

# 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

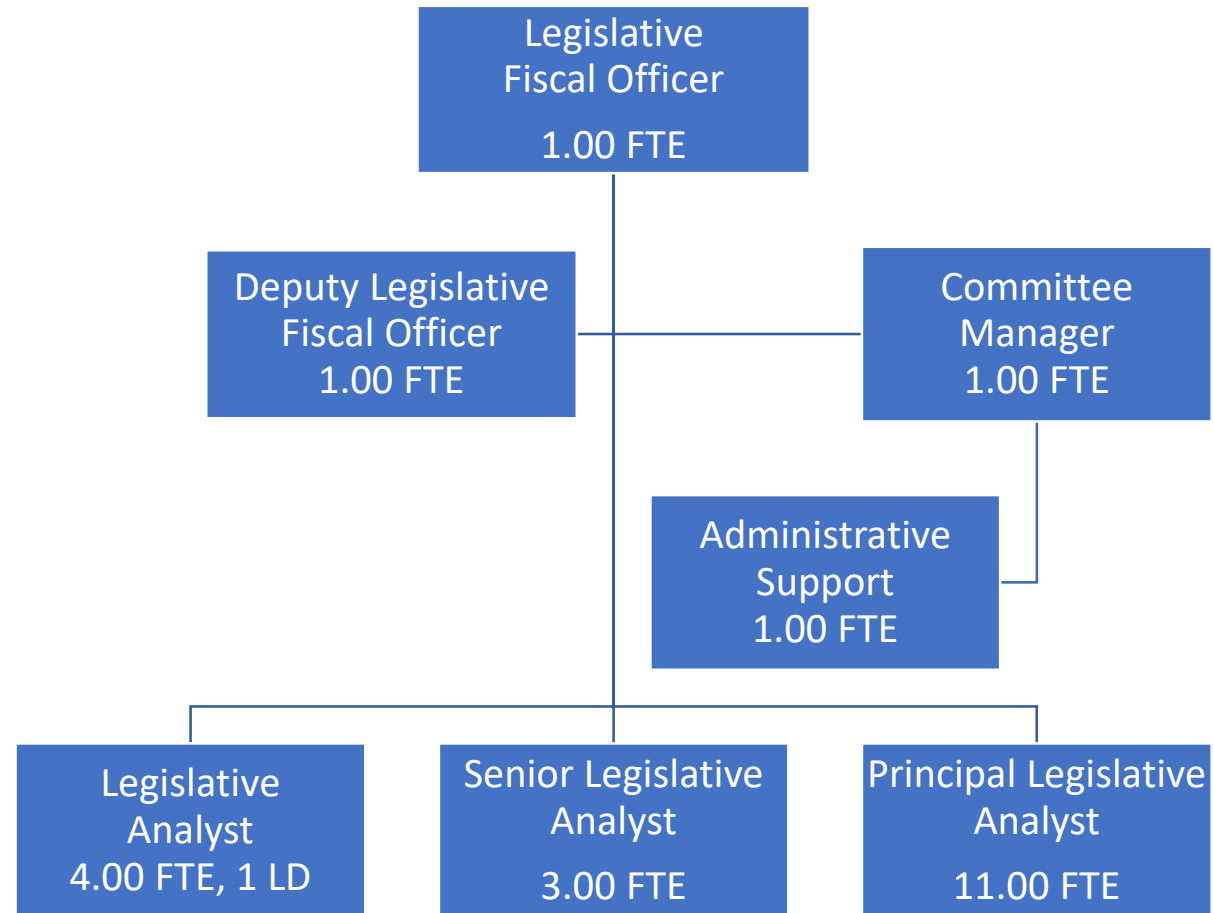
Based on principles of:

- 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

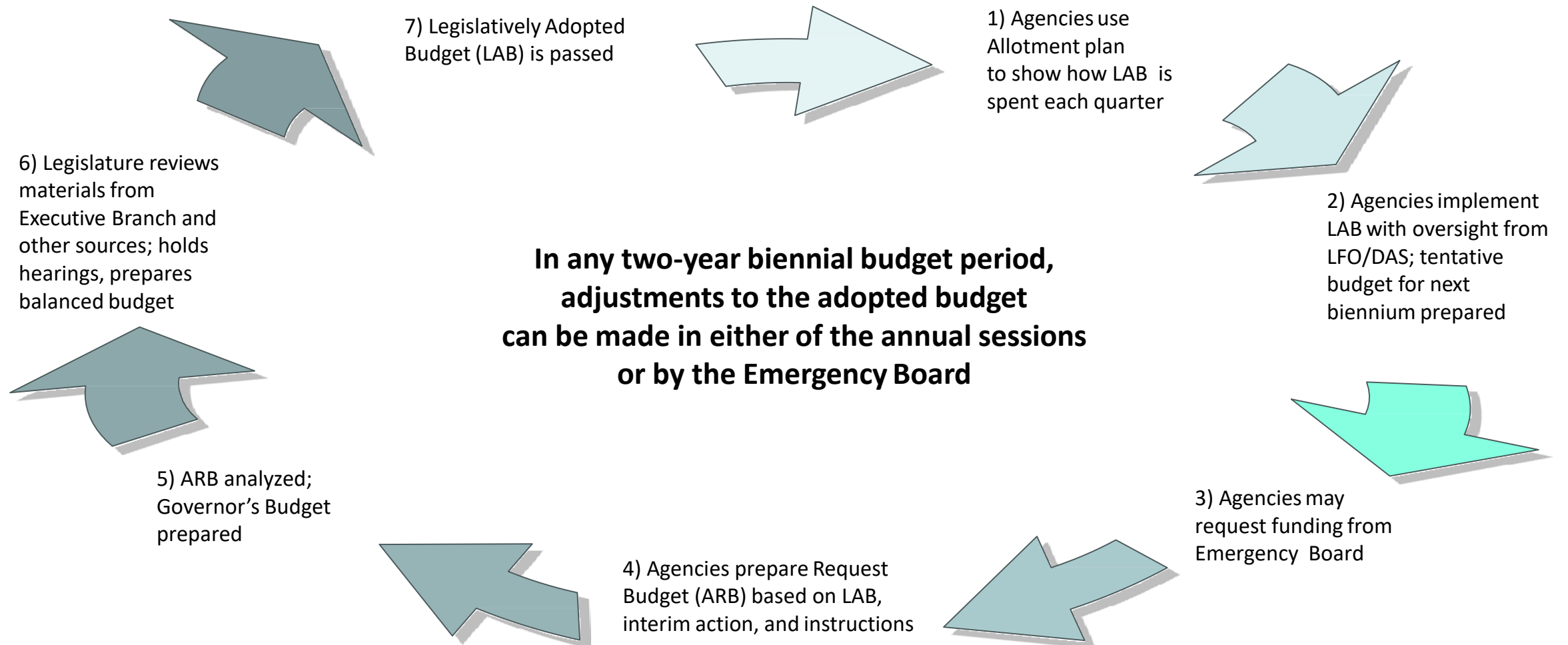
- Publish highlights report of session budgetary actions and detailed analysis reports of the legislatively adopted budget by agency and program
- Publish briefs and reports on budget-related topics and issues of interest to the Legislature
- Produce analysis and recommendations on agency requests for 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.



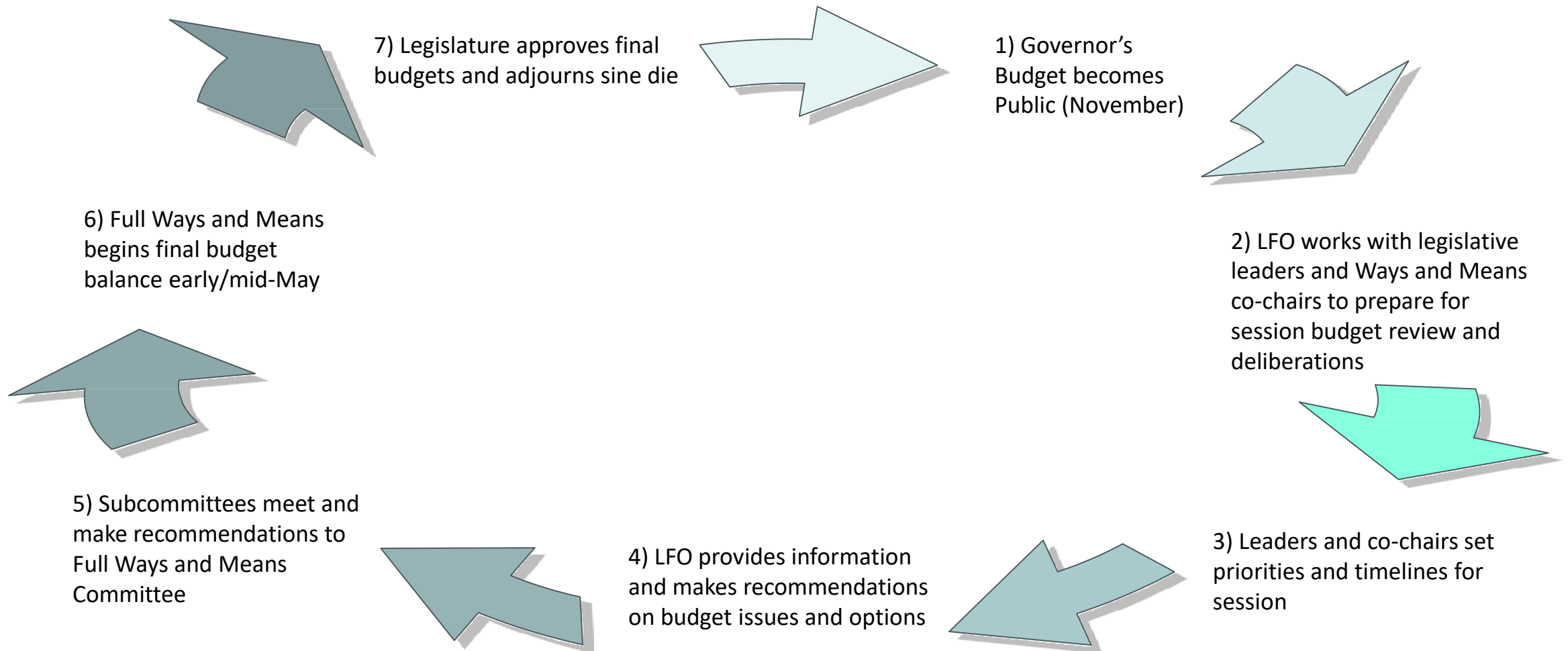
# Oregon's Two-Year Budget Cycle

- Oregon budgets on a biennial basis
  - July 1<sup>st</sup> of odd-numbered year to June 30<sup>th</sup> 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



# 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)

# 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

# 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

# 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

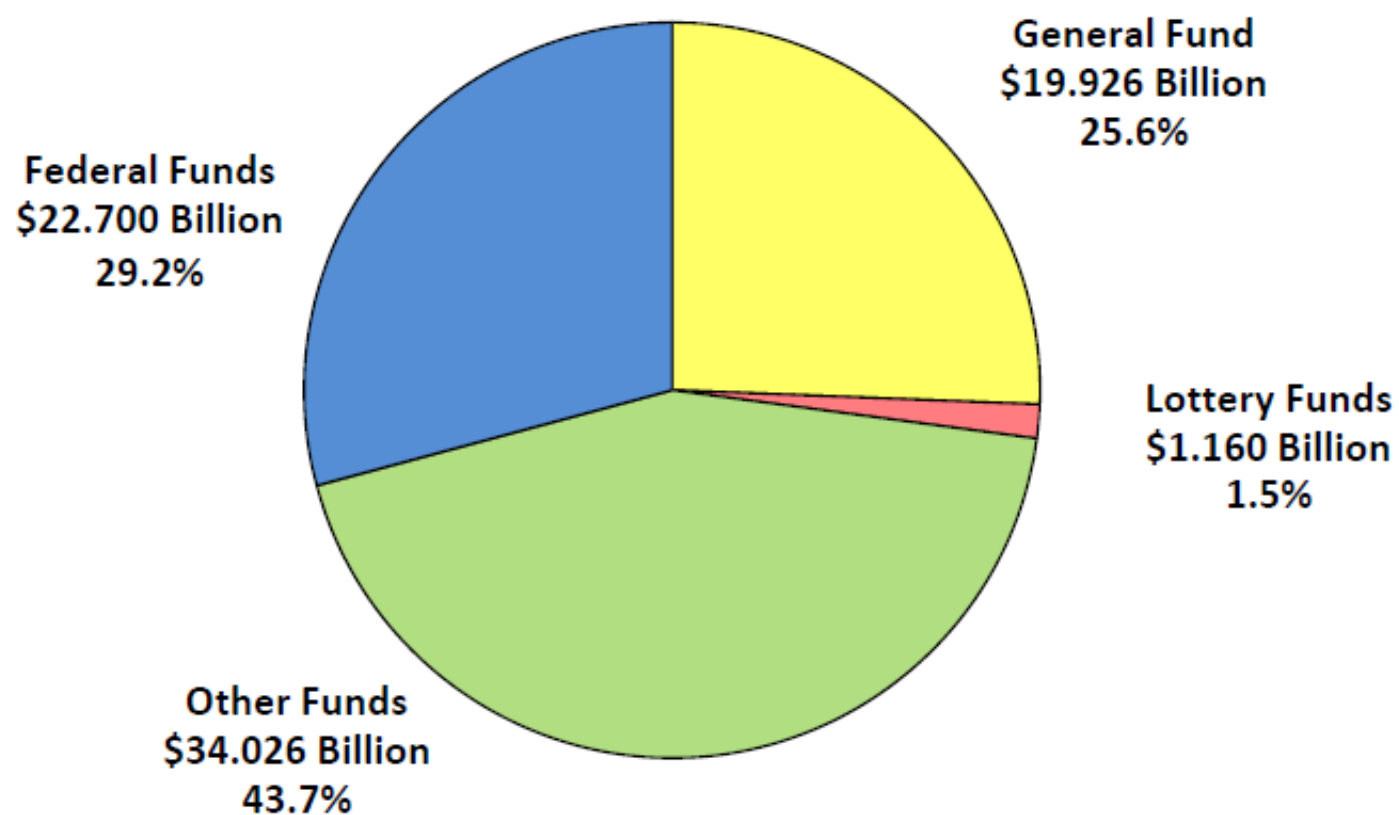
- Budget (Appropriation) Bills
- Agency Budget Presentations: Consist of Phase 1/Phase 2 (Agency Profile/Discussion of Issues) and Phase 3 (Work Session)
- Budget Notes: Included in a budget report to provide budget execution direction to agency
  - Cannot be used in lieu of legislation
  - Does not 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

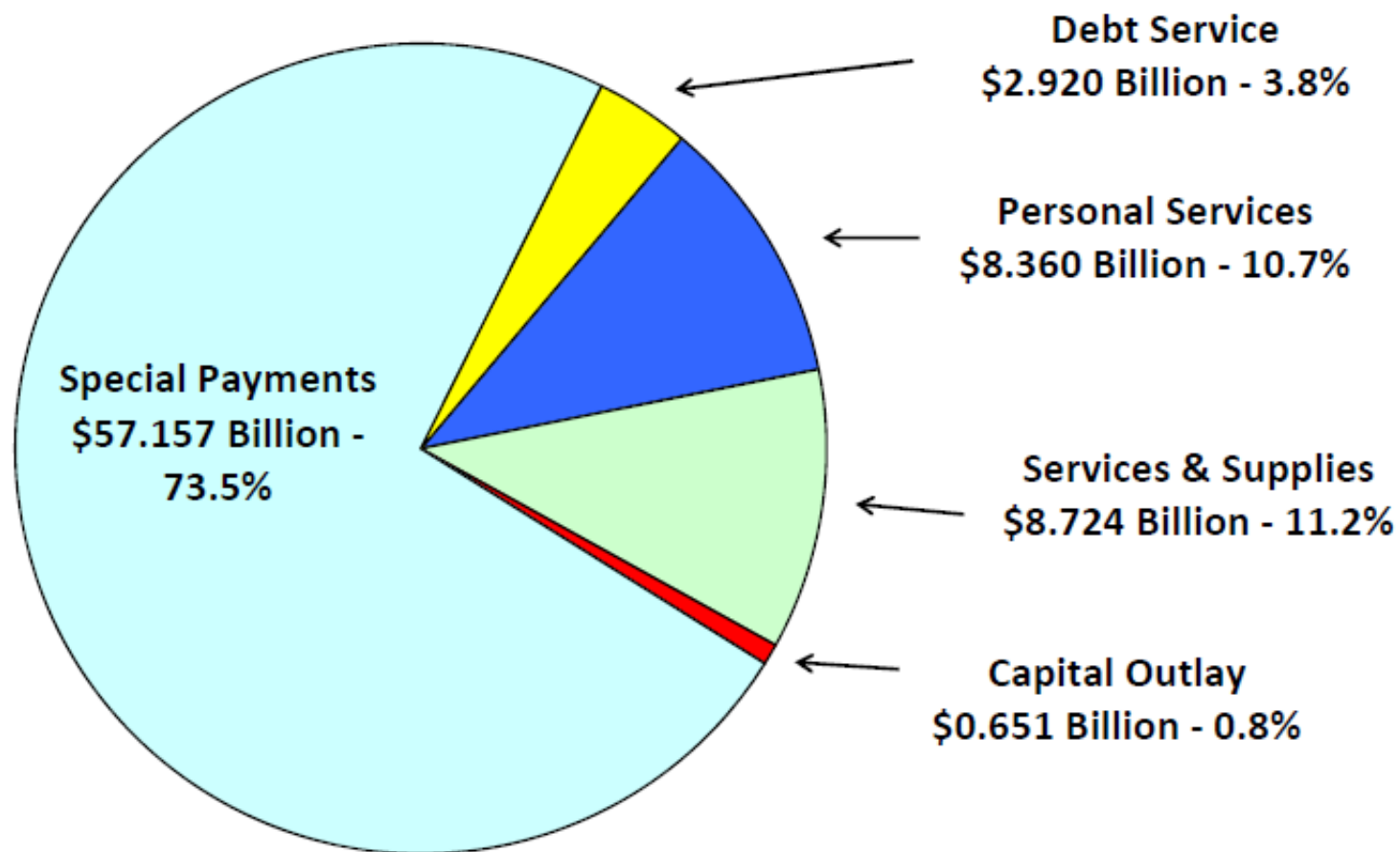
## 2017-19 Legislatively Approved Budget Totals \$77.812 Billion

