


# General Government Subcommittee Orientation (2021)

- Subcommittee Process & Procedures
- Overview of State Budget Process
- Overview of the 2021-23 Statewide Current Service Level Budget
- Overview of General Government Subcommittee and Budget



# **Oregon Legislative Fiscal Office and State of Oregon Budget**

**January 2021**

# 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 (ORS 291.200)

## 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

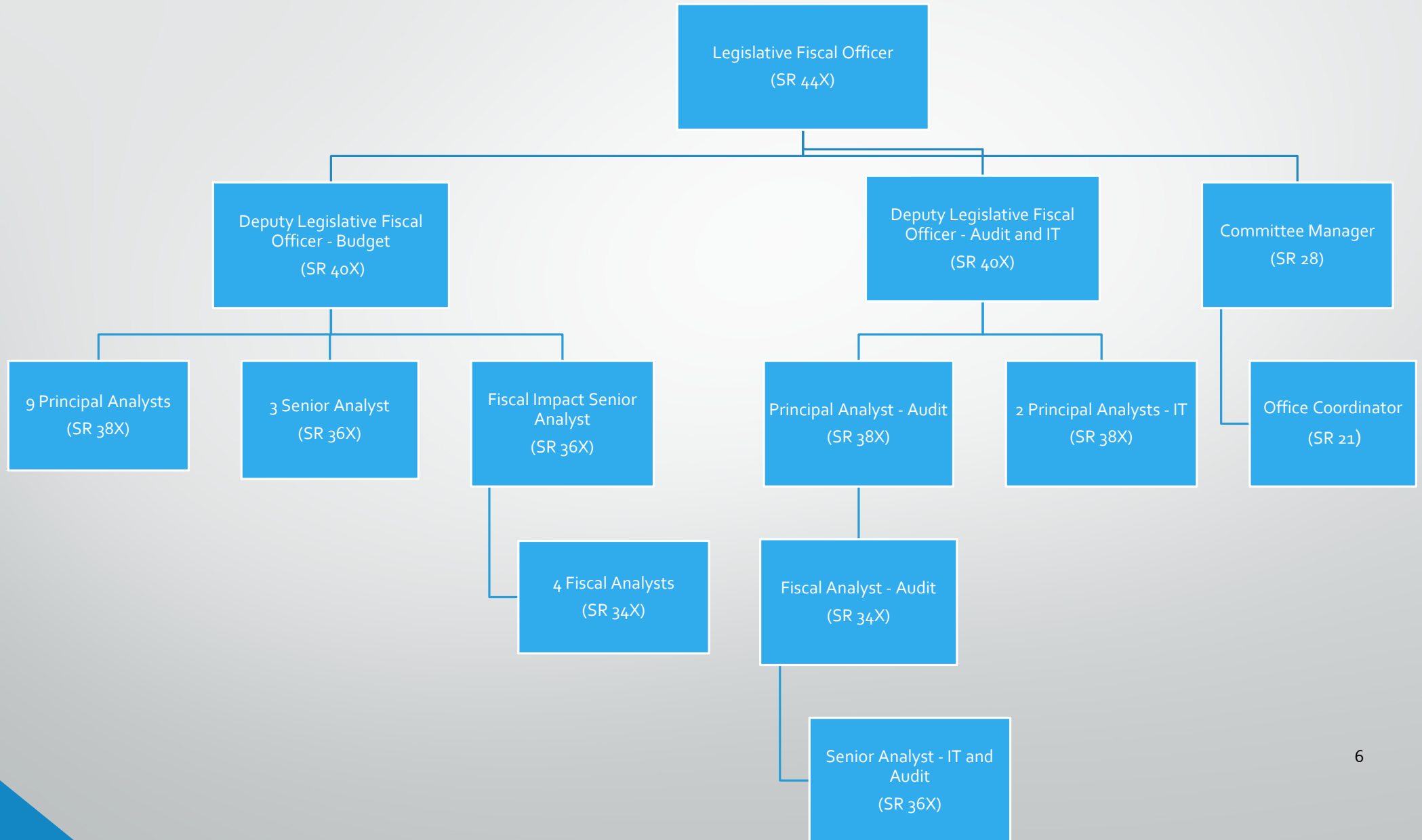
# LFO Mission

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 Organizational 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)

