



Oregon Legislative Fiscal Office and State of Oregon Budget

January 2020

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

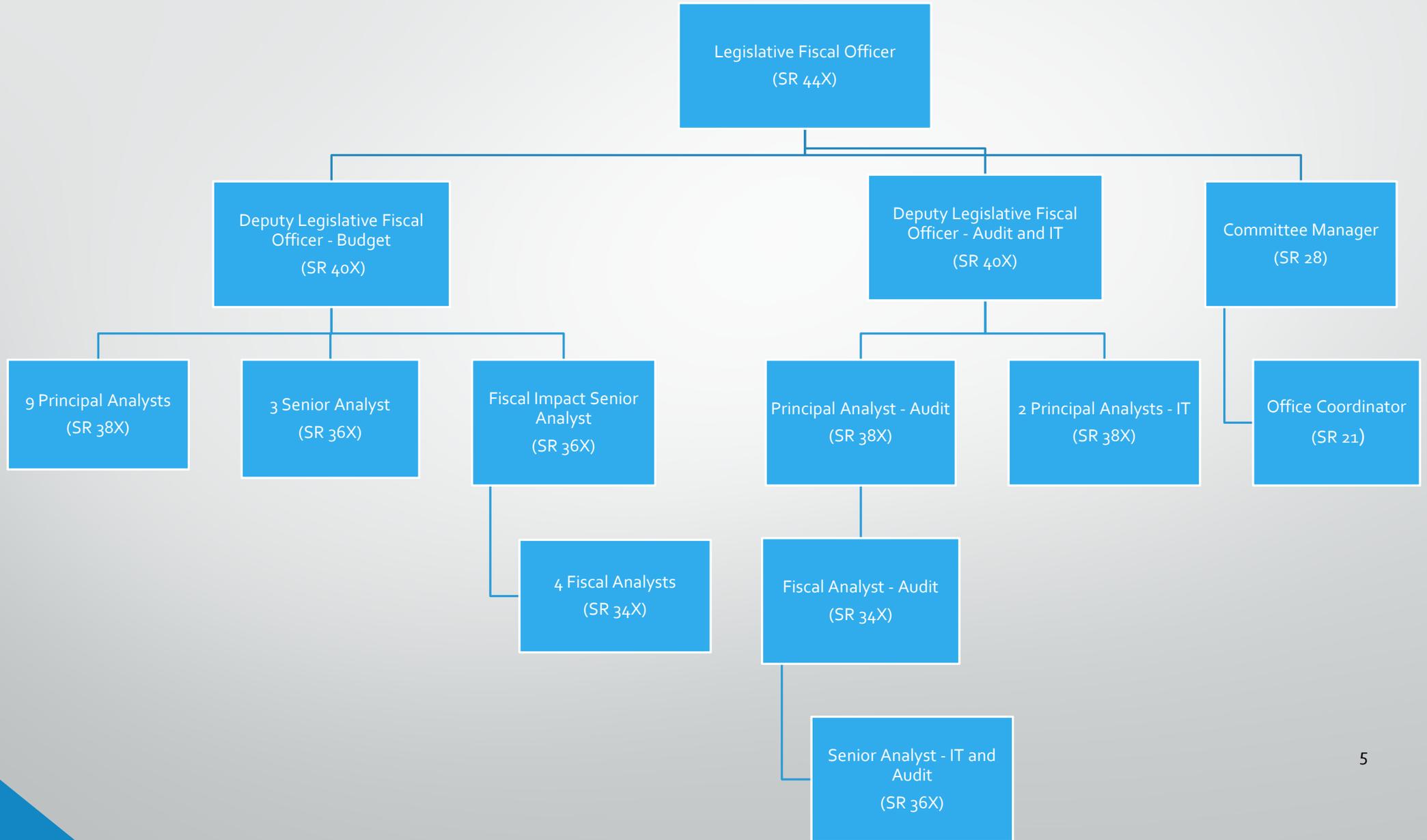
LFO Mission

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

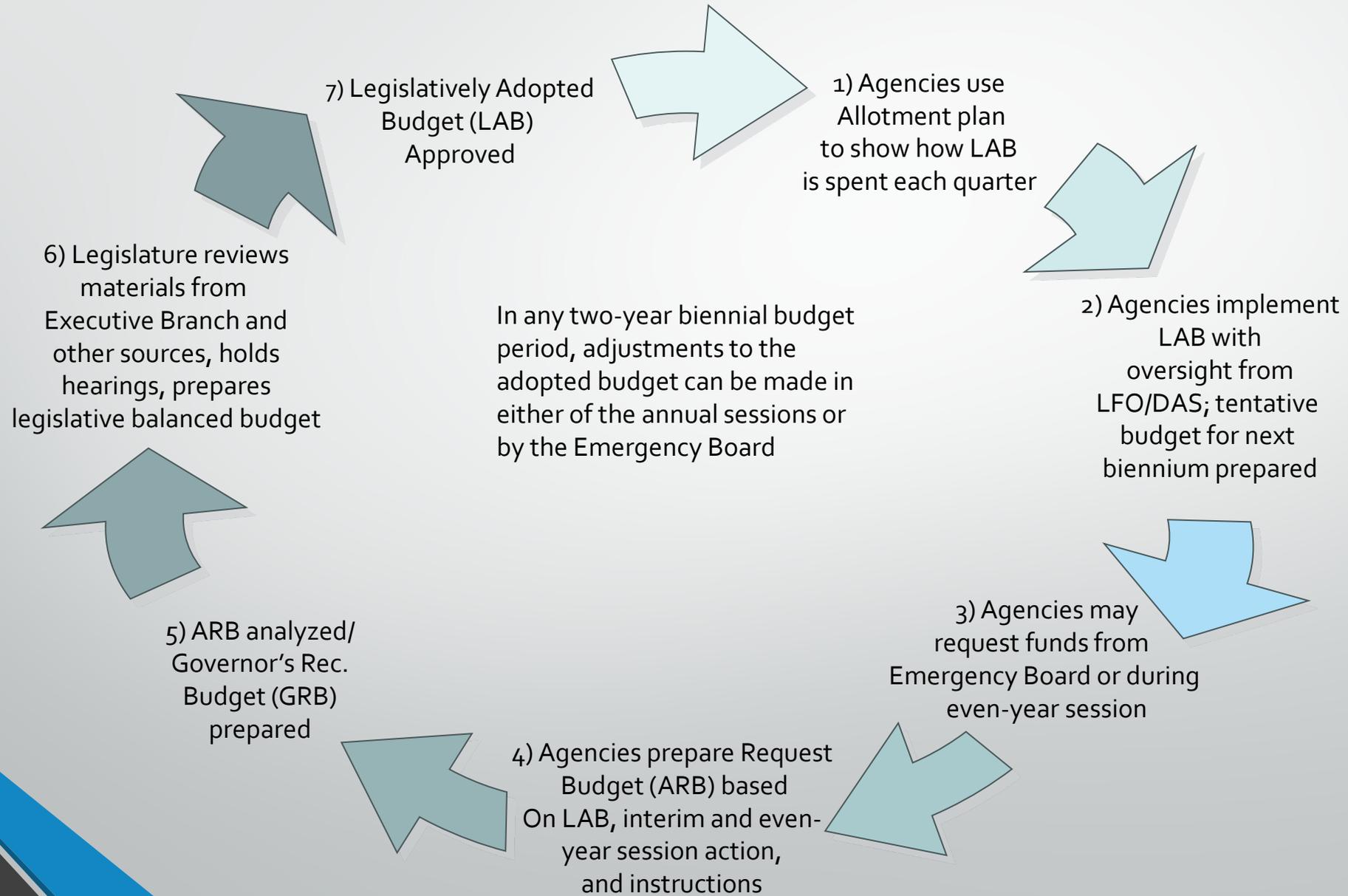
- Analyze and make recommendations on agency requests to the Emergency Board and interim Joint Committee on Ways and Means
- Evaluate and audit programs when issues are identified or as directed by the Legislature
- Analyze reports and make recommendations on major information technology projects and 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