8.3% Increase from 2015-17 Approved



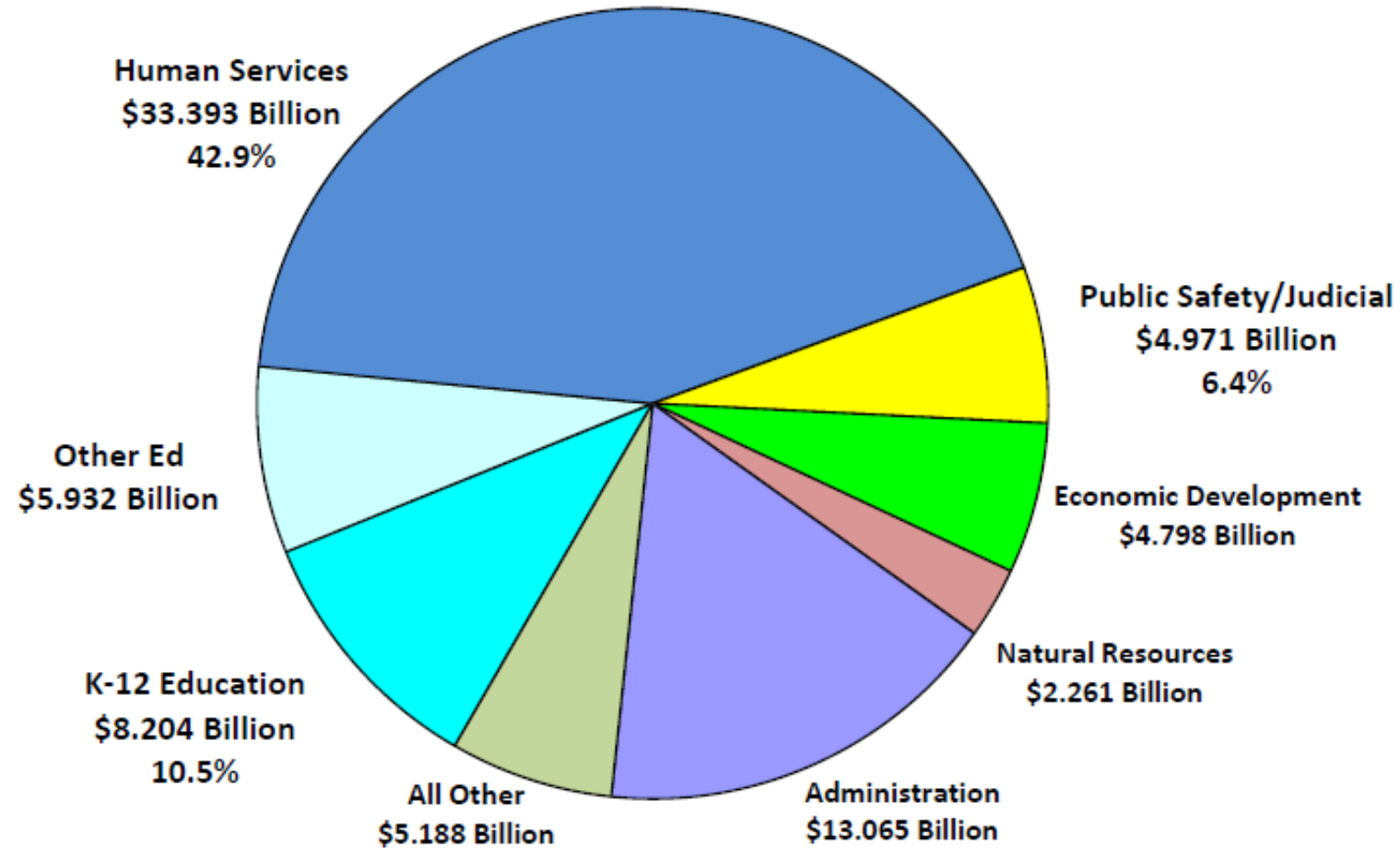
## Expenditures by Category

Total Funds - 2017-19 Legislatively Approved Budget  
(through December 2018; \$77.8 Billion)



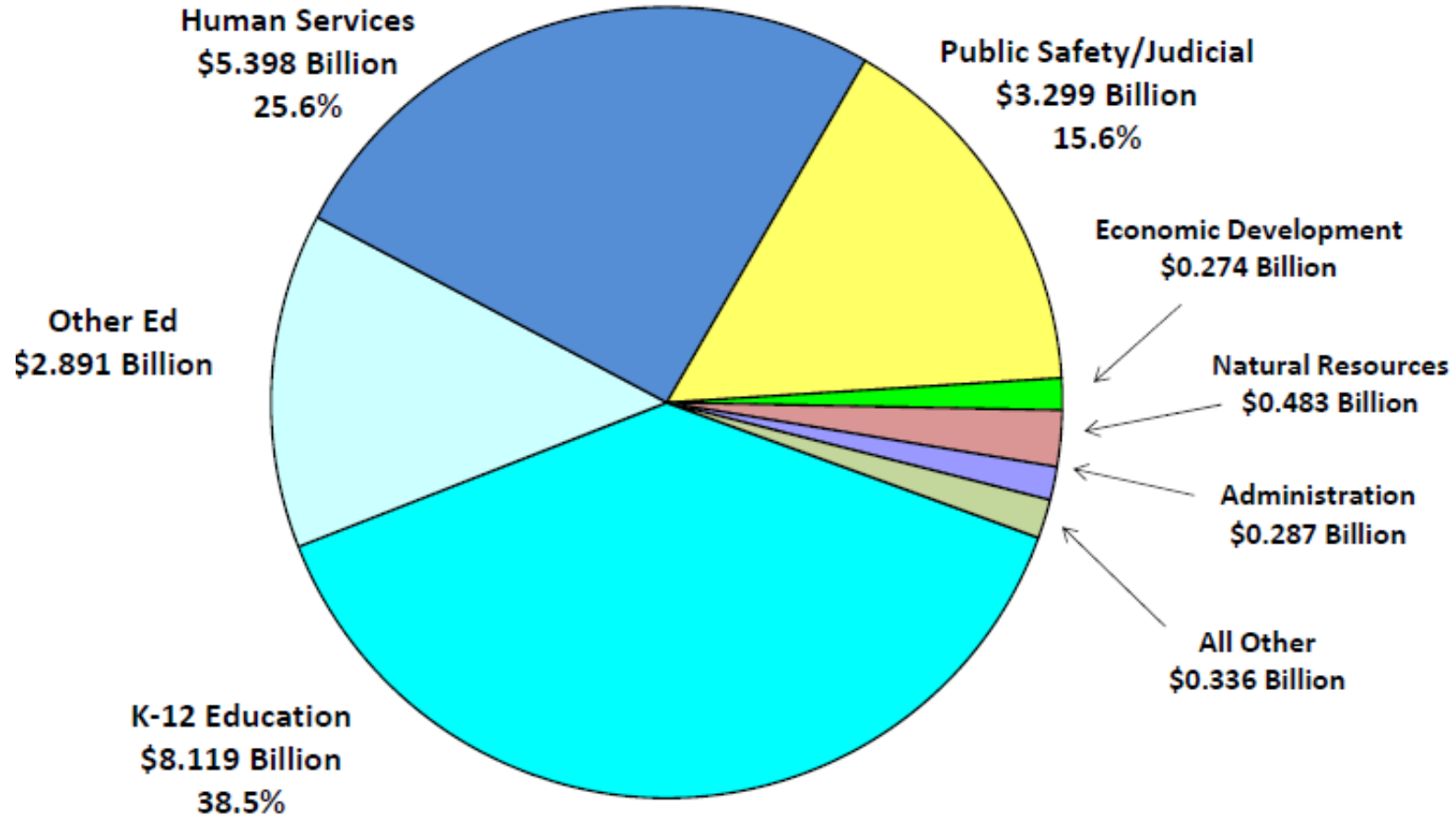
## 2017-19 Legislatively Approved Budget - Total Funds \$77.812 Billion

8.3% Increase from 2015-17 Approved  
(through the Dec. 2018 Emergency Board Meeting)

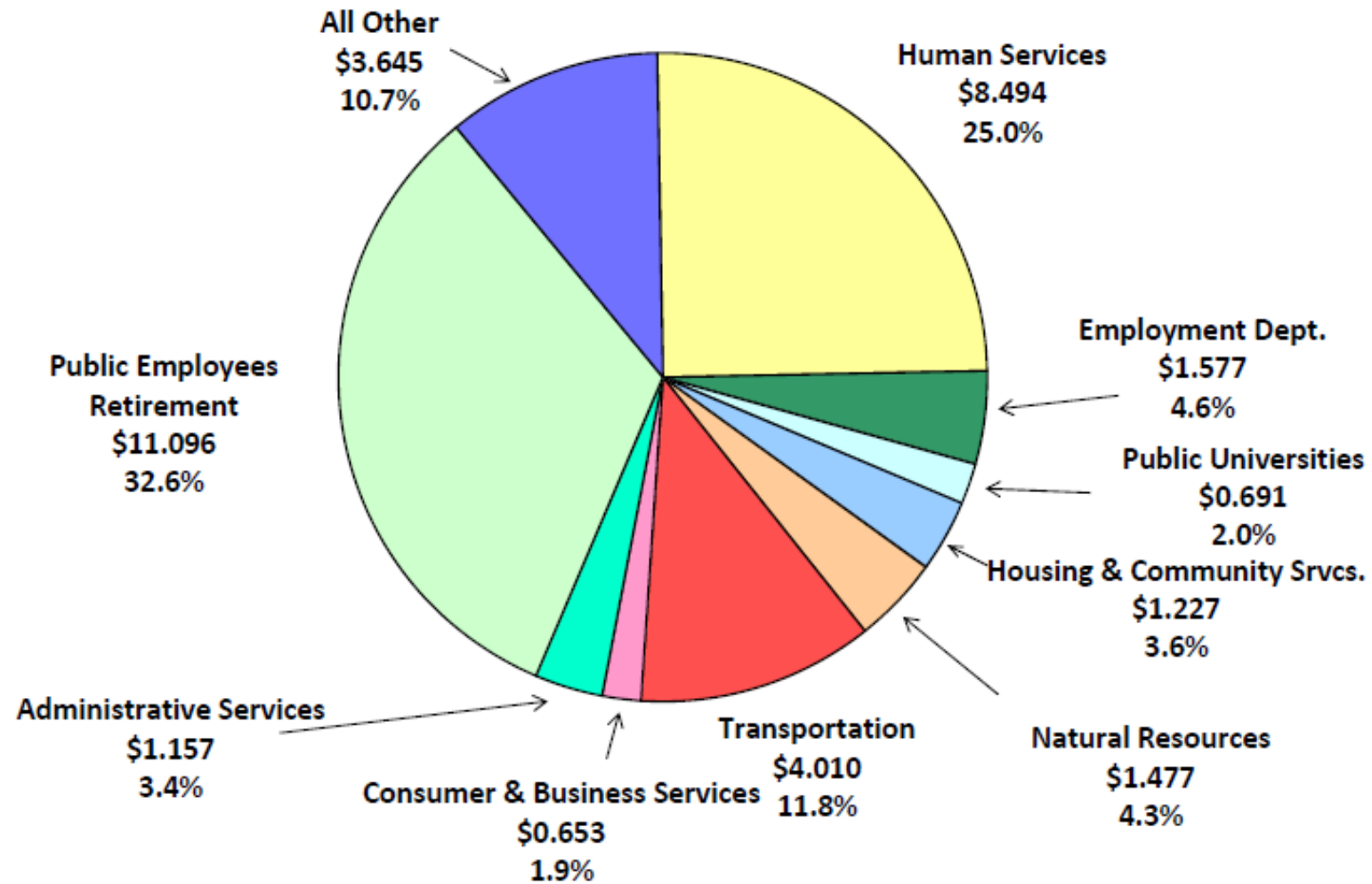


## 2017-19 General Fund & Lottery Funds Approved Total \$21.086 Billion

11.2% Increase from 2015-17 Approved  
(through the Dec. 2018 Emergency Board Meeting)

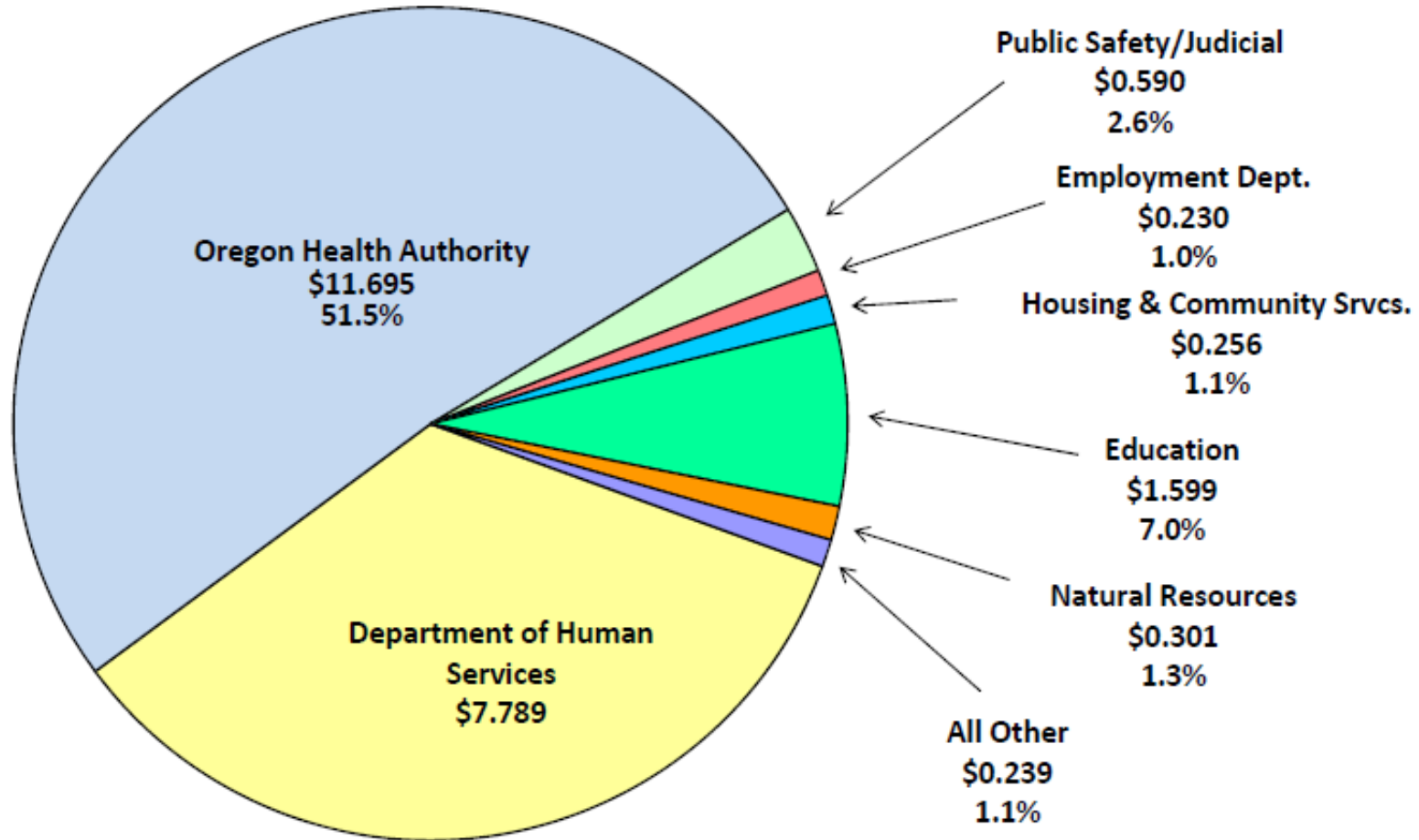


**2017-19 Other Funds Total \$34.026 Billion**  
**10.4% Increase from 2015-17 Approved Expenditures**  
(Billions of Dollars/Percent of Total; through Dec. 2018 Emergency Board Meeting)

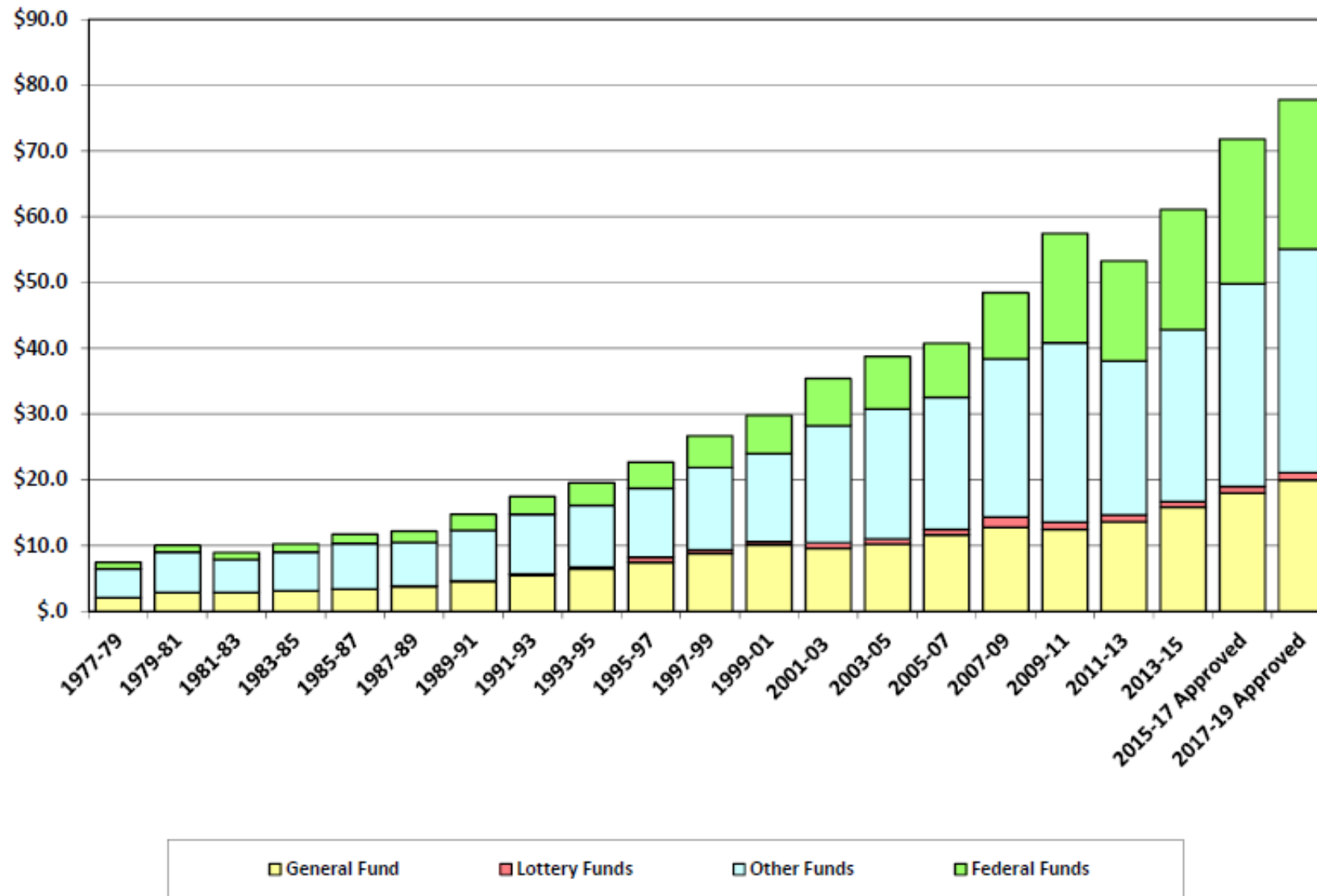




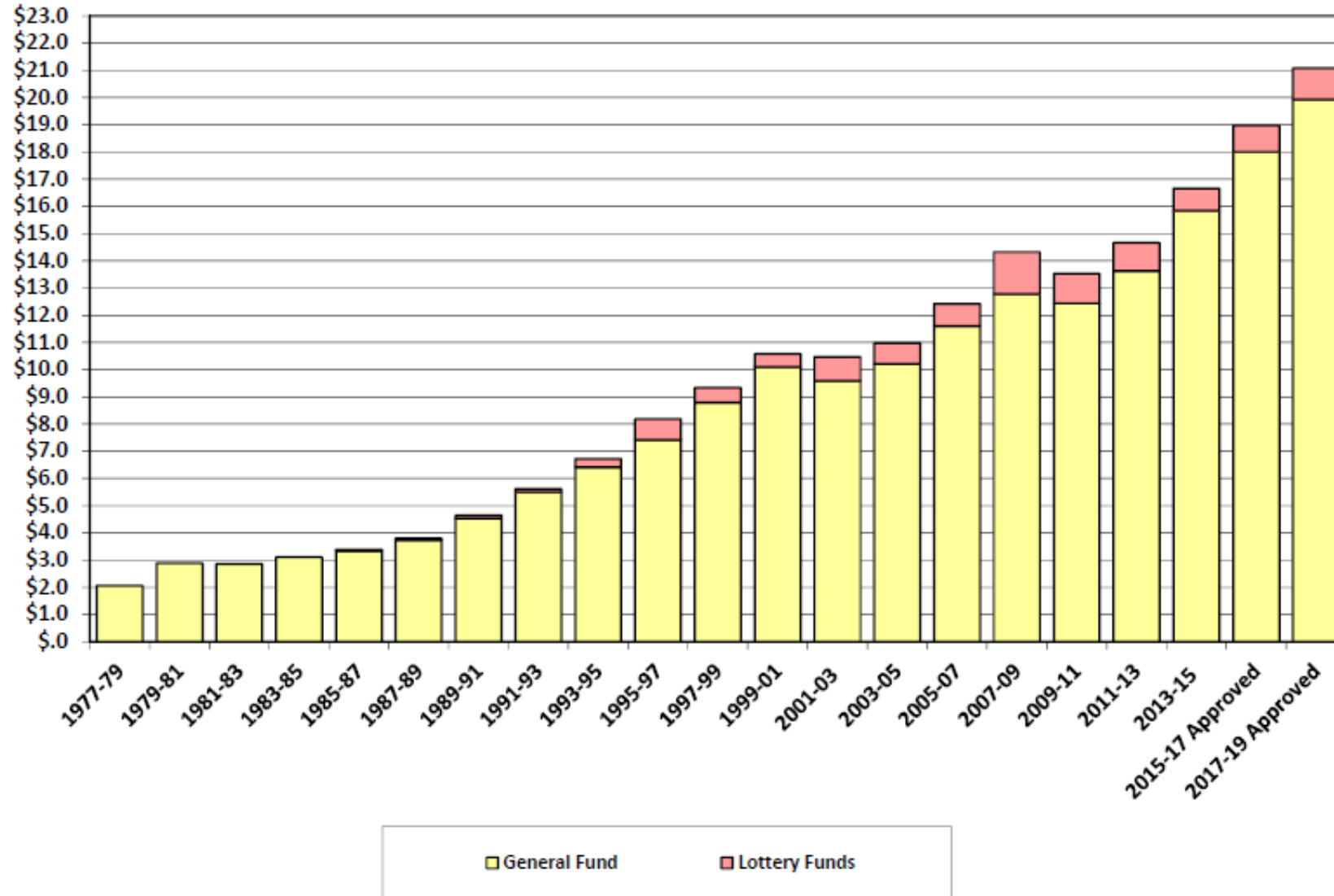
**2017-19 Federal Funds Total \$22.700 Billion**  
**3.0% Increase from 2015-15 Approved Expenditures**  
**(Billions of Dollars/Percent of Total; through Dec. 2018 Emergency Board Meeting)**



