1,729,518,604	-	41,597,467	4,363,309	-	1,038,513	1,776,517,893	4,669	4,632.49
Total LFO Recommended Packages	(26,234,849)	-	874,450	-	-	-	(25,360,399)	(64)	(60.42)
2017-19 Legislative Actions	1,703,283,755	-	42,471,917	4,363,309	-	1,038,513	1,751,157,494	4,605	4,572.07
Net change from 2015-17 Leg Approved Budget	103,065,253	-	(13,405,076)	(1,346,798)	(27,167,985)	(80,982)	61,064,412	15	54.33
Percent change from 2015-17 Leg Approved Budget	6.4%	0.0%	(24.0%)	(23.6%)	(100.0%)	(7.2%)	3.6%	0.3%	1.2%
Net change from 2017-19 Adj Current Service Level	(26,234,849)	-	874,450	-	-	-	(25,360,399)	(64)	(60.42)
Percent change from 2017-19 Adj Current Service Level	(1.5%)	0.0%	2.1%	0.0%	0.0%	0.0%	(1.4%)	(1.4%)	(1.3%)

Budget Basics – Appropriation Bills

- Appropriation bills are the budgetary control
- Appropriation bills are session law (Oregon Laws)
- Appropriation bills are by fund type and may be total agency or detailed to program within agency
- Appropriation bills are not detailed to the expenditure category level
- Budget reports accompany appropriation bills or policy bills with appropriation amendments

What you'll see: Budget Report & Budget Note

Budget Summary*

	2015-17 Legislatively Approved Budget ⁽¹⁾	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 291,609,975	\$ 319,820,616	\$ 300,278,130	\$ 8,668,155	3.0%
General Fund Capital Improvements	\$ 745,131	\$ 772,725	\$ 772,725	\$ 27,594	3.7%
General Fund Debt Service	\$ 6,266,509	\$ 9,368,467	\$ 9,368,467	\$ 3,101,958	49.5%
Other Funds Limited	\$ 13,324,605	\$ 14,321,252	\$ 11,029,866	\$ (2,294,739)	(17.2%)
Federal Funds Limited	\$ 36,324,177	\$ 49,935,912	\$ 37,385,204	\$ 1,061,027	2.9%
Federal Funds Debt Service Nonlimited	\$ 1	\$ -	\$ -	\$ (1)	(100.0%)
Total	\$ 348,270,398	\$ 394,218,972	\$ 358,834,392	\$ 10,563,994	3.0%

Position Summary

Authorized Positions	1,022	1,016	1,023	1
Full-time Equivalent (FTE) positions	985.88	984.88	950.68	(35.20)

⁽¹⁾ Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Youth Authority (OYA) is funded primarily with General Fund. For the 2017-19 biennium, General Fund of \$310.4 million makes up 86.5 percent of the recommended budget. Federal Funds make up 10.4 percent of the agency's revenues and Other Funds account for the remaining 3.1 percent. Federal Funds are derived primarily from Title XIX Medicaid funding used for targeted case management, administration, and Behavioral Rehabilitation Services. Other Funds are primarily comprised of benefits available to youth (child support, Social Security, etc), nutrition program funds transferred from the Department of Education and reimbursements from counties for their use of OYA detention beds.

Summary of Public Safety Subcommittee Action

OYA serves youth ages 12-24, who have committed serious delinquent or criminal conduct prior to their 18th birthday. As the state's juvenile corrections agency OYA operates close custody beds in facilities, work-study camps and accountability camps. OYA also manages the state's juvenile parole and probation programs; contracts for foster care, residential treatment and specialized treatment programs for adjudicated youth; and distributes funds to county juvenile departments. While in the care and custody of OYA, youth receive evidence-based treatment and education programs designed to address the factors contributing to their behavior.

The Subcommittee adopted the following budget notes:

Budget Note

The Department of Justice (DOJ) is to submit a report to the Legislature during the 2018 Session with options for providing more effective and cost-efficient legal and other services to state agencies, including a feasibility study related to alternative service models.

Budget Basics – Budget Bills

- Appropriation bills are generally agency specific (House bills = 5000 series, Senate bills = 5500 series)
- Oregon has approximately 80 agencies under budgetary control
- Range from small (\$300,000 biennial budget) to large (\$22 billion biennial budget)
- Budget for bonding and capital construction are 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 Omnibus Budget Reconciliation (a.k.a. Emergency Fund) bill

What you'll see in a budget bill

Appropriations
(General Fund)
and expenditure
limitations (non-
General Fund
sources)

Enrolled House Bill 5042

Introduced and printed pursuant to House Rule 12.00. Presession filed (at the request of Oregon Department of Administrative Services)

CHAPTER

AN ACT

Relating to the financial administration of the Oregon Youth Authority; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. There are appropriated to the Oregon Youth Authority, for the biennium beginning July 1, 2017, out of the General Fund, the following amounts, for the following purposes:

- (1) Operations..... \$276,284,696
- (2) Juvenile crime prevention/diversion..... \$ 18,509,485
- (3) Multnomah County gang services \$ 3,552,991
- (4) East Metro Gang Enforcement Team \$ 1,930,958
- (5) Debt service..... \$ 9,368,467
- (6) Capital improvements..... \$ 772,725

SECTION 2. Notwithstanding any other law limiting expenditures, the amount of \$11,029,866 is established for the biennium beginning July 1, 2017, as the maximum limit for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts, but excluding lottery funds and federal funds, collected or received by the Oregon Youth Authority.

SECTION 3. Notwithstanding any other law limiting expenditures, the amount of \$37,385,204 is established for the biennium beginning July 1, 2017, as the maximum limit for payment of expenses from federal funds collected or received by the Oregon Youth Authority.

SECTION 4. This 2017 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2017 Act takes effect July 1, 2017.

Budget Basics: “Budget Math”

Agency Budget Bill

+ Policy Bills

+ Omnibus Budget Reconciliation (a.k.a. Emergency Fund) Bill

+ Capital Construction Bill

= Legislatively Adopted Budget

Budget Reports

- LFO Work Session Recommendations become the basis for the budget report
 - Key Performance Measures are reviewed and approved as part of the LFO recommendation
- Accompany appropriation bills or policy bills with appropriation amendments
- Provide details on legislative action and intent for a budget bill or a policy bill with a budgetary impact (will have expenditure category detail)
- Contain detailed information on approved Policy Option Packages
- Include position authorization and full-time equivalents

Subcommittee Role and Responsibilities

- Budget (Appropriation) Bills
- Agency Budget Presentations: Consist of Phase 1/Phase 2 (Agency Profile/Discussion of Issues) and Phase 3 (Work Session)
- Budget Notes: Included in a budget report to provide budget execution direction to agency
 - Cannot be used in lieu of legislation
 - Does not have the force of law
- Federal Grant Applications: Statute requires approval from either Joint Committee on Ways and Means or Emergency Board

Subcommittee Role and Responsibilities (cont.)

- Reports: When required by budget report, subcommittee instructions, or statute
- Fee-Related Bills: Generally tied to an agency's budget request
- Policy Bills: Directly referred to Ways and Means or subsequently referred after being heard in a policy committee; often have a financial impact or may be tied to assumptions in an agency budget