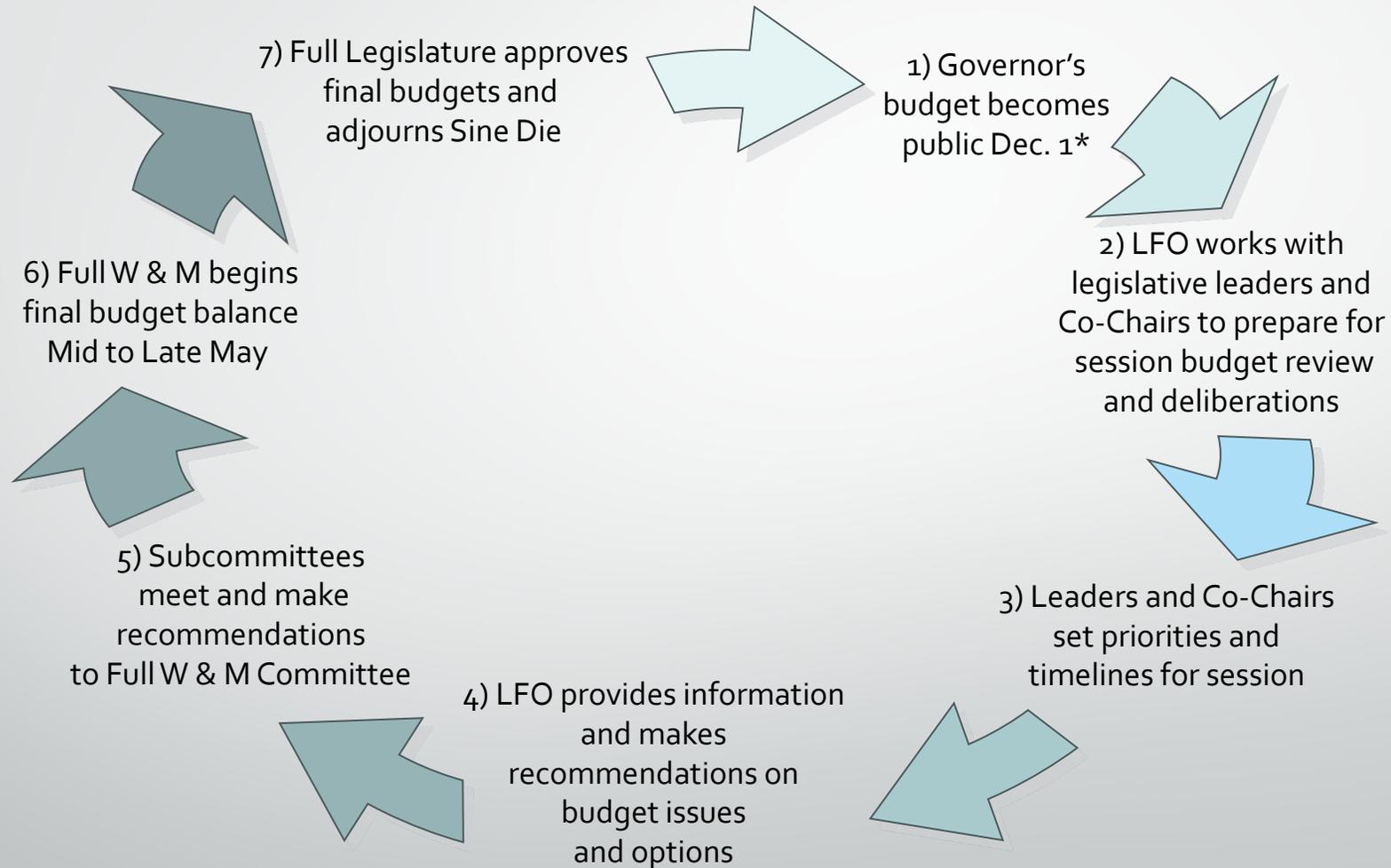
- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making 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 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, 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

House Bill 5012

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

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Appropriates moneys from General Fund to Housing and Community Services Department for biennial expenses and for debt service.