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



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



# Oregon 2019-21 Budget Information

# 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 2019 Legislature

- Rebalancing the 2017-19 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
- 2021-23 tentative budget and revenue forecast

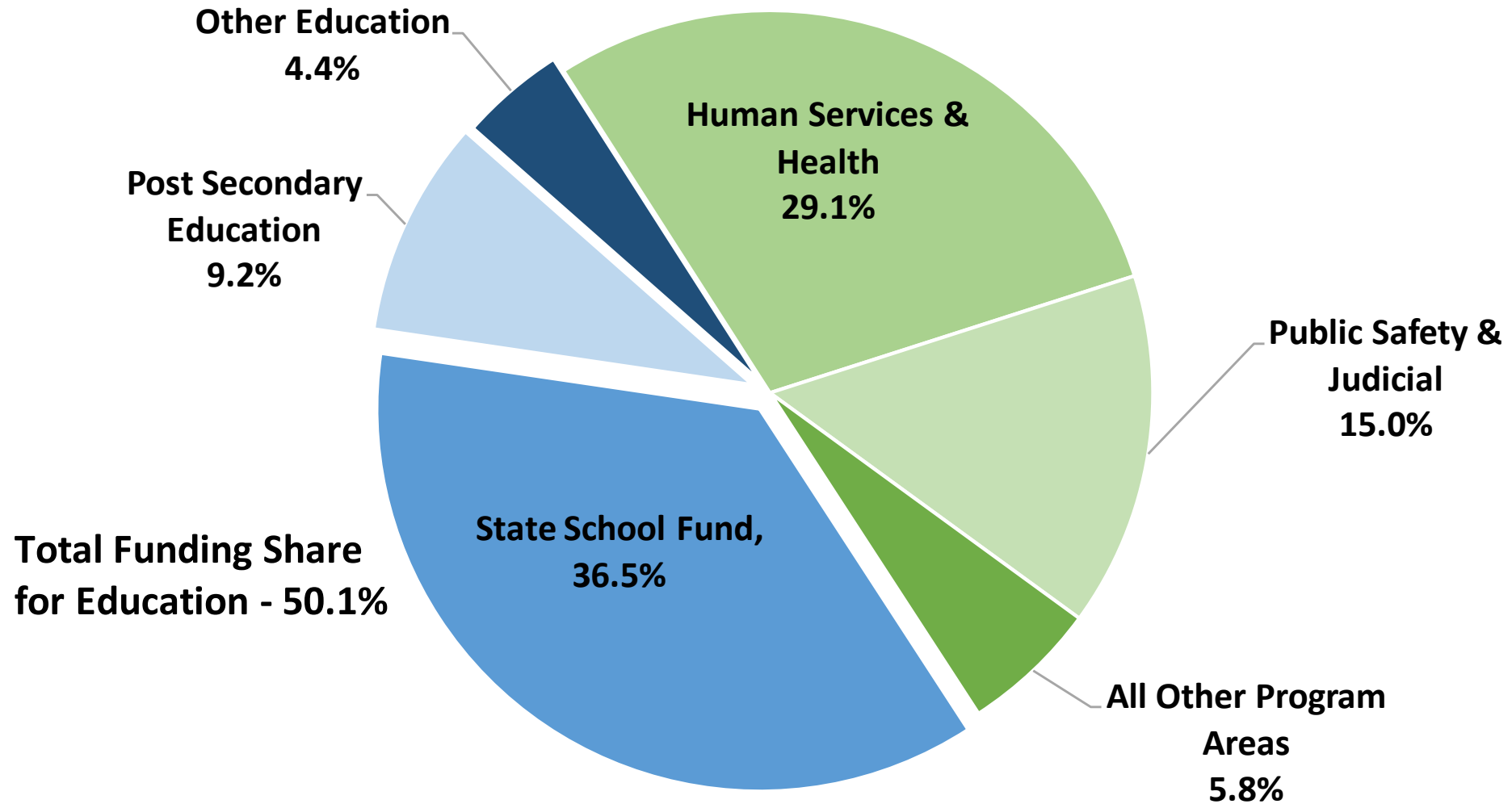
# Current Service Level Budget Adjustments

- Personal Service adjustments for 2019-21
- 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 for most services, supplies, capital outlay, professional services
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds

# Education Program Area Budget Information

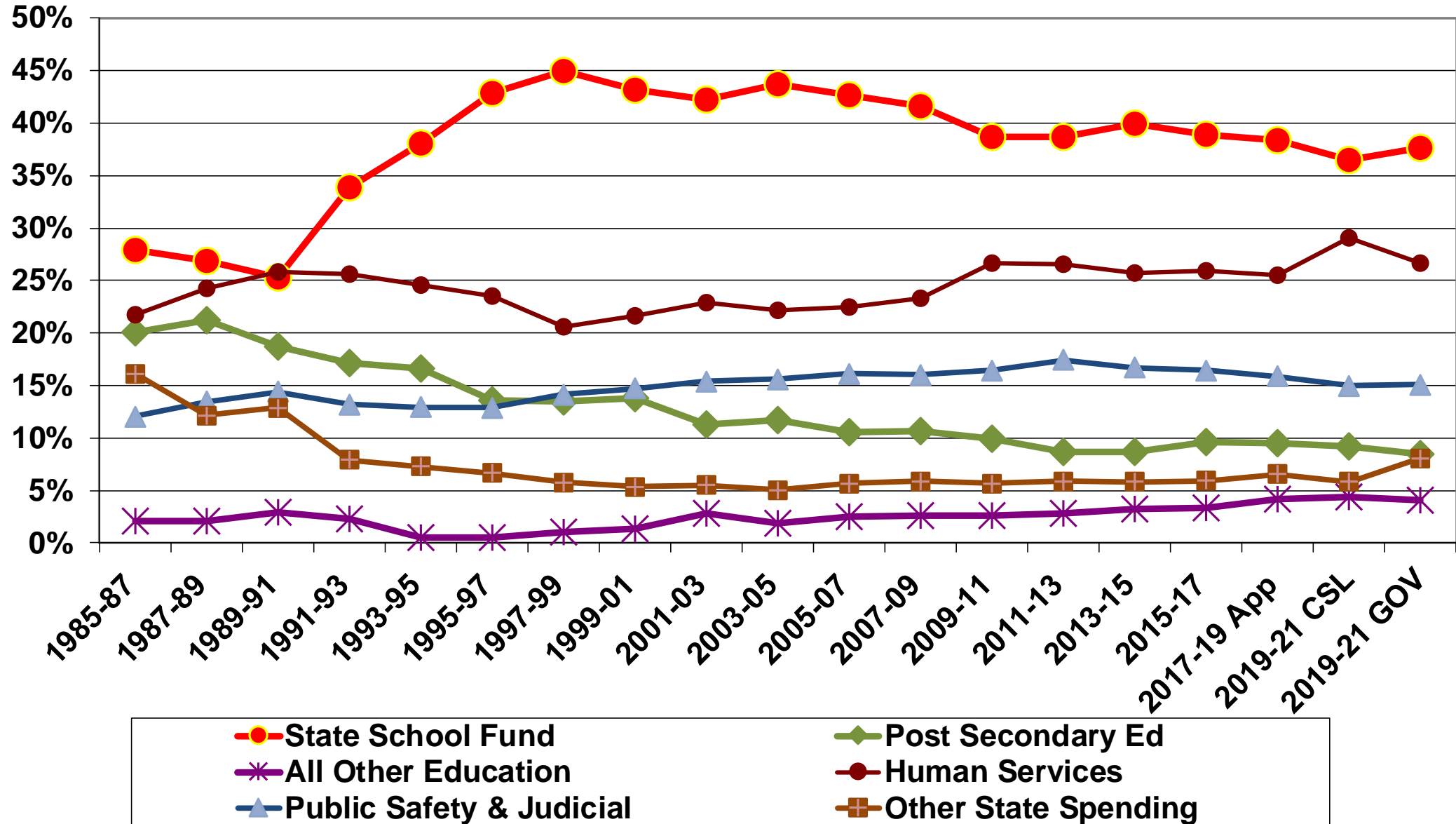


**Total State Budget  
2019-21 Current Service Level  
General Fund and Lottery Funds  
\$23,799 Million**

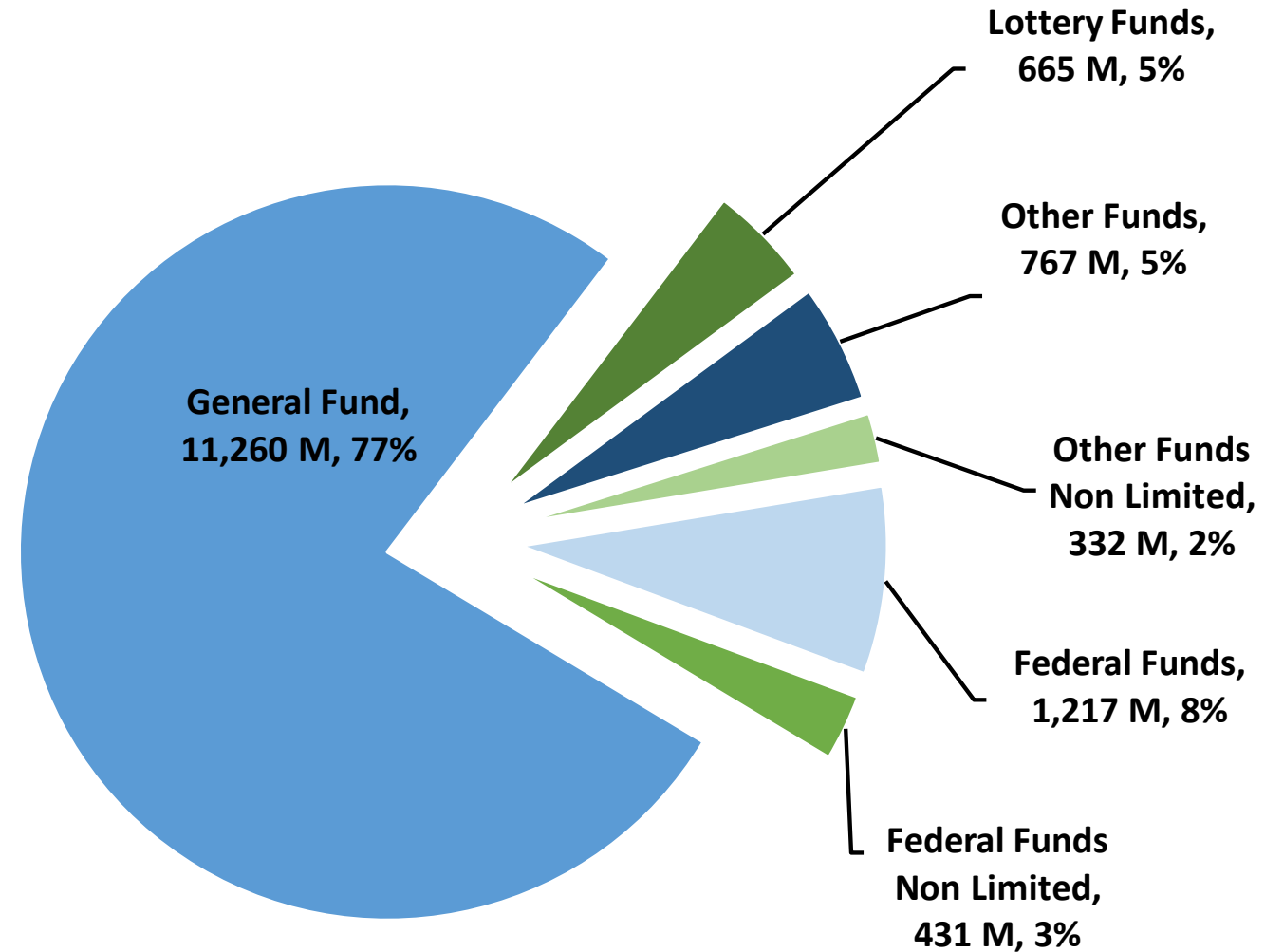


# General and Lottery Funds by Spending Area as % of Total Spending

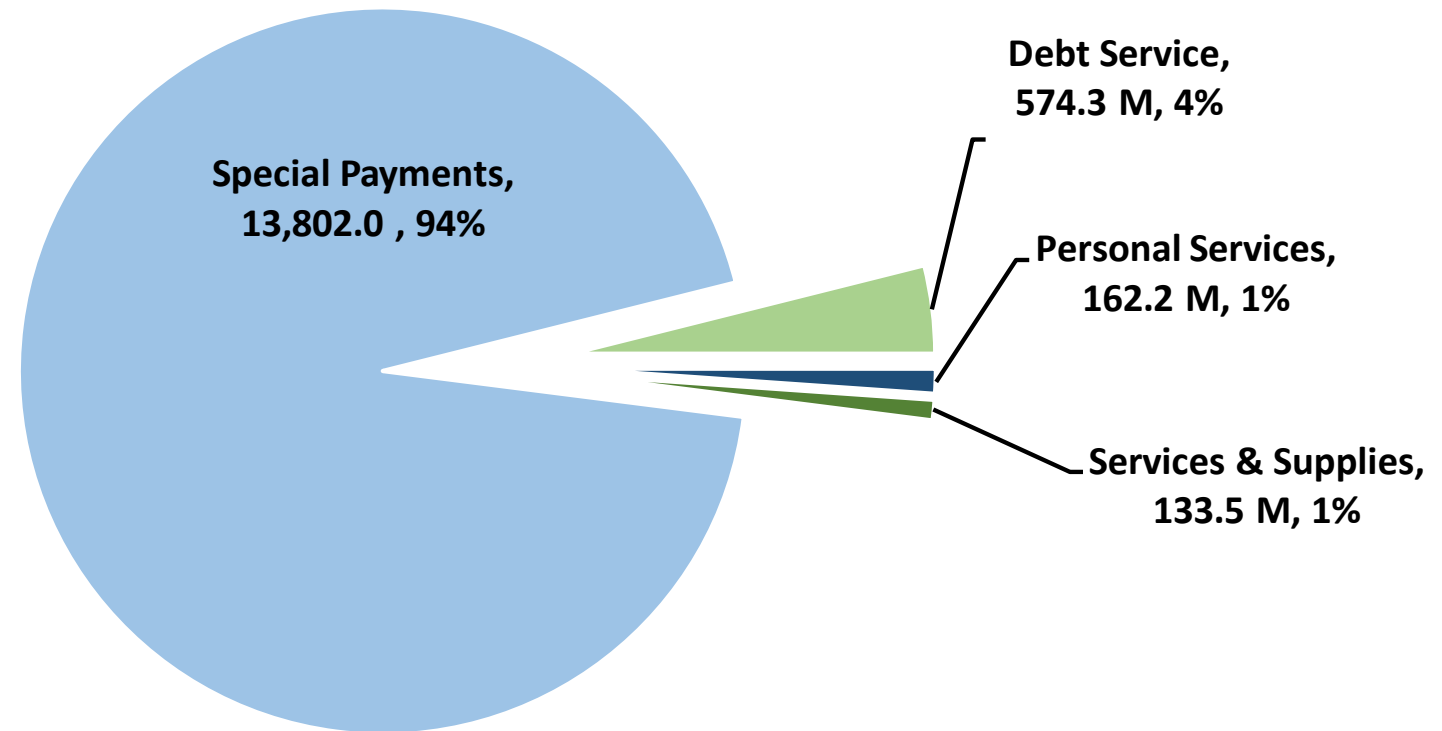
*Includes Stimulus Funds That Replaced GF*



**Education Program Area**  
**Total Expenditures by Fund Type**  
**2019-21 Current Service Level**  
**\$14,672 Million Total Funds**

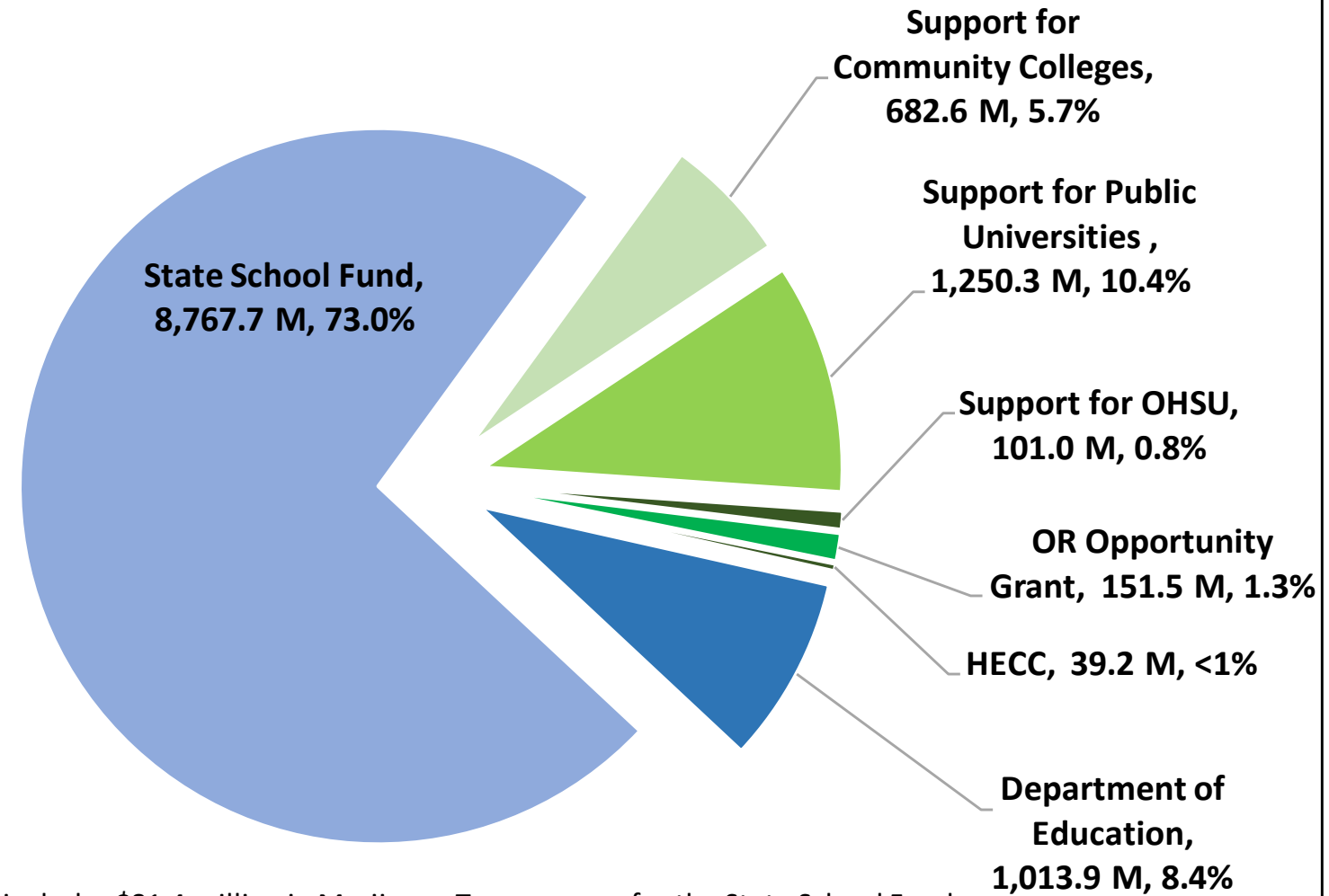


**Education Program Area  
Total Expenditures by Category  
2019-21 Current Service Level  
\$14,672 Million Total Funds**



