

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

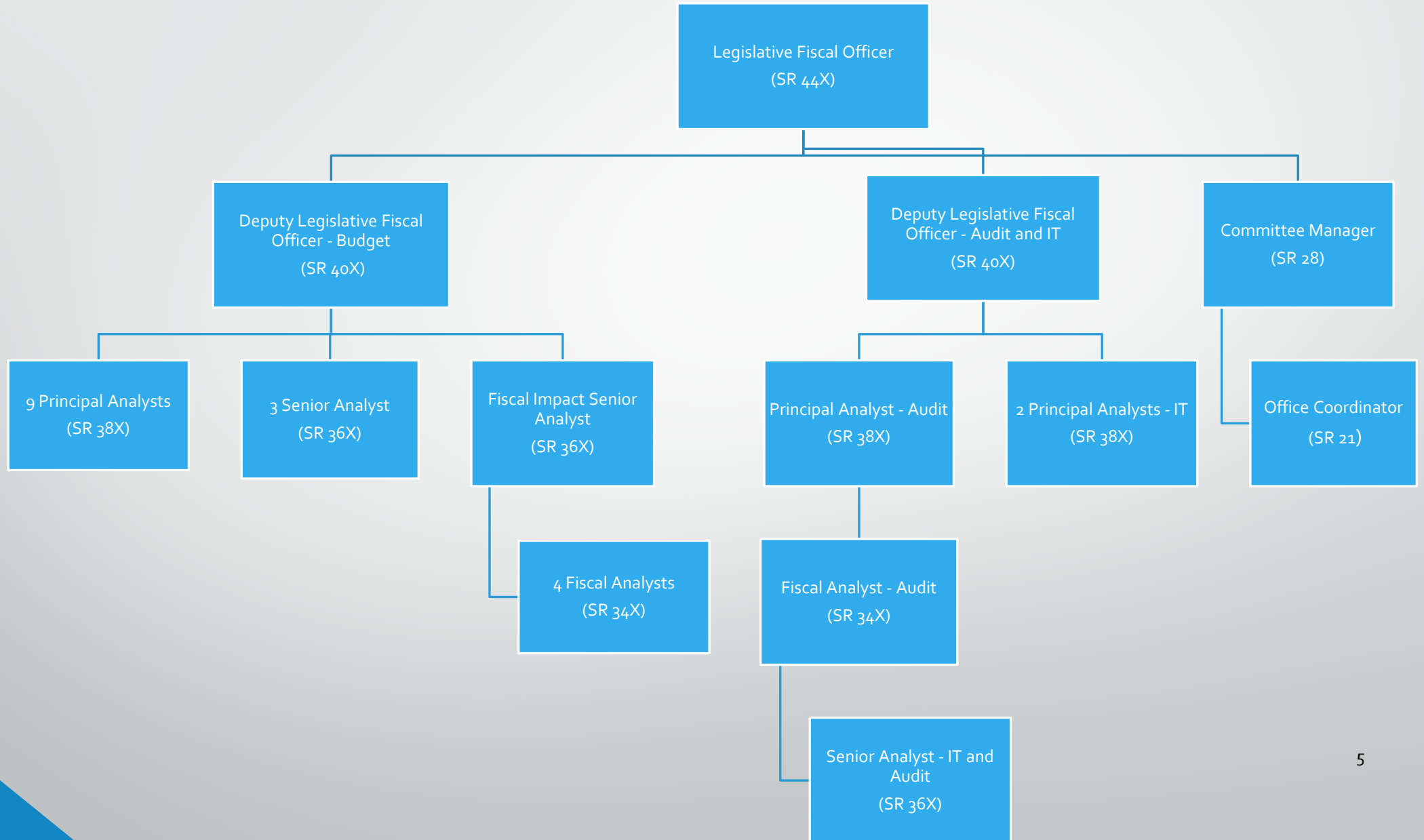
LFO Mission

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

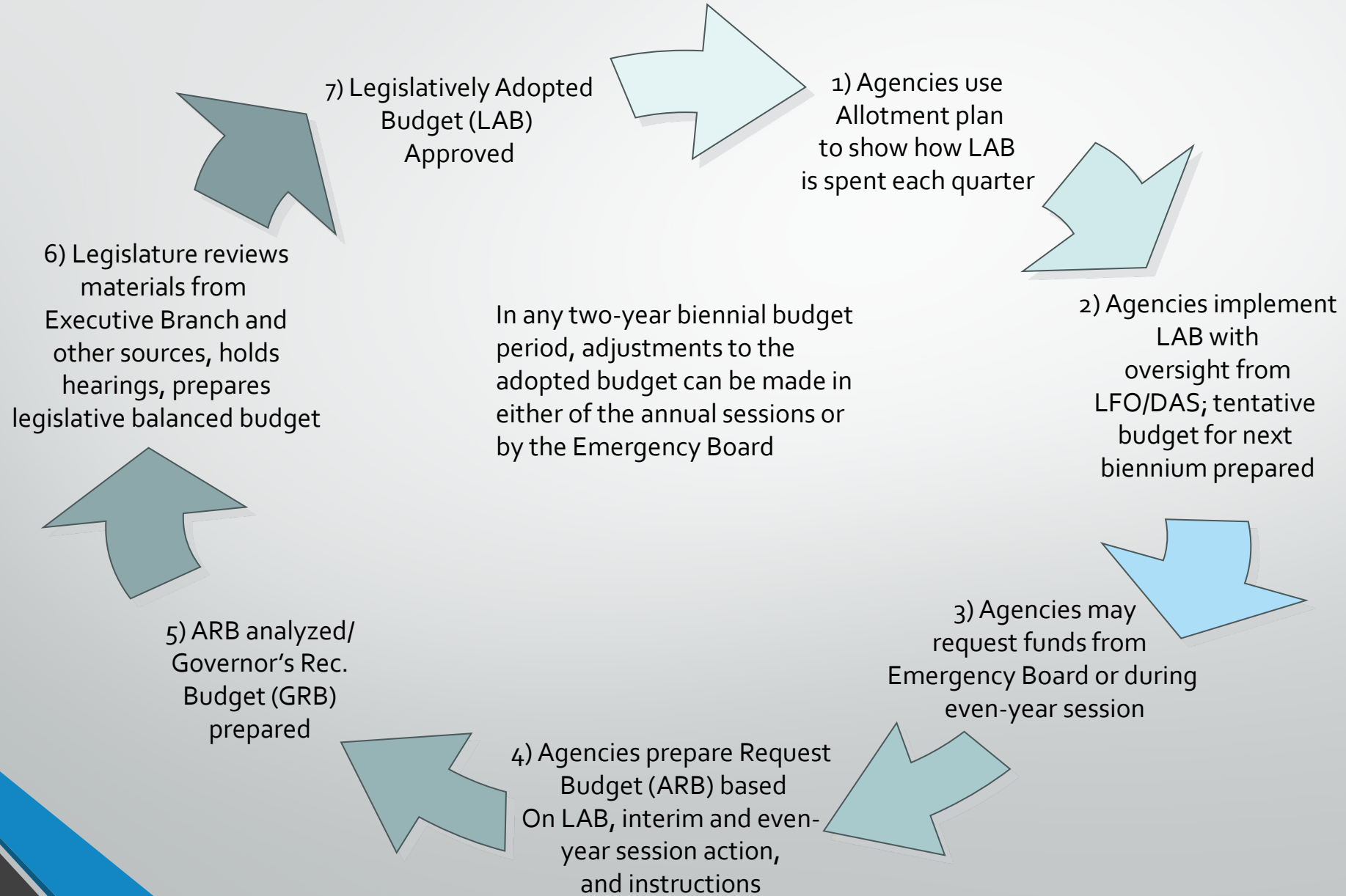
- Analyze and make recommendations on agency requests to the Emergency Board and interim Joint Committee on Ways and Means
- Evaluate and audit programs when issues are identified or as directed by the Legislature
- Analyze reports and make recommendations on major information technology projects and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