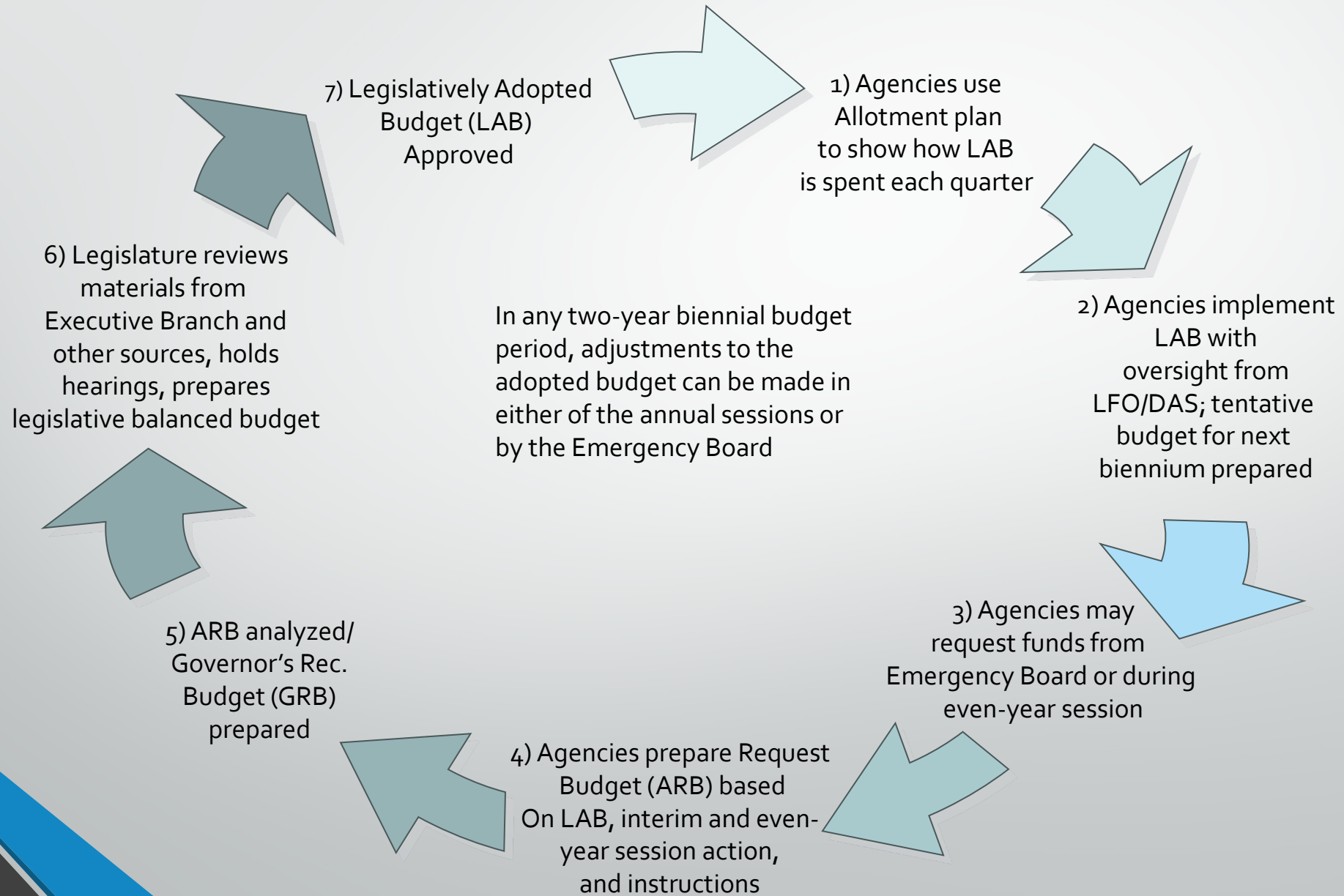


# LFO Staffing

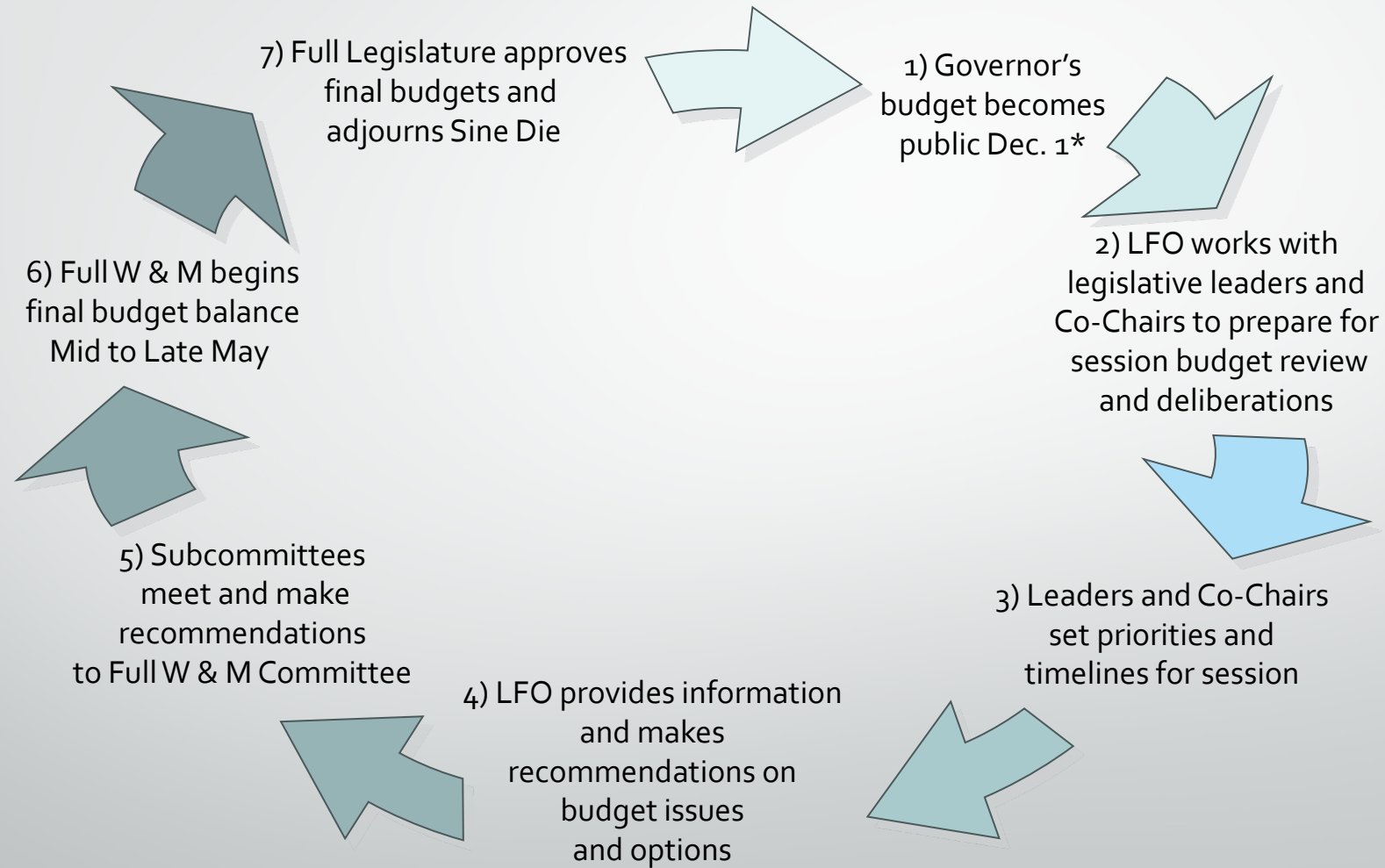
- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making 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 1<sup>st</sup> of odd-year to June 30<sup>th</sup> of next odd-year)



# Oregon Budget Process – Odd-Year Session



\*Required by February 1<sup>st</sup> 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, veterans’ services
- 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



Enrolled  
Senate Bill 5521

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Oregon Department of Administrative Services)

CHAPTER .....

AN ACT

Relating to the financial administration of the Long Term Care Ombudsman; and declaring an emergency.

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

SECTION 1. There are appropriated to the Long Term Care Ombudsman, for the biennium beginning July 1, 2015, out of the General Fund, the following amounts for the following purposes:

- (1) General program and services provided to care facility residents..... \$ 3,915,772
- (2) Public guardian and conservator program ..... \$ 2,171,212

SECTION 2. Notwithstanding any other law limiting expenditures, the amount of \$719,650 is established for the biennium beginning July 1, 2015, as the maximum limit for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts, and including federal Older Americans Act funds received from the Department of Human Services, but excluding lottery funds and federal funds not described in this section, collected or received by the Long Term Care Ombudsman.

SECTION 3. This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect July 1, 2015.

## BUDGET NOTE EXAMPLE

### **Budget Note:**

- 1) The Department of Human Services is directed to take steps to provide policy and budget options for decision making that will be required during the 2017 legislative session to ensure future sustainability of the APD and IDD programs. Steps include further refinement, analysis, and pricing of viable options or ideas brought forth by the agency, stakeholders, and other interested parties; the focus should be on ways to control caseload growth and utilization. The agency will reach out to legislators, stakeholders, and partners to assist in this effort. In developing sustainability proposals, the Department shall prioritize options that minimize impacts on consumers and providers. The Department will also formally report, at a minimum, to the Emergency Board during Legislative Days in May and December 2016 on progress made under both parts of this budget note. The agency may also be requested to report to interim legislative policy committees on human services.
- 2) In addition to the work described above, the Department is also directed to take immediate actions that may help contain costs without changing the current service system structure and that do not require statutory changes. The agency's action plan includes:
  - Review and correct, if needed, the relationship between assessment tools and program eligibility criteria;
  - Take action to more efficiently align service authorization with people's needs, also consider appropriate limits;
  - Work to limit use of overtime in service plans; but the agency should take into account workforce shortage areas, the needs of consumers, and changes to current consumer provider relationships;
  - Continue discussions with CMS to prevent the conversion of natural support to paid support, with consideration for parental responsibility; and
  - Further restrict the live-in program to prohibit live-in service plans when the individual lives in their family's home or the family lives with the individual and is served by that relative (they would still be served in the hourly program).

### **Budget Note:**

The budget for the Public Employees' Benefit Board has been limited to annual per employee growth of 3.4 percent. It is the legislature's expectation that PEBB will meet these limits by holding health plans accountable to change the health care delivery system to promote better health, better care and lower costs, and not by shifting costs to PEBB members.



# 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 (\$25 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; also included are the bonding, capital construction, and lottery/CFA allocation bills

# Subcommittee Role and Responsibilities

- Agency Budget Presentations – Budget Presentation, Follow-up on Specific Issues & Work Session).
- Budget or Appropriation Bills
- Budget Notes – Included in a Budget Report to provide budget execution to agency. Cannot be used in-lieu of legislation.
- Federal Grants – Required by statute to have Joint Committee on Ways and Means or Emergency Board approval.
- 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.

## Subcommittee Role and Responsibilities (cont.)

- 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.
- Subcommittee makes recommendation to Full Committee on budget bills, fee related bills, federal grants, budget notes and policy bills.

# Emergency Board Powers


- Established by the Constitution (Art. III, Sec. 3)
- Constitutional Authorities
  - Allocate from the Emergency Fund
  - Authorize agencies to spend from dedicated or continuously appropriated funds
  - Approve or revise funding for a new activity not included in the budget
  - Authorizing transfers between expenditure classifications within the budget of an agency
- No access to the state General Fund and not able to reduce agency budgets
- Only exists when Legislative Assembly is not in session

# Reserve Funds

- **Education Stability Fund**
  - Constitutionally created reserve fund; established in 2002 by transforming an existing education endowment fund
  - Funded with 18% of net proceeds from the lottery and capped at 5% of the amount accrued in General Fund revenues in the prior biennium
  - Requires 3/5 vote of each chamber and must be spent on public education (K-12 and Post-Secondary)
  - December 2020 forecast projects a balance of \$427.2 million at the end of the 2019-21 biennium
- **Rainy Day Fund**
  - Established by the Legislature in 2007 as a general purpose reserve and capitalized with \$319 million from retention of a portion of the corporate kicker due to be refunded to corporate taxpayers in 2007
  - Use in a biennium is limited to 2/3 of the amount in the fund at the beginning of the biennium and requires 3/5 majority of each chamber to access
  - December 2020 forecast projects a balance of \$942.3 million at the end of the 2019-21 biennium

# Current Service Level Budget - Adjustments

- Personal Services adjustments for 2021-23
- 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 (4.3% general, 5.7% non-state personnel [contract providers], 5.7% medical; all with exceptions)
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds

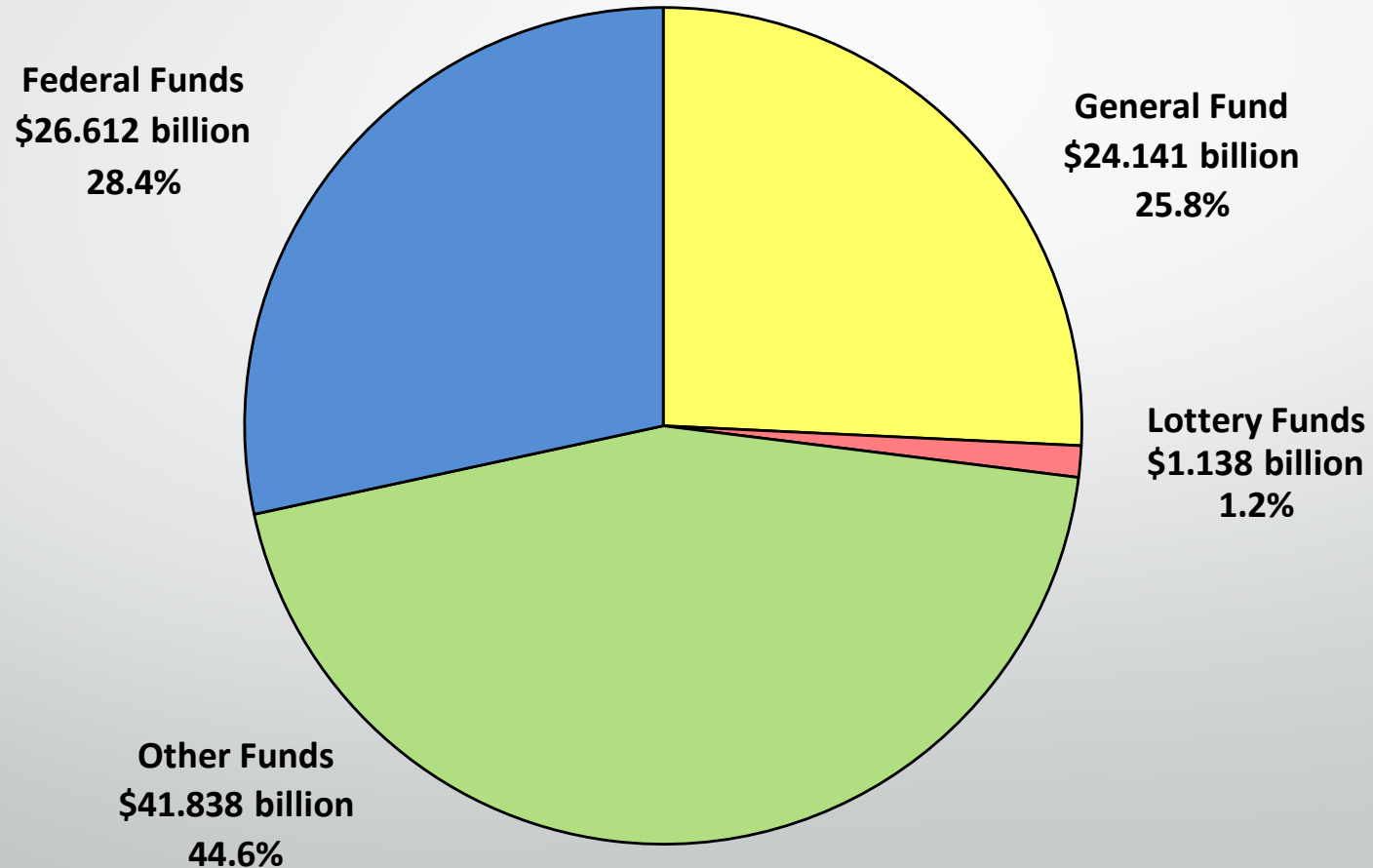


# Oregon Budget Information



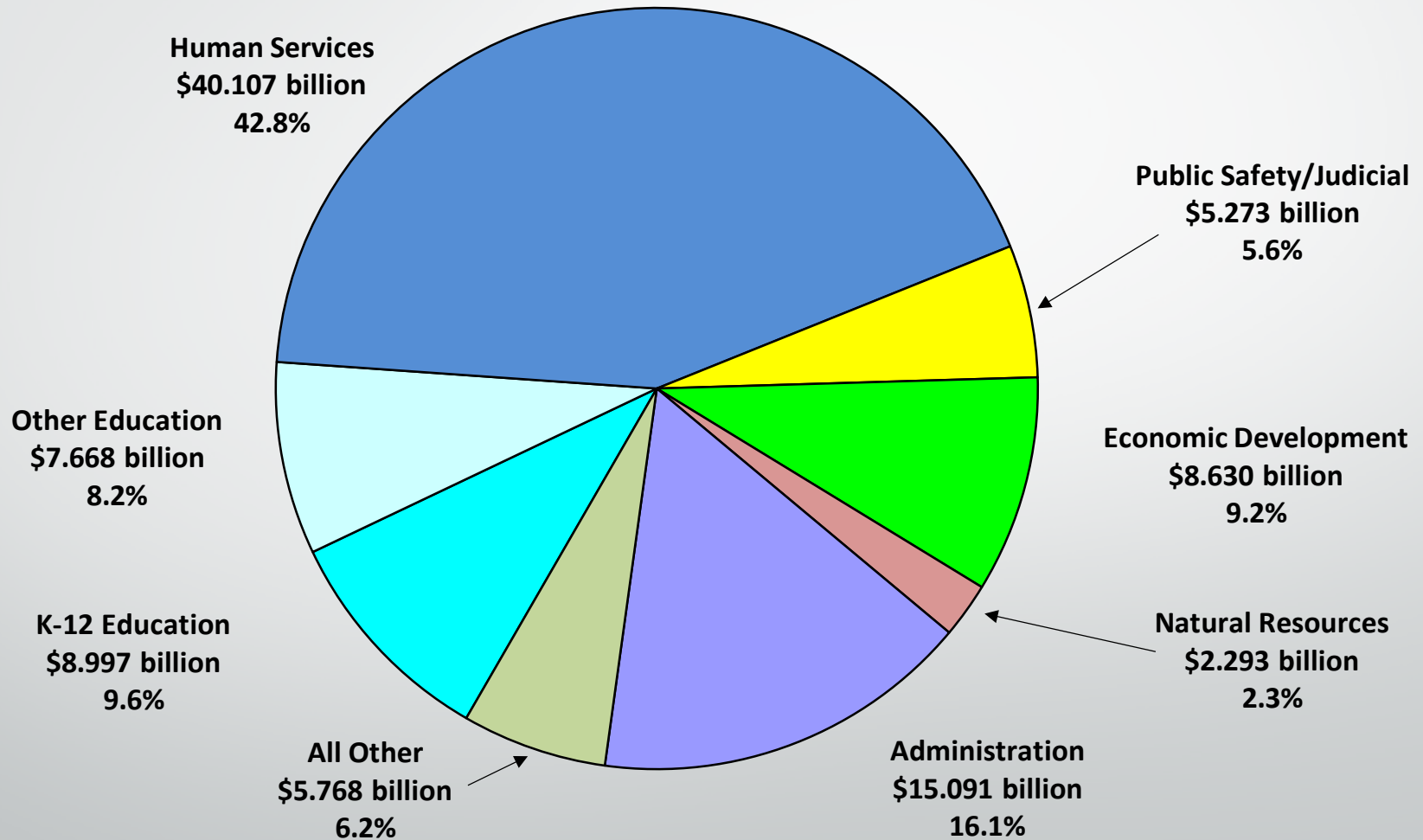
## 2021-23 Current Service Level Budget

Total Funds = \$93.729 Billion

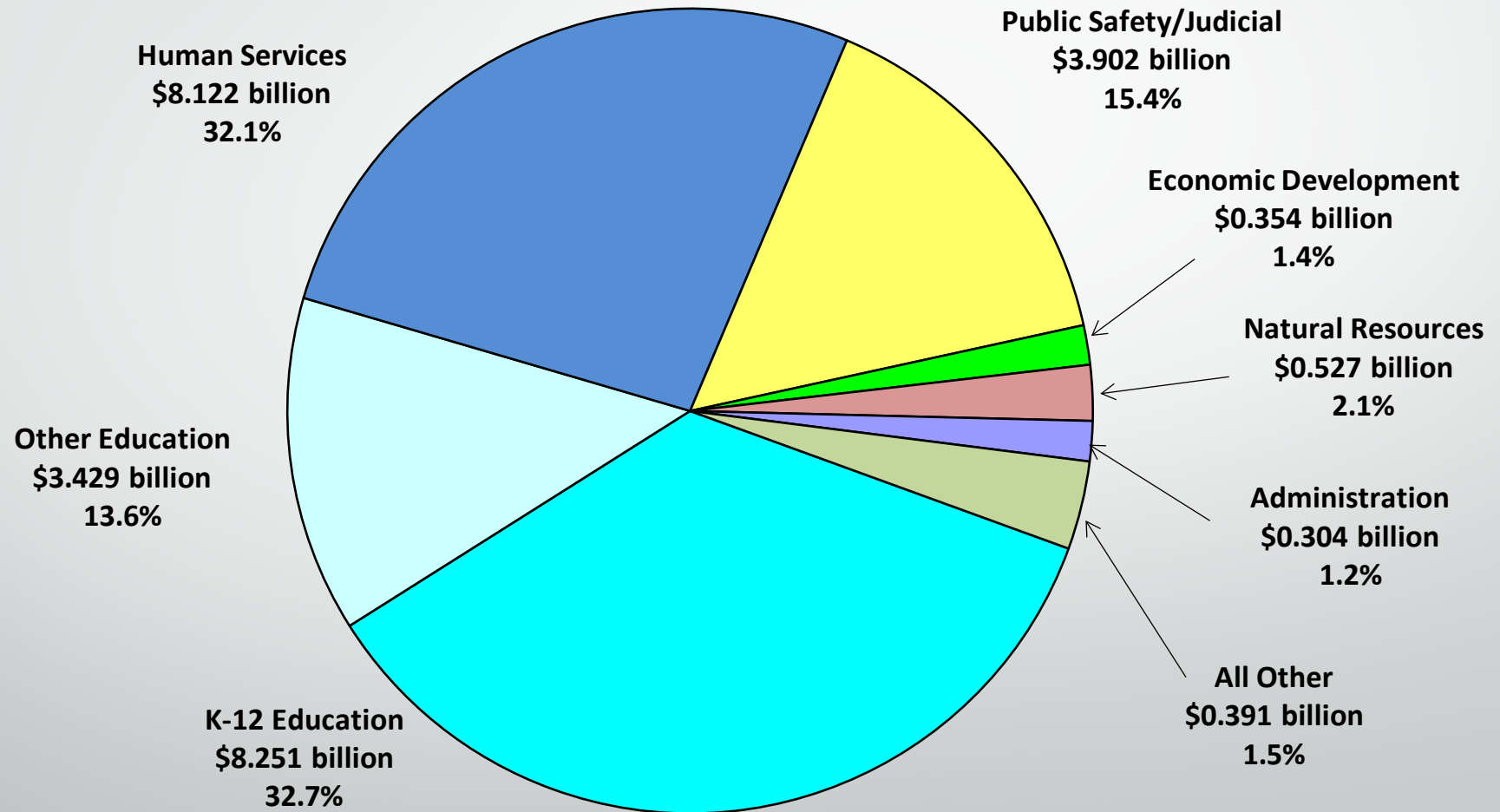




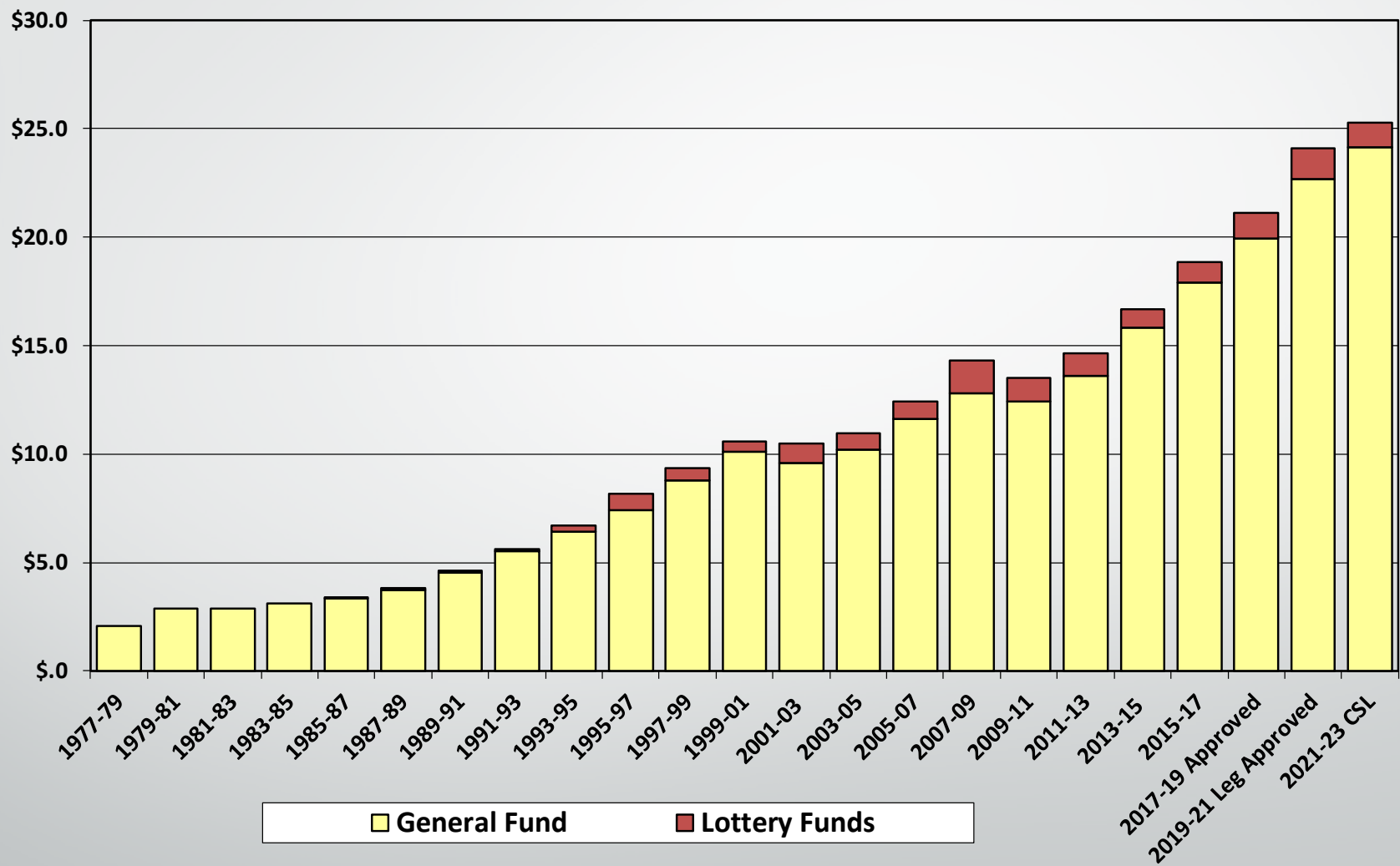
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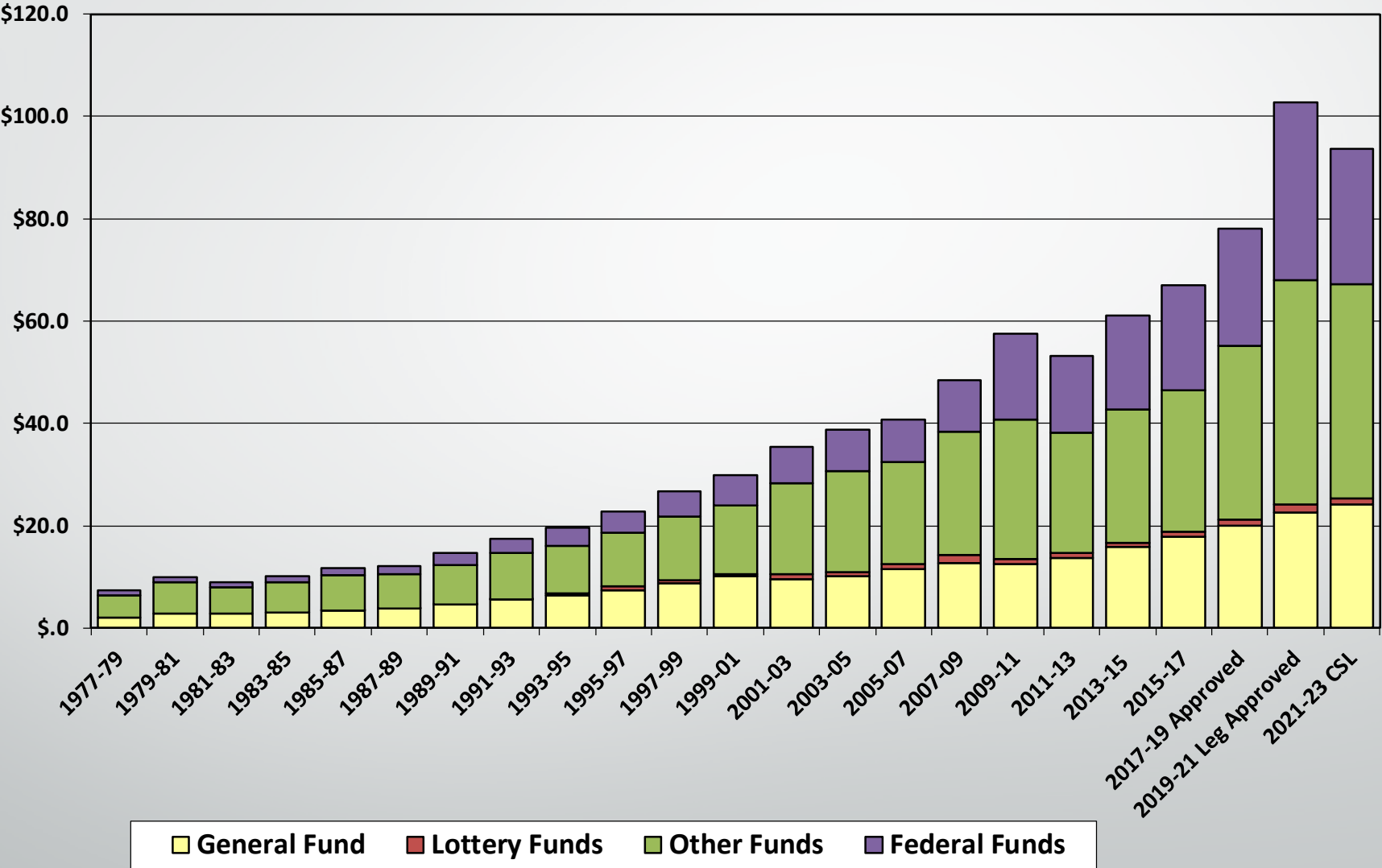