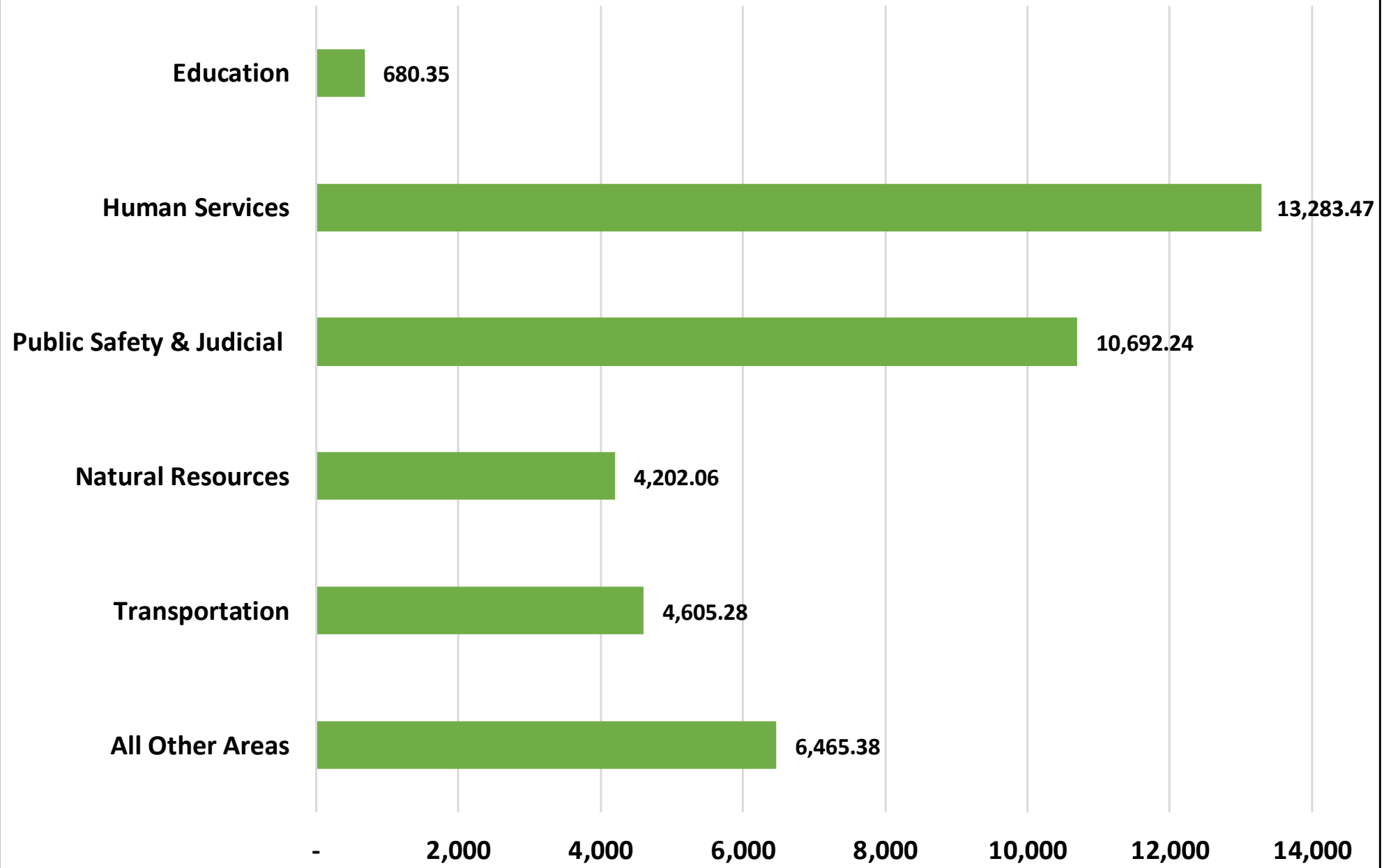
Does not include Capital Outlay which  
represents less than 0.001%

**Education Program Area  
General & Lottery Funds  
2019-21 Current Service Level  
\$12,006 Million**



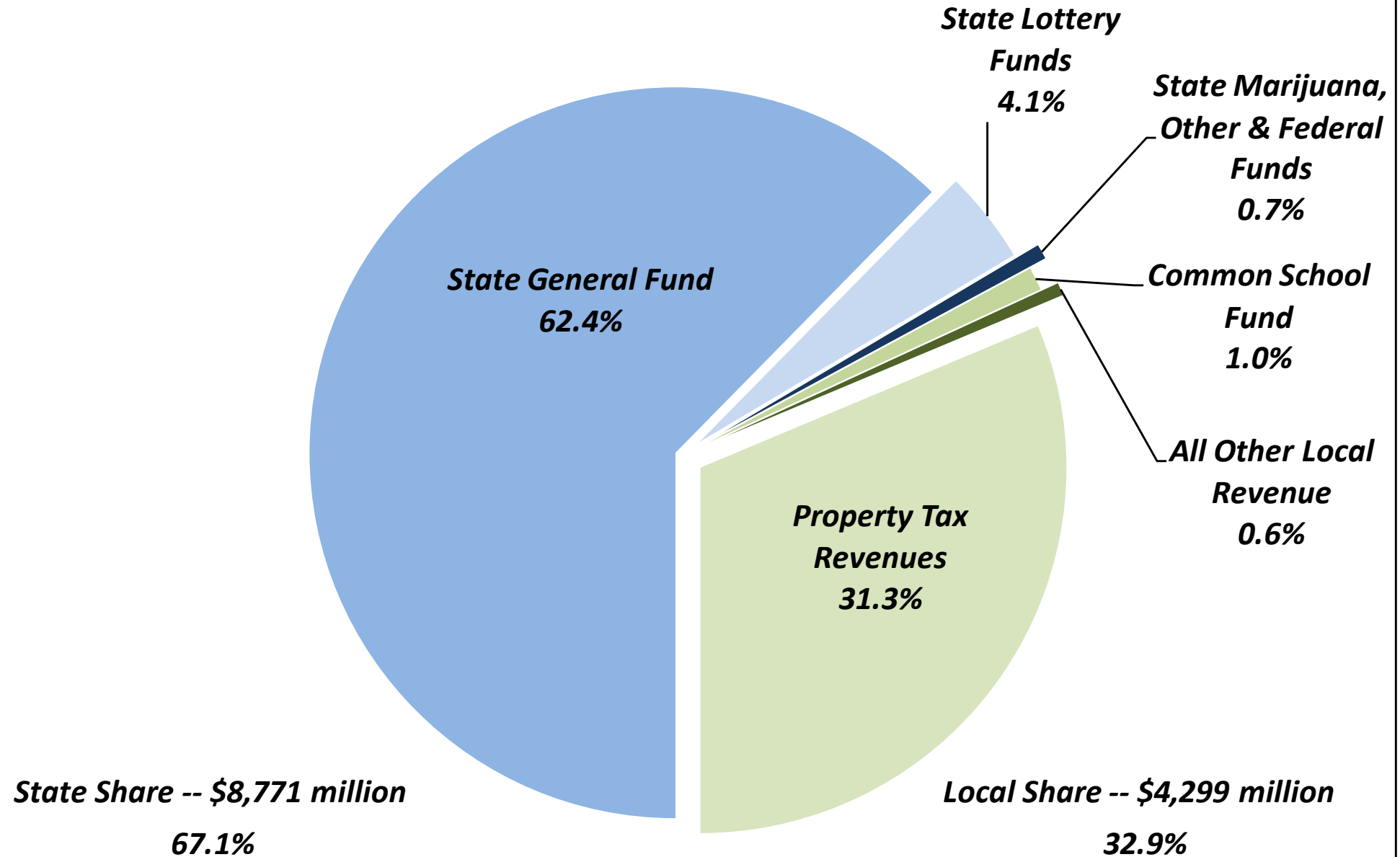
\* This includes \$81.4 million in Marijuana Tax revenues for the State School Fund.

## 2019-21 Current Service Level State Level Full Time Equivalent



# State School Fund

# 2019-21 Current Service Level School Formula Resources

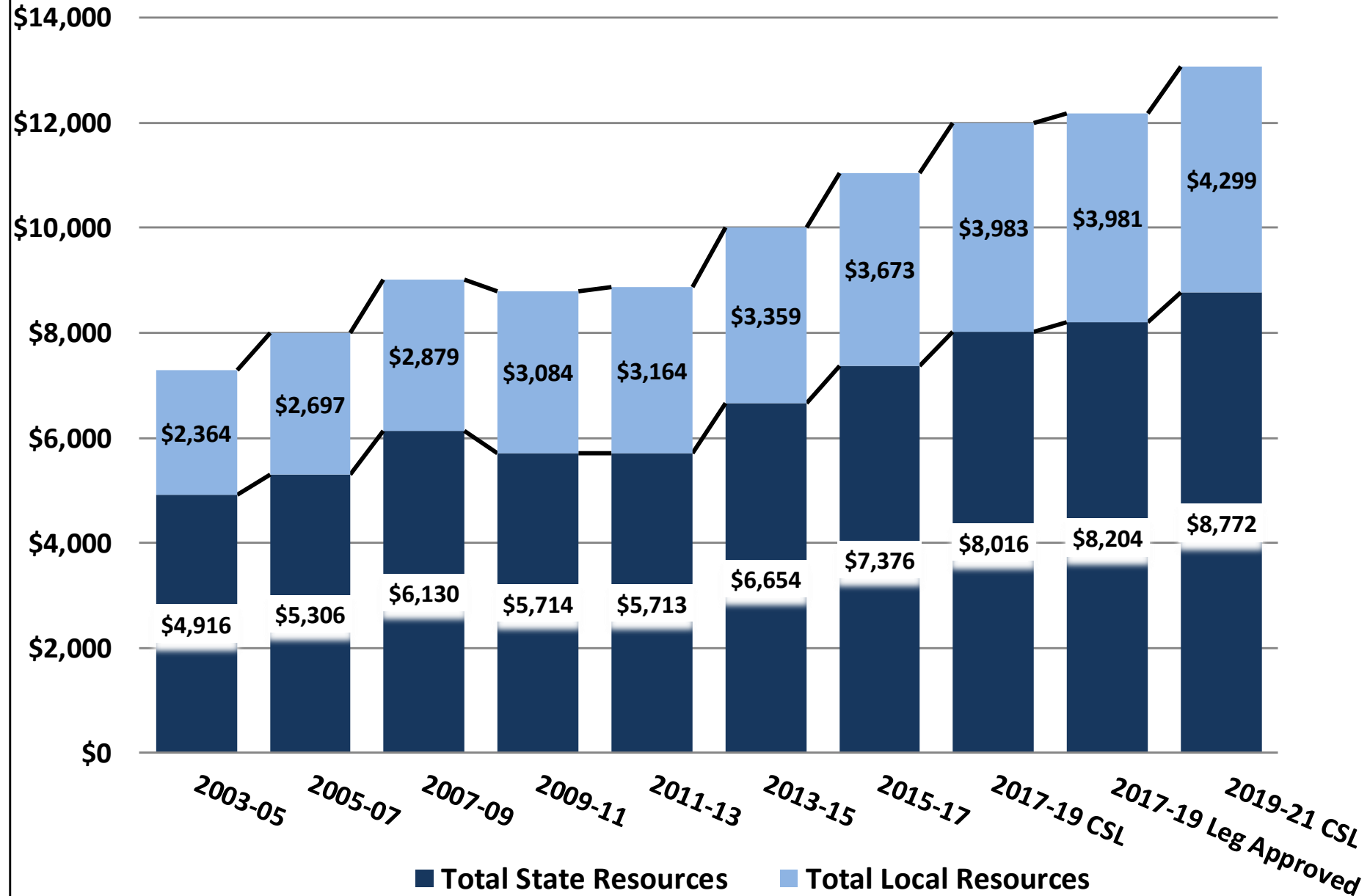


*Includes SSF Carve-outs & Distributions*



# School Formula Funding

*Millions of Dollars*



*Includes SSF Carve-outs & Distributions*

# Distribution to School Districts & ESDs

- State School Fund + Local Revenues (e.g., Property Tax) = Formula Funding Available to School Districts & ESDs
- A number of “Carve-outs” & distributions are subtracted prior to the formula distribution including Small School District Grants, Network for Quality Teaching and Learning (Educator Advancement Council), English Language Learners, Free and Reduced Lunch Program, Long Term and Treatment, and Local Option Equalization Grants.
- Remainder is distributed to school districts (95.5%) and ESDs (4.5%).

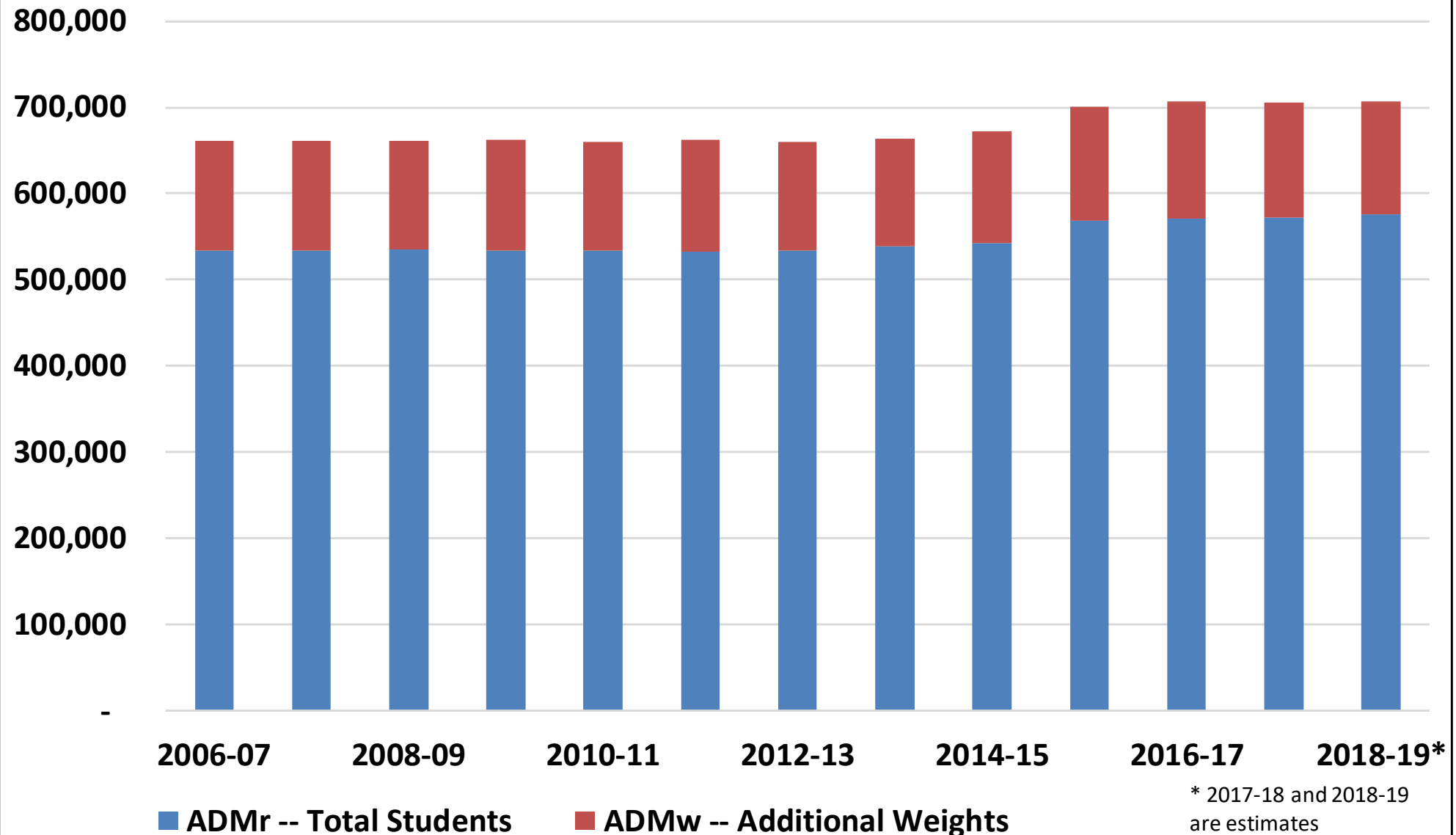
# Distribution to School Districts & ESDs (cont.)

- Further carve-outs are made from the School District and ESD “Pools” – e.g., High Cost Disability Grants, Transportation Grants, and Facility Grants From the School District share.
- Distribution to individual districts are made through a statutory formula based on a district’s share of total students (ADMr) and specific weights including:
  - IEP (Special Education) – 1.0
  - English as a Second Language – 0.5
  - Pregnant and Parenting – 1.0
  - Poverty – 0.25
  - Small School Correction – Varies
  - Foster Care -- 0.25
  - Neglected/Delinquent – 0.25
- Districts earn formula resources from these weights but do not necessarily have to spend resources based on these weights.