Limits biennial expenditures from fees, moneys or other revenues, including Miscellaneous Receipts and certain federal funds, but excluding lottery funds and other federal funds, collected or received by department.

Limits biennial expenditures by department from certain lottery moneys.

Limits biennial expenditures by department from other federal funds.

Authorizes specified nonlimited expenditures.

Declares emergency, effective July 1, 2017.

A BILL FOR AN ACT

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Relating to the financial administration of the **Housing and Community Services Department;** and declaring an emergency.

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

SECTION 1. There is **appropriated** to the Housing and Community Services Department, for the biennium beginning July 1, 2017, out of the **General Fund**, the amount of \$17,096,570.

SECTION 2. Notwithstanding any other law limiting expenditures, the amount of \$184,198,543 is established for the biennium beginning July 1, 2017, as the **maximum** limit for payment of expenses for operations, from fees, moneys or other revenues, including Miscellaneous Receipts and federal funds from the United States Department of Housing and Urban Development for contract services, but excluding lottery funds and federal funds not described in this section, collected or received by the Housing and Community Services Department.

SECTION 3. Notwithstanding any other law limiting expenditures, the amount of \$17,081,530 is established for the biennium beginning July 1, 2017, as the maximum limit for payment of expenses from lottery moneys allocated from the Administrative Services Economic Development Fund to the Housing and Community Services Department for **lottery bonds.**

SECTION 4. Notwithstanding any other law limiting expenditures, the amount of \$123,897,984 is established for the biennium beginning July 1, 2017, as the **maximum limit for payment of expenses from federal funds** other than those described in sections 2 and 6 of this 2017 Act collected or received by the Housing and Community Services Department.

SECTION 5. There is appropriated to the Housing and Community Services Department,

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

“Budget Math”

Agency Budget Bill

- + Policy Bills
- + Omnibus Budget Reconciliation (a.k.a. Emergency Fund) Bill
- + Capital Construction Bill
- = Legislatively Adopted Budget
- + Interim Adjustments (February and Special Sessions; Emergency Board actions)
- = Legislatively Approved Budget

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.

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.

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

**LFO
Recommendation
= Adjustments to
Current Service
Level**

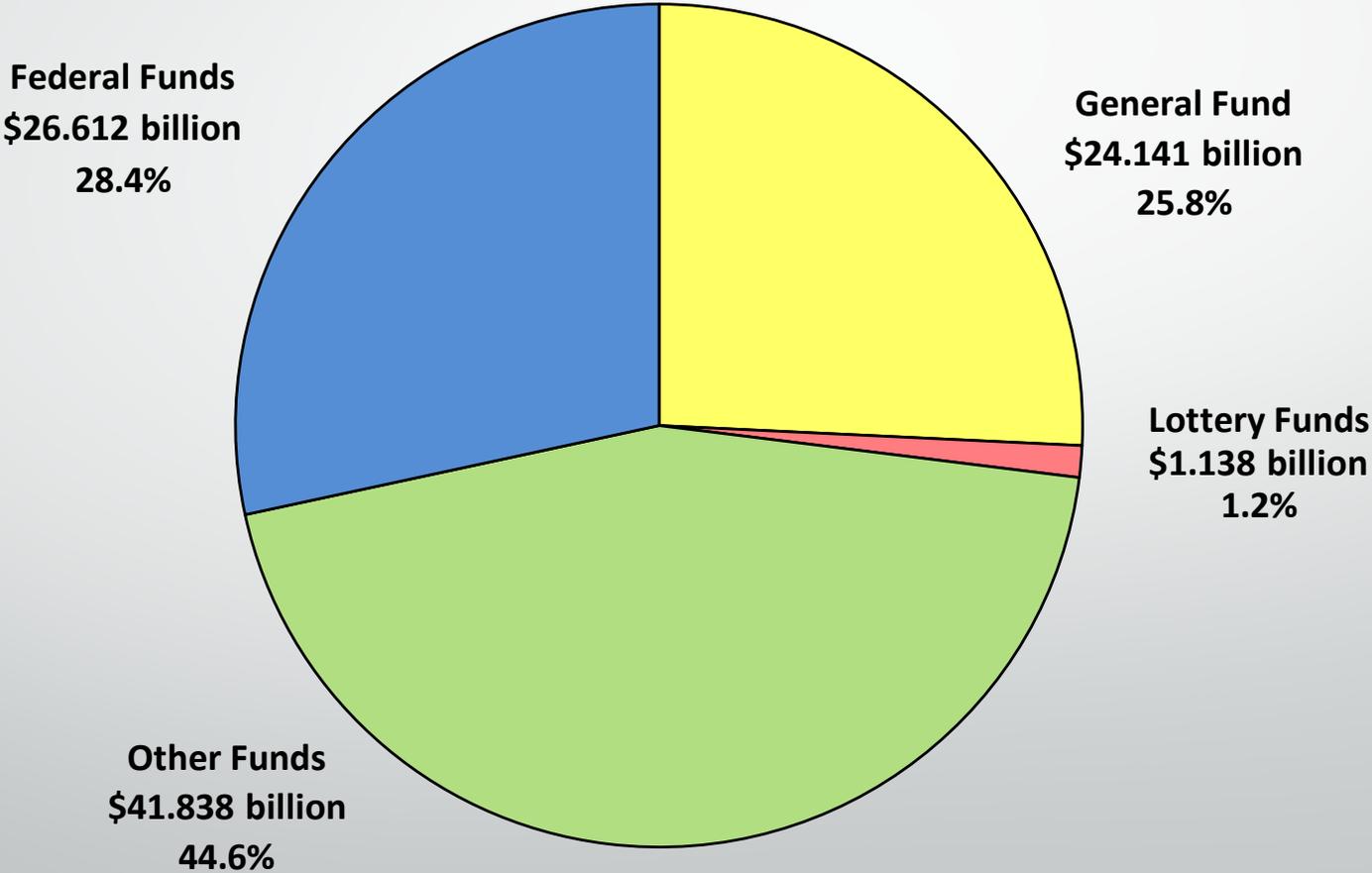
- Policy Option Packages
 - Permanent or One Time
 - Budget Reductions
 - New investments or programs
- LFO Adjustments
 - Standard adjustments (DAS or DOJ Charges, changes to inflation factors, etc.) that are applied consistently across agencies or fund types
 - Updates (e.g. new requirements or federal grants, updated debt service projections)
 - Technical Adjustments (fixing errors)



