

**HB 5045 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Various Agencies**

**2021-23**

PRELIMINARY

## Budget Summary\*

	2021-23 Legislatively Approved Budget	2023 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			\$ Change	% Change
<b><u>Emergency Board</u></b>				
General Fund	\$ 77,137,124	\$ -	\$ (77,137,124)	-100.0%
<b><u>ADMINISTRATION PROGRAM AREA</u></b>				
<b><u>Department of Administrative Services</u></b>				
General Fund Debt Service	\$ 7,828,488	\$ 8,231,138	\$ 402,650	5.1%
Lottery Funds Debt Service	\$ 22,975,355	\$ 22,775,175	\$ (200,180)	-0.9%
Other Funds	\$ 857,727,532	\$ 873,420,960	\$ 15,693,428	1.8%
Other Funds Debt Service	\$ 487,974,787	\$ 485,975,277	\$ (1,999,510)	-0.4%
<b><u>Department of Revenue</u></b>				
General Fund Debt Service	\$ 6,507,679	\$ 6,224,829	\$ (282,850)	-4.3%
<b><u>Secretary of State</u></b>				
General Fund	\$ 18,915,145	\$ 19,768,356	\$ 853,211	4.5%
Other Funds	\$ 79,761,879	\$ 79,861,879	\$ 100,000	0.1%
<b><u>Oregon Liquor and Cannabis Commission</u></b>				
Other Funds Debt Service	\$ 4,429,567	\$ 4,299,847	\$ (129,720)	-2.9%
<b><u>CONSUMER AND BUSINESS SERVICES PROGRAM AREA</u></b>				
<b><u>Board of Tax Practitioners</u></b>				
Other Funds	\$ 1,166,969	\$ 1,196,969	\$ 30,000	2.6%
<b><u>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</u></b>				
<b><u>Oregon Business Development Department</u></b>				
General Fund Debt Service	\$ 74,053,211	\$ 73,090,081	\$ (963,130)	-1.3%
Lottery Funds Debt Service	\$ 42,985,875	\$ 42,813,235	\$ (172,640)	-0.4%
Other Funds	\$ 1,268,010,206	\$ 1,272,722,406	\$ 4,712,200	0.4%

## Budget Summary\*

	2021-23 Legislatively	2023 Committee	Committee Change from	
	Approved Budget	Recommendation	2021-23 Leg. Approved	
			\$ Change	% Change
<b><u>Employment Department</u></b>				
Other Funds	\$ 285,661,087	\$ 310,661,087	\$ 25,000,000	8.8%
Federal Funds	\$ 310,599,469	\$ 285,599,469	\$ (25,000,000)	-8.0%
<b><u>Housing and Community Services Department</u></b>				
General Fund Debt Service	\$ 69,307,754	\$ 66,822,154	\$ (2,485,600)	-3.6%
Lottery Funds Debt Service	\$ 25,224,730	\$ 25,217,810	\$ (6,920)	0.0%
Other Funds	\$ 697,740,895	\$ 697,740,895	\$ -	0.0%
Federal Funds	\$ 780,210,822	\$ 782,245,770	\$ 2,034,948	0.3%
<b><u>Department of Veterans' Affairs</u></b>				
Lottery Funds Debt Service	\$ 499,184	\$ 250,254	\$ (248,930)	-49.9%
<b><u>EDUCATION PROGRAM AREA</u></b>				
<b><u>Department of Education</u></b>				
General Fund Debt Service	\$ 46,715,272	\$ 46,685,982	\$ (29,290)	-0.1%
<b><u>Higher Education Coordinating Commission</u></b>				
General Fund Debt Service	\$ 263,774,106	\$ 263,537,606	\$ (236,500)	-0.1%
<b><u>HUMAN SERVICES PROGRAM AREA</u></b>				
<b><u>Commission for the Blind</u></b>				
General Fund	\$ 5,788,243	\$ 5,988,243	\$ 200,000	3.5%
Federal Funds	\$ 17,994,237	\$ 19,612,485	\$ 1,618,248	9.0%
<b><u>Oregon Health Authority</u></b>				
General Fund	\$ 3,843,917,488	\$ 3,553,471,439	\$ (290,446,049)	-7.6%
General Fund Debt Service	\$ 60,402,266	\$ 60,278,426	\$ (123,840)	-0.2%
Other Funds	\$ 10,754,252,057	\$ 11,122,825,589	\$ 368,573,532	3.4%
Federal Funds	\$ 17,914,701,472	\$ 19,362,418,424	\$ 1,447,716,952	8.1%
<b><u>Department of Human Services</u></b>				
General Fund	\$ 4,819,848,172	\$ 4,540,250,621	\$ (279,597,551)	-5.8%
Other Funds	\$ 960,448,187	\$ 1,003,351,504	\$ 42,903,317	4.5%
Federal Funds	\$ 7,692,771,219	\$ 8,076,264,437	\$ 383,493,218	5.0%