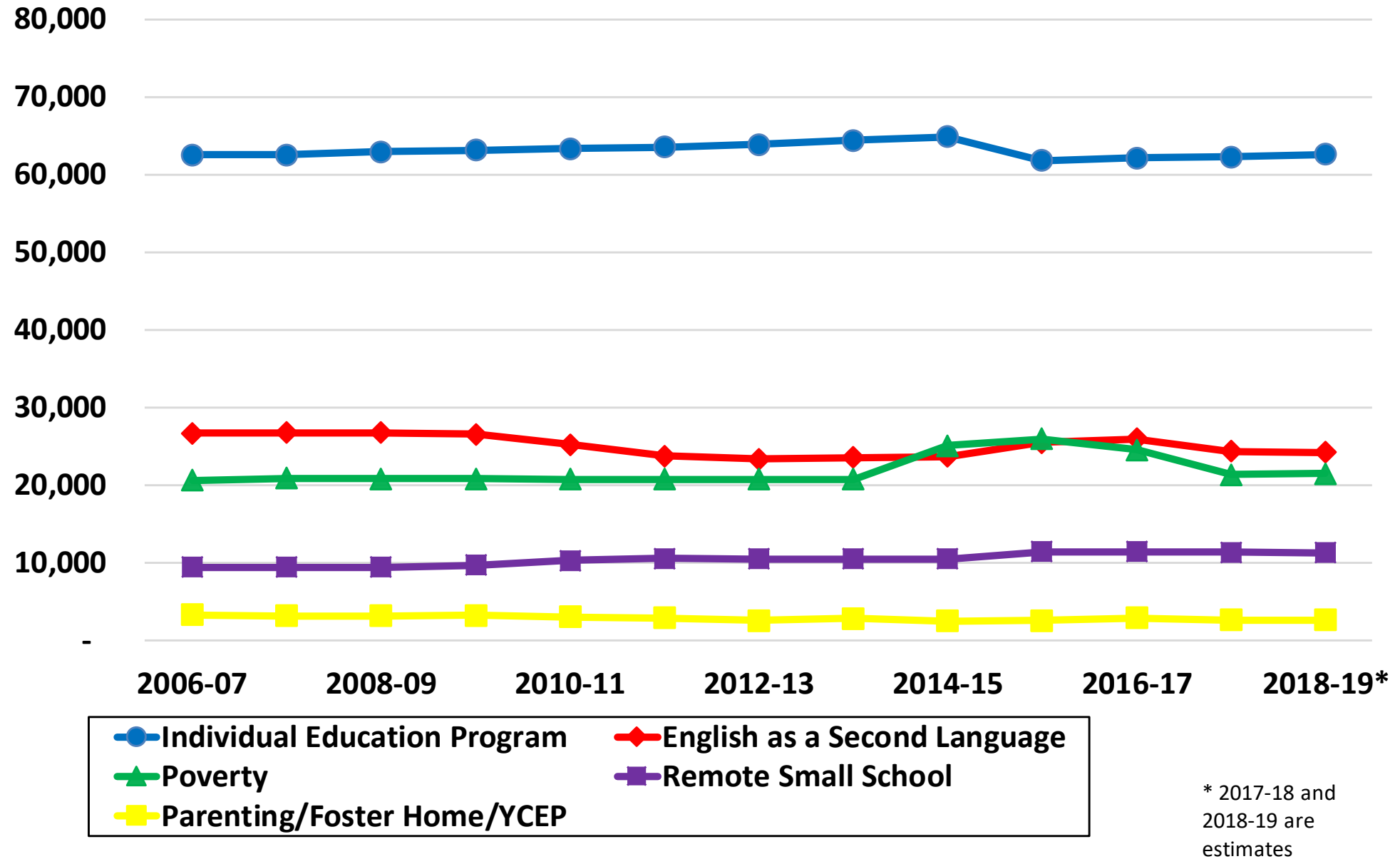
# Average Daily Membership (ADM) History

## Number of Students (ADMr) With Additional Weights (ADMw)

### 2006-07 to 2018-19\*



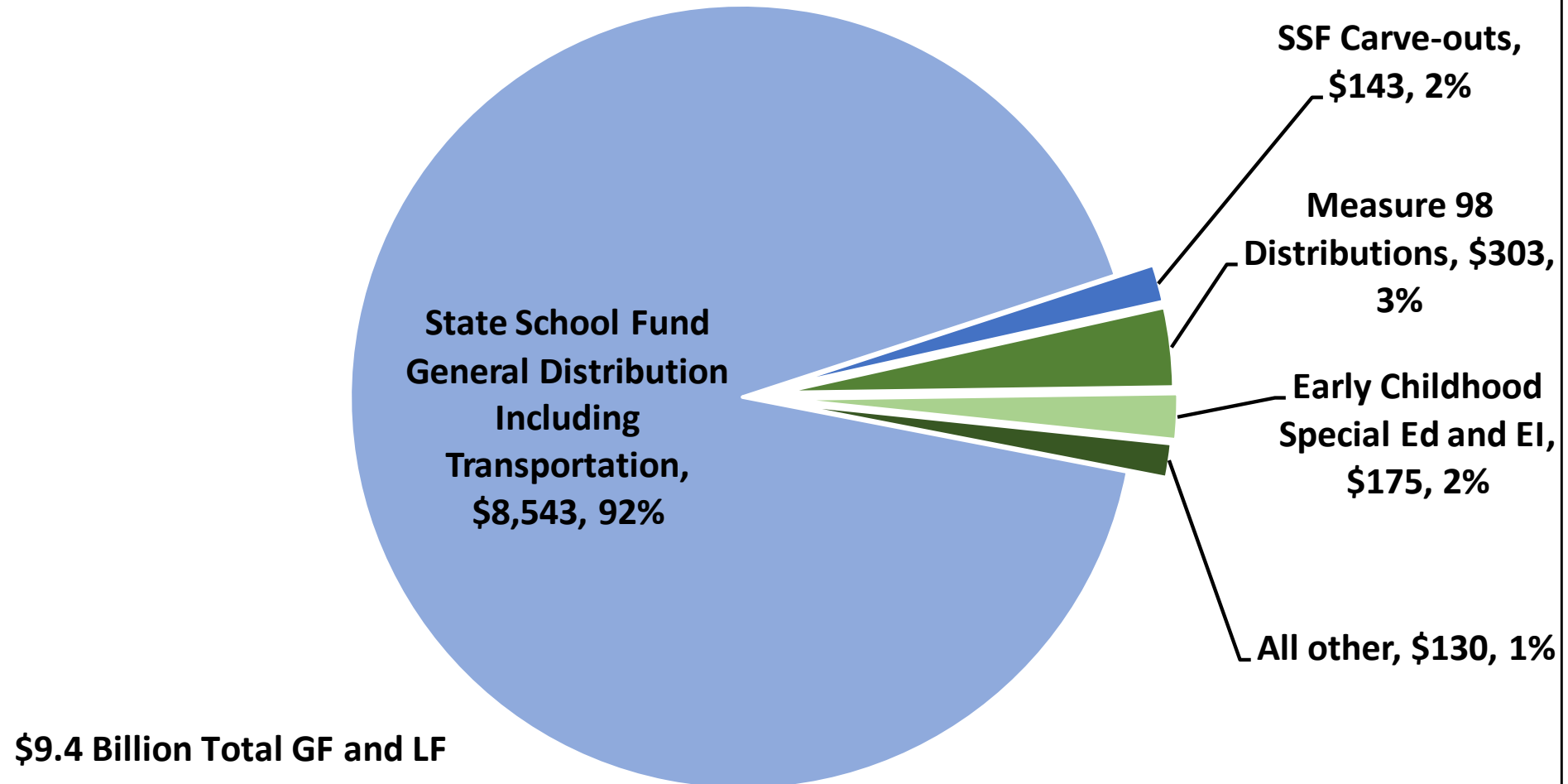
# Additional Weights for School Funding Formula 2006-07 to 2018-19\*



# State School Fund and K-12 Grant-on-Aid

## Millions of General Fund and Lottery Funds

### 2019-21 Current Service Level



# Elementary & Secondary Education Spending Per Pupil by State – Unadjusted 2015-16 Data

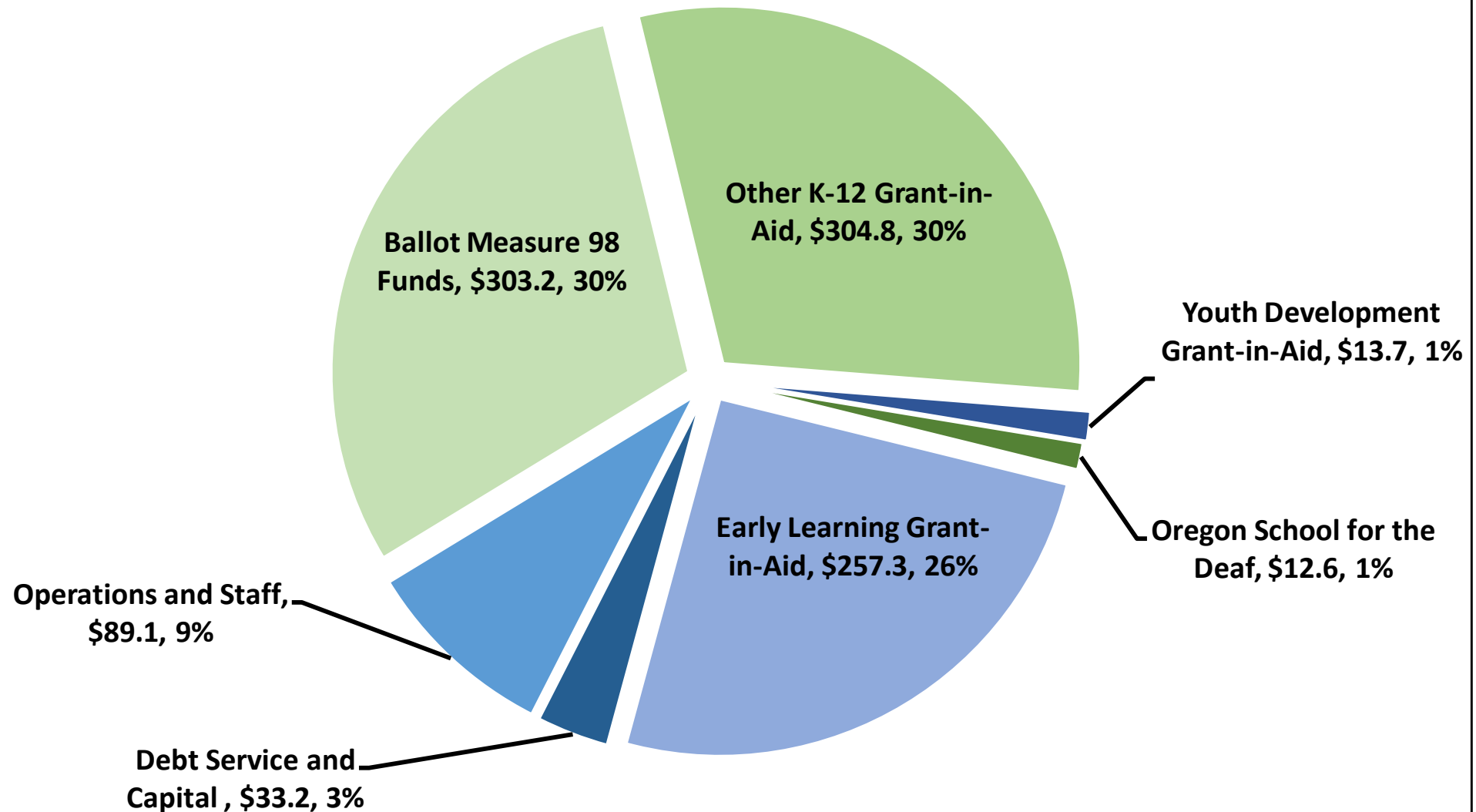
|                         |          |                |          |
|-------------------------|----------|----------------|----------|
| 1. New York             | \$22,231 | U.S. Average   | \$11,841 |
| 2. District of Columbia | \$21,135 | 22. Washington | \$11,484 |
| 3. Connecticut          | \$19,615 | 25. California | \$11,420 |
| 4. New Jersey           | \$19,041 | 30. Oregon     | \$10,823 |
| 5. Vermont              | \$19,023 | 39. Colorado   | \$ 9,619 |
| 6. Alaska               | \$17,510 | 49. Arizona    | \$ 7,772 |
| 7. Massachusetts        | \$16,986 | 50. Idaho      | \$ 7,718 |
| 19. Minnesota           | \$12,364 | 51. Utah       | \$ 7,006 |

*Source: National Center for Education Statistics – Table 236.65*

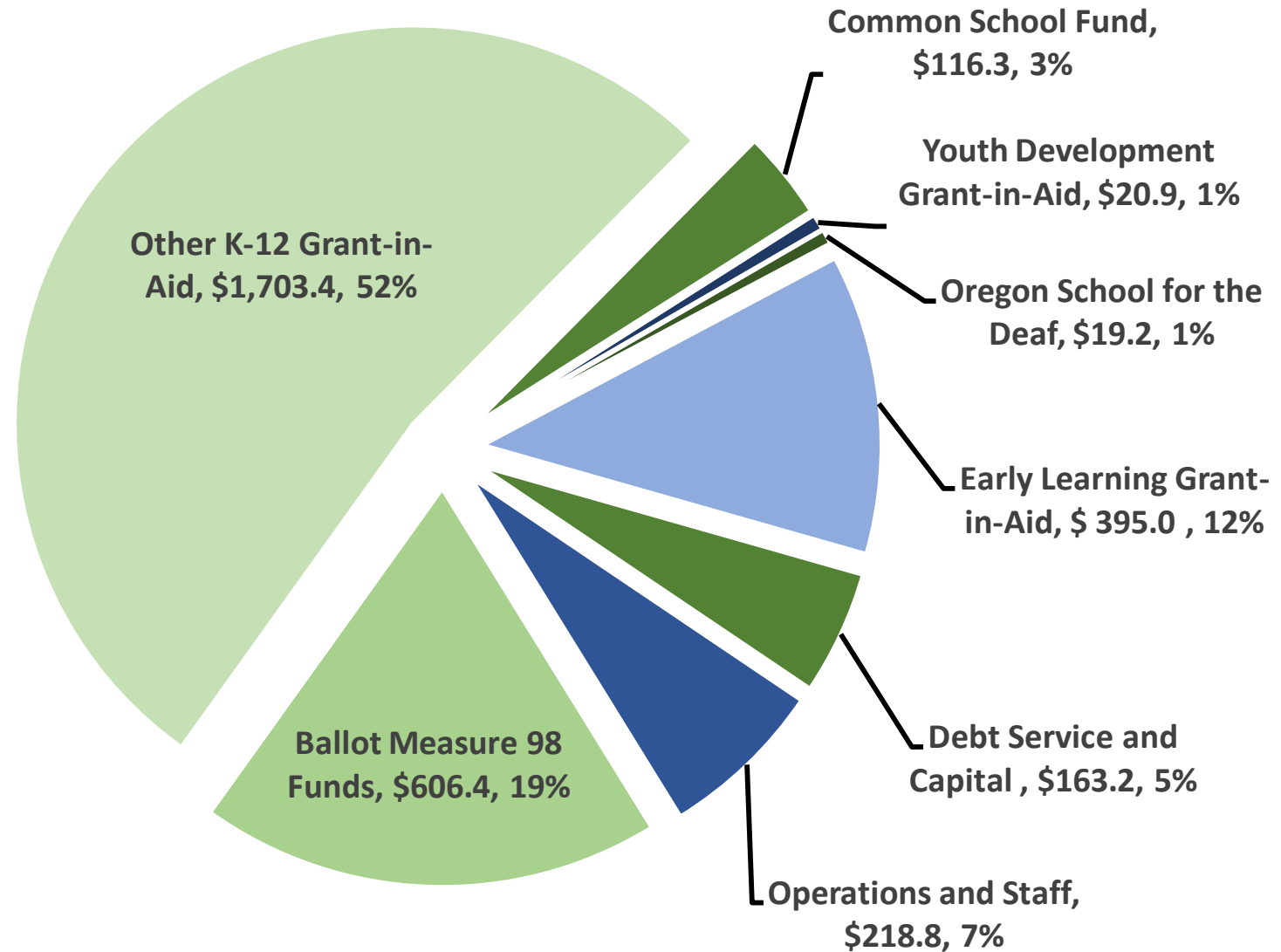
# Oregon Department of Education



**Oregon Department of Education 2019-21 CSL  
Does Not Include State School Fund  
General and Lottery Funds -- \$1,013.9 Millions of Dollars**



**Oregon Department of Education 2019-21 CSL Budget  
Does Not Include State School Fund  
Total Funds -- \$3,243.1 Millions of Dollars**



# Grant-in-Aid Programs

## **K-12 Grant-in-Aid**

- Ballot Measure 98
- Chronic Absenteeism
- Regional Promise
- STEM & CTE Related Programs
- Closing the Achievement Gap
- Nutritional Programs
- Educator Effectiveness & Professional Development (e.g., Mentoring)
- Special Education (IDEA)
- Early Child Special Ed/Early Intervention
- Regional Programs
- Long Term Care & Treatment
- Hospital Programs
- Physical Education Grants

## **Early Learning Grant-in-Aid**

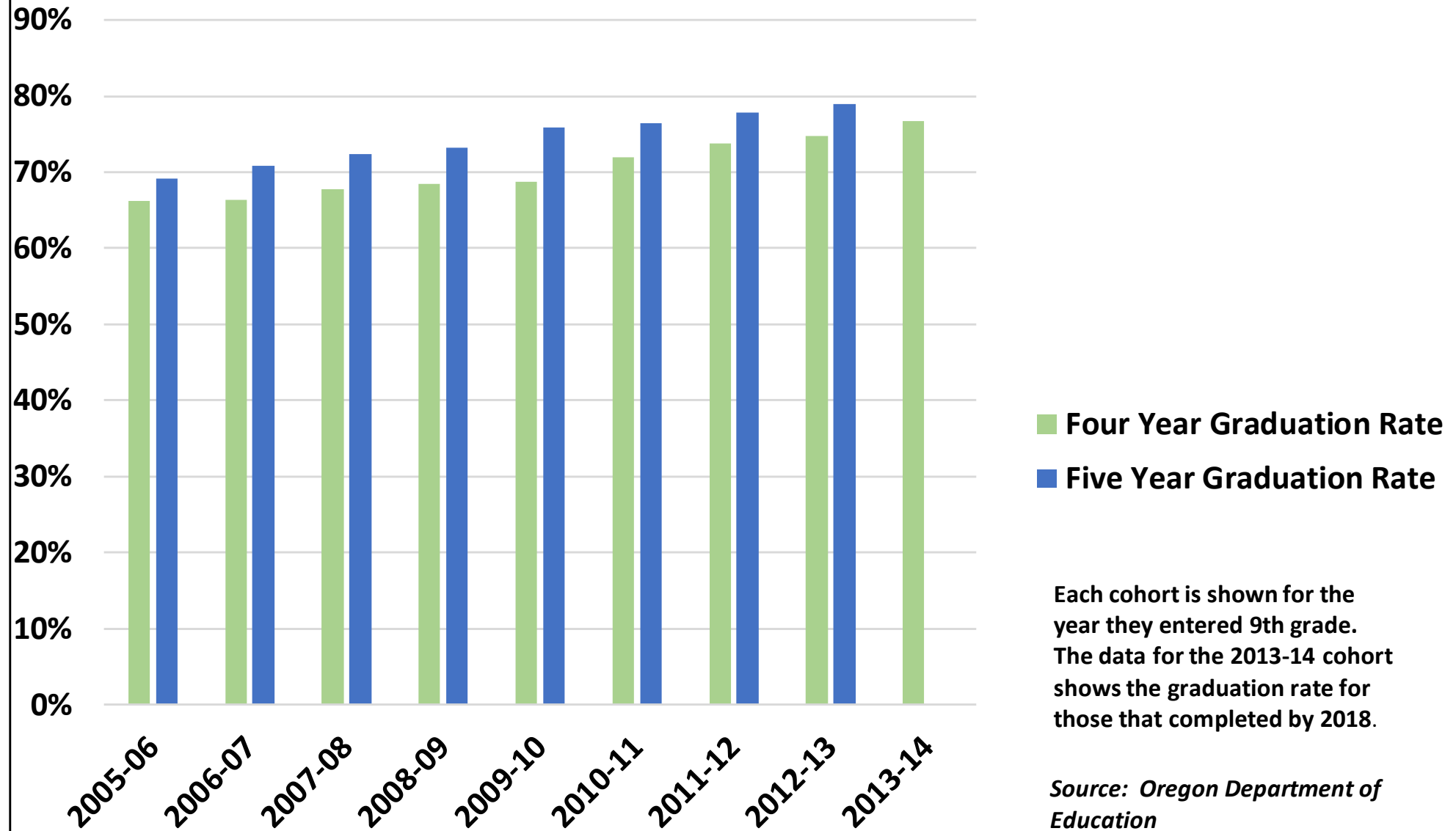
- Oregon PreKindergarten
- Early Head Start
- Healthy Families Oregon
- Relief Nurseries
- Early Learning Hubs
- Preschool Promise