Oregon Budget Information

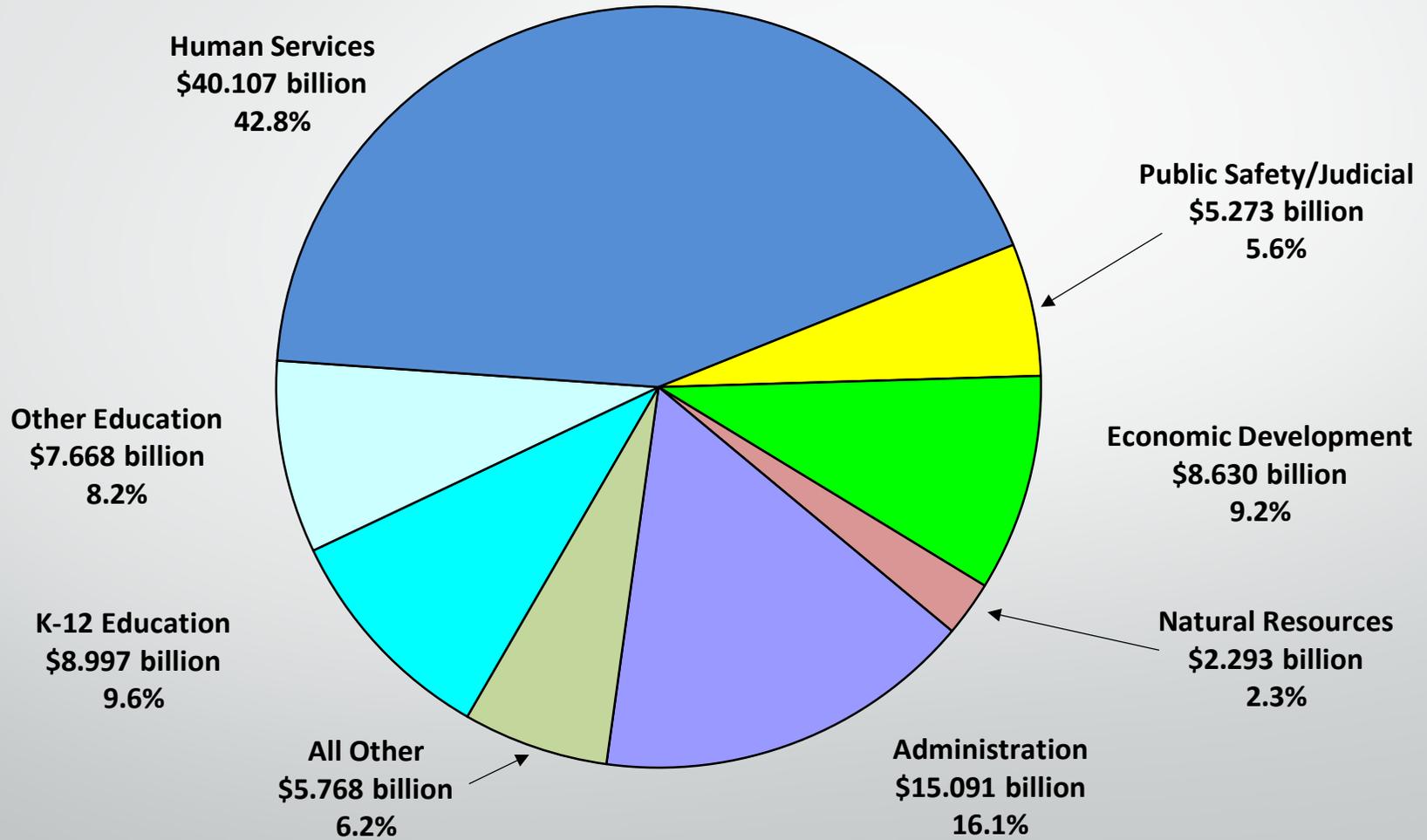
2021-23 Current Service Level Budget

Total Funds = \$93.729 Billion