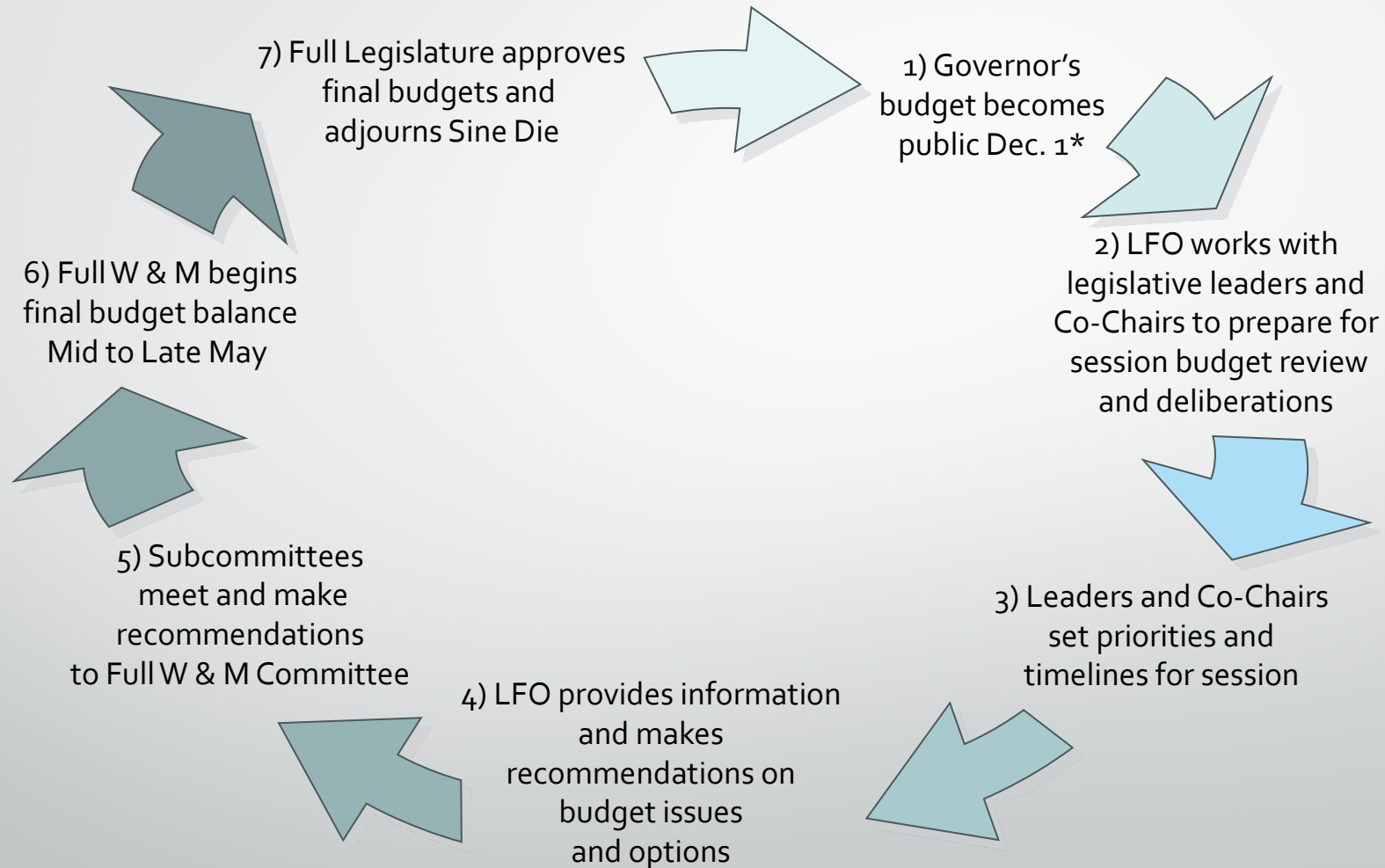
- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making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

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

APPROPRIATION BILL EXAMPLE

Enrolled Senate Bill 5542

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with possession 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 Water Resources Department; and declaring an emergency.

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

SECTION 1. There are appropriated to the Water Resources Department, for the biennium beginning July 1, 2017, out of the **General Fund**, the following amounts, for the following purposes:

- (1) Administrative services..... \$ 4,830,889
- (2) Field services..... \$ 11,295,859
- (3) Water rights and adjudications..... \$ 3,905,005
- (4) Technical services..... \$ 8,532,235
- (5) Director's office..... \$ 3,768,034

Sections are often subdivided according to specific programs or agency divisions

SECTION 2. Notwithstanding any other law limiting expenditures, the amount of \$6,002,244 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 Water Resources Department for **debt service**.

Specific use of funding may also be included, particularly if the use spans several programs or agency divisions

SECTION 3. Notwithstanding any other law limiting expenditures, the following amounts are established for the biennium beginning July 1, 2017, as the maximum limits for payment of expenses from ~~fees, moneys or~~ **other revenues**, including Miscellaneous Receipts and including federal funds received under cooperative agreements with or contracts from the Bureau of Reclamation of the United States Department of the Interior, the United States Army Corps of Engineers, the United States Geological Survey, the Bonneville Power Administration and the National Fish and Wildlife Foundation, but excluding lottery funds and federal funds not described in this section, collected or received by the Water Resources Department, for the following purposes:

- (1) Administrative services..... \$ 27,378,266
- (2) Field services..... \$ 2,587,849
- (3) Water rights and adjudications..... \$ 4,351,204
- (4) Technical services..... \$ 5,028,658
- (5) Director's office..... \$ 6,297

Budget bills are arranged in sections according to fund type

General Fund Section

Lottery Funds Section

Other Funds Section

Some agencies receive specific Federal Funds as reimbursements under contracted agreements. These are budgeted as Other Funds

Federal Funds
Section

SECTION 4. Notwithstanding any other law limiting expenditures, the following amounts are established for the biennium beginning July 1, 2017, as the maximum limits for payment of expenses from federal funds other than those described in section 3 of this 2017 Act, collected or received by the Water Resources Department, for the following purposes:

- (1) Field services..... \$ 616,140
- (2) Technical services..... \$ 1,263,394

SECTION 5. 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 bills always include an emergency clause to ensure that agencies have legal access to spend the funds by the beginning of the upcoming fiscal year

Passed by Senate June 21, 2017

.....
Lori L. Brocker, Secretary of Senate

.....
Peter Courtney, President of Senate

Passed by House June 28, 2017

Received by Governor:

.....M....., 2017

Approved:

.....M....., 2017

.....
Kate Brown, Governor

Filed in Office of Secretary of State:

Appropriation Bill Budget Reports

- Budget Reports accompany appropriation bills or policy bills with appropriation amendments.
- Provides detail 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.
- Position authorization and full-time equivalents.

