

TRANSPORTATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE ORIENTATION

JANUARY 23, 2023

MICHELLE DEISTER, PRINCIPAL LEGISLATIVE ANALYST
LEGISLATIVE FISCAL OFFICE



Legislative Fiscal Office

Legislative Fiscal Office (LFO)

- Non-partisan, independent, permanent professional support staff office to the Legislature that was created in 1959
- Mission is to promote state fiscal accountability by:
 - Providing comprehensive research, analysis, and recommendations on the state's biennial budget
 - Evaluating state expenditures, program administration, and agency organization
 - Assisting in development of the Legislature's adopted balanced budget
 - Preparing fiscal impact statements on legislative measures
 - Publishing detailed analyses, summary documents, and briefs on budget-related topics
- Provides staff to the Joint Committee on Ways and Means plus several other legislative committees
- Staff consists of a Director, two Deputy Directors, 22 Analysts, a Committee Manager, and an Administrative Specialist

LFO Session Responsibilities

- Review, analysis, and recommendations for agency budgets
 - Review 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 on agency budget bills, budget reports, budget notes, and key performance measures
- Facilitate bill amendments, 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
- Respond to questions and collect information requested by legislators

LFO Session Responsibilities - Fiscal Impact Statements

Review and analyze proposed legislation for budgetary impact and prepare fiscal impact statements for measures reported out of legislative committees

- Fiscal Impact
- Minimal Impact
- No impact

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2022 Regular Session
Legislative Fiscal Office

Measure: SB 1510 - A

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Emily Coates
Reviewed by: John Terpening, Amanda Beitel, Tim Walker, Michelle Deister
Date: 2/8/2022

Measure Description:

Requires police officer to inform stopped person of right to refuse consent to search.

Government Unit(s) Affected:

Department of Public Safety Standards and Training (DPSST), Oregon State Police (OSP), Oregon Department of Transportation (ODOT), Board of Parole and Post-Prison Supervision (BPPPS), Counties, Cities, Oregon State Sheriffs' Association(OSSA), Criminal Justice Commission (CJC), Department of Corrections (DOC), Emergency Board

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

Oregon Criminal Justice Commission	2021-23 Biennium	2023-25 Biennium
General Fund		
Personal Services	388,273	636,939
Services and Supplies	233,584	96,000
Special Payments	10,000,000	0
Total Funds	\$10,621,857	\$732,939
Positions	3	3
FTE	1.89	3.00

Analysis:

This measure requires police officers to inform stopped person of right to refuse consent to search. If voluntary consent is given, the measure will require the officer to ensure there is written, video or audio record of permission given. The measure also prohibits an officer from commencing a traffic stop based on certain minor traffic violations that are not in compliance with existing law. An officer may issue a citation for these violations only if the officer has already stopped and detained the driver operating the vehicle for a separate traffic violation, effective January 1, 2023. The measure requires parole and probation officers to receive additional training in trauma-informed care, culturally specific services, and de-escalation techniques.

LFO Interim Responsibilities

- Analyze and make recommendations on agency requests to the Emergency Board and Interim Joint Committee on Ways and Means
- 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
- Review state agency budget execution and operations
- Monitor agency expenditures and program implementation
- Respond to inquiries from legislators, press, agencies, citizens, NCSL, etc.

Other Committees Staffed by LFO

- **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

State of Oregon Budget

Balanced Budget

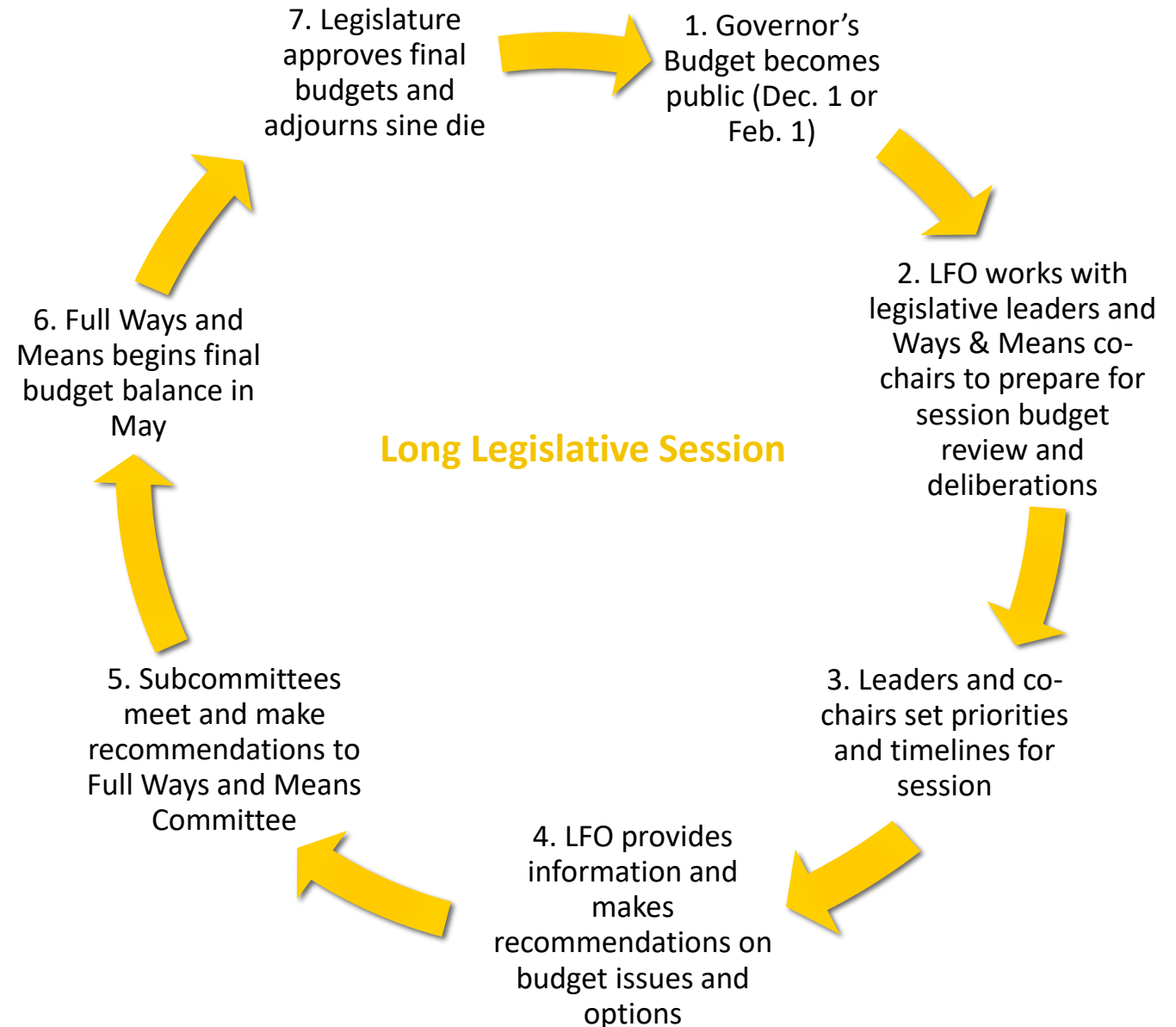
- **Legislature has a constitutional responsibility to balance the budget**
- **Article IX, Section 2: Legislature to provide revenue to pay current state expenses and interest**
 - The Legislative Assembly shall provide for raising revenue sufficiently to defray the expenses of the State for each fiscal 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.