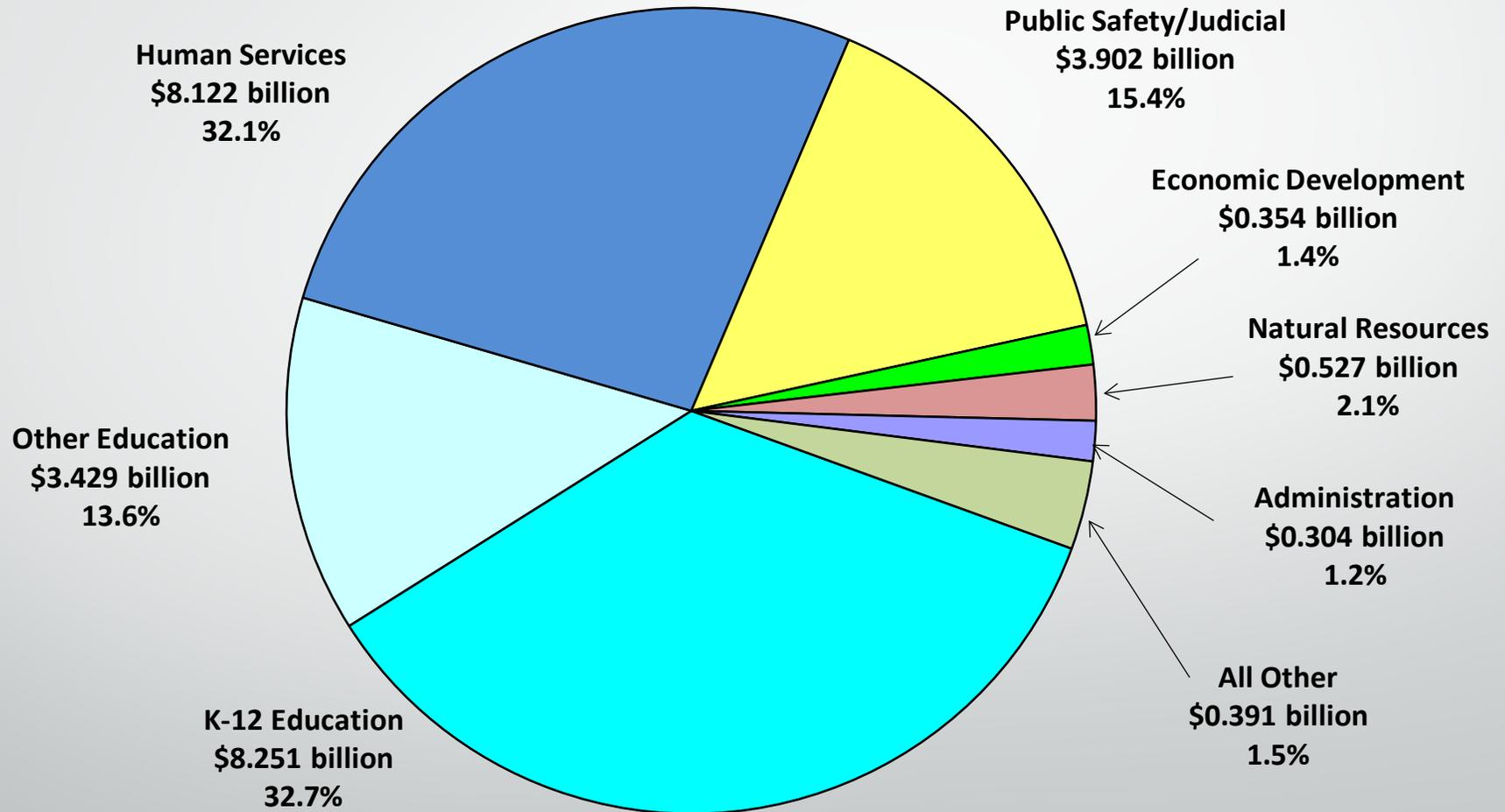
2021-23 Current Service Level Budget

Total Funds = \$93.729 Billion

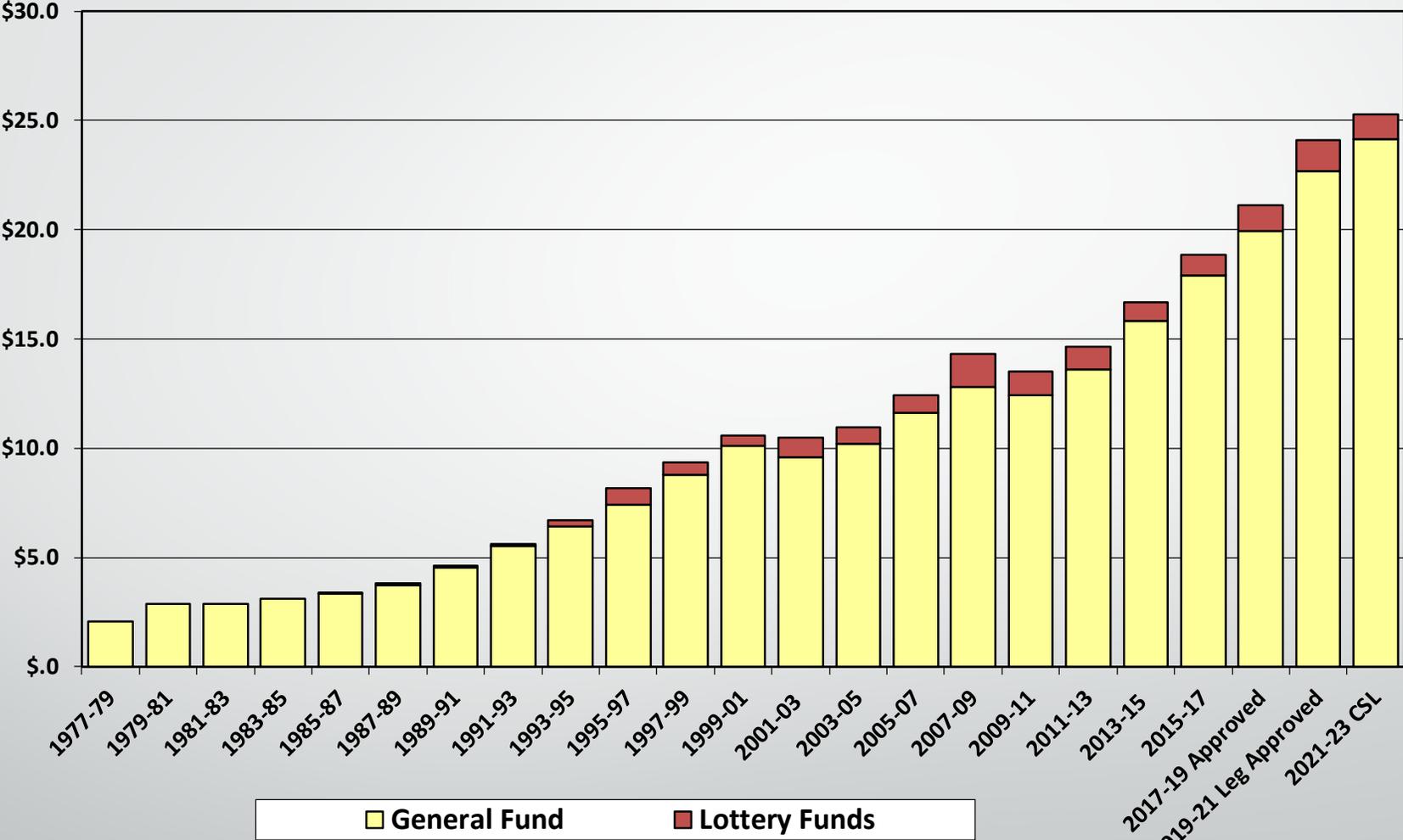