SB 5542 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Sen. Girod

Joint Committee On Ways and Means

Action Date: 06/16/17

Action: Do pass with amendments. (Printed A-Eng.)

Senate Vote

Yeas: 12 - DeBoer, Devlin, Frederick, Girod, Hansell, Johnson, Manning Jr, Monroe, Roblan, Steiner Hayward, Thomsen, Winters

House Vote

Yeas: 9 - Gomberg, Holvey, Huffman, McLane, Nathanson, Rayfield, Smith G, Smith Warner, Williamson

Nays: 2 - Stark, Whisnant

Prepared By: Cathleen Connolly, Department of Administrative Services

Reviewed By: Matt Stayner, Legislative Fiscal Office

This page summarizes the full JWM Committee Action

**Water Resources Department
2017-19**

BUDGET REPORT EXAMPLE

These amounts match the budget bill

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	\$ 31,220,037	\$ 32,932,622	\$ 32,232,622	\$ 1,012,585	3.2%
Lottery Funds Debt Service	\$ 2,511,482	\$ 6,032,844	\$ 6,032,844	\$ 3,521,362	140.2%
Other Funds Limited	\$ 73,055,277	\$ 38,756,985	\$ 39,363,274	\$ (33,692,003)	(46.1%)
Other Funds Debt Service	\$ 1,201,865	\$ 2,480,290	\$ -	\$ (1,201,865)	100.0%
Federal Funds Limited	\$ 1,312,338	\$ 1,323,257	\$ 1,879,534	\$ 567,196	43.2%
Total	\$ 109,300,999	\$ 81,525,998	\$ 79,508,274	\$ (29,792,725)	(27.3%)

Position Summary

Authorized Positions	165	163	169	4
Full-time Equivalent (FTE) positions	163.25	160.59	166.59	3.34

⁽¹⁾ Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Authorized number of positions and full-time equivalent positions approved are contained in the budget report, but not in the budget bill

Summary of Revenue Changes

The Water Resources Department (WRD) operations are funded, generally, from a combination of General Fund and fees for water right and storage transactions, licensing, and permits. Of the total available revenues anticipated in the 2017-19 biennium, General Fund accounts for 39.5 percent. Other Funds comprise 50.8 percent, but roughly \$26 million of the \$41.5 million in Other Funds resources are from Lottery Bond proceeds that are carried forward into the 2017-19 biennium from issuance in prior biennia. Lottery Funds, equaling 7.4 percent of total funding, are exclusively for debt service. Federal Funds revenue are specific to cooperative studies and monitoring in addition to providing some position support.

The budget assumes revenues from the passage of House Bill 2295 that eliminates the statutory repeal of certain fee changes made in the 2013-15 biennium and provides for an increase in a number of agency fees resulting in an increase in anticipated fee revenue of \$471,508.

Summary of Natural Resource Subcommittee Action

WRD administers laws governing surface and groundwater resources. The goal is to balance the use of the state’s water among current and future generations of Oregonians. The department processes transfers of water rights, permits, certificates, and water rights applications; administers hydroelectric relicensing; inspects construction and maintenance of wells and dams; provides technical information and analysis on surface water and groundwater availability; adjudicates pre-1909 and federal reserved water rights; and negotiates Native American reserved water rights.

The Subcommittee approved a total funds budget of \$79,508,274, including \$32,232,622 General Fund, \$6,032,844 Lottery Funds for debt service, \$39,363,274 Other Funds expenditure limitation, \$1,879,534 Federal Funds expenditure limitation and 166.59 FTE. The total funds budget is 27.3 percent less than the 2015-17 biennium Legislatively Approved Budget. The reduction is largely attributed to a reduction in anticipated bond proceeds and the removal of debt service for unissued bonds. General Fund reductions of \$700,000 from the current service level were included as well.

Administrative Services Division

This program provides fiscal, human resources, and business support services for daily operation of the department. In addition, the division provides contract assistance to the Oregon Watershed Enhancement Board and the Department of State Lands. The Subcommittee approved a total funds budget of \$38,241,999 and 12.75 FTE.

The Subcommittee recommended the following packages:

Package 090, Analysts Adjustments. This package moves one permanent full-time position (1.00 FTE); Personal Services Other Funds limitation of \$261,002 and Services and Supplies Other Funds limitation of \$6,346; from the Water Development Loan Program to the Administrative Services Division, where the position’s workload is located.

Package 106, Web Information Coordinator for Information Sharing. This package recognizes an Other Funds revenue transfer from the Department of State Lands in the amount of \$67,444, to provide support for a shared services accounting position at WRD. The funding supports an existing position; no additional position authority is included.

Package 801, LFO Analyst Adjustments. This package decreases ongoing General Fund support for water supply development feasibility grants by \$400,000, and makes a one-time reduction to Personal Services in the amount of \$20,000 in the Administrative Services Division. These reductions are to align the agency’s budget with the Joint Committee on Ways and Means Co-Chair budget framework.

The budget Report includes a summary of the expenditures approved in the bill

This is further broken down into the budgetary divisions with a brief narrative description of the policy packages that were adopted

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

BUDGET REPORT EXAMPLE

Oregon Water Resources Department
 Cathleen Connolly -- 503-373-0083

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ 31,220,037	\$ 2,511,482	\$ 74,257,142	\$ -	\$ 1,312,338	\$ -	109,300,999	165	163.25
2017-19 Current Service Level (CSL)*	\$ 32,932,622	\$ 6,032,844	\$ 41,237,275	\$ -	\$ 1,323,257	\$ -	81,525,998	163	160.59
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 010-01 - Administrative Services									
Package 090: Analyst Adjustments									
Personal Services	\$ -	\$ -	\$ 261,002	\$ -	\$ -	\$ -	261,002	1	1.00
Services and Supplies	\$ -	\$ -	\$ 6,346	\$ -	\$ -	\$ -	6,346		
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (20,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(20,000)	0	0.00
Other Special Payments	\$ (400,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(400,000)		
SCR 010-03 - Field Services									
Package 107: Umatilla Field Presence									
Personal Services	\$ -	\$ -	\$ 356,107	\$ -	\$ 356,097	\$ -	712,204	5	5.00
Services and Supplies	\$ -	\$ -	\$ 77,570	\$ -	\$ 77,570	\$ -	155,140		
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (20,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(20,000)	0	0.00
SCR 010-04 - Technical Services									
Package 102: Protecting the Public and Water Supplies									
Personal Services	\$ -	\$ -	\$ 104,487	\$ -	\$ 104,485	\$ -	208,972	1	1.00
Services and Supplies	\$ -	\$ -	\$ 18,125	\$ -	\$ 18,125	\$ -	36,250		
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (20,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(20,000)	0	0.00
Services and Supplies	\$ (150,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(150,000)		
SCR 010-06 - Water Right Services									
Package 070: Revenue Shortfalls									
Personal Services	\$ -	\$ -	\$ (375,025)	\$ -	\$ -	\$ -	(375,025)	0	(2.50)
Services and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-		
Package 100: Water Rights Fee Increase and Add-Back Package									
Personal Services	\$ -	\$ -	\$ 375,025	\$ -	\$ -	\$ -	375,025	0	2.50
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (20,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(20,000)	0	0.00
Services and Supplies	\$ (50,000)	\$ -	\$ 50,000	\$ -	\$ -	\$ -	-		
SCR 010-07 - Director's Office									
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (20,000)	\$ -	\$ -	\$ -	\$ -	\$ -	(20,000)	0	0.00