## **Youth Development Grant-in-Aid**

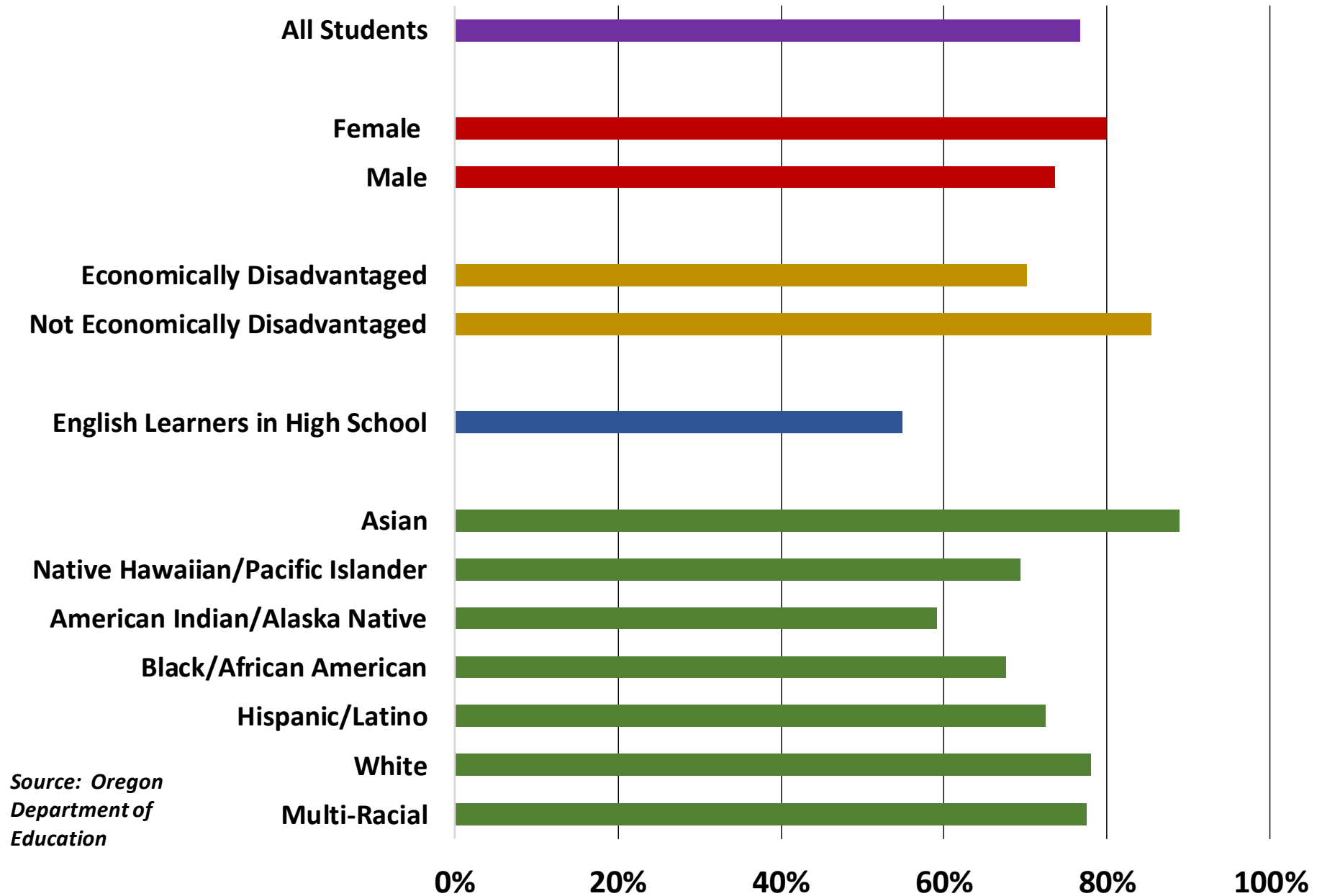
- Juvenile Crime Prevention
- Gang Prevention Grants
- Youth & Community Grants
- Youth Innovation Grants
- Community Schools (Sun Schools)

# Oregon's Graduation Rates by Cohort

## All Students



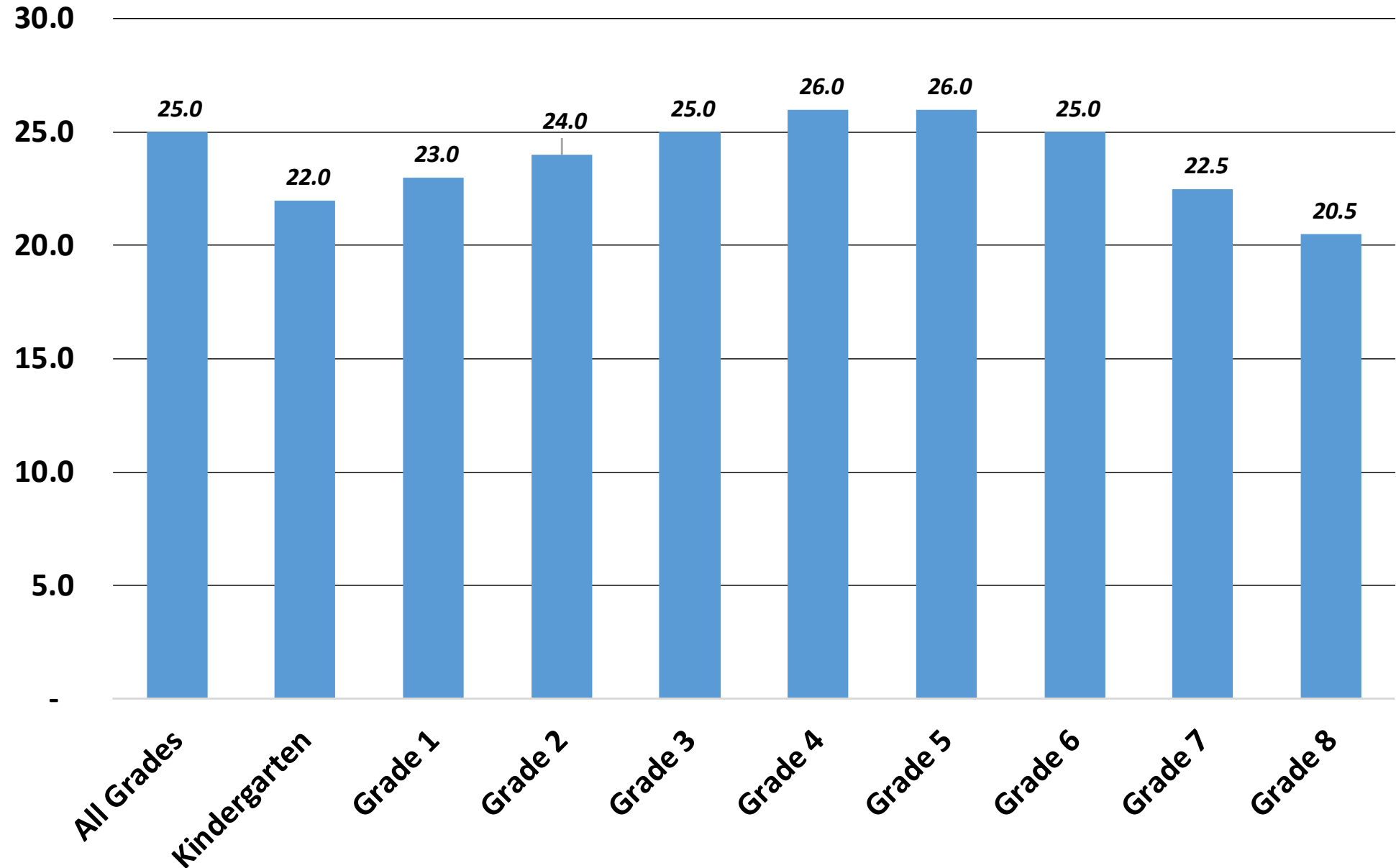
# Four-Year Cohort Graduation Rate 2013-14 Cohort



Source: Oregon  
Department of  
Education

## Median Class Size by Grade

### 2017-18 School Year



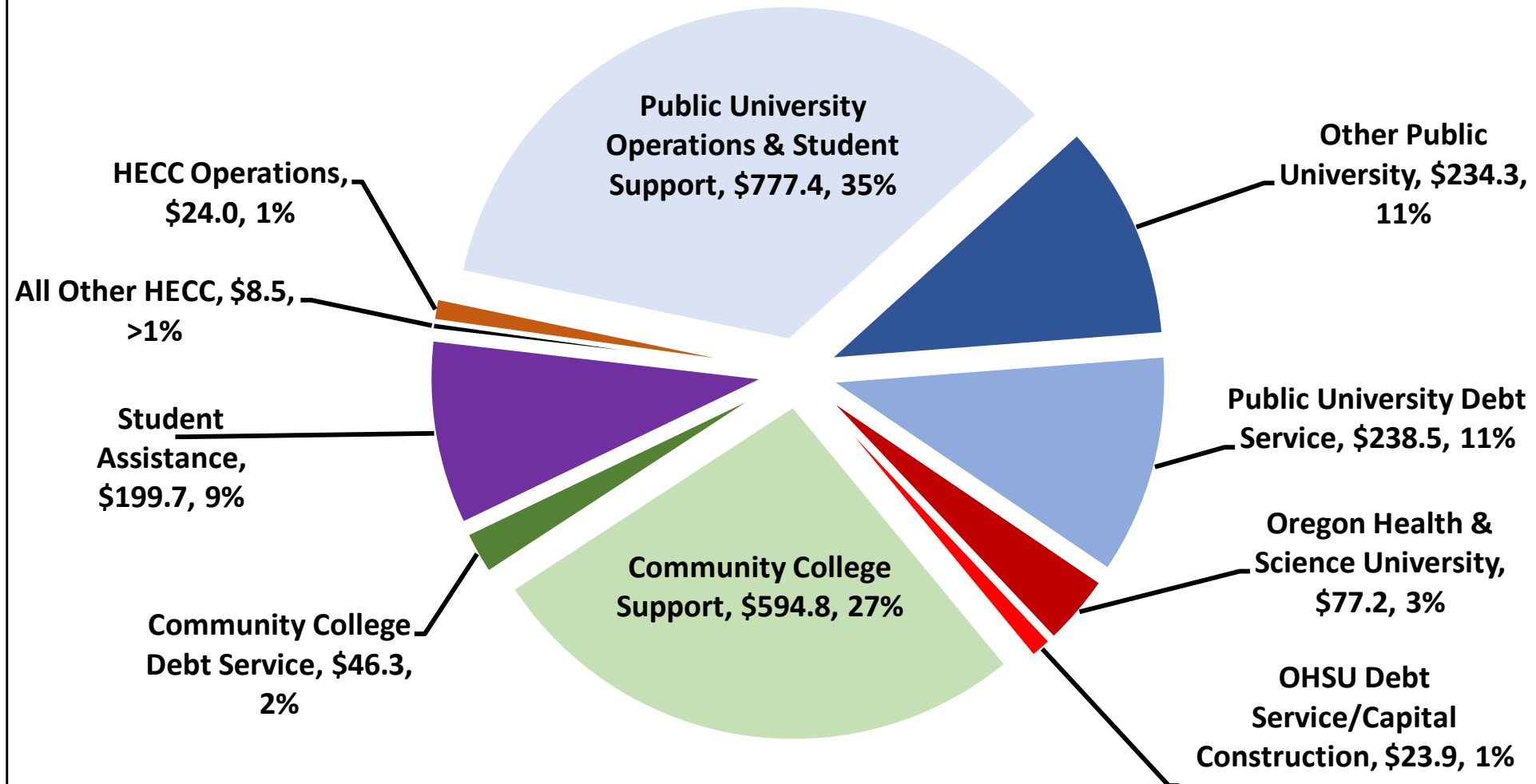
# Sample of Early Learning to Grade 12 Issues

- Graduation rates and closing the achievement gap
- PERS & other compensation impact on districts and other employees
- Educator Advancement Council/Network for Quality Teaching & Learning
- Dual credits/accelerated learning – transition from high school to post-secondary
- Need for behavioral and physical health resources
- Sunset of Chief Education Office
- Success of Early Learning Hubs
- Compensation of early learning providers/staff
- Increased federal child care quality requirements
- Increase of existing early learning programs like Preschool Promise
- Development of new programs – e.g., Infant/Toddler Care (Babies First)
- Relationship/Coordination with Joint Committee on Student Success

# Post Secondary Education & Higher Education Coordinating Commission (HECC)



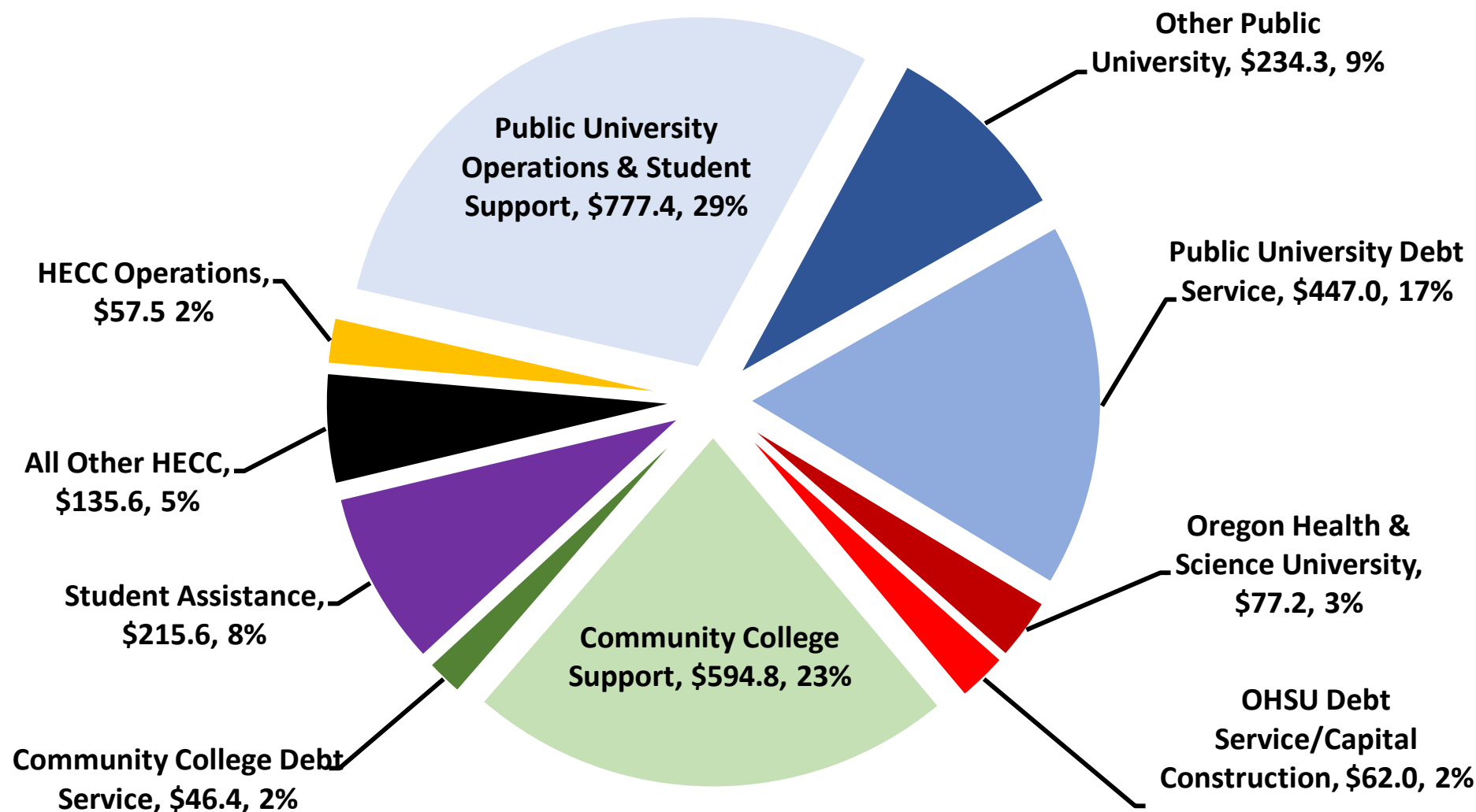
**Higher Education Coordinating Commission 2019-21 CSL Budget  
General Fund & Lottery Funds  
\$2,224.7 Millions of Dollars**