## 2021-23 Current Service Level Budget General Fund and Lottery Funds = \$25.280 Billion



Oregon Budget History – General Fund and Lottery Funds  
(\$ in billions)

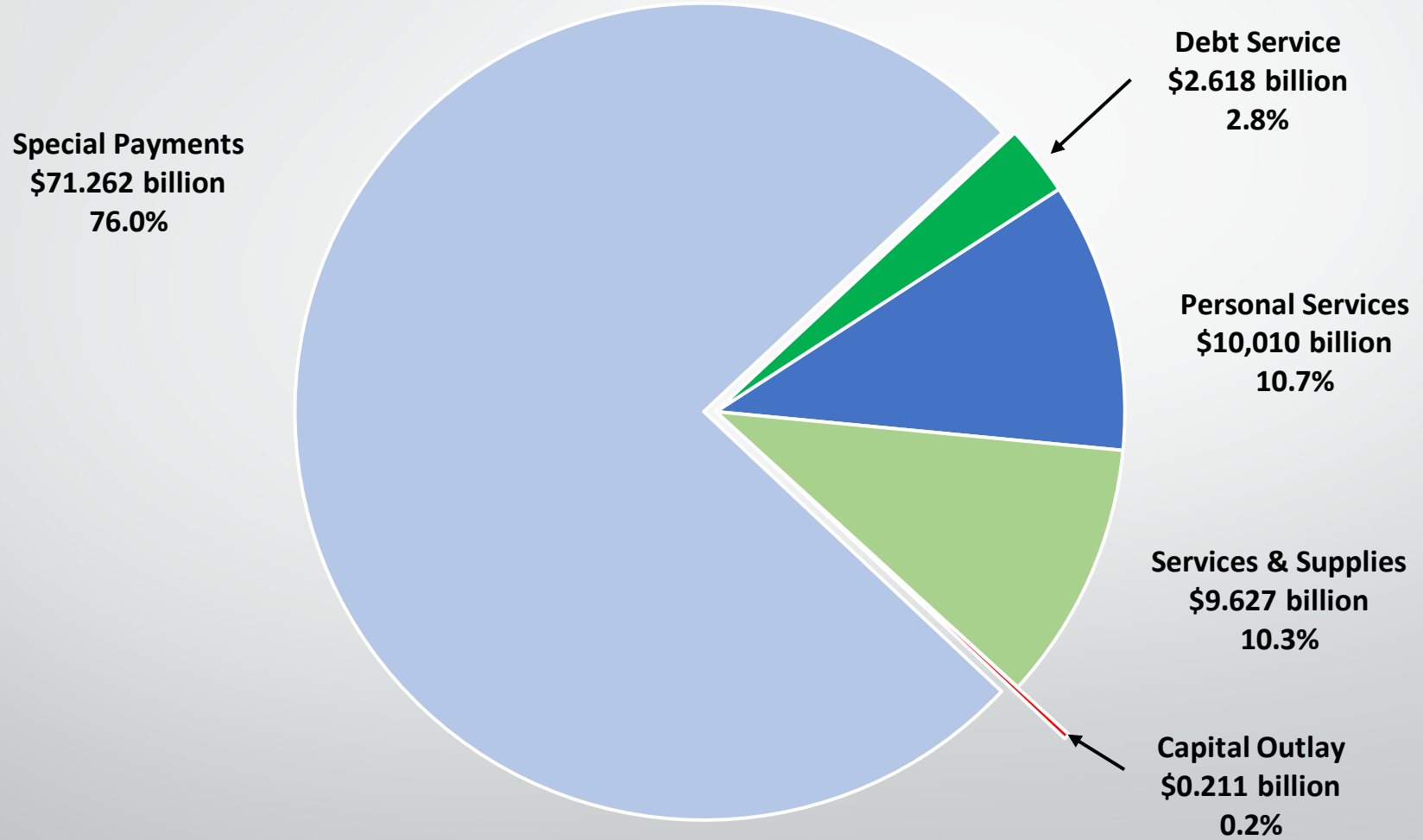


# Oregon Budget History -- Total Funds (Billions \$)



## 2021-23 Current Service Level Budget by Category

Total Funds = \$93.729 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 2021 Legislature