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

- 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

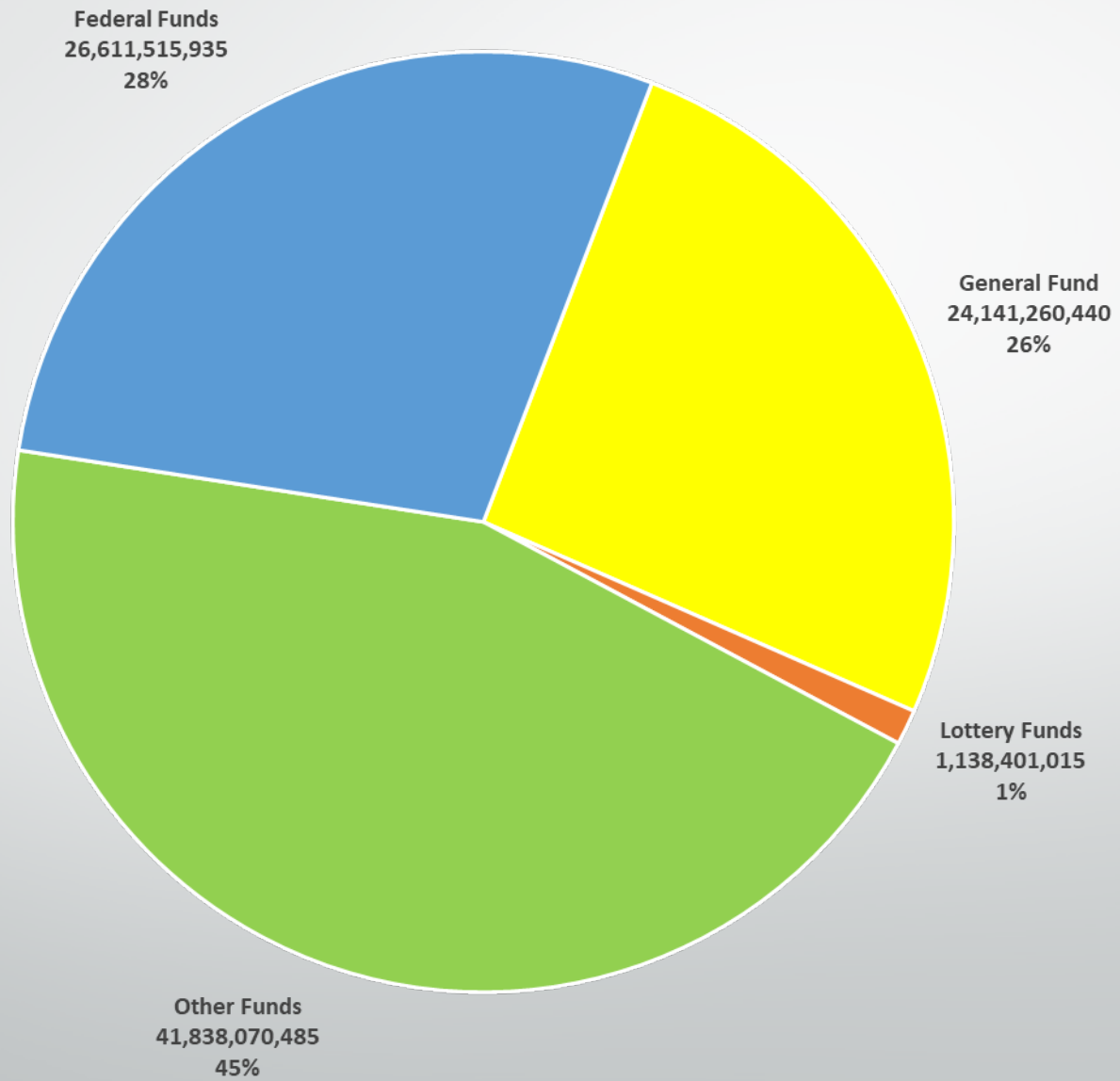
Current Service Level Budget - Adjustments