Budget Principles

- Balancing estimated revenues and proposed expenditures
- Allocating resources to achieve desired outcomes and measuring progress toward desired outcomes
- Providing accountability at all levels for meeting program outcomes
- Encouraging savings and investments that reduce or avoid future costs
- Planning for the short-term and the long-term, using consistent assumptions for demographics and trends

Budget Process

- Oregon budgets on a biennial basis: July 1st of odd-numbered year to June 30th of next odd-numbered year
- State budget is adopted during the long legislative session in odd-numbers years
- In any two-year biennial budget period, adjustments to the adopted budget can be made in either of the annual sessions or by the Emergency Board



Budget Basics – Fund Types

- **General Fund** appropriation

- Primarily personal and corporate income taxes, estate and inheritance taxes, corporate excise taxes; other (i.e., liquor revenue)

- **Lottery Funds** allocation

- Generated through traditional, sports betting, and video lottery gaming, as well as associated interest
- Dedicated to economic development, public education, parks/native fish and wildlife habitat, veterans

- **Other Funds** limitation

- Fees, interest earnings, dedicated fee or tax revenue (9-1-1 tax, forest harvest tax, vehicle and gas tax, marijuana revenue, etc.), bond proceeds
- Dedicated by law for specific purposes
- Limited and Nonlimited

- **Federal Funds** limitation

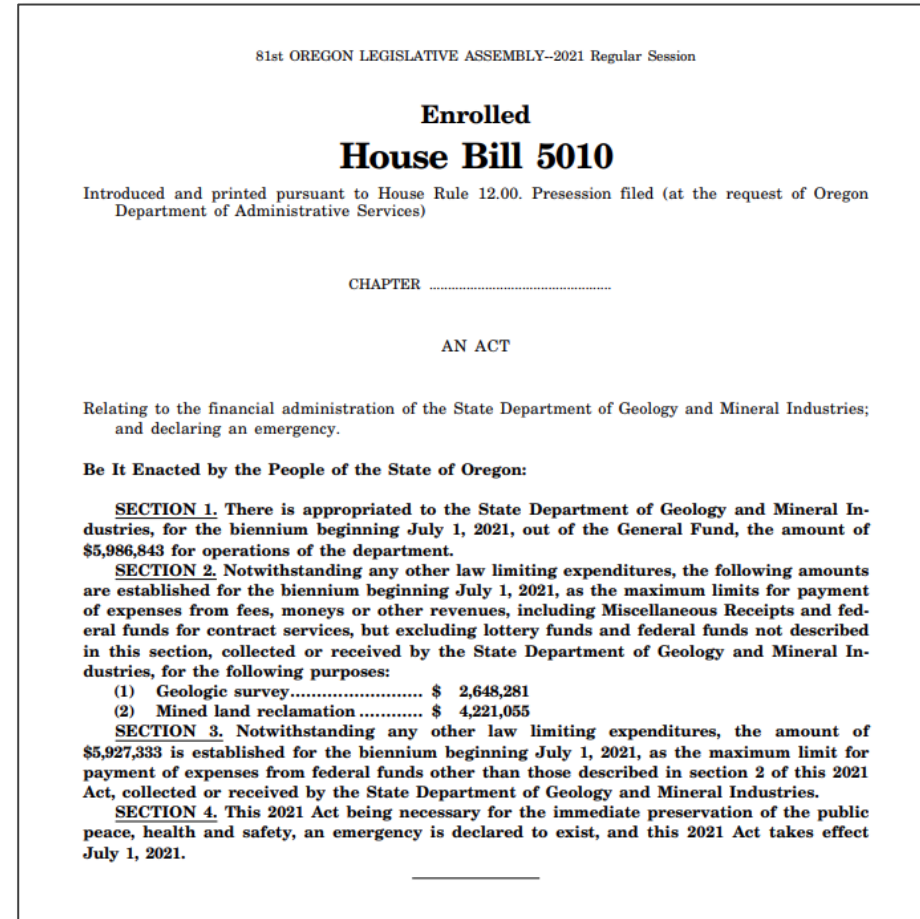
- Grants, formula funds from federal agencies such as HUD, HHS
- Dedicated by law for specific purposes
- Limited and Nonlimited