2021-23 Current Service Level Budget

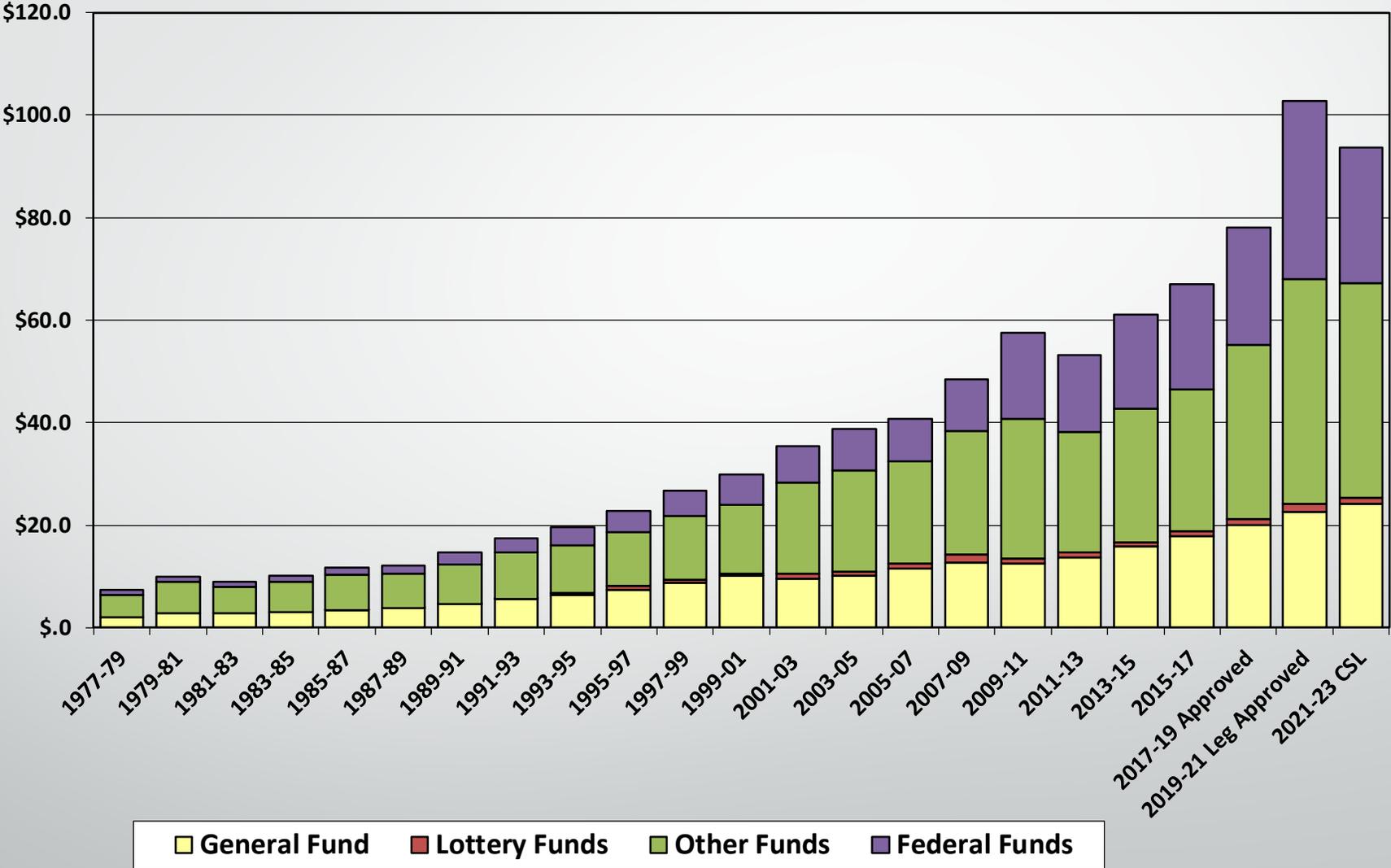
General Fund and Lottery Funds = \$25.280 Billion