## Budget Summary\*

	2021-23 Legislatively Approved Budget	2023 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			\$ Change	% Change
<b><u>JUDICIAL BRANCH</u></b>				
<b><u>Judicial Department</u></b>				
Federal Funds	\$ 1,782,035	\$ 2,732,035	\$ 950,000	53.3%
<b><u>Public Defense Services Commission</u></b>				
General Fund	\$ 448,160,372	\$ 449,250,967	\$ 1,090,595	0.2%
<b><u>LEGISLATIVE BRANCH</u></b>				
<b><u>Legislative Administration Committee</u></b>				
General Fund Debt Service	\$ 26,887,744	\$ 26,848,904	\$ (38,840)	-0.1%
<b><u>NATURAL RESOURCES PROGRAM AREA</u></b>				
<b><u>Department of Agriculture</u></b>				
Federal Funds	\$ 18,626,329	\$ 19,626,329	\$ 1,000,000	5.4%
<b><u>Department of Environmental Quality</u></b>				
Other Funds	\$ 302,195,302	\$ 303,195,302	\$ 1,000,000	0.3%
<b><u>Department of Fish and Wildlife</u></b>				
General Fund Debt Service	\$ 2,085,829	\$ 2,061,879	\$ (23,950)	-1.1%
Federal Funds	\$ 160,372,898	\$ 160,872,898	\$ 500,000	0.3%
<b><u>Department of Forestry</u></b>				
General Fund Debt Service	\$ 16,142,720	\$ 15,777,070	\$ (365,650)	-2.3%
Other Funds Debt Service	\$ 637,324	\$ 235,274	\$ (402,050)	-63.1%
<b><u>Department of Geology and Mineral Industries</u></b>				
Other Funds	\$ 6,753,317	\$ 7,493,317	\$ 740,000	11.0%
<b><u>Department of State Lands</u></b>				
Other Funds	\$ 56,128,184	\$ 59,435,032	\$ 3,306,848	5.9%
<b><u>Parks and Recreation Department</u></b>				
General Fund Debt Service	\$ 2,232,560	\$ 2,138,060	\$ (94,500)	-4.2%
Lottery Funds Debt Service	\$ 3,326,852	\$ 3,120,512	\$ (206,340)	-6.2%
<b><u>Water Resources Department</u></b>				
General Fund	\$ 74,089,805	\$ 72,589,805	\$ (1,500,000)	-2.0%
Lottery Funds Debt Service	\$ 9,499,510	\$ 7,968,940	\$ (1,530,570)	-16.1%