- 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

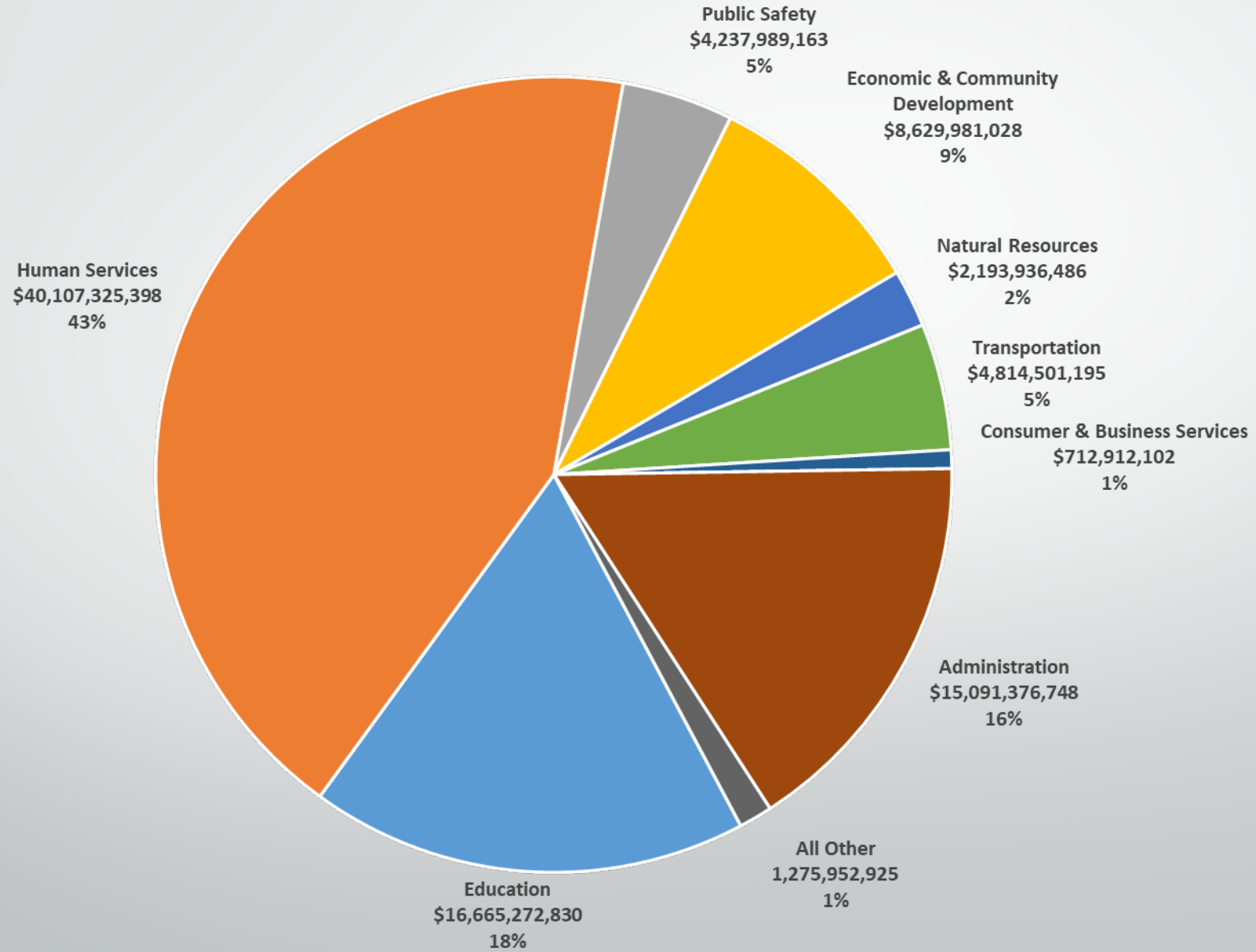


Oregon Budget Information

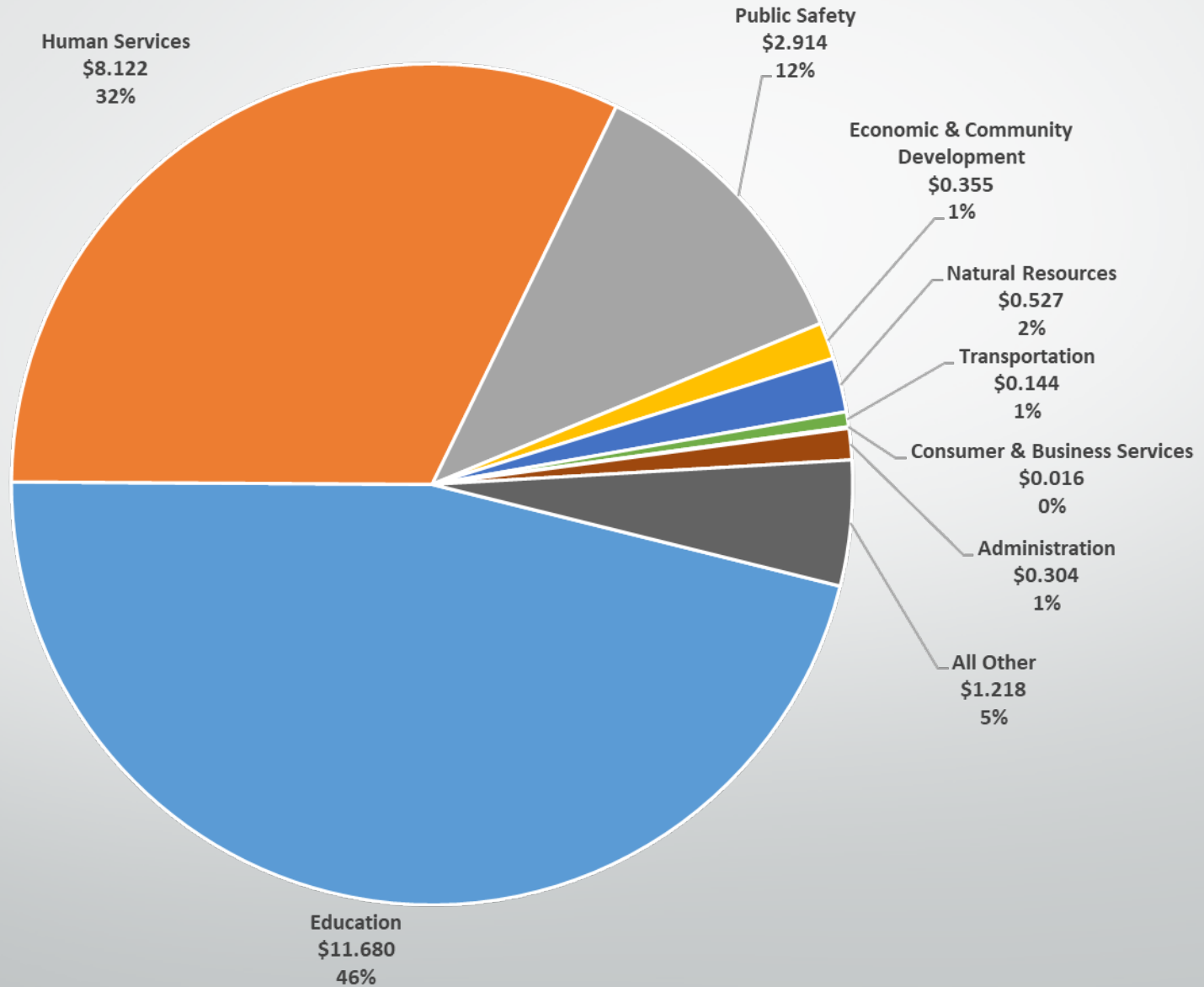
**2021-23 Current Service Level
\$93.729 Billion Total Funds**



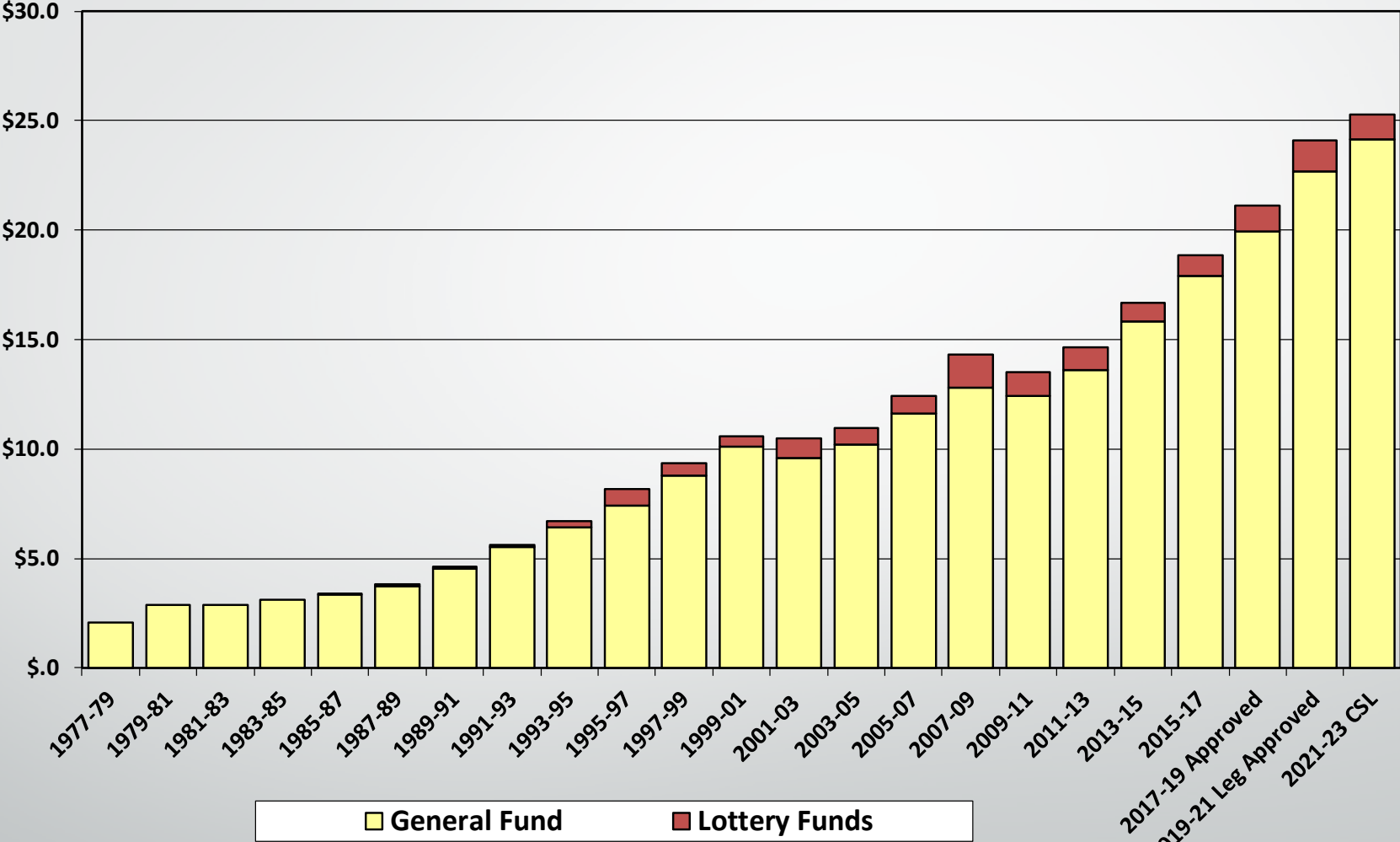
**2021-23 Current Service Level Budget
\$93.729 Billion Total Funds**