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.)
- **Special Payments** includes transfers and payments to other agencies or external entities (grants and loans)
- **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 appropriations



Budget Basics – Appropriation Bills

- Appropriation bills are generally agency specific (House bills = 5000 series, Senate bills = 5500 series)
- 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 Omnibus Budget Reconciliation (Emergency Fund) bill and Program Change bill

Budget Reports

- Accompany appropriation bills or policy bills with appropriations
- Provide details on legislative action and intent for a budget bill or a policy bill with a budgetary impact (will have expenditure category detail), but do not have the force of law
- Contain detailed information on approved policy option packages and adjustments to current service level
- Include position authorization and full-time equivalents
- Approved Key Performance Measures and targets are attached to the budget report

81st Oregon Legislative Assembly – 2021 Regular Session

HB 5010 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Rep. Reardon, Rep. Smith DB

Joint Committee On Ways and Means

Action Date: 03/19/21
Action: Do pass with amendments. (Printed A-Eng.)

House Vote
Yeas: 11 - Bynum, Drazan, Gomberg, Leif, McLain, Nosse, Rayfield, Sanchez, Smith G, Sollman, Stark

Senate Vote
Yeas: 11 - Anderson, Frederick, Girod, Golden, Gorsek, Johnson, Knopp, Lieber, Steiner Hayward, Taylor, Thomsen
Exc: 1 - Hansell

Prepared By: Renee Klein, Department of Administrative Services

Reviewed By: John Terpening, Legislative Fiscal Office

Department of Geology and Mineral Industries
2021-23

This summary has not been adopted or officially endorsed by action of the committee.

HB 5010 A
1 of 6

Budget Basics – “Budget Math”

Agency Budget Bill

- + Omnibus Budget Reconciliation (Emergency Fund) Bill
- + Capital Construction Bill
- + Policy Bills (*with an appropriation*)

= Legislatively Adopted Budget (LAB)

- + February Session and/or Special Session Actions
- + Emergency Board Actions

= Legislatively Approved Budget (LAB)

Budget Notes

- Provide direction to an agency, but do not have the force of law
- Included in the budget report
- Must be approved for inclusion by the Co-Chairs of the Full Ways and Means Committee.

Examples of budget notes:

Budget Note:

The Department of Education shall convene a group to study the State Board of Education developed media program standards. The study must evaluate the appropriateness of the standards and whether they adequately address student media needs, and methods to measure and ensure compliance with the standards. The Department should consult with organizations that represent public school educators and those who promote school libraries in selecting members of the group. The Department shall report the study's result and any recommendations by December 30, 2021.

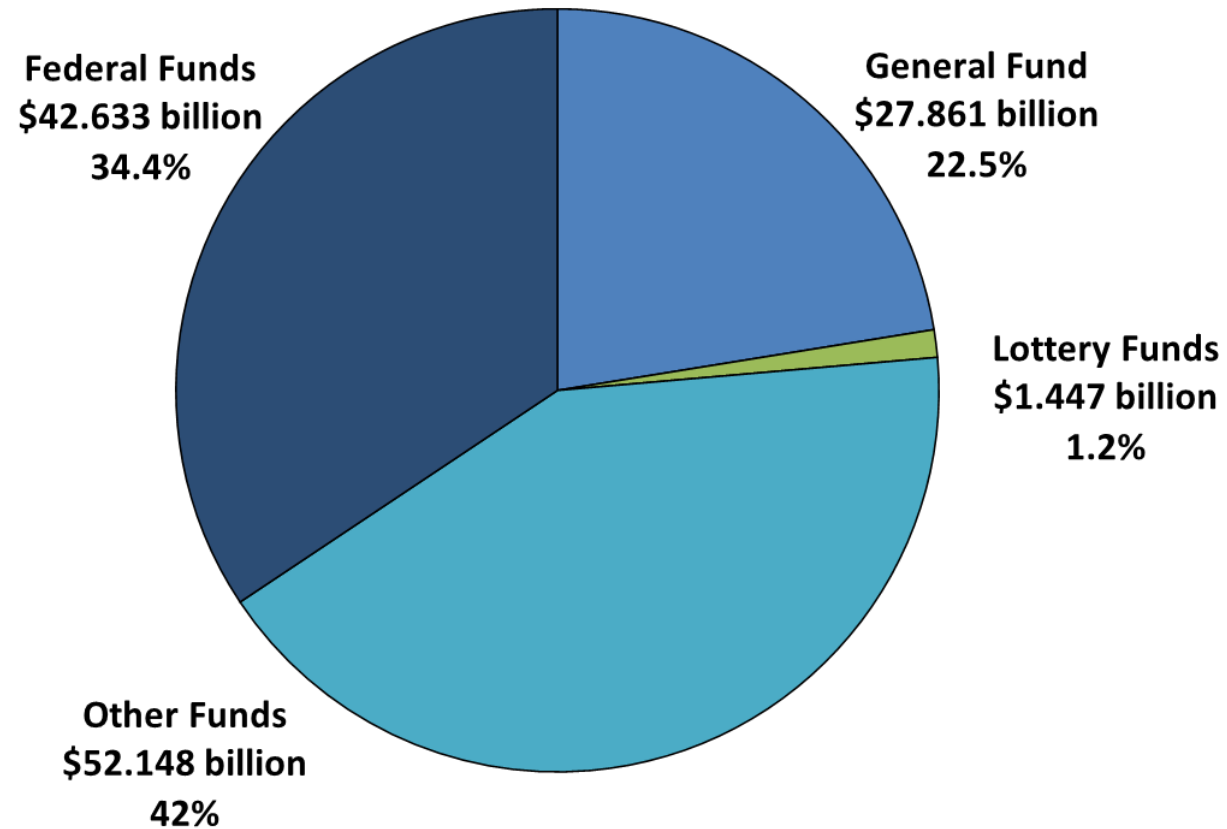
Budget Note:

The Department of Education's Early Learning Division shall report to the Interim Committee on Joint Ways and Means on the ongoing cashflow for the Child Care Development Fund (CCDF). The report must include information regarding actual and estimated expenditures and what the expenditures are for; a projection of the cashflow of the CCDF for 2021-23 and 2023-25 including ending balances; a plan for how any undesignated expenditures will be used; and if there are potential cashflow issues in the future, alternatives to close any gaps between estimated expenditures and CCDF resources.