## Budget Summary\*

	2021-23 Legislatively Approved Budget	2023 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			\$ Change	% Change
<b><u>PUBLIC SAFETY PROGRAM AREA</u></b>				
<b><u>Department of Corrections</u></b>				
General Fund	\$ 1,000,259,596	\$ 970,099,405	\$ (30,160,191)	-3.0%
General Fund Debt Service	\$ 105,180,474	\$ 96,052,544	\$ (9,127,930)	-8.7%
Federal Funds	\$ 4,734,976	\$ 6,000,000	\$ 1,265,024	26.7%
<b><u>District Attorneys</u></b>				
General Fund	\$ 15,155,109	\$ 15,385,109	\$ 230,000	1.5%
<b><u>Department of Emergency Management</u></b>				
General Fund	\$ 32,911,344	\$ 39,302,158	\$ 6,390,814	19.4%
General Fund Debt Service	\$ 1,576,705	\$ 1,566,775	\$ (9,930)	-0.6%
Other Funds	\$ 98,495,733	\$ 104,791,705	\$ 6,295,972	6.4%
Federal Funds	\$ 702,235,505	\$ 879,846,121	\$ 177,610,616	25.3%
<b><u>Department of Justice</u></b>				
General Fund	\$ 177,751,210	\$ 174,551,210	\$ (3,200,000)	-1.8%
<b><u>Oregon Military Department</u></b>				
General Fund	\$ 34,394,421	\$ 30,302,458	\$ (4,091,963)	-11.9%
General Fund Debt Service	\$ 13,493,465	\$ 12,147,095	\$ (1,346,370)	-10.0%
Other Funds	\$ 93,942,602	\$ 87,646,630	\$ (6,295,972)	-6.7%
Federal Funds	\$ 434,910,308	\$ 257,299,692	\$ (177,610,616)	-40.8%
<b><u>Department of State Police</u></b>				
General Fund Debt Service	\$ 2,674,818	\$ 2,491,188	\$ (183,630)	-6.9%
Other Funds	\$ 196,656,970	\$ 196,782,010	\$ 125,040	0.1%
<b><u>Oregon Youth Authority</u></b>				
General Fund Debt Service	\$ 14,880,399	\$ 13,374,089	\$ (1,506,310)	-10.1%
<b><u>TRANSPORTATION PROGRAM AREA</u></b>				
<b><u>Department of Transportation</u></b>				
Lottery Funds Debt Service	\$ 121,144,419	\$ 120,982,579	\$ (161,840)	-0.1%
Other Funds	\$ 4,857,235,948	\$ 5,127,235,948	\$ 270,000,000	5.6%

## Budget Summary\*

	2021-23 Legislatively Approved Budget	2023 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			\$ Change	% Change
<b>2021-23 Budget Summary</b>				
General Fund Total	\$ 10,548,328,029	\$ 9,870,959,771	\$ (677,368,258)	-6.4%
General Fund Debt Service Total	\$ 713,743,490	\$ 697,327,820	\$ (16,415,670)	-2.3%
Lottery Funds Debt Service Total	\$ 225,655,925	\$ 223,128,505	\$ (2,527,420)	-1.1%
Other Funds Total	\$ 20,516,176,868	\$ 21,248,361,233	\$ 732,184,365	3.6%
Other Funds Debt Service Total	\$ 493,041,678	\$ 490,510,398	\$ (2,531,280)	-0.5%
Federal Funds Total	\$ 28,038,939,270	\$ 29,852,517,660	\$ 1,813,578,390	6.5%

\* Includes only the appropriated fund types modified by the measure.

## Position Summary

	2021-23 Legislatively Approved Budget	2023 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
			Change	% Change
<b>HUMAN SERVICES PROGRAM AREA</b>				
<b><u>Oregon Health Authority</u></b>				
Authorized Positions	5,325	5,334	9	0.2%
Full-time Equivalent (FTE) positions	5,093.99	5,096.16	2.17	0.0%
<b><u>Department of Human Services</u></b>				
Authorized Positions	10,456	10,457	1	0.0%
Full-time Equivalent (FTE) positions	10,275.10	10,275.52	0.42	0.0%

## **Summary of Revenue Changes**

HB 5045 rebalances and makes other changes to state agency budgets within forecasted recourses. Other Funds expenditure limitations are increased by a net \$729.7 million, with the major adjustments involving forecasted changes in tobacco tax, marijuana tax, and health care provider assessment revenues; Federal Emergency Management Agency reimbursement and Federal Highway Administration funds expended as Other Funds, Supplemental Employment Department Administrative Funds; and debt service. The measure increases Federal Funds expenditure limitations by a net \$1,813.6 million, which is largely driven by federal matching revenue received to pay for Medicaid caseload costs; the extension of the enhanced federal Medicaid match available under the federal public health emergency for COVID-19; and federal awards for legislatively approved grants. The measure also reduces Lottery Funds expenditure limitation by \$2.5 million for debt service adjustments.