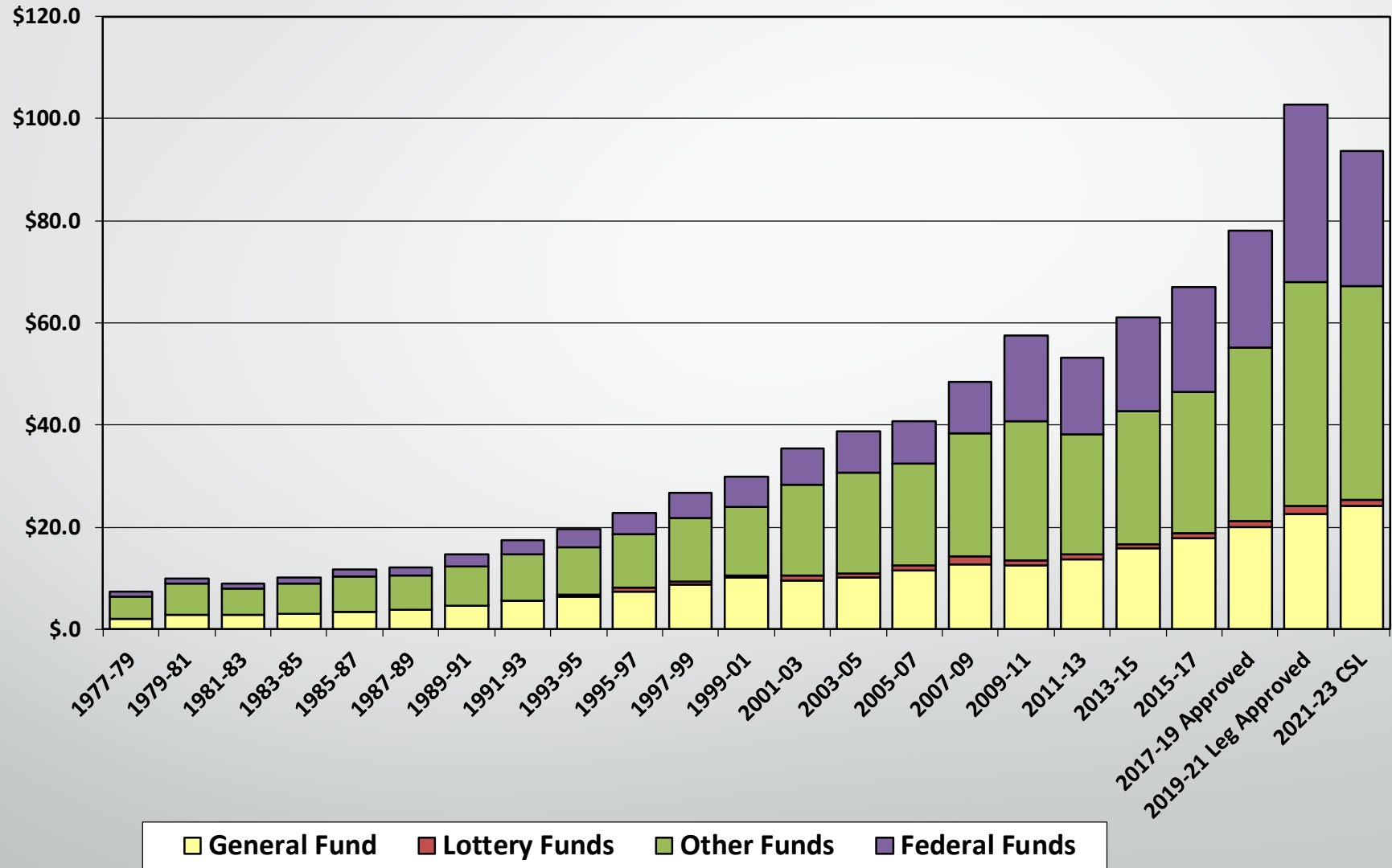
**2021-23 Current Service Level Budget
\$25.280 Billion General Fund and Lottery Funds**