2021-23 Legislatively Approved Budget

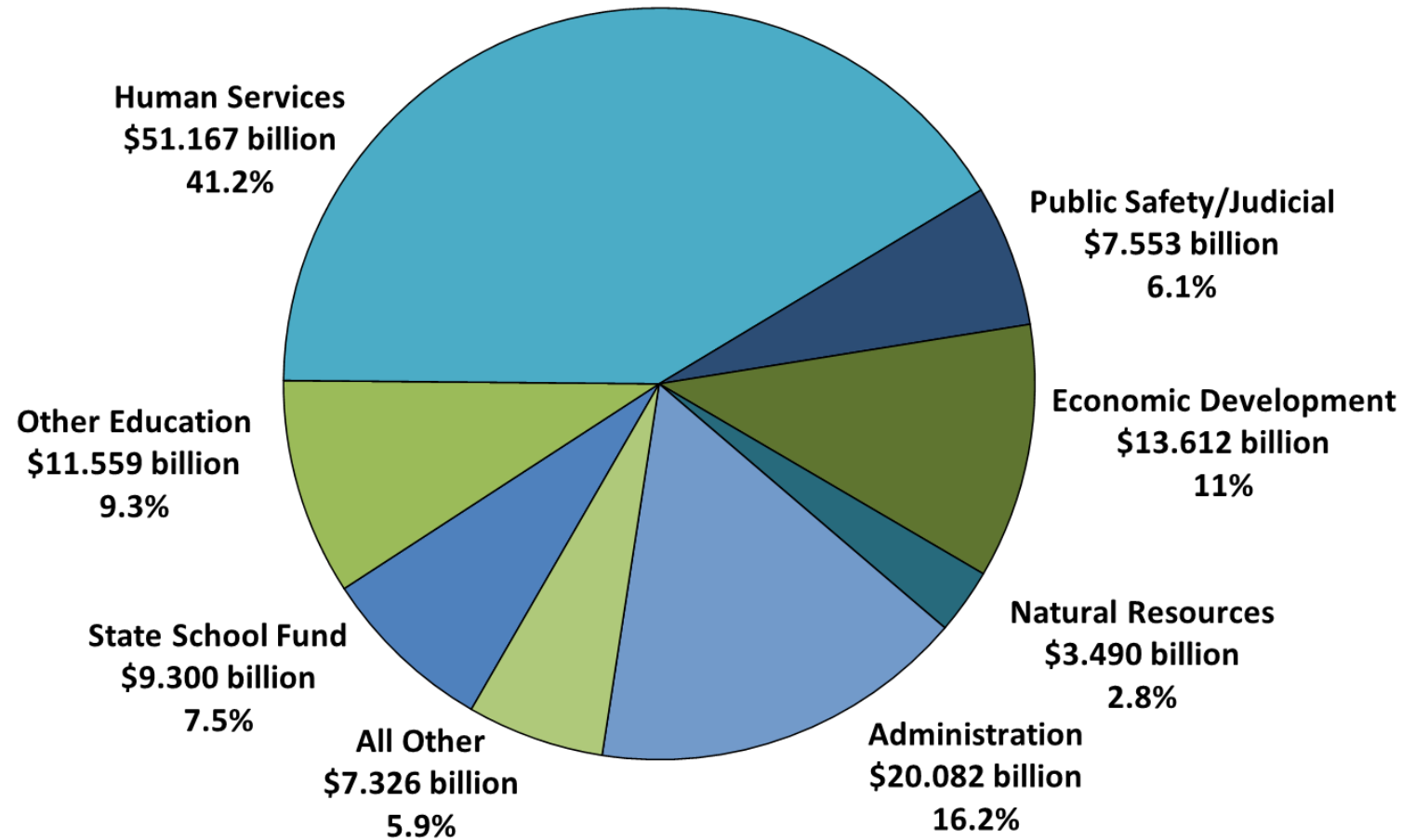
\$124.1 Billion Total Funds

10.3% Increase from 2019-21 Approved Budget



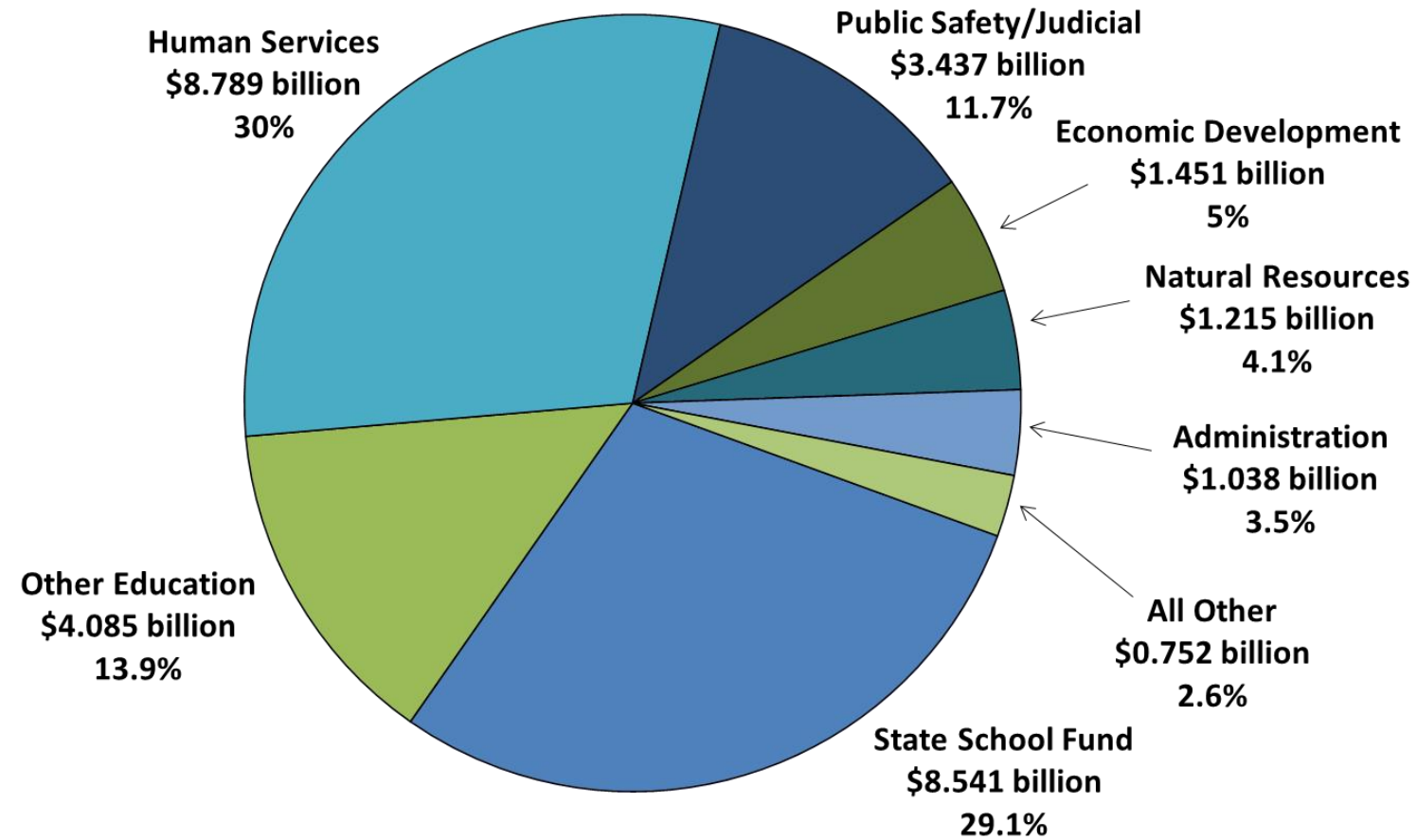
Includes Emergency Board and administrative actions through December 2022