- Rebalancing the 2019-21 budget
- Revenue Forecast Changes
- Pandemic related economic difficulties
- 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
- 2023-25 tentative budget and revenue forecast



# General Government Subcommittee 2021-23 Current Service Level



# Functional 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.

# Assigned Budget Measures and Agencies

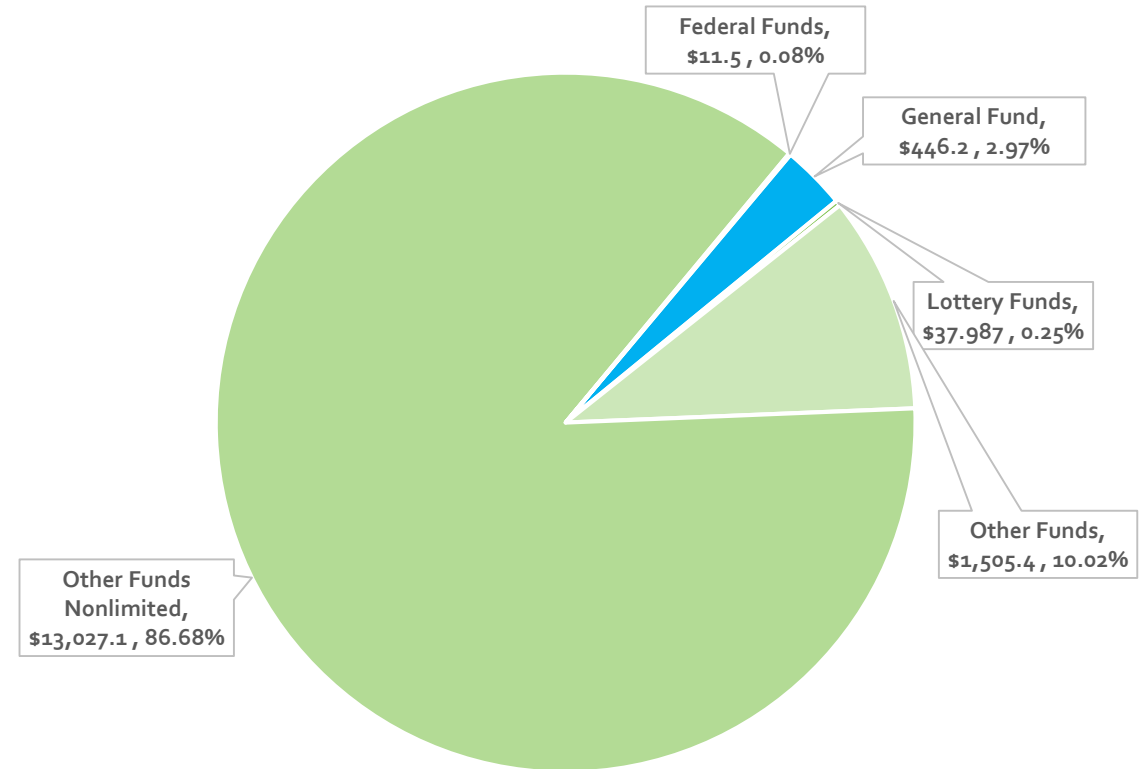
The General Government program area is comprised of 14 budget measures covering 20 separate agencies: the Department of Administrative Services, the Department of Revenue, the Public Employees Retirement System, the Governor's Office, the Secretary of State, the State Treasurer, the Employment Relations 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).

# Subcommittee Budget Summary

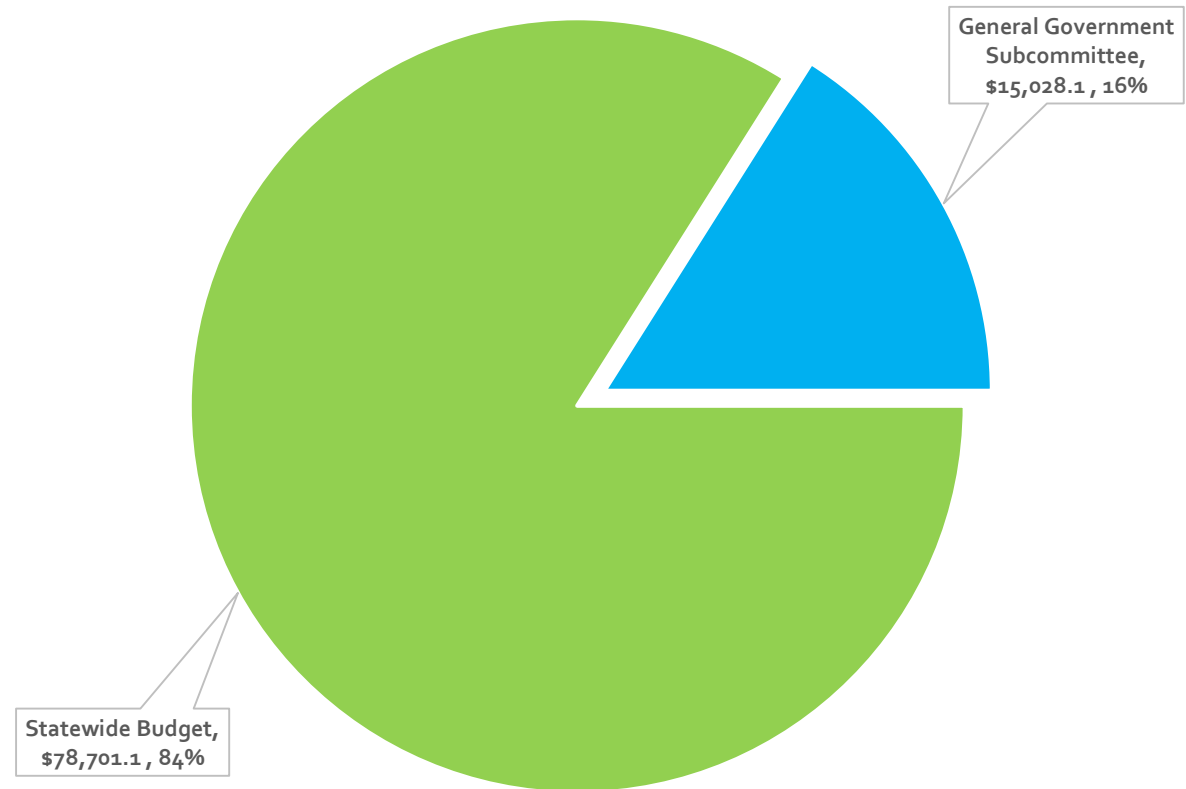
GENERAL GOVERNMENT SUBCOMMITTEE				
	2017-19 Actual	2019-21 Legislatively Approved*	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	369,432,802	669,310,215	446,179,445	466,399,808
Lottery Funds	23,244,791	26,431,493	37,986,879	55,319,630
Other Funds	1,371,936,655	1,860,344,929	1,505,375,807	1,864,486,174
Other Funds (Nonlimited)	11,042,916,051	12,698,946,233	13,027,095,673	13,063,246,673
Federal Funds	11,941,003	1,389,099,327	11,474,046	10,853,103
<b>Total Funds</b>	12,819,471,302	16,644,132,197	15,028,111,850	15,460,305,388
Positions	3,624	3,607	3,428	3,663
FTE	3,247.96	3,382.59	3,268.41	3,474.93

\* Includes Emergency Board and administrative actions through January 2021.