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

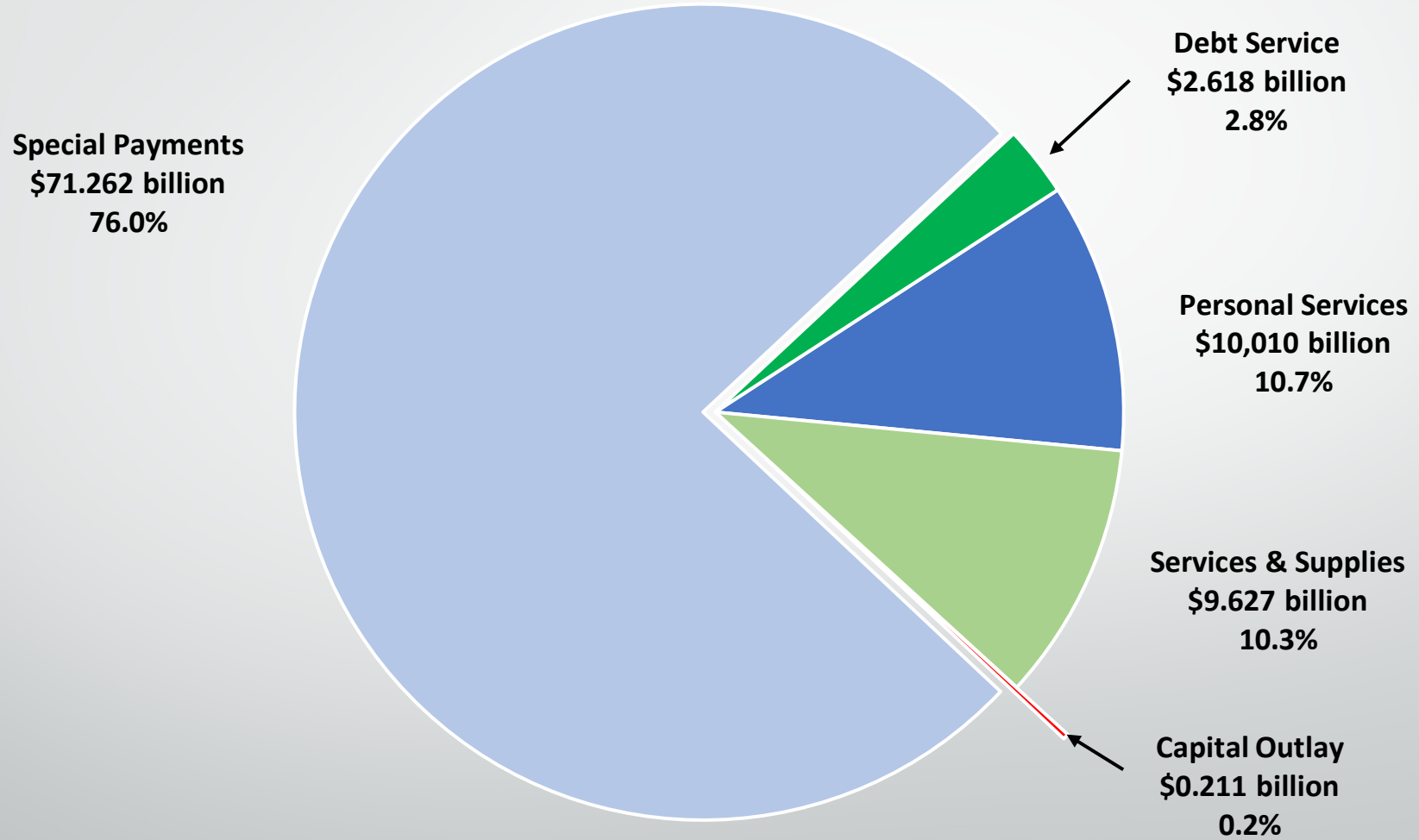


Oregon Budget History -- Total Funds (Billions \$)