2021-23 Legislatively Approved Budget
\$124.1 Billion Total Funds
10.3% Increase from 2019-21 Approved Budget



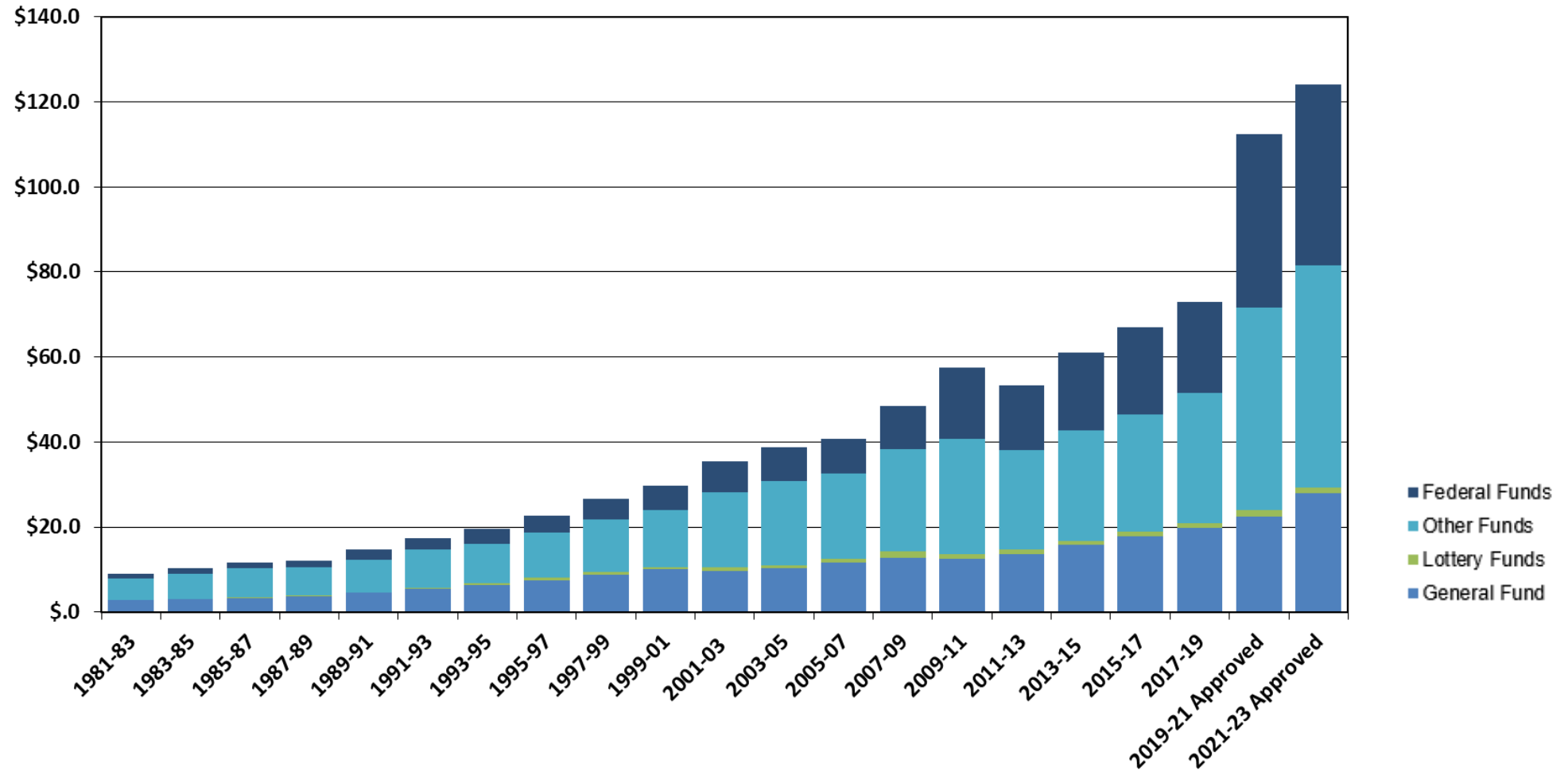
Includes Emergency Board and administrative actions through December 2022