# Higher Education Coordinating Commission 2019-21 CSL Budget

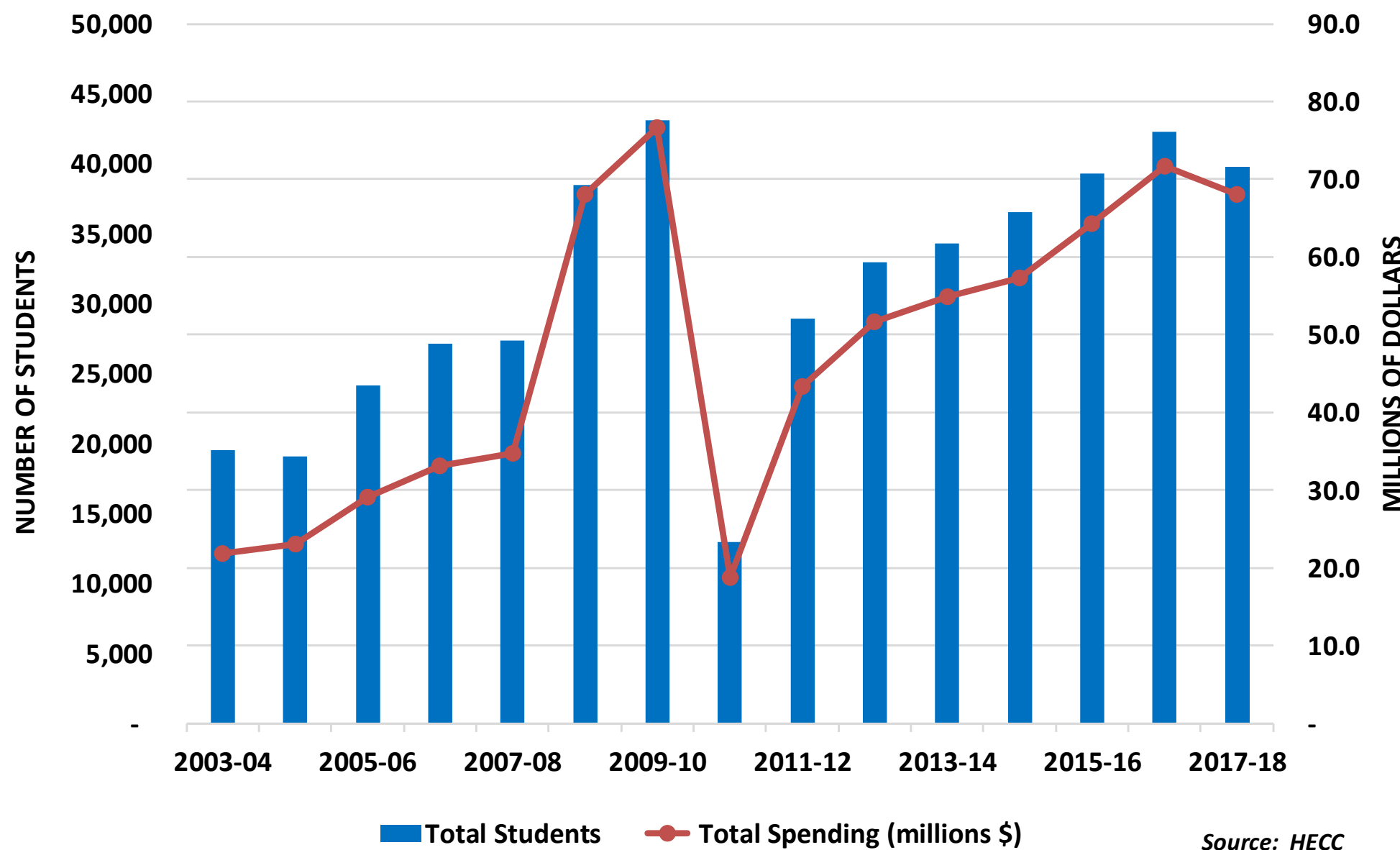
## Total Funds

**\$2,648.0 Millions of Dollars**



# Oregon Opportunity Grant

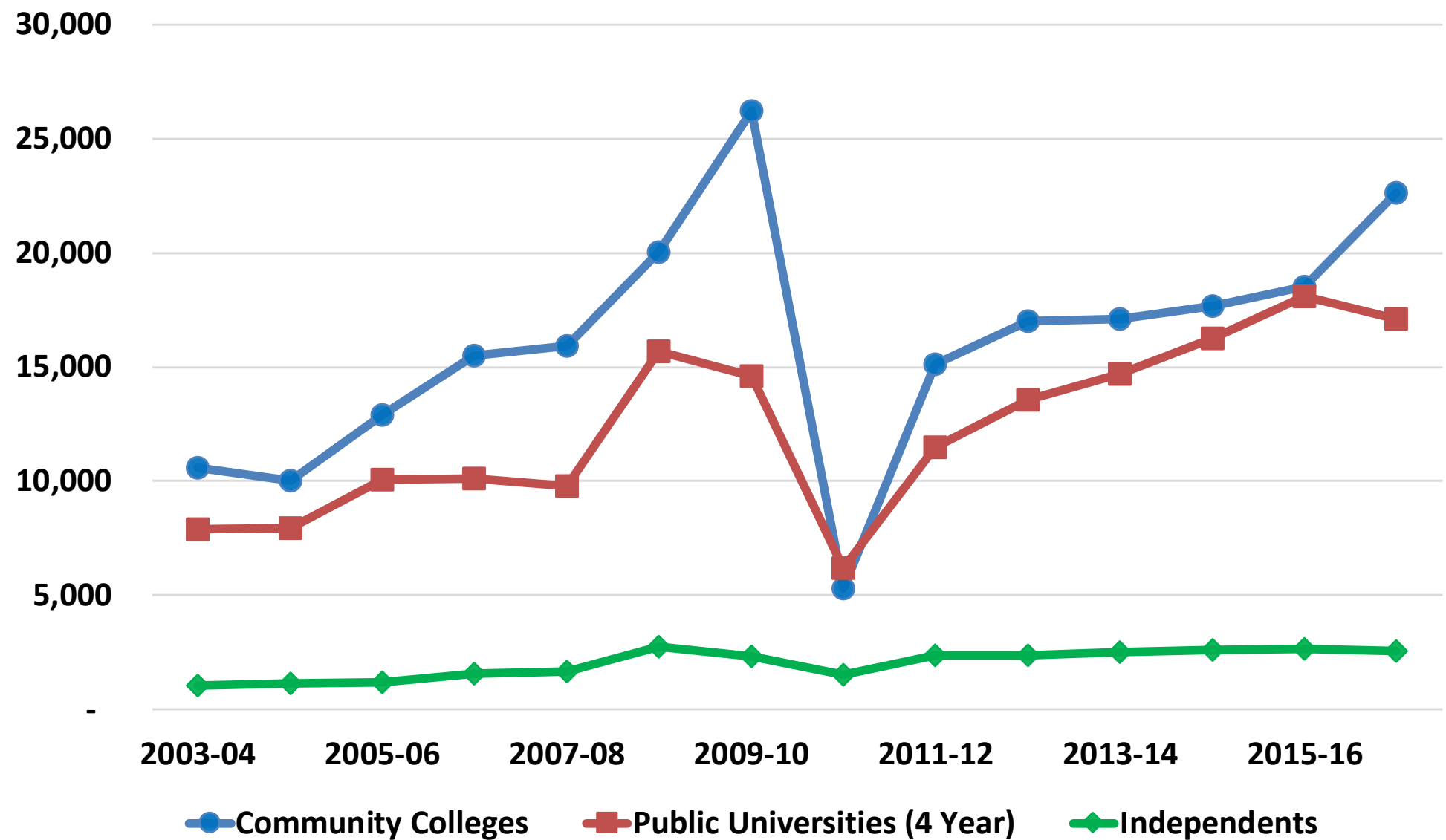
## Annual Number of Students and Annual State Funding



Source: HECC

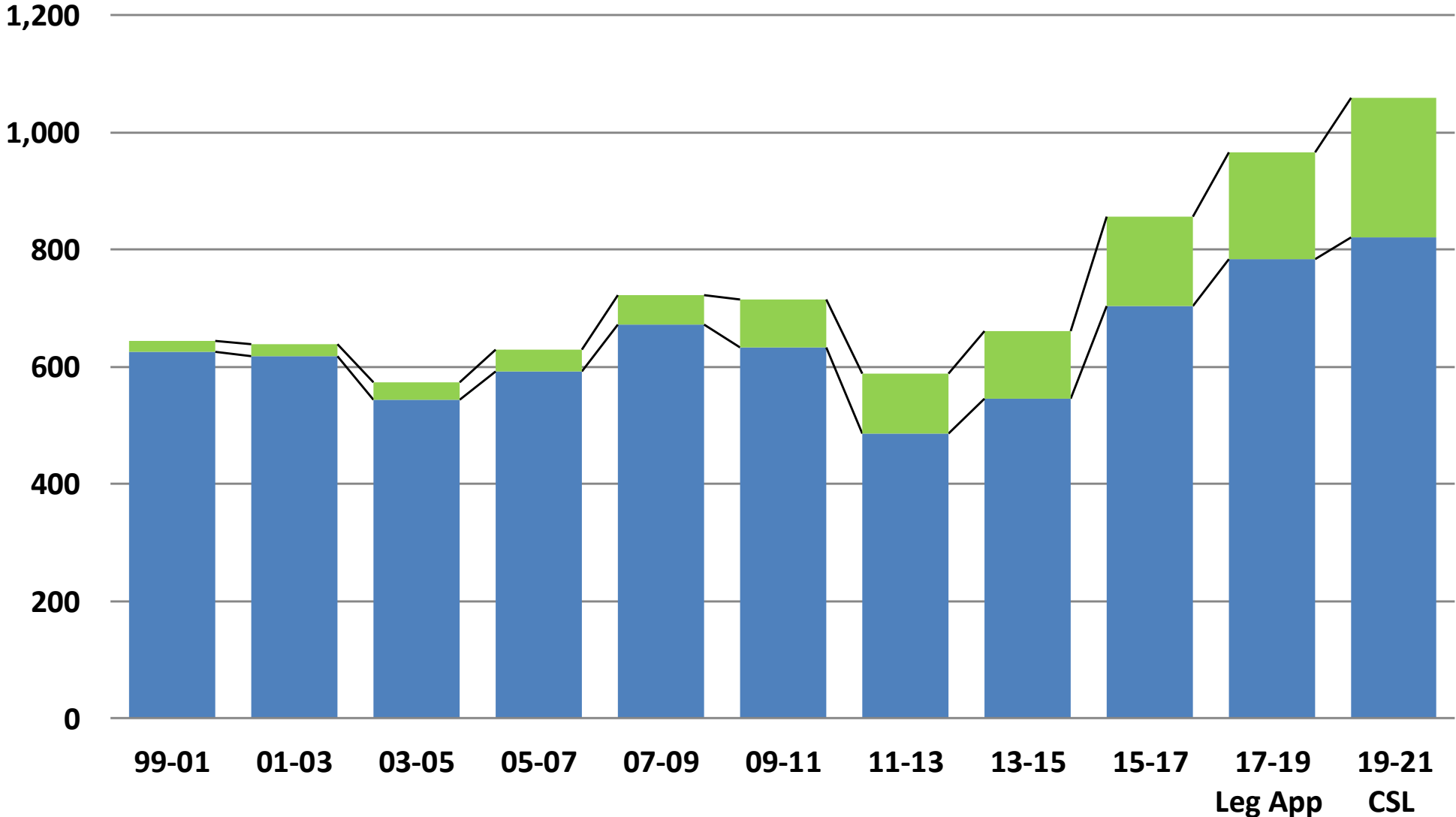
# Oregon Opportunity Grant

## Number of Recipients by School Type



Source: HECC

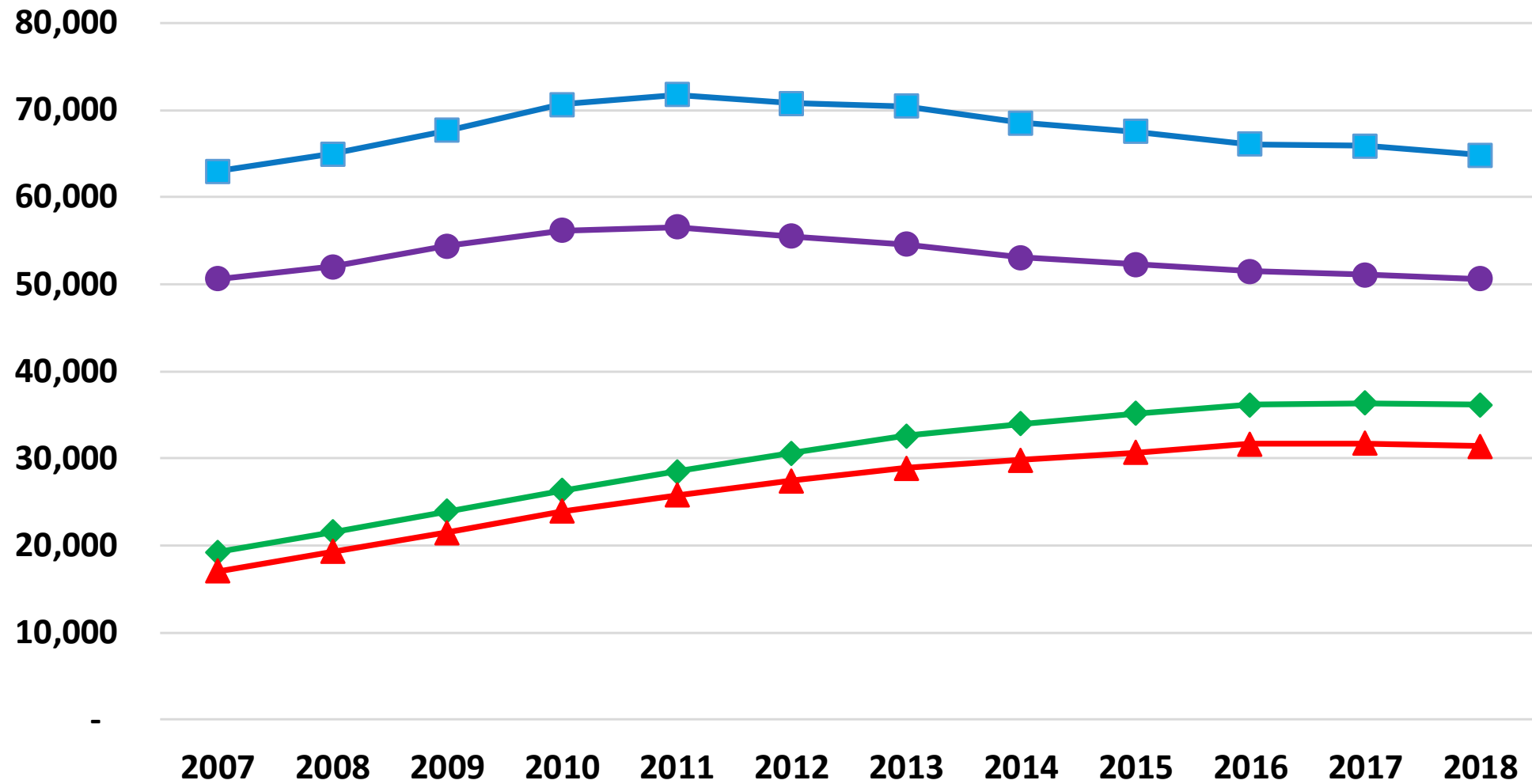
State Support to Public Universities 1999-01 to 2019-21 CSL\*  
General Fund and Lottery Funds -- Millions of Dollars



*\*Does not include Ag Extension, Ag Experiment Station & Forest Research Lab.*

■ State Paid Debt Service for Public Universities GF & LF  
■ State Support to Public Universities GF & LF