## **Summary of Capital Construction Subcommittee Action**

HB 5045 is an omnibus budget rebalance bill that modifies General Fund appropriations, adjusts expenditure limitations and position authority, and makes technical adjustments in certain state agency budgets for the 2021-23 biennium. Overall, the measure decreases General Fund appropriations by approximately \$693.8 million, which results from cost increases totaling \$54.7 million and decreases totaling \$748.5 million. The measure decreases Lottery Funds expenditure limitation by \$2.5 million, increases Other Funds expenditure limitation by \$729.7 million, and increases Federal Funds expenditure limitation by \$1,813.6 million. Ten positions (2.59 FTE) are also established. The Subcommittee did not recommend any budget notes. The amendment recommended by the Subcommittee includes the legal citations necessary to effectuate the omnibus budget adjustments, which are described in the narrative below.

## **Statewide Adjustments**

Statewide adjustments reflect budget changes in multiple agencies based on reductions to debt service realized through savings from general obligation and lottery revenue bond sales in October 2021 and May 2022. Debt service savings total \$16.4 million General Fund, \$2.5 million Lottery Funds, and \$2.5 million Other Funds. The debt service adjustments are not described in each agency's narrative section below but are included in the table at the beginning of the budget report. Sections 120 and 121 of the measure reflect these changes for each agency.

## **Emergency Board**

HB 5045 disappropriates \$77,137,124 General Fund from the Emergency Board. This amount represents the remaining balance in the Emergency Fund for the 2021-23 biennium.

## **Adjustments to 2021-23 Agency Budgets by Program Area**

### **ADMINISTRATION**

**Department of Administrative Services - American Rescue Plan Act (ARPA)**

As part of HB 5006 (2021), \$240 million in federal American Rescue Plan Act funds were approved for the Department of Administrative Services (DAS) to distribute in each Senate and House district in the amounts of \$4 million per Senate district and \$2 million per House district, for member-identified projects. After session, a subset of the projects required adjustments to the project or description. The Subcommittee approved the following revisions to the 2021 session member ARPA projects:

District	Member	OLD Recipient	OLD Project Description	OLD Amount
		NEW Recipient	NEW Project Description	NEW Amount
S-9	Girod	Drakes Crossing Rural Fire Protection District	Expansion of Rural Broadband Services	1,000,000
		<b>Marion County</b>	<b>Marion County Radio Communications Project</b>	<b>950,000</b>
S-9	Girod	Idanha-Detroit Rural Fire Protection District	Idanha-Detroit Fire Station	2,400,000
		Idanha-Detroit Rural Fire Protection District	Idanha-Detroit Fire Station	<b>2,450,000</b>
H-31	Stout	Linnton Neighborhood Association	River Access Near NW 107th Ave/Community Center Earthquake Retrofit	815,000
		<b>Linnton Community Center</b>	River Access Near NW 107th Ave/Community Center Earthquake Retrofit	815,000

**Department of Administrative Services**

The Subcommittee approved the following four adjustments to the Department of Administrative Services budget:

- \$5.9 million Other Funds expenditure limitation increase for the Enterprise Goods and Services Division for administrative expenses associated with the Risk Management program (\$4.4 million) and for increased work for the Publishing and Distribution program (\$1.5 million).
- \$6 million Other Funds expenditure limitation transfer from the Enterprise Information Services (EIS) Data Center Services Division to the EIS Administration Division to support Microsoft 365 licensing for all executive branch agencies.
- \$3.65 million Other Funds expenditure limitation increase for transaction costs for the sale of parcels at Mill Creek Corporate Center.

- \$6.1 million Other Funds expenditure limitation increase to accept funds from the Federal Emergency Management Agency for reimbursement of expenditures related to COVID-19 emergency response activities and personal protective equipment purchases.

The Subcommittee also approved modifying the scope of the Grande Ronde Hospital Foundation General Fund grant authorized in HB 5202 (2022) from the expansion of the Surgical Center and facilities to hospital equipment. Grant funds will be used to purchase and install equipment for the building after construction is complete.