2021-23 Legislatively Approved Budget
\$29.308 Billion General Fund and Lottery Funds
22.6% Increase from 2019-21 Approved Budget



Includes Emergency Board and administrative actions through December 2022

Oregon Budget History – Total Funds (\$ in billions)



Budget Expenditure Drivers

- Population Growth
- Demographics
- Inflation
- Health Care Costs
- Mandated Caseloads
- Federal Policy Changes
- Lawsuits
- Initiatives
- Public Employees Retirement System
- Rollup Costs
- Replacement of One-Time Revenues
- State Policy Decisions

Reserve Funds

•Education Stability Fund

- Established in 2002 through a constitutional amendment to convert an existing education endowment fund to a reserve fund
- Funded with 18% of net lottery proceeds (capped at 5% of the amount accrued in General Fund revenues in the prior biennium)
- Requires 3/5 majority vote of each chamber and must be spent on public education (K-12 and post-secondary)
- **\$705.8 million** projected balance at the end of the 2021-23 biennium (December 2022 forecast)

•Rainy Day Fund

- Established by the Legislature in 2007 as a general purpose reserve fund
- Receives transfers of up to 1% of General Fund appropriations each biennium (from the General Fund ending balance)
- 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 vote of each chamber to access
- **\$1.3 billion** projected balance at the end of the 2021-23 biennium (December 2022 forecast)

2023 Session – Budget Issues

- **2023-25 Tentative Budget**

- Legislative Fiscal Office and DAS Chief Financial Office develop a projected General Fund/Lottery Funds budget for the next biennium
- Based on the December 2022 revenue forecast
- Includes the projected costs of continuing currently authorized programs
- Reflects a projected gap between available resources and estimated expenditures of \$559.2 million for the 2023-25 biennium

- **Governor's Budget**

- Incoming Governor has until February 1 to submit budget to the Legislature

- **2023 Legislative Session**

- 2021-23 rebalance
- Updated revenue forecasts
- Legislative priorities and requests
- 2023-25 Legislatively Adopted Budget

Transportation and Economic Development Subcommittee

Subcommittee Role and Responsibilities

- Appropriation Bills
 - Agency Budget Presentations
 - Recommendations to the Full Ways and Means Committees on budget bill, key performance measures, and budget notes
 - Budget report
- Fee Related Bills
- Policy Bills with a budgetary impact
- Federal Grant Requests
- Reports

COMPARISON OF TRANSPORTATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE AND TRANSPORTATION/ECONOMIC DEVELOPMENT PROGRAM AREAS