## Resident & Non Resident Public University Students\*



■ Resident Students Headcount

● Resident Full-Time Equivalents

◆ Non Resident Students Headcount

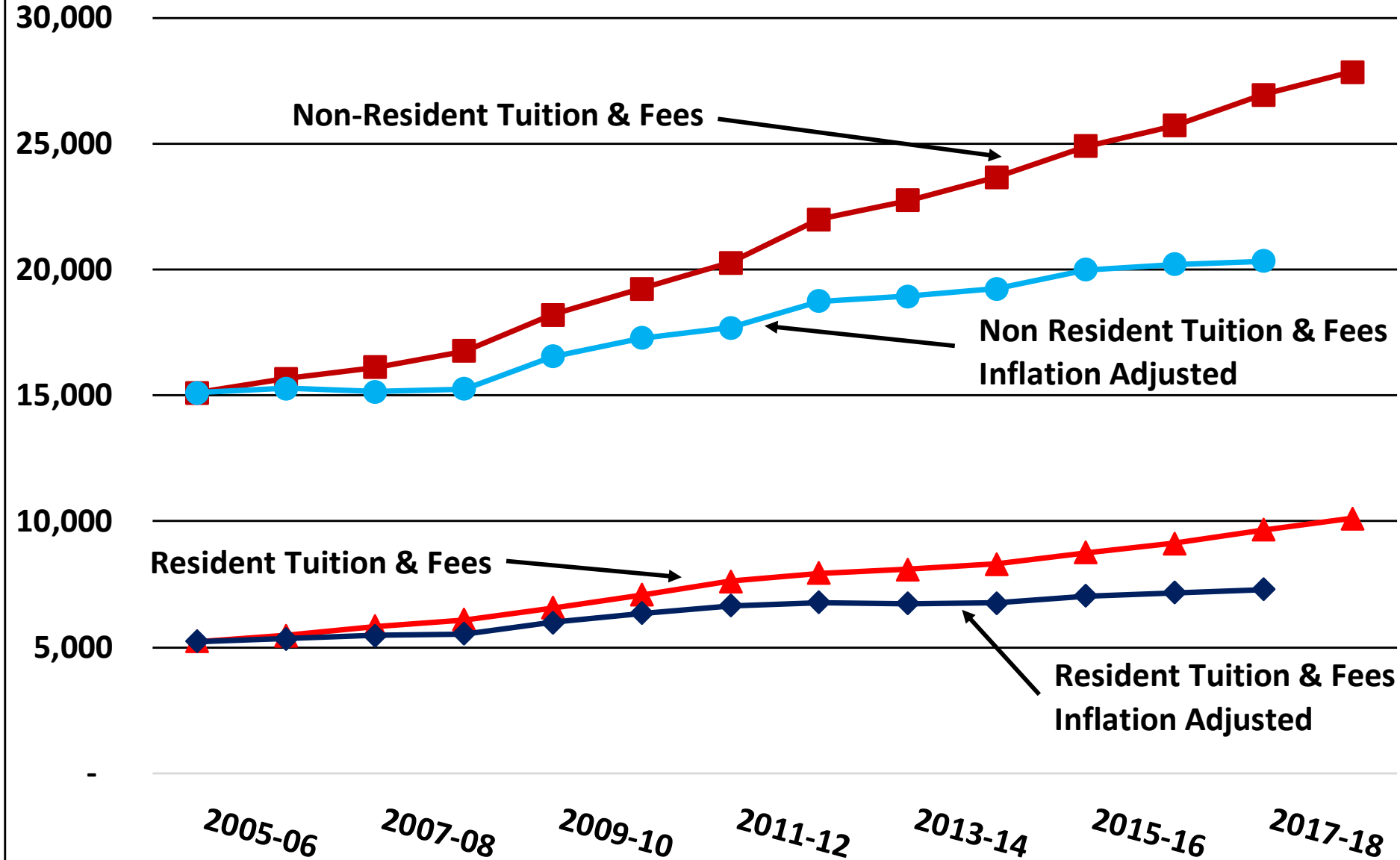
▲ Non Resident Full-Time Equivalents

*\*Based on enrollment of 4th week of Fall Quarter*

*Source: HECC*

# Average Public University Tuition & Fees

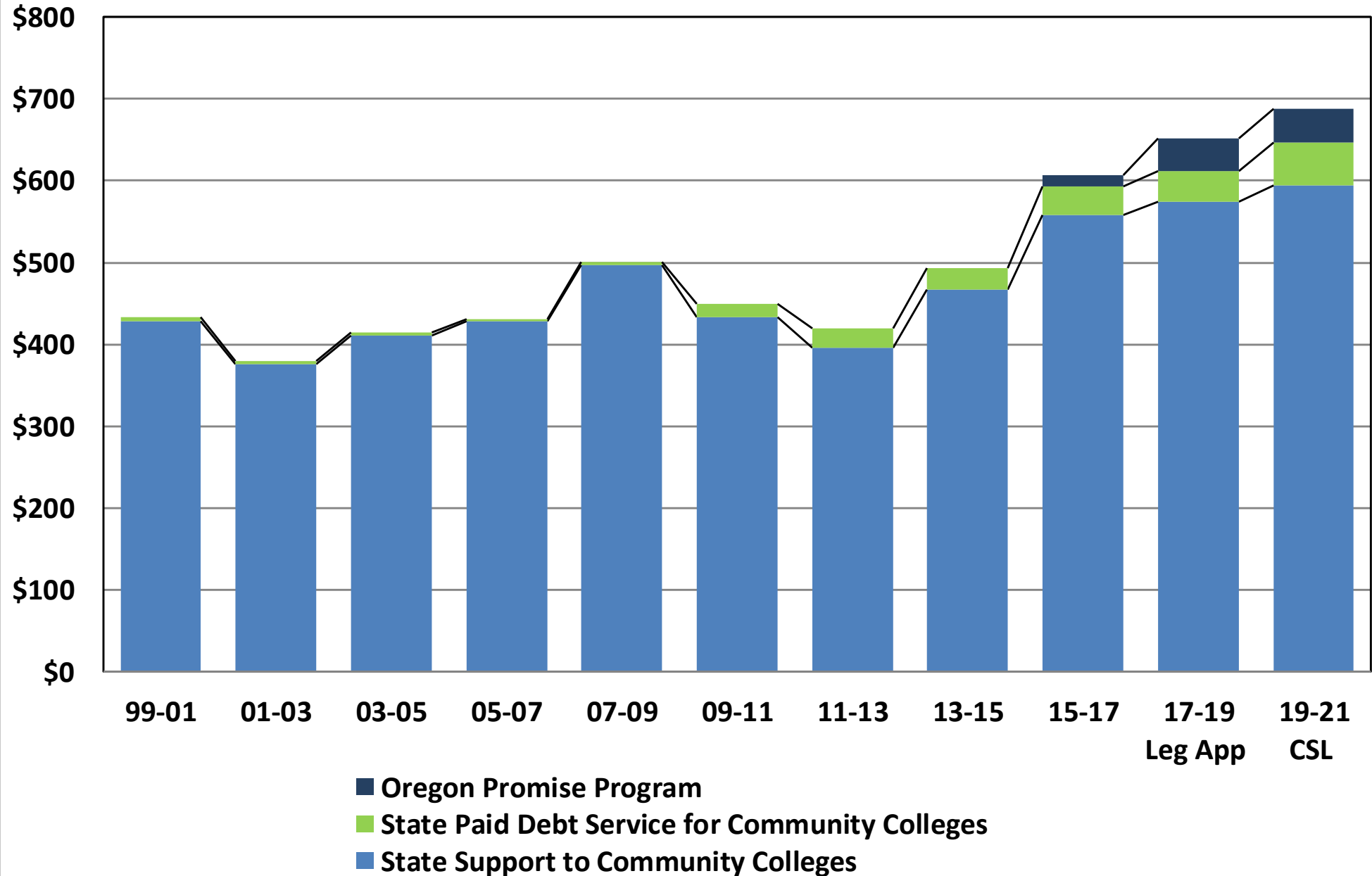
*Based on 45 Credits per Year*



Source: HECC

# State Support to Community Colleges 1999-01 to 2019-21

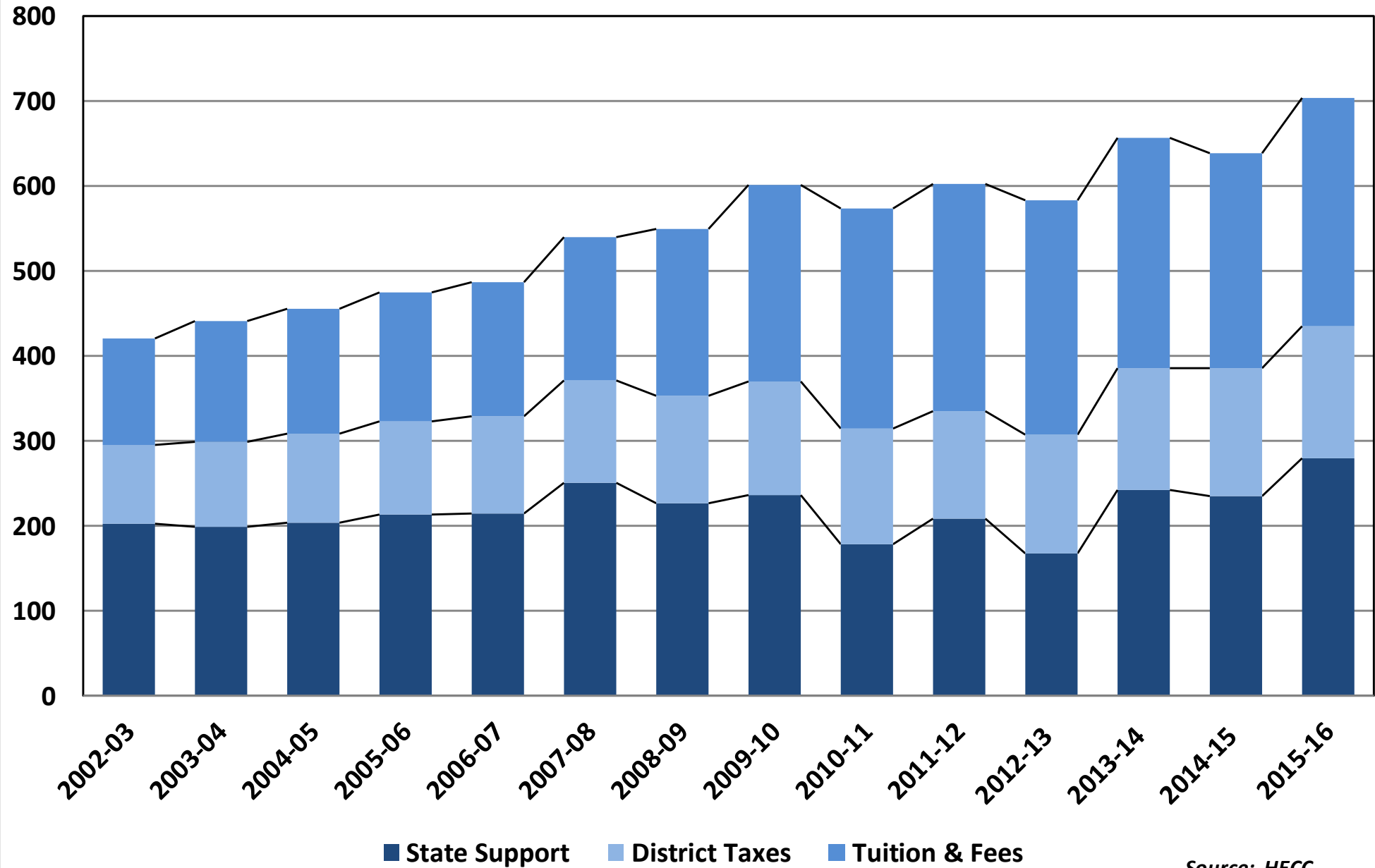
## General Fund and Lottery Funds -- Millions of Dollars





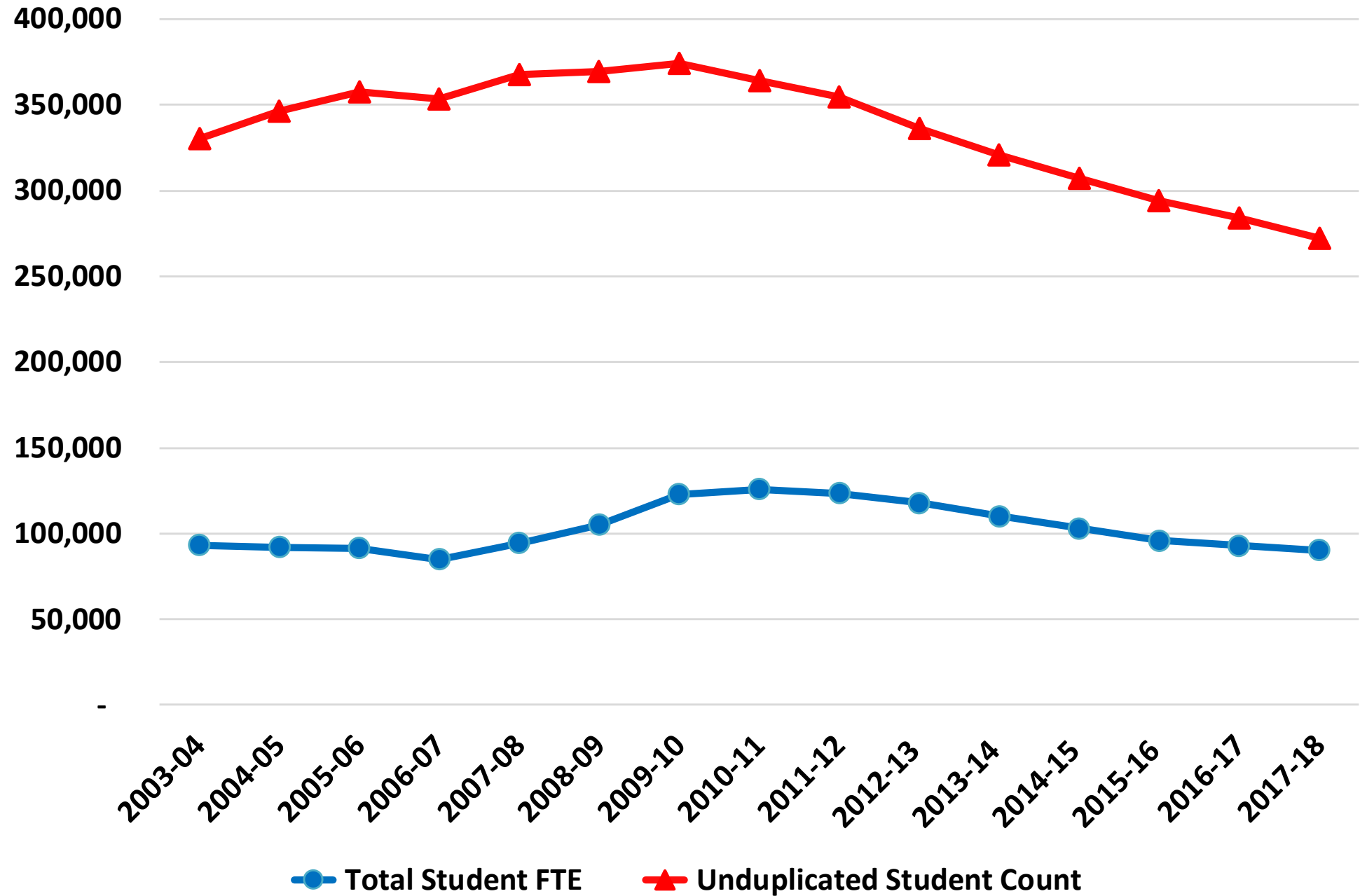
# Community Colleges Sources of Revenue

## Millions of Dollars

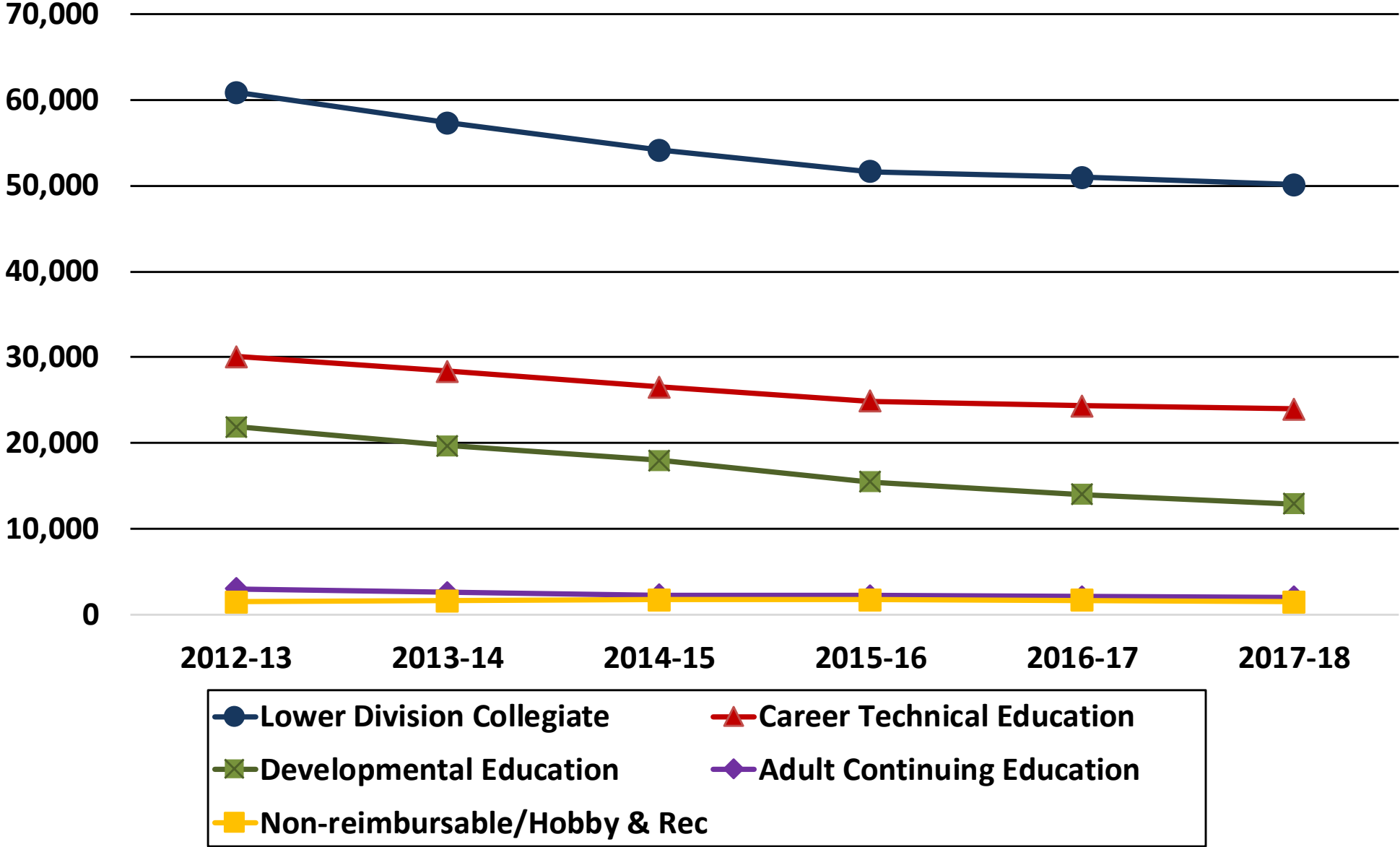


Source: HECC

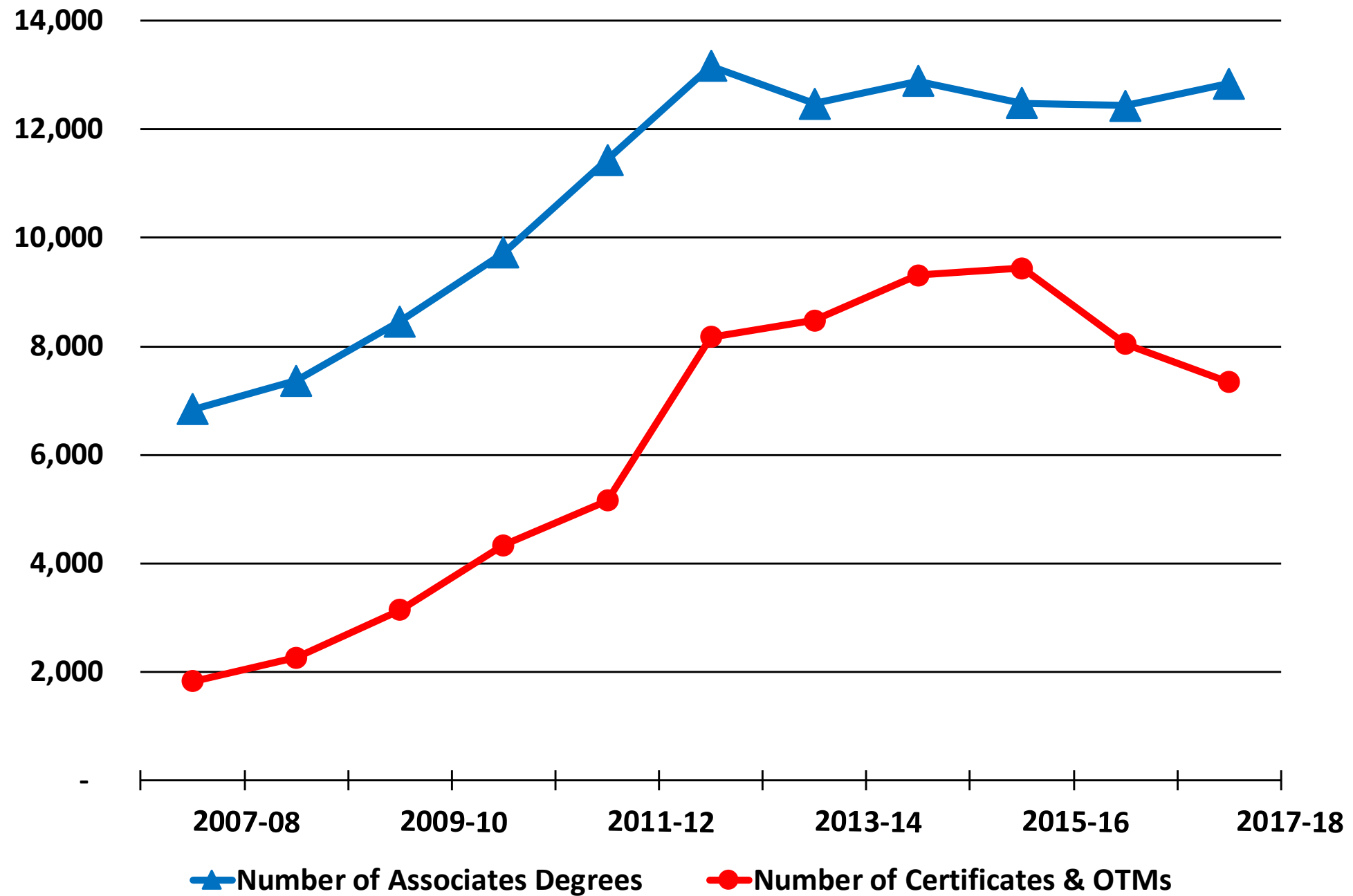
# Community College Students



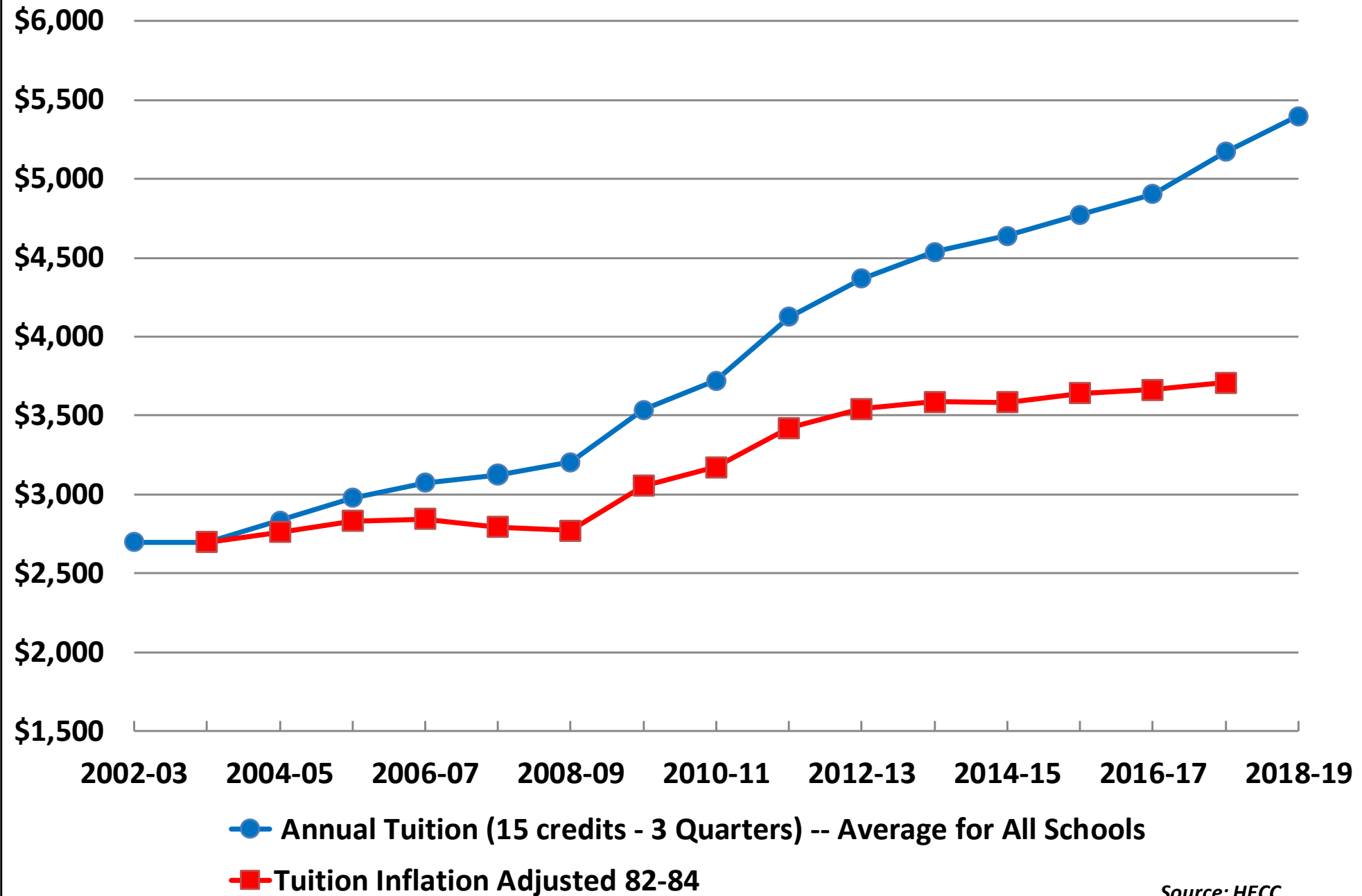
# Community College Total Student FTE by Instructional Program



## Total Degree & Certificate Completion for Community Colleges



## Community College Tuition Increases



# A Sample of Post-Secondary Issues

- State support for Community Colleges & Public Universities and the impact on tuition
- Funding need for deferred maintenance at Public Universities
- Reliance on out-of-state tuition for Public Universities
- Transition between Community Colleges and Public Universities
- Oregon Promise Program
- Performance based distribution of Community College Support Fund (e.g., completion rates, number of diplomas and certificates)
- Availability of student financial aid – Oregon Opportunity Grant
- High cost of CTE related programs at Community Colleges