### **Secretary of State**

The Subcommittee increased General Fund support for the Secretary of State Elections Division by \$635,000 to close out payments related to producing voters' pamphlets for both primary and general elections. Final costs to produce the voters' pamphlets are not known until the elections end, therefore the 2021 Legislature had established a \$650,000 reservation in the Emergency Fund for this purpose. The Subcommittee also approved a \$218,211 General Fund increase to accelerate the replacement of critical information technology infrastructure equipment that has started to fail. This funding was included in a 2023-25 agency budget request, but the equipment has started to fail sooner than anticipated and needs to be replaced before the end of the biennium. A \$100,000 increase in Other Funds expenditure limitation was also approved for the Archives Division to accommodate expenditures necessary to restore records damaged by flooding at the agency's leased storage facility. These costs will be paid from the proceeds of insurance claims, but the Secretary of State needs additional expenditure authority for these unanticipated costs.

## **CONSUMER AND BUSINESS SERVICES**

### **Board of Tax Practitioners**

The Board of Tax Practitioners' Other Funds expenditure limitation is increased by \$30,000 for higher-than-expected contested case hearing costs based on billings from the Department of Justice and Office of Administrative Hearings. The increase in expenditure limitation is also partially due to a one-time payout the Board made to the previous executive director for unused, accrued vacation leave upon retirement. The Board's operating reserves are available for these additional costs.

## **ECONOMIC AND COMMUNITY DEVELOPMENT**

### **Housing and Community Services Department**

A total of \$74.1 million General Fund appropriated to the Housing and Community Services Department in the 2021-23 biennium is approved for transfer into Other Funds accounts to enable funds to be expended during the 2023-25 biennium, as follows:

- \$20 million for single family homeownership development appropriated to HCSD in section 1 of HB 5011 (2021) and approved in Policy Option Package 114 of the agency's 2021-23 budget is deposited into the Housing and Community Services Revolving Account for

homeownership development of homes with alternative ownership models and affordable single family housing. Funds are expected to be committed by the end of the biennium, but construction projects take up to three years to complete, so expenditure of funds is not expected until the 2023-25 biennium.

- \$20 million as appropriated by section 354 of HB 5202 (2022) is deposited into the Housing and Community Services Revolving Account for affordable homes for purchase. These funds will be paired with Local Innovation Fast Track (LIFT) bond proceeds, authorized by Article XI-Q of the Constitution. Funds are expected to be committed by the end of the biennium, but construction projects take up to three years to complete, so expenditure of funds is not expected until the 2023-25 biennium.
- \$4.5 million of a \$10 million investment related to down payment assistance intended to be sub-granted to community culturally responsive organizations - as referenced by Policy Option Package 107 in the agency's 2021-23 budget - is transferred to the Housing and Community Services Revolving Account for use in the 2023-25 biennium. The transfer will allow additional organizations who would not have been able to expend funds by the close of the 2021-23 biennium to seek and serve underrepresented home buyers.
- \$27.1 million of a \$100.4 million General Fund appropriation made to HCSD by section 278 of HB 5006 (2021) for wildfire recovery efforts is transferred into the Housing and Community Services Revolving Account to accommodate completion of purchase, construction and contract timelines that will occur in the next biennium.
- \$2.5 million of an \$80 million appropriation made to HCSD by section 357 of HB 5202 (2022) for homelessness response and prevention services will be deposited into the Emergency Housing Account to support operations of shelters selected by the Oregon Community Foundation as part of the Project Turnkey program. The Foundation's selection timelines do not align with the state's biennial budget, and as a result, these shelters will not be expending funds until after June 30, 2023.

Federal Funds expenditure limitation is increased by approximately \$2 million for the Housing and Community Services Department for emergency rental assistance payments to households with a loss of income from the COVID-19 pandemic. This funding is from federally reallocated funds from other states that were unable to disburse all of their awards from the Consolidated Appropriations Act and the American Rescue Plan Act.