2021-23 Current Service Level Budget by Category

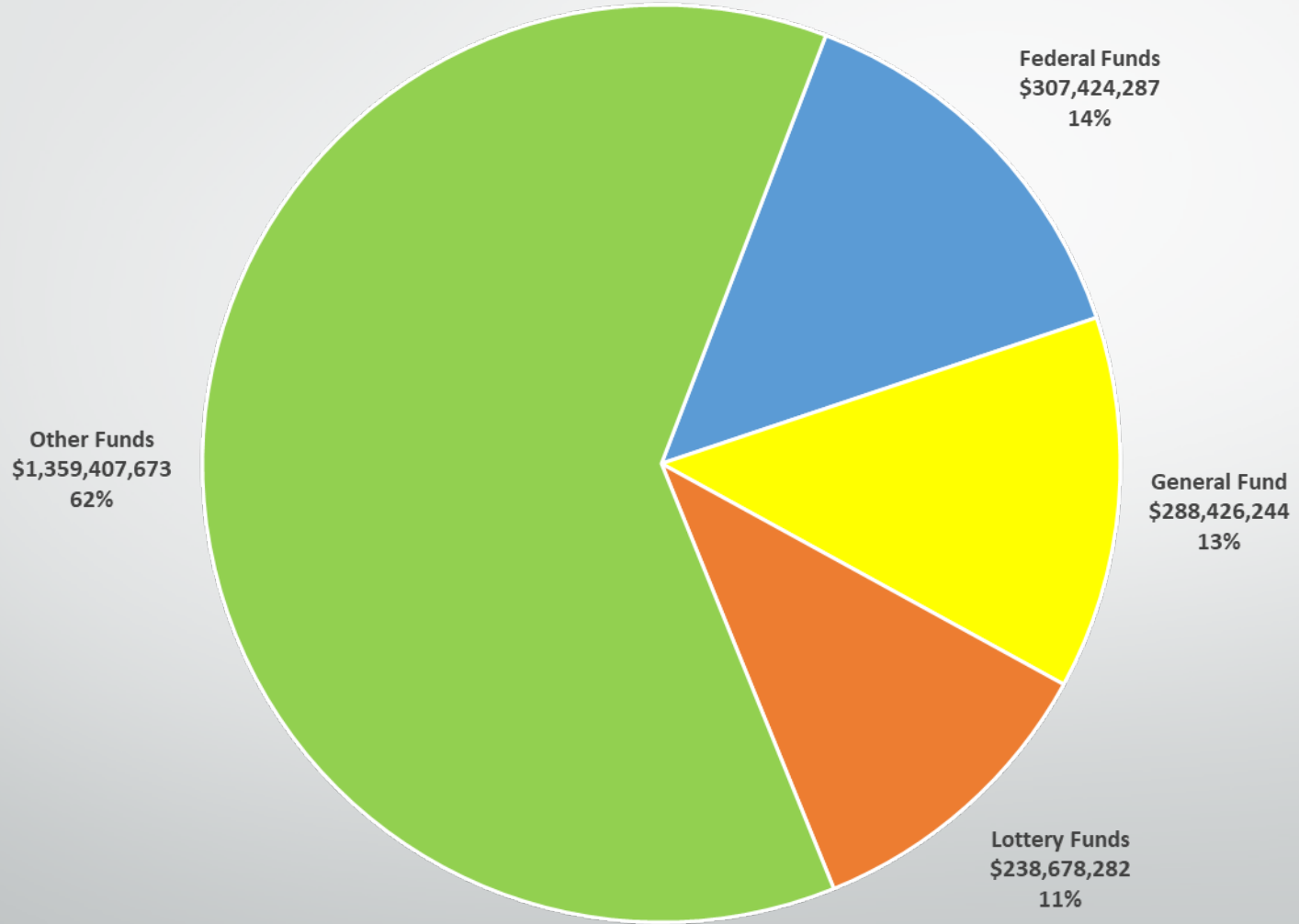
Total Funds = \$93.729 Billion



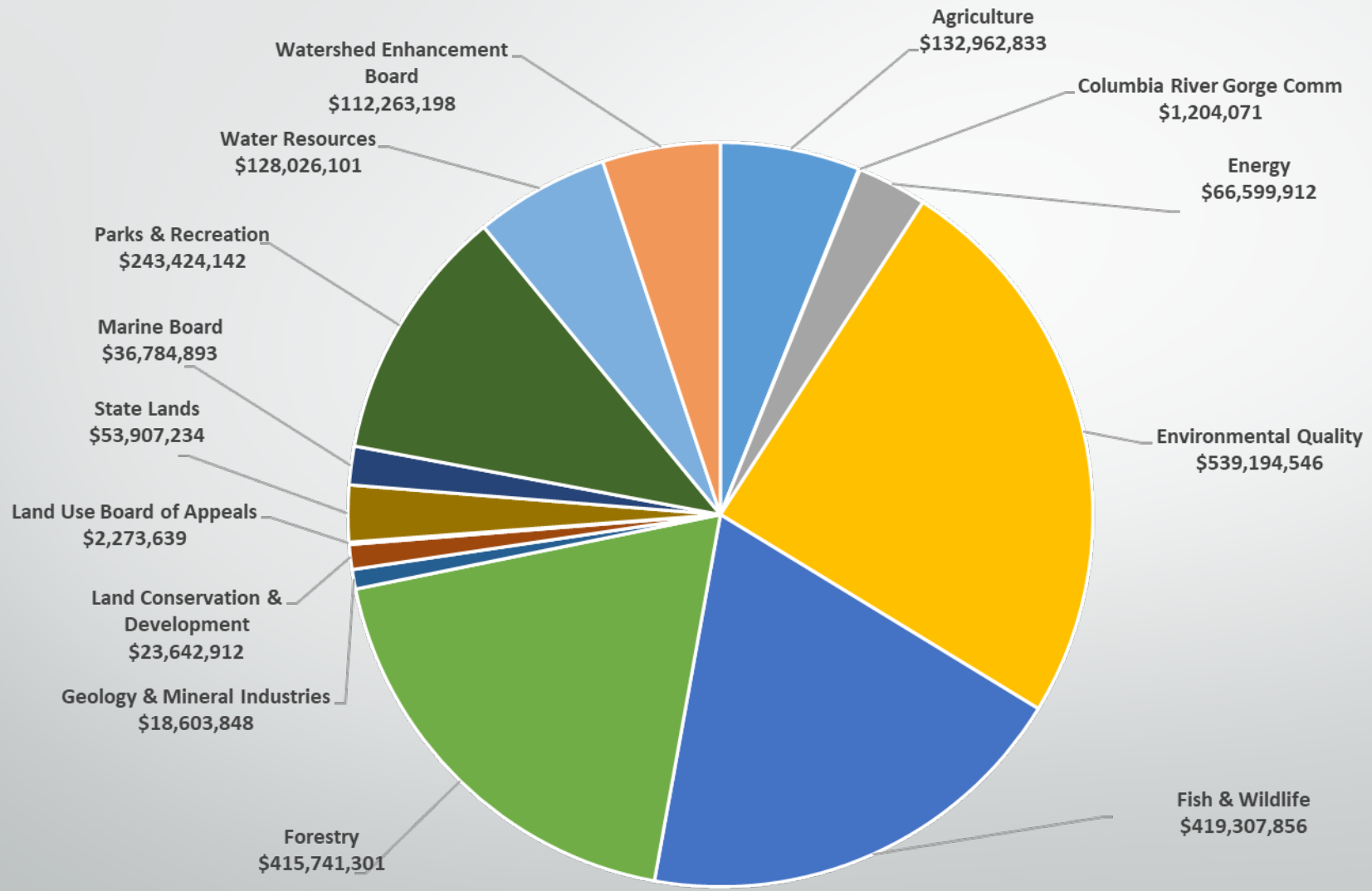


Natural Resources Program Area

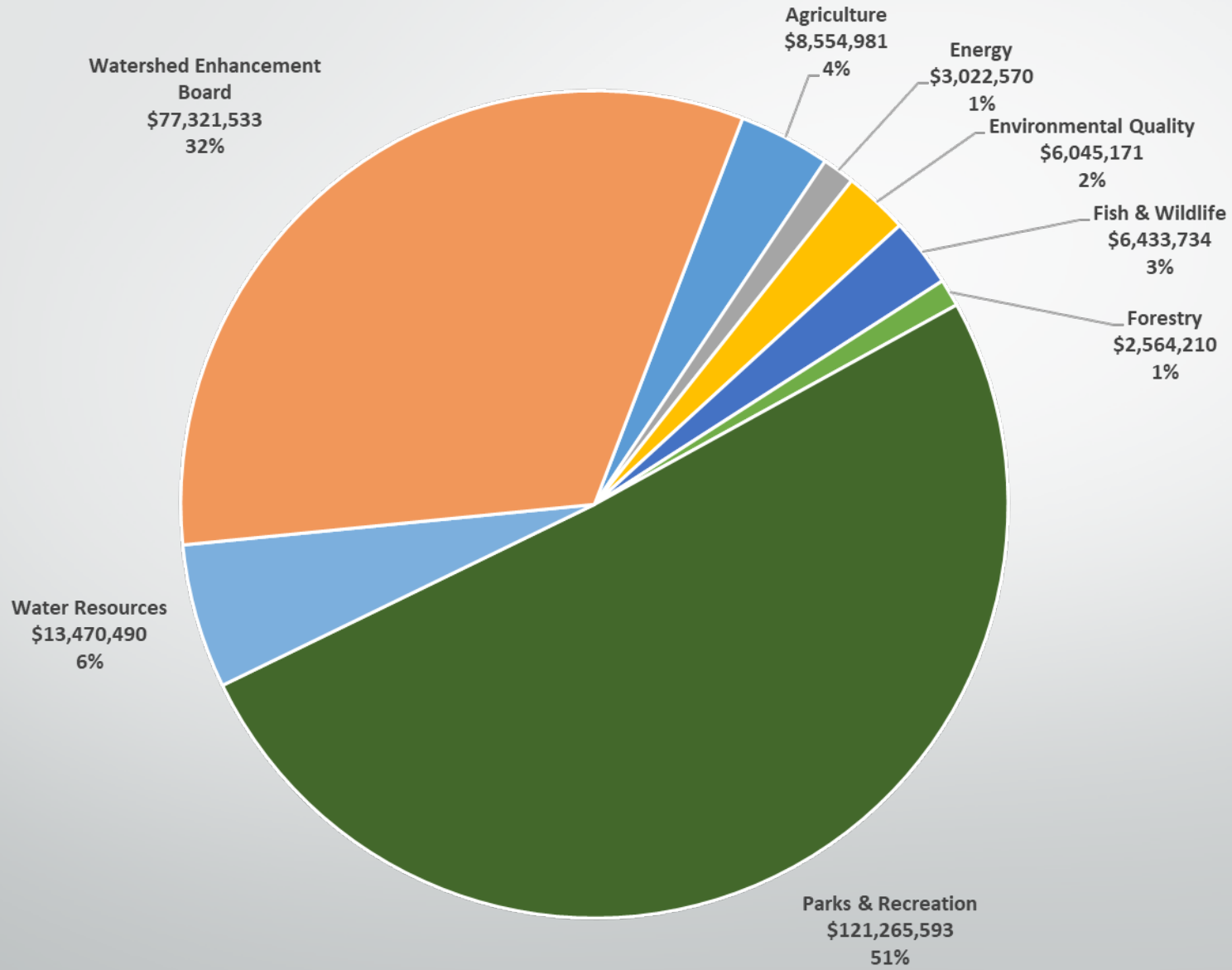
2021-23 Current Service Level - Natural Resources
\$2,193,936,468 Total Funds



Current Service Level - Natural Resources Total Funds



2021-23 Current Service Level - Natural Resources \$238.7 Million Lottery Funds



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

**For
Additional
Information**

Legislative Fiscal Office - 503-986-1828

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

State Capitol

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