ASSIGNED AGENCIES	
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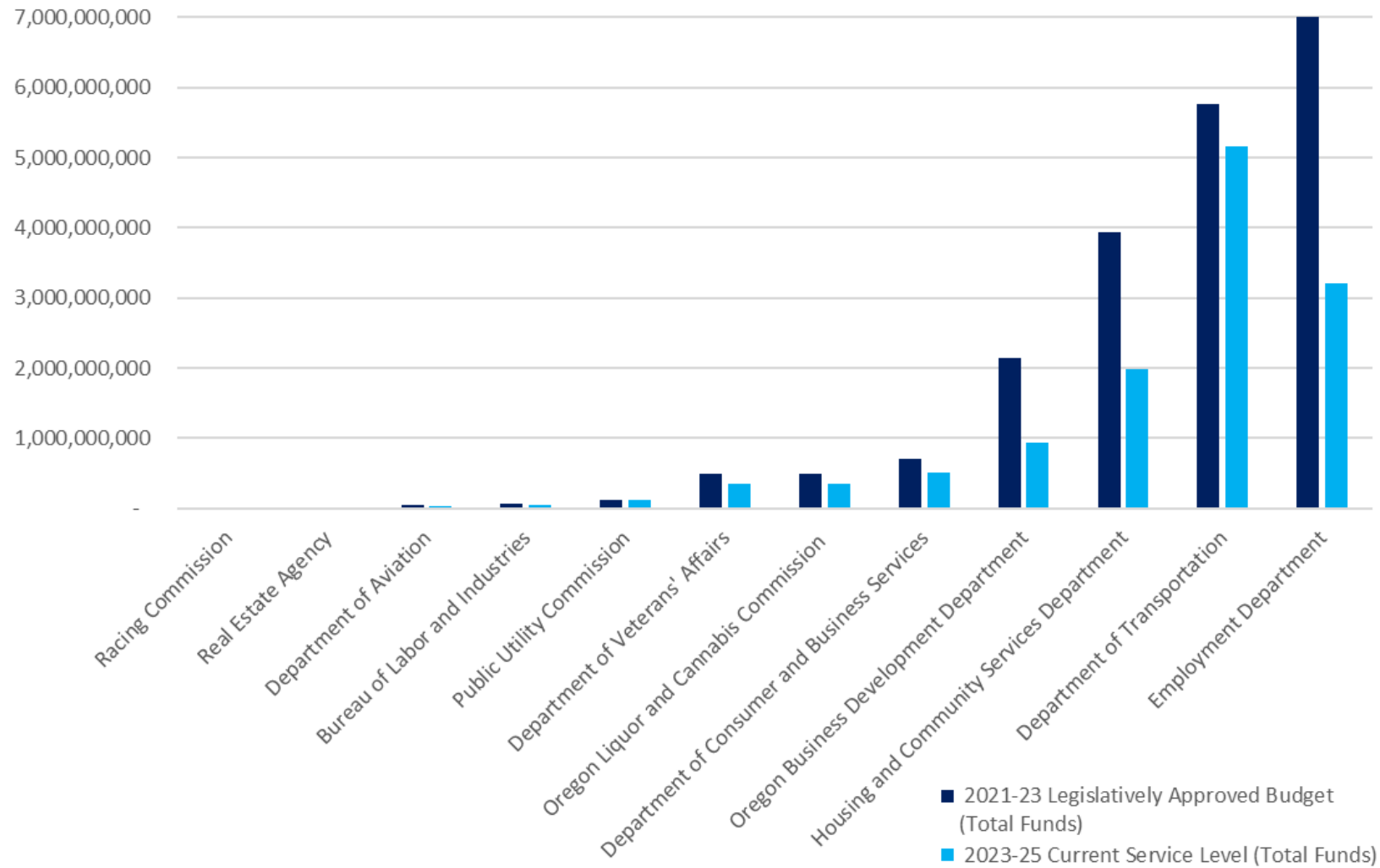
Transportation and Economic Development Subcommittee	Transportation and Economic Development Program Areas
<p>Executive Branch Agencies</p> <ol style="list-style-type: none"> 1. Aviation, Department of 2. Transportation Department 3. Business Development Department, Oregon 4. Employment Department 5. Housing and Community Services Department 6. Veterans' Affairs, Department of 7. Bureau of Labor and Industries 8. Consumer and Business Services 9. Public Utility Commission 10. Real Estate Agency 11. Liquor and Cannabis Commission, Oregon 12. Racing Commission <p>*Bolded agencies are in the Consumer and Business Services and Administration Program Areas</p>	<p>Transportation Program Area</p> <ol style="list-style-type: none"> 1. Aviation, Department of 2. Transportation Department <p>Economic Development Program Area</p> <ol style="list-style-type: none"> 3. Business Development Department, Oregon 4. Employment Department 5. Housing and Community Services Department 6. Veterans' Affairs, Department of

Current Service Level Adjustments

- Personal services growth for ongoing positions
- Standard inflation
 - Services and supplies (4.2%)
 - Medical costs (6.6%)
 - Non-state employee personnel costs (8.8%)
- Mandated caseload increases or decreases
- Phase-in the full cost of new programs that did not operate for the entire 2021-23 biennium (roll-up costs)
- Phase-out savings for programs that will be discontinued or were approved as one-time in the prior biennium
- Fund shifts
- Debt Service adjustments

	2021-23 Legislatively Approved Budget (Total Funds)	2023-25 Current Service Level (Total Funds)	Difference
Racing Commission	7,523,592	8,014,285	490,693
Real Estate Agency	10,141,433	11,335,262	1,193,829
Department of Aviation	39,069,885	27,749,968	(11,319,917)
Bureau of Labor and Industries	62,431,361	43,230,730	(19,200,631)
Public Utility Commission	115,864,318	118,307,549	2,443,231
Department of Veterans' Affairs	494,770,374	354,628,417	(140,141,957)
Oregon Liquor and Cannabis Commission	494,461,019	345,346,465	(149,114,554)
Department of Consumer and Business Services	704,984,823	505,672,385	(199,312,438)
Oregon Business Development Department	2,143,577,446	943,036,044	(1,200,541,402)
Housing and Community Services Department	3,940,350,627	1,978,401,753	(1,961,948,874)
Department of Transportation	5,763,979,097	5,152,807,033	(611,172,064)
Employment Department	7,085,052,975	3,207,778,266	(3,877,274,709)