### **Employment Department**

The Oregon Employment Department's (OED) Federal Funds expenditure limitation is decreased by \$25 million and Other Funds expenditure limitation is increased by a corresponding amount to reflect the use of operational reserves to fund unemployment insurance administration. During the COVID-19 pandemic, the U.S. Department of Labor funded significantly less of the agency's administrative expenses than it had in previous recessions, or only about 70% of actual costs. OED had been utilizing penalty and interest payments and Supplemental Employment Department Administrative Funds to fill gap between actual costs and federal reimbursement rates.

### **Oregon Business Development Department**

An adjustment was made to the General Fund appropriation provided to the Oregon Business Development Department to allow the agency to deposit the General Fund monies originally appropriated in HB 2518 (2021) into the Oregon Brownfields Revitalization Fund established in the

same bill. In conjunction with this change, a corresponding Other Funds expenditure limitation of \$5 million was established to allow the agency to expend the monies deposited in the fund.

In addition, Other Funds expenditure limitation of \$287,800 from the American Rescue Plan Act that was erroneously established for the Oregon Business Development Department during the 2022 Legislative Session was reduced to zero. The correct Other Funds expenditure limitation from Coronavirus Relief Funds in the same amount was established by the June 2022 meeting of the Emergency Board.

## **EDUCATION**

### **Department of Education**

In order for the Department of Education to complete the administrative requirements of the 2022 summer learning program, the appropriation made for summer learning program staff in HB 5202 (2022) was extended from January 1, 2023 to June 30, 2023.

## **HUMAN SERVICES**

### **Commission for the Blind**

The Subcommittee increased one-time General Fund support for the Oregon Commission for the Blind (OCB) by \$200,000 to fund the 2023 Salem Summer Work Experience Program (SWEP), a five-to-six-week program providing work experience for young adults aged 16-20. Traditionally, SWEP is supported by the Blind Visually Impaired Student Fund managed by the Department of Education, but OCB's recent application for funding was denied, as the fund had too many demands for available resources. The Subcommittee also increased Federal Funds expenditure limitation by \$1,618,248. Of this amount, \$1,243,756 will complete purchases of vending machines for the OCB's Business Enterprise Program; purchasing of the machines began during 2019-21 but was delayed due to COVID-19 and consequent building closures. A total of \$349,368 is for maintenance and support of Aware, the Commission's automated case management system. Aware was originally approved by the Legislature in the 2017-19 biennium but its budget was reduced in 2020 as part of statewide budget rebalancing actions. Lastly, \$25,124 is for continuity of operations, disaster recovery and data security while the agency transitions to the State Data Center.

### **Oregon Health Authority**

HB 5045 disappropriates \$290.4 million General Fund, adjusts expenditure limitations, and establishes nine positions (2.17 FTE) to rebalance the Oregon Health Authority's (OHA) 2021-23 budget and make additional investments in hospital capacity. The budget rebalance adjustments included in the measure are based on the report submitted by OHA to the Emergency Board in December 2022 and updated for more recent information and recommendations from the Legislative Fiscal Office. The rebalance items are primarily related to the Oregon Health Plan (OHP) caseload forecast, changes in federal matching revenue, drug purchasing rebates, and adjusted revenue forecasts. Also included are General Fund reductions based on anticipated program surpluses. The following table provides a high-level summary of the changes:

Oregon Health Authority	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
OHA Fall 2022 Rebalance						
Medicaid: Caseload	242,072,372		1,123,727,407	1,365,799,779		
Medicaid: FMAP Savings through Q3 FY 2023	(255,000,000)		255,000,000	-		
Medicaid: FMAP Savings Q4 FY 2023	(72,000,000)		72,000,000	-		
Medicaid: Other Items	(122,275,897)	14,324,445	(267,330,390)	(375,281,842)		
CHIP One-Time Savings	(107,000,000)		107,000,000	-		
OHSU Qualified Direct Payment Adjustment	56,893,000	(5,653,000)	105,100,000	156,340,000		
Tax Forecast Changes	2,650,422	(32,919,616)	26,734,579	22,357,545		
Drug Rebate Adjustment	(38,440,000)	38,440,000		-		
Family Care Settlement	1,000,000			1,000,000		
Cash Flow Loan and Interest	1,500,000	350,000,000		351,500,000		
Programmatic Savings	(19,845,946)	(7,137)	(34,757,979)	(54,611,062)		
Other Position Adjustments		(611,160)	1,850,259	1,239,099	9	2.17
Other Adjustments	(5,000,000)	5,000,000	58,393,076	58,393,076		
Rebalance Total	(315,446,049)	368,573,532	1,447,716,952	1,500,844,435	9	2.17
Hospital Capacity	25,000,000			25,000,000		
<b>OHA Total* - HB 5045</b>	<b>(290,446,049)</b>	<b>368,573,532</b>	<b>1,447,716,952</b>	<b>1,525,844,435</b>	<b>9</b>	<b>2.17</b>

\*Excluding debt service.

**FMAP:** The final extension of the federal public health emergency (PHE) for COVID-19 is a pivotal factor in both the current caseload forecast and increase in the Federal Medical Assistance Percentage (FMAP). In exchange for a 6.2 percentage point FMAP increase, states had to meet certain maintenance of effort requirements, including pausing the disenrollment of members from Medicaid even when they lose eligibility. The updated caseload forecast, which was developed in August 2022, assumed the PHE would expire in January 2023. It was also assumed that when the PHE expired, the enhanced 6.2% FMAP would expire.

In late December 2022, the federal government adopted legislation decoupling the continuous enrollment requirement and enhanced FMAP from the PHE. Under this legislation, redeterminations are now set to begin on April 1, 2023 and the enhanced FMAP will gradually phase-down through December 2023. Oregon will need to redetermine all 1.4 million members on OHP, with OHP membership forecasted to start declining in August 2023. At the same time, a structured phase-down approach for the FMAP will be used that lowers the rate to 5% for the

fourth quarter (Q4) of state fiscal year (SFY) 2023, 2.5% for Q1 SFY 2024, and 1.5% for Q2 SFY 2024. The enhanced rate will be completely eliminated in Q3 of SFY 2024 (the end of calendar year 2023).

Included in the budget rebalance is FMAP savings from the PHE being extended from Q2 to Q3 of FY 2023. The 6.2% enhanced match saved Oregon \$255 million General Fund, which was identified in the agency's December 2022 budget rebalance report. The savings from Q4 SFY 2023 provides an additional \$72 million in General Fund savings as the state benefits from the 5% FMAP enhancement as the first phase in stepping down the match rates.

Caseload Forecast: The rebalance identifies net costs of \$242 million General Fund and \$1.3 billion Federal Funds to properly fund OHP and other medical assistance caseloads. This adjustment is based on changes from the fall 2021 caseload forecast, which was used to calculate the first 2021-23 rebalance report in December 2022. Overall, the updated forecast is higher by over 81,000 members, although the net change incorporates a variety of caseload components that increased or decreased. When the spring 2023 caseload forecast is produced in early March 2023, those that stayed on OHP for an additional quarter will be included, likely reflecting an increased cost into 2023 until the redetermination process begins to have an impact.

Other Medicaid Items: Prior to the federal PHE, Medicaid caseloads experienced a natural turnover of member participation (also called "churn") as personal medical or financial circumstances changed and members exited or reentered the caseload. Due to the maintenance of effort requirements discussed above, the PHE resulted in OHP clients not being disenrolled. While this means the caseload numbers for OHP increased, these clients are not utilizing the coverage to the degree anticipated. As a result, this cost per member per month then decreased. In addition, the pandemic has seen a rise in telehealth options, changing the way Oregonians get health care, also decreasing costs for office visits and other services, including transportation. Combined with a decrease in Medicare Part D rates due to FMAP increases and a lower utilization by CCOs for pregnant clients who are still on the Medicaid caseload and no longer pregnant, a net savings of \$122.3 million General Fund (\$375.3 million total funds) results across CCO and fee for service caseloads.