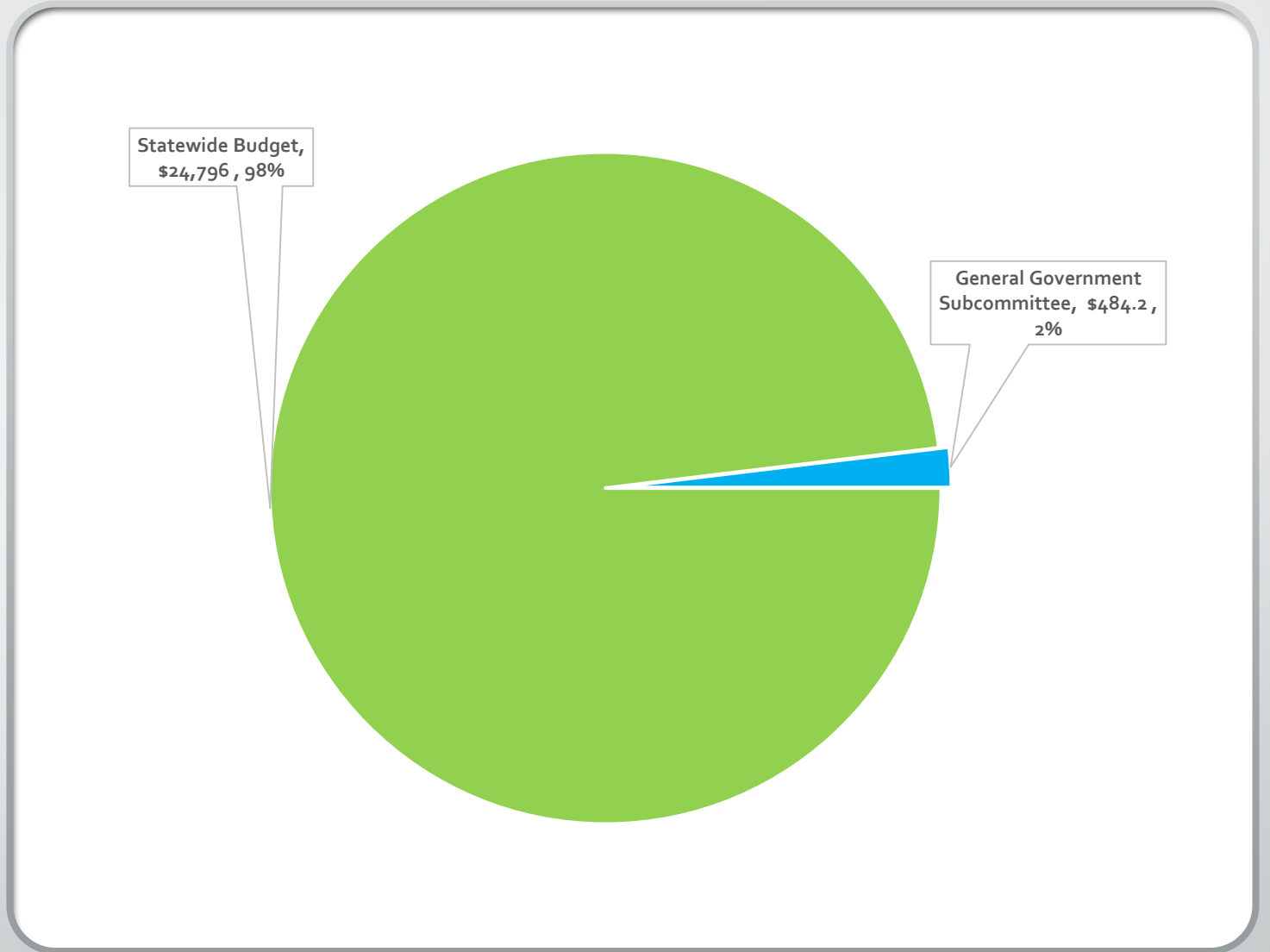
# Fund-Type



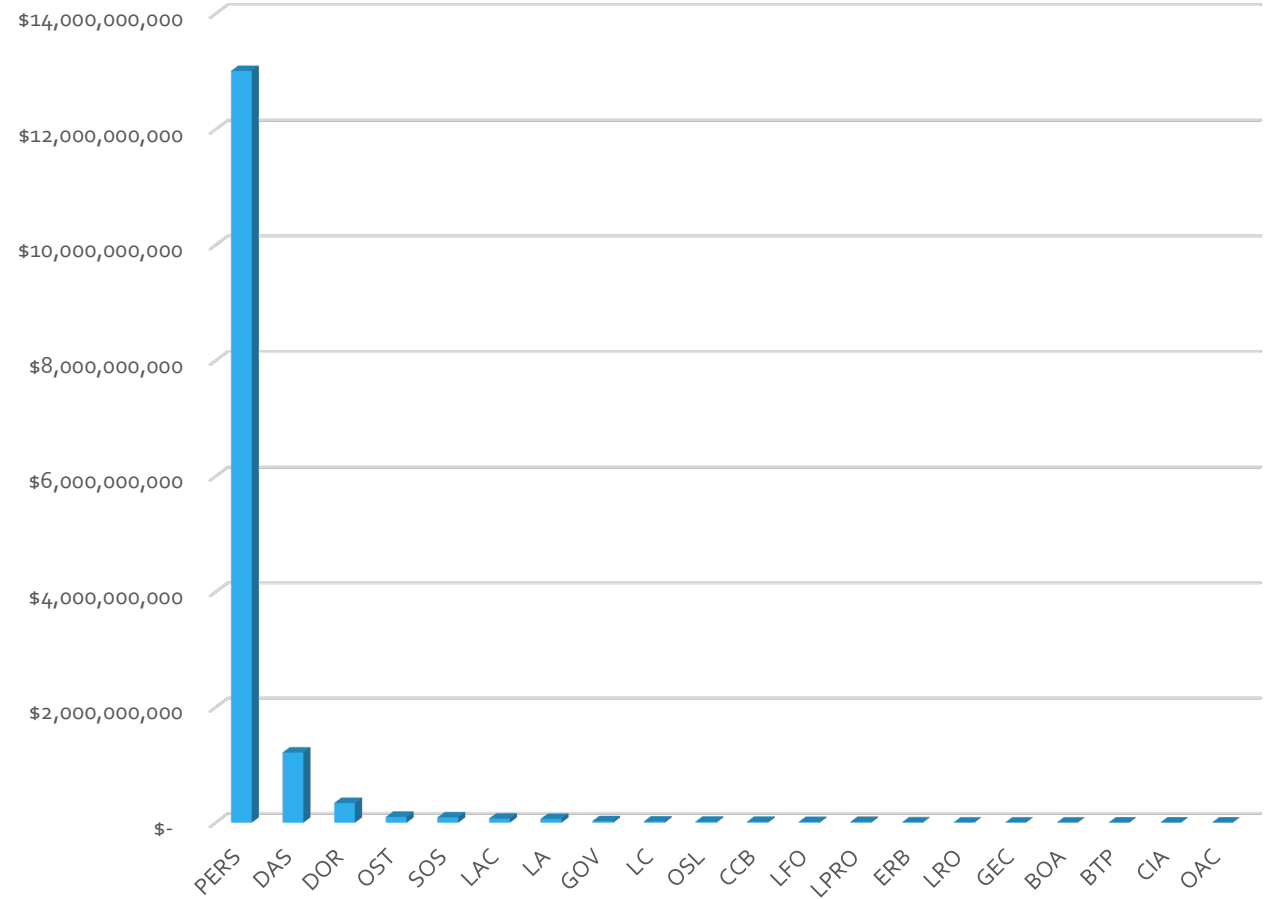
# Comparison to the Statewide Budget – Total Funds



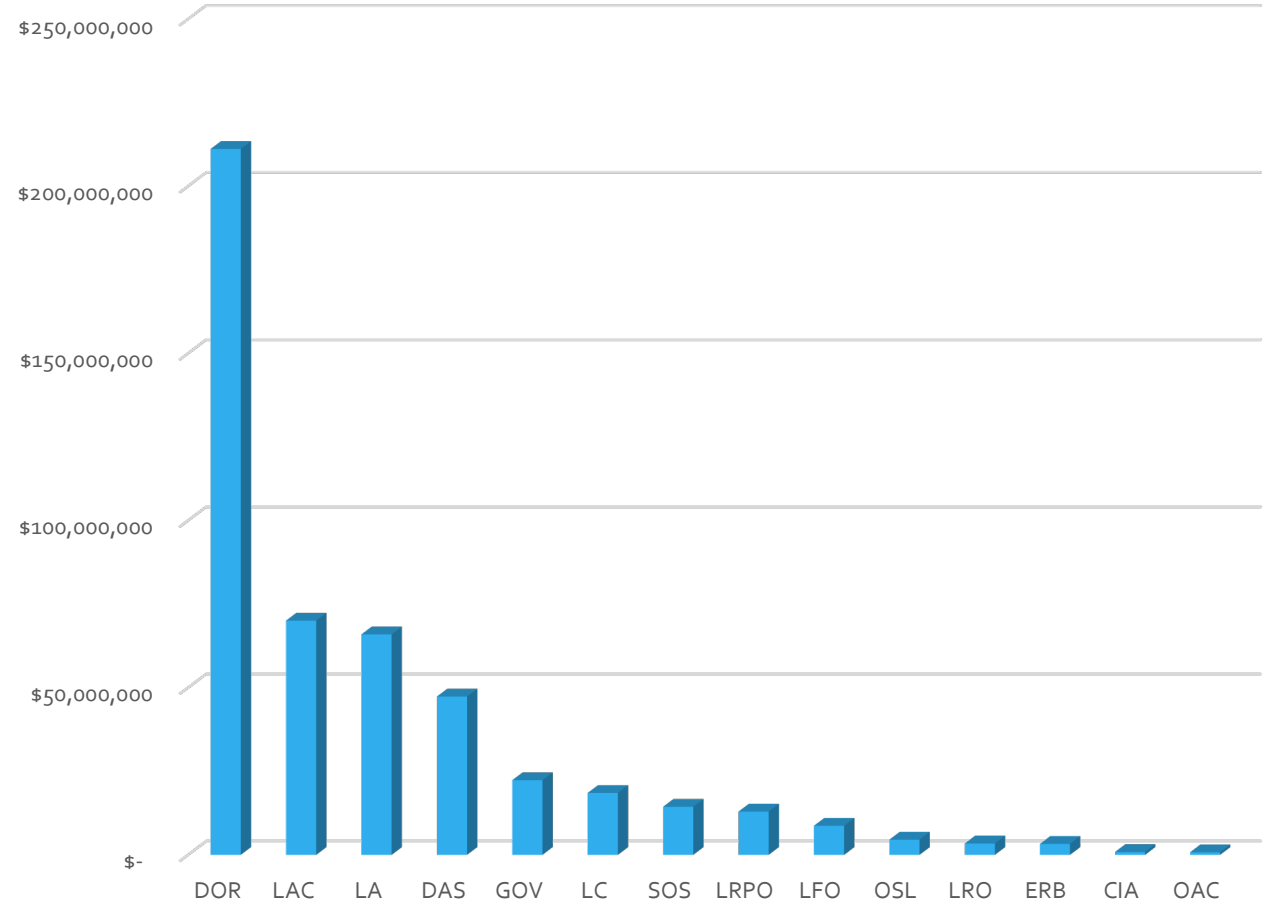
# Comparison to the Statewide Budget – General and Lottery Funds