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

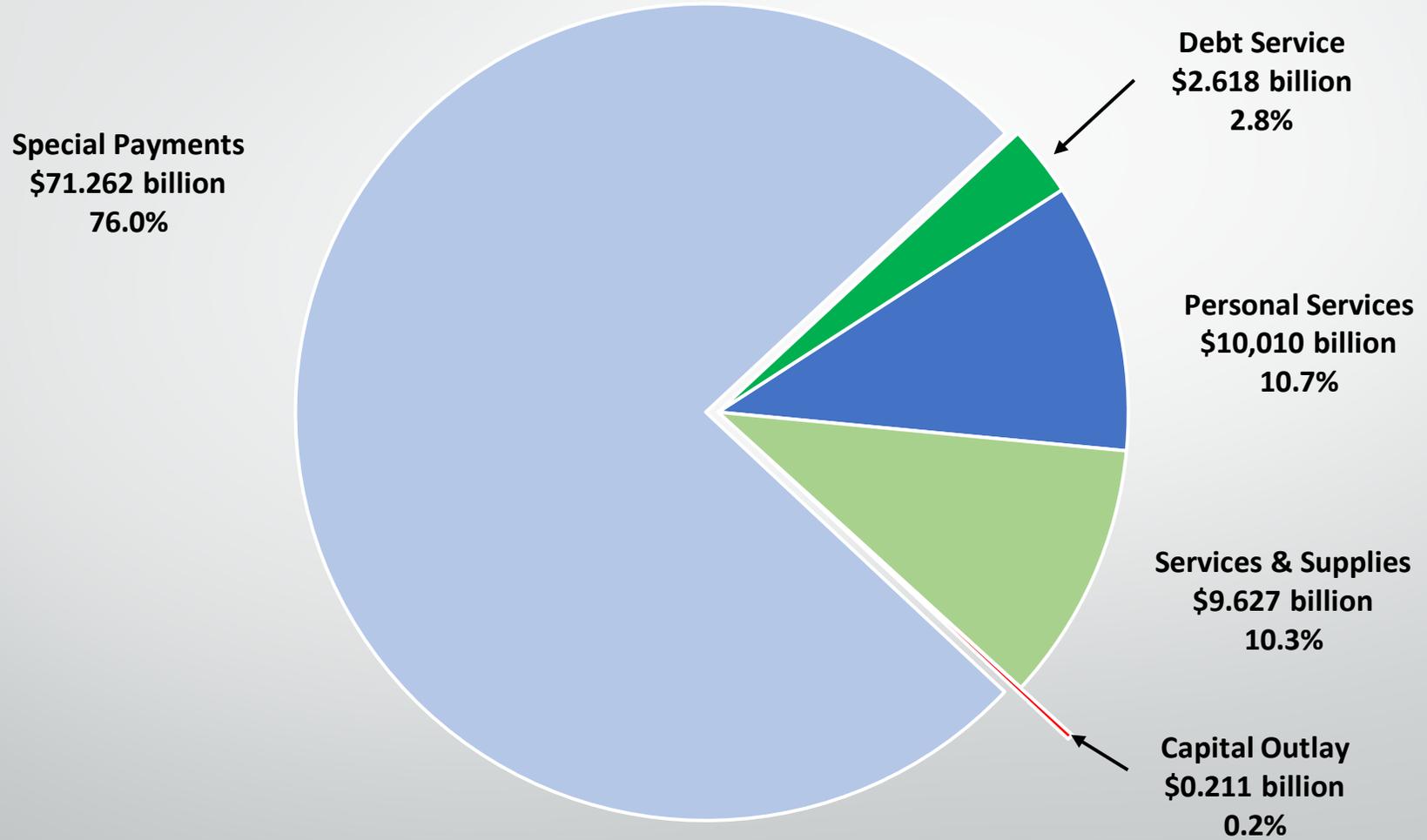


Oregon Budget History -- Total Funds (Billions \$)



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

TED Bills and Analysts

Joint Committee on Ways and Means 2021 Subcommittee Assignments

TRANSPORTATION and ECONOMIC DEVELOPMENT

8:00 – 9:45 a.m., Mon/Wed

Michelle Deister, Coordinator
Josie Chavez, Assistant

Sen. Lee Beyer, Co-Chair
Sen. Bill Hansell
Sen. Kayse Jama

Rep. David Gomberg, Co-Chair
Rep. Paul Evans
Rep. Julie Fahey
Rep. Gary Leif
Rep. Jack Zika

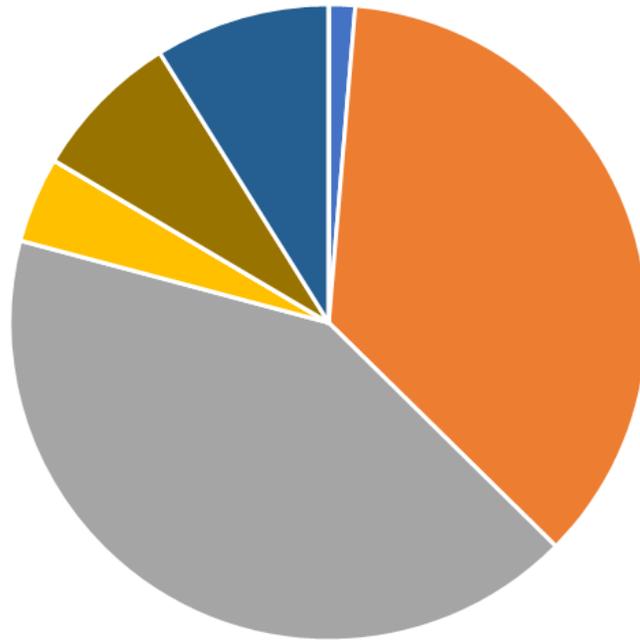
Bill No.	Agency	LFO Analyst
SB 5504	Aviation, Department of	Ruef
HB 5023	Business Development Department, Oregon	Stayner
SB 5510	Consumer and Business Services, Department of	Ruef
HB 5007	Employment Department	Deister
HB 5011	Housing and Community Services Department	Deister
HB 5015	Labor and Industries, Bureau of	Ruef
HB 5018	Liquor Control Commission, Oregon	Deister
HB 5032	Public Utility Commission	Ruef
HB 5033	Racing Commission	Ruef
HB 5034	Real Estate Agency	Walker
SB 5542	Transportation, Department of	Deister
SB 5543	Transportation, Department of – fee bill	Deister
HB 5036	Veterans' Affairs, Department of	Potter

All Fund Types – All Sizes

From **Very BIG** to quite small

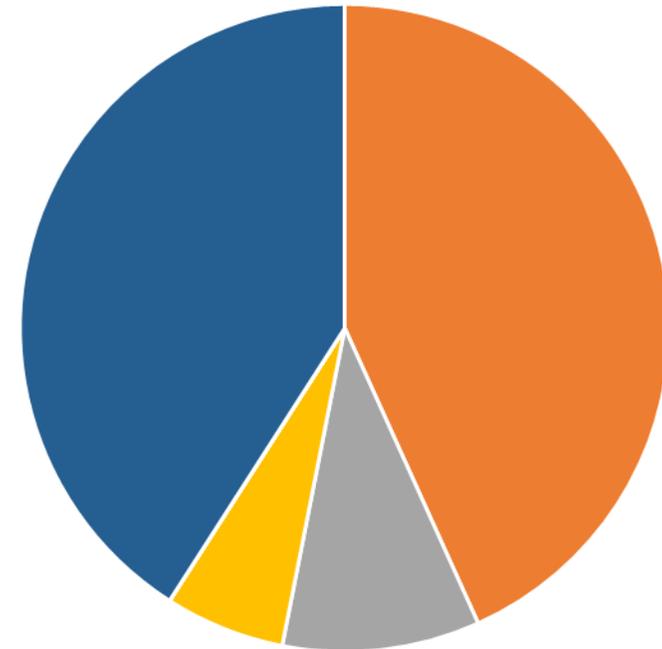
	2021-23 CSL						Total	Pos	FTE
	<u>GF</u>	<u>LF</u>	<u>OF</u>	<u>FF</u>	<u>OF NL</u>	<u>FF NL</u>			
OED	2,745,191	-	203,212,822	247,835,817	5,058,847,795	131,179,119	5,643,820,744	1,917	1,684.50
OBDD	74,623,733	133,205,160	505,683,369	45,056,345	217,309,699	-	975,878,306	140	139.50
HCS D	86,349,861	30,269,740	312,584,055	132,315,039	926,692,991	176,472,688	1,664,684,374	196	195.00
ODVA	9,025,313	18,423,695	112,009,726	1,617,844	204,521,026	-	345,597,604	103	102.59
OLCC	-	-	268,170,757	-	-	-	268,170,757	363	361.00
ORC	-	-	6,901,392	-	-	-	6,901,392	14	10.40
REA	-	-	8,955,739	-	-	-	8,955,739	29	29.00
PUC	-	-	55,492,607	1,180,926	45,945,047	-	102,618,580	129	128.00
DCBS	-	-	291,466,177	16,658,560	172,013,483	-	480,138,220	955	950.67
BOLI	15,725,680	-	14,679,546	1,502,094	938,700	-	32,846,020	108	106.50
ODOT	18,371,940	126,019,800	4,501,609,074	126,003,195	18,000,000	-	4,790,004,009	4,759	4,654.19
Aviation	-	-	18,078,054	6,419,132	-	-	24,497,186	15	14.59