2021-23 Legislatively Approved Budget vs. 2023-25 Current Service Level

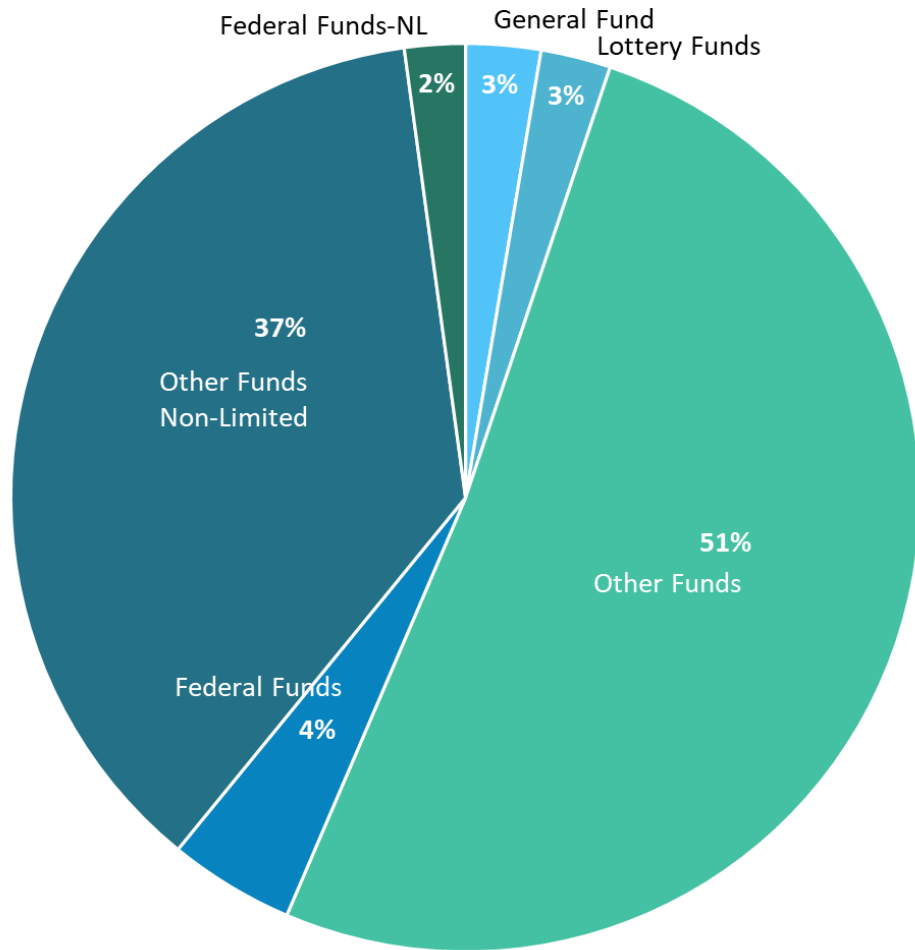


2021-23 Leg. Approved vs. 2023-25 CSL

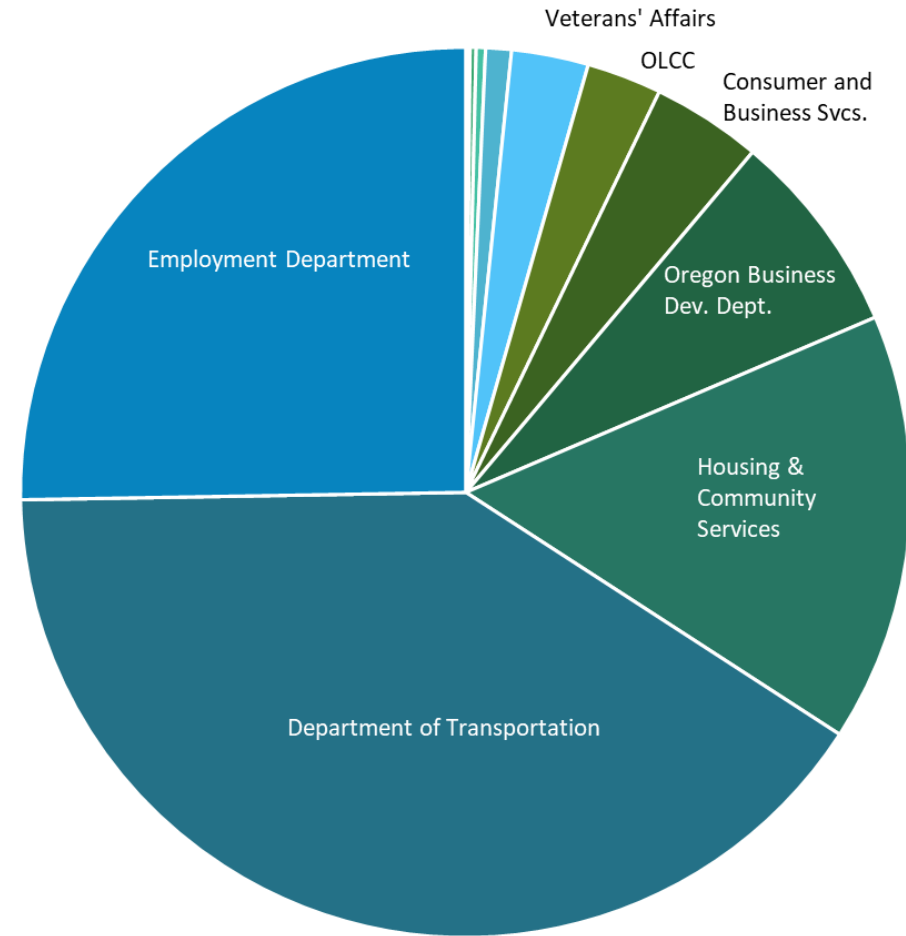
- Inflation and debt service
- Significant non-recurring investments in 2021-23. Examples:
 - Housing –
 - Emergency Rental Assistance and Landlord Compensation
 - Shelter support, operation and navigation centers
 - Individual Development Accounts
 - Wildfire Response
 - Construction Cost Increases
 - Affordable Housing Preservation
 - Land Acquisition
 - Down Payment Assistance
 - Employment – GF for start up costs of the Paid Leave Oregon program
 - OLCC – New Warehouse – Land, Construction, and Equipment

(Not an exhaustive list)

2023-25 Current Service Level by Fund Type - TED Subcommittee Agencies



2023-25 Current Service Level by Agency - TED Subcommittee



Issues

- Availability of funds
- Sources and uses of revenue
- One-time strategic investments vs. ongoing programs
- Agency and/or program capacity
- State and local partnerships for service delivery

LFO Staff Contacts – TED Subcommittee

- Michelle Deister – 503-986-1817

- Housing and Community Services Department
- Employment Department
- Oregon Liquor and Cannabis Commission
- Department of Transportation

- Walt Campbell – 503-986-1815

- Oregon Department of Veterans Affairs

- Matt Stayner – 503-986-1840

- Oregon Business Development Department

- Ben Ruef – 503-986-1812

- Department of Aviation
- Bureau of Labor and Industries
- Racing Commission
- Public Utility Commission
- Consumer and Business Services

- Tim Walker – 503-986-1832

- Real Estate Agency

- Kristin Adams – 503-986-1811

- Committee Assistant

Questions?