# Total Funds

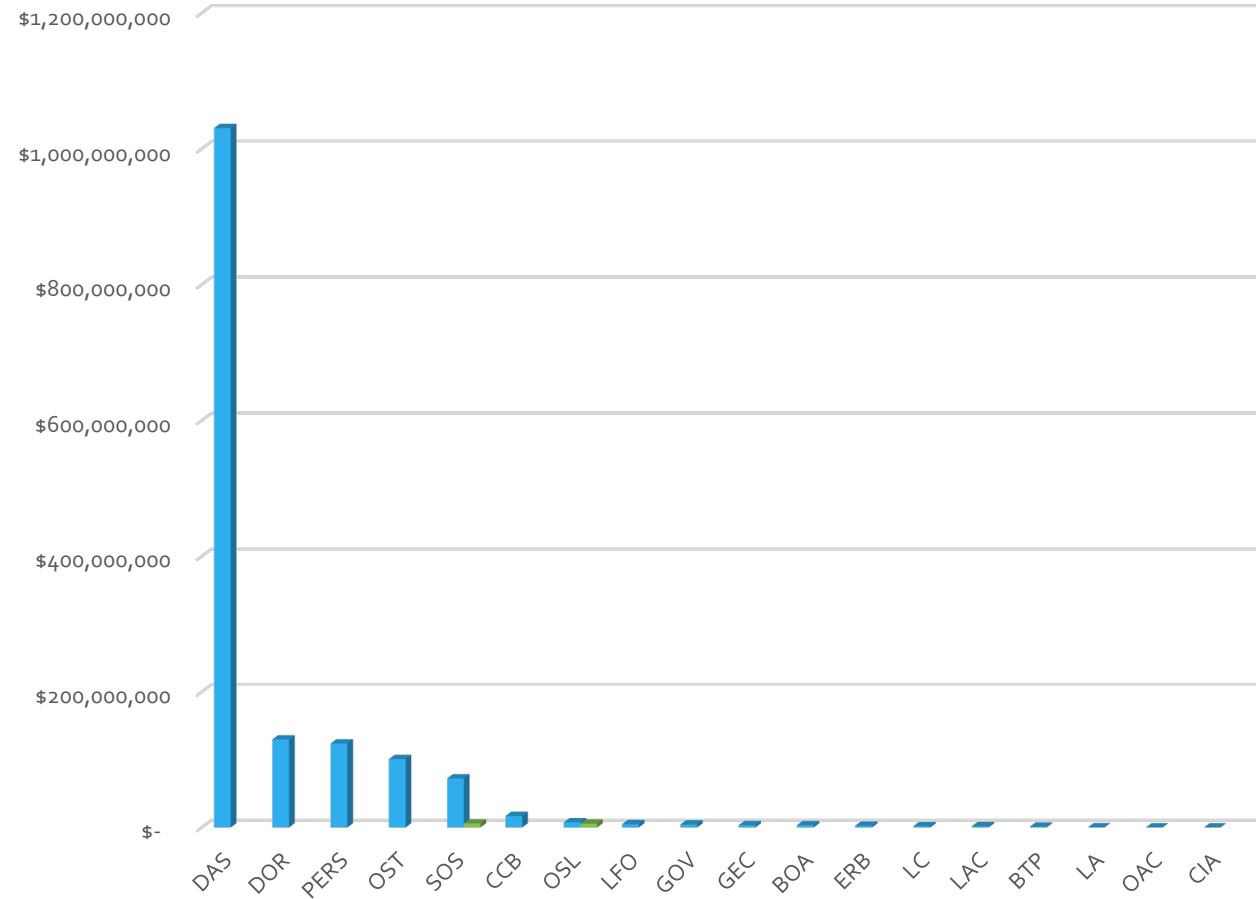


# General and Lottery Funds

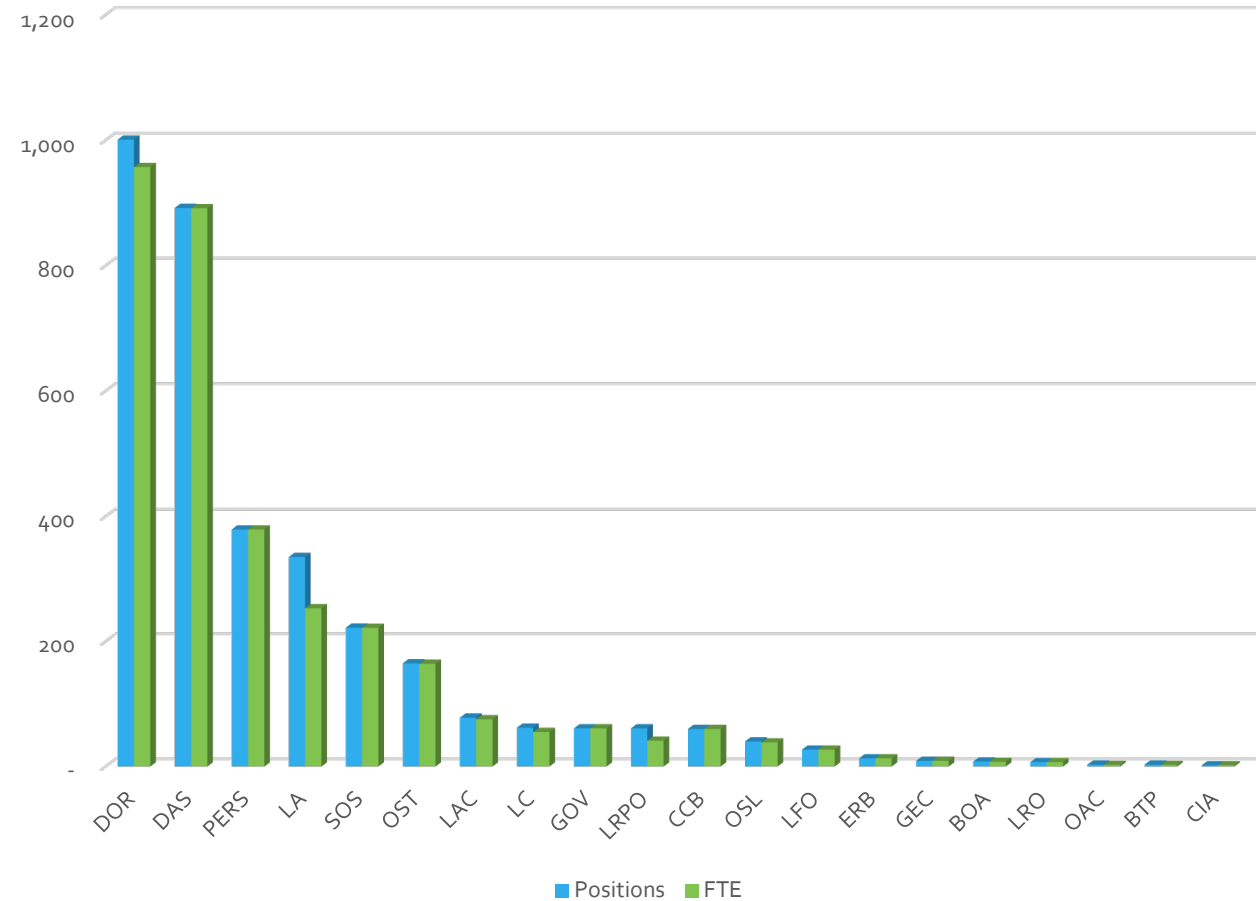




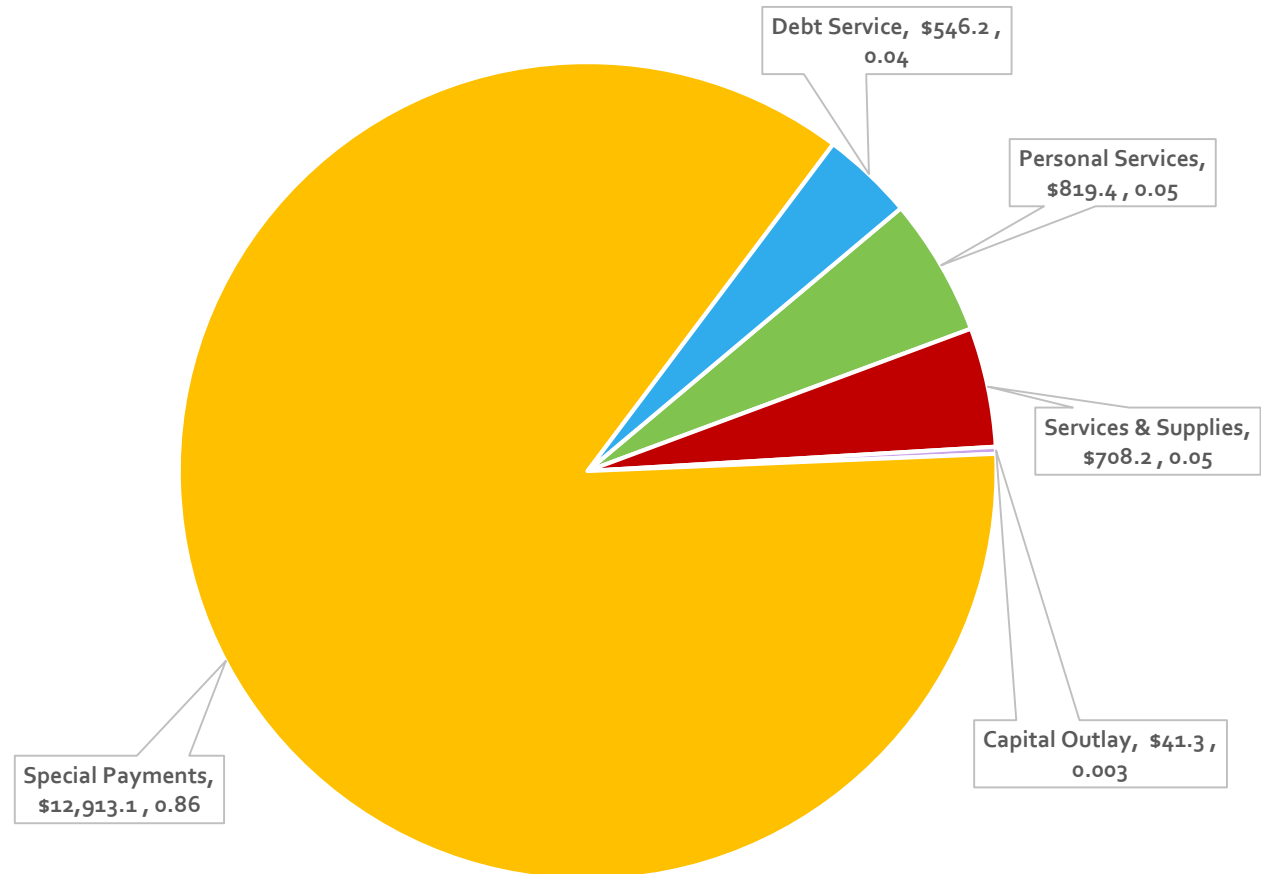
# Other and Federal Funds



# Positions and Full-Time Equivalency



# Budget Category



# Total Budget vs. Operating Budget

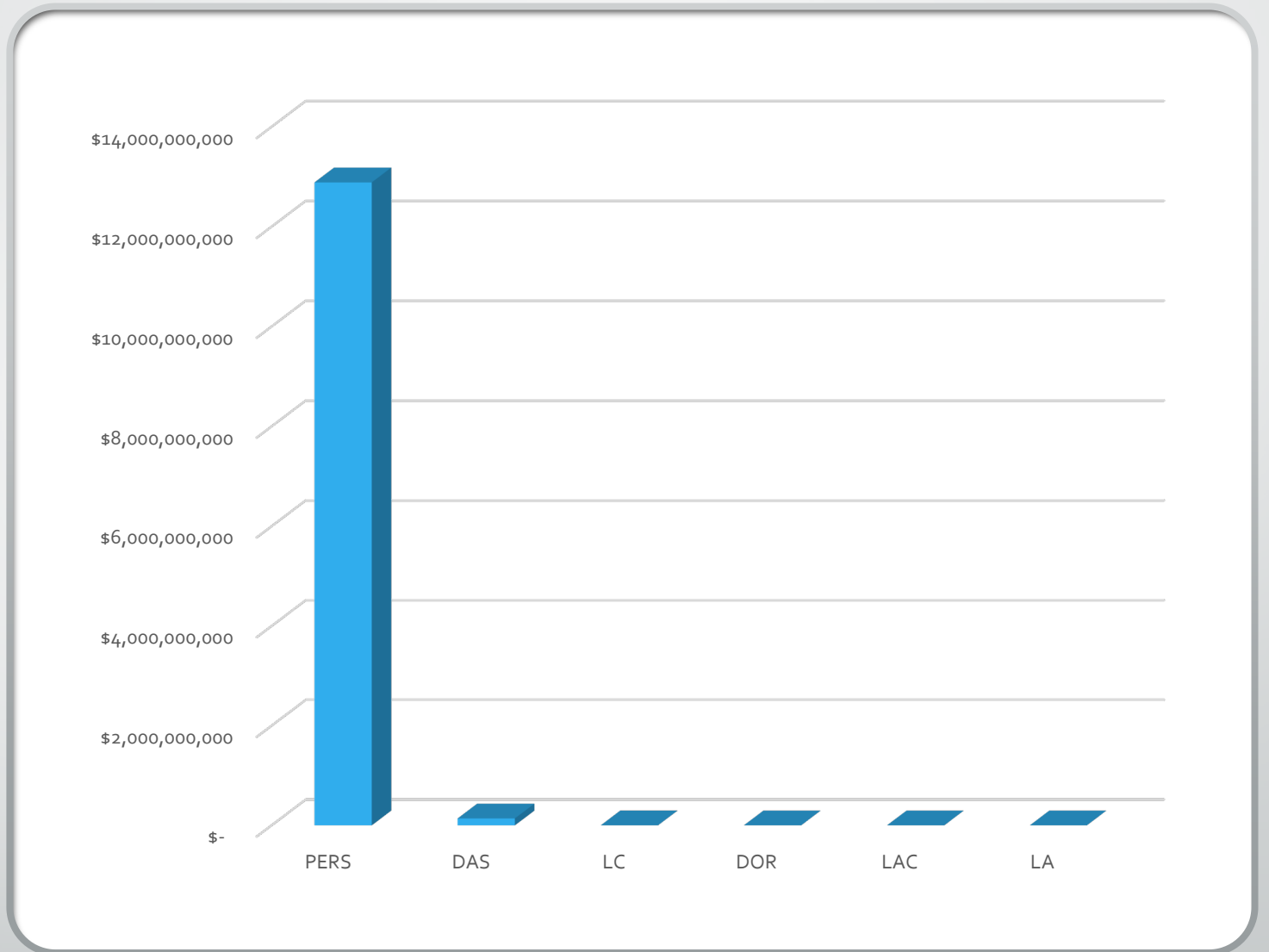
## Total Budget

- 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.

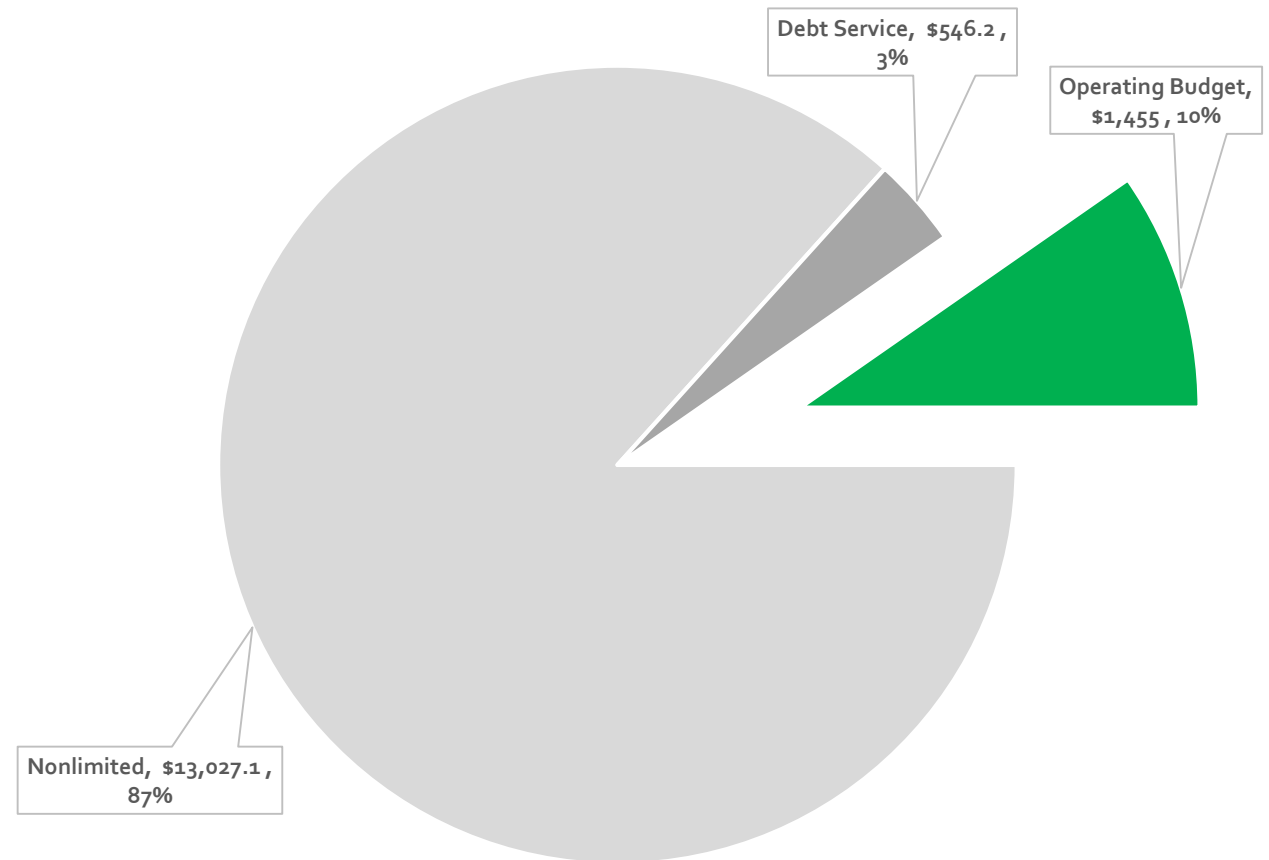
## Operating Budget

- 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 Funds



## Nonlimited/Debt Service vs. Operating Budget



# 2021-23 Biennium Budget Issues

- Setting state agency assessments
- Revenue collections
- Potential difficulty continuing current programs and services
- Identifying and funding critical investments above the current service level



# Tempo of Session

Hearing-Type/ Timeframe	Purpose	Who
Agency Hearings Public hearings/Invited Testimony/Public Testimony  Late January through late March to early April	LFO overview; CFO summary of the Governor's budget; condensed agency presentation of its mission, organization, budget, performance metrics, audits, and reduction options.  Select agencies will be scheduled for in-depth follow-up discussion of major budget issues/decision points.	All Agencies/ follow-up with select agencies
Work Session  Late March to Early June	Agency work session may be conducted as soon as agency hearings are completed	All agencies

# Assigned Budget Analysts

- Paul Siebert – DAS, SOS, & GOV
- Amanda Beitel – OST & LEG
- Zane Potter – ERB, DOR, GEC, & OSL
- Haylee Morse-Miller – ACO, CCB, and BTP
- Michael Graham – BOA
- John Borden - PERS

# Public Hearing Budget Primer

- Review materials posted to OLIS
- Focus on agency operations, budget drivers, staffing, and performance metrics rather than budget requests
- Identify the intersection between agency operations and the agency's current law budget
- Identify interdependencies with other agencies or entities
- Focus on understanding revenue and the source of Other Funds
- Evaluate administrative costs and how such costs are split between fund-types
- Evaluate agency responsiveness to prior legislative direction and audits findings
- Note issues or programs for the subcommittee co-chairs that require more in-depth follow-up.

**For  
Additional  
Information**

**Thank You**

Legislative Fiscal Office - 503-986-1828

<https://www.oregonlegislature.gov/lfo>

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