General Fund (21-23 CSL)
TED Agencies



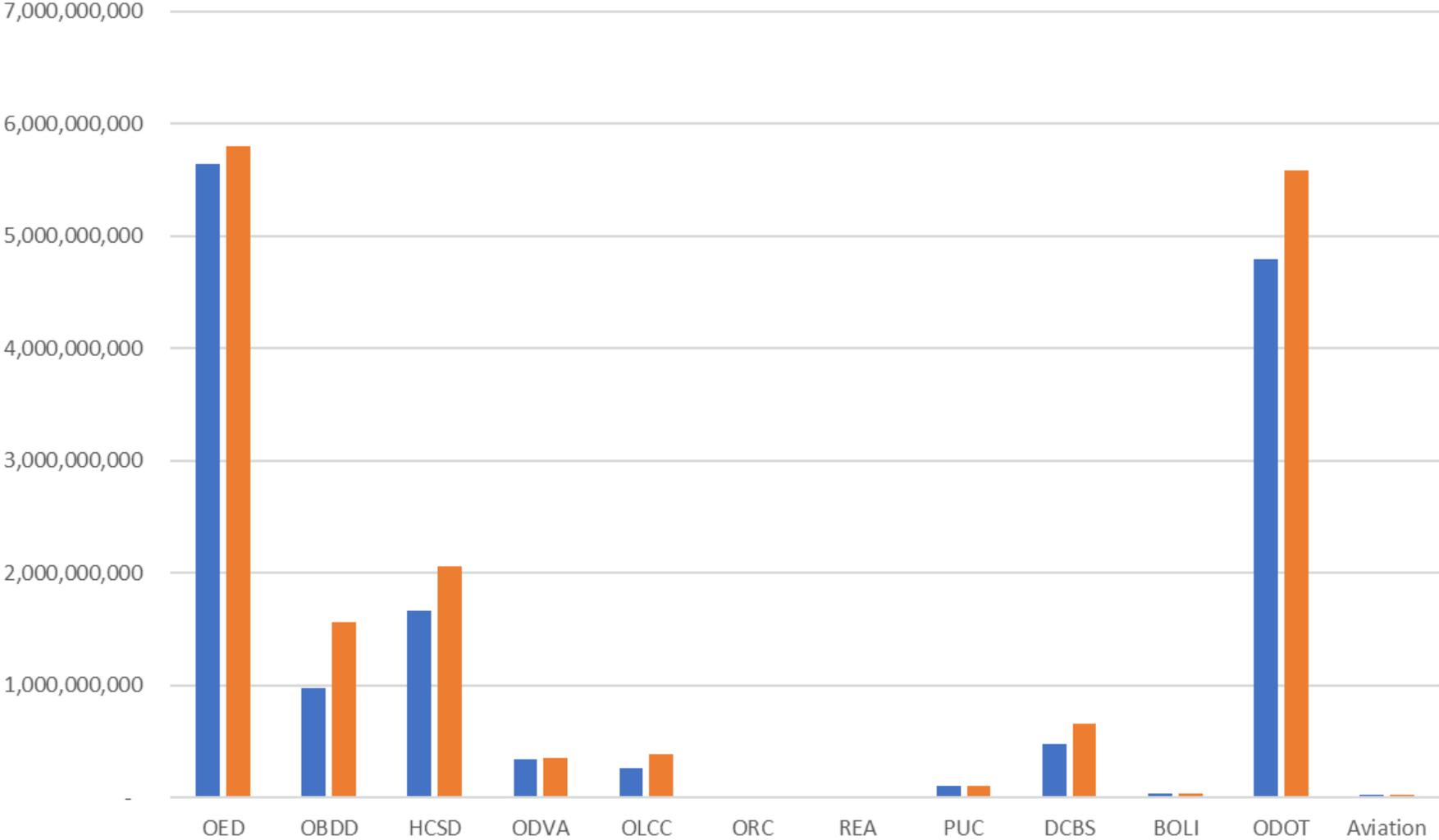
- OED
- OBDD
- HCS D
- ODVA
- OLCC
- ORC
- REA
- PUC
- DCBS
- BOLI
- ODOT
- Aviation

Lottery Fund (21-23 CSL)
TED Agencies



- OED
- OBDD
- HCS D
- ODVA
- OLCC
- ORC
- REA
- PUC
- DCBS
- BOLI
- ODOT
- Aviation

2021-23 CSL vs 2021-23 GRB



Here to Help!

michelle.deister@oregonlegislature.gov

“Office Hours”

Friday Afternoons, 2:30 – 5:00

**For
Additional
Information**

Legislative Fiscal Office - 503-986-1828

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

State Capitol

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