Children's Health Insurance Program: OHA was notified by the Centers for Medicare and Medicaid Services that a federal contingency fund available to backstop the Children's Health Insurance Program from federal fiscal year 2019 had additional funds for Oregon that may be used for any purpose, except as matching funds for federal programs. The rebalance includes \$107 million in General Fund savings from the draw-down of these funds.

OHSU Qualified Directed Payment: HB 2391 (2017) established a net reimbursement rate for the Oregon Health and Science University (OHSU) of 87% of the hospital's costs of providing services that are paid for, in whole or in part, with Medicaid funds. Due to the increased cost of care and inflationary environment since the COVID-19 pandemic began, this qualified direct payment necessitates an increase of \$56.9 million General Fund and \$104.1 million in Federal Funds expenditure limitation to comply with the reimbursement requirement. Also included is a \$5.6 million Other Funds reduction to reflect a smaller intergovernmental transfer from OHSU.

Tobacco/Marijuana Tax Forecasts: The rebalance recognizes \$19 million in tobacco tax revenue increases dedicated to OHP (\$18.6 million) and mental health programs (\$0.4 million) based on changes reflected in the September 2022 Office of Economic Analysis revenue projection. The additional Other Funds revenue is available to offset General Fund in these programs and will be updated in a subsequent 2023 legislative session budget reconciliation bill based on any changes in the next quarterly forecast. The forecasted increase in tobacco tax revenue is largely driven by revenue collections from the new vaping and \$2.00 per pack tax increase on cigarettes being collected above initial projections. This upward adjustment is not expected to be part of a trend. The long-term tobacco tax forecast continues to show decreasing revenue as consumption and instate tobacco purchases decline.

The March 2023 Department of Administrative Services Office of Economic Analysis (OEA) revenue forecast lowered anticipated marijuana revenues, resulting in a reduction of the Drug Treatment and Recovery Services Fund allocation by \$40.5 million Other Funds when compared to the March 2022 OEA forecast. OEA's forecast indicates this substantial downward projection results from the continued oversupply of production, market saturation, and profitability challenges experienced by marijuana businesses, which has increased tax delinquencies.

Insurer Taxes: Insurer tax revenue is lower than initially projected for OHA's budget by \$48 million based on the Department of Consumer and Business Services revenue projections, whereas the CCO assessment is higher by \$37 million due to the increasing OHP caseload. Based on these changes, which have offsetting adjustments for how the OHP caseload is funded, the Subcommittee approved an increase of \$21.6 million General Fund, a reduction of \$11.4 million Other Funds, and an increase of \$26.7 million Federal Funds to reflect the new estimates.

Drug Rebate Adjustment: The Medicaid Drug Rebate program requires drug manufacturers to enter into a national rebate agreement to receive federal funding for outpatient drugs dispensed to Medicaid patients. Pharmaceutical companies participating in this program have signed agreements with the Centers for Medicare and Medicaid Services to provide rebates on all of their drug products. The amount of this rebate exceeded Other Funds limitation by \$38.4 million, creating an equal General Fund savings to the program.

Family Care Settlement: Per the fully executed settlement between the state and Family Care, OHA's portion of the settlement payment is \$7.5 million. HB 5045 includes \$1 million General Fund for the amount owed in the 2021-23 biennium.

Treasury Loan: During the last six months of each biennium, OHA typically borrows from the State Treasury to mitigate OHP cash imbalances that occur due to the timing of Other Funds revenue collections such as hospital assessments. The amounts borrowed are then repaid once the Other Funds revenues are collected. The agreement with Treasury will confine of the use of the funds borrowed to legislatively approved expenses. For 2021-23, OHA's rebalance recognizes a \$350 million Other Funds limitation in the Health Systems Division based on the anticipated loan amount and \$1.5 million General Fund requested in Central Services for short-term interest costs.

**Programmatic Savings:** Multiple agency divisions identified savings of \$19.8 million General Fund and \$54.6 million total funds resulting from one-time vacancy savings, information technology project savings and other fund shifts. These savings amounts are higher than reported by the agency in its December 2022 rebalance report based on updated projections.

**Position Adjustments:** The rebalance includes an increase of nine positions (2.17 FTE). Two positions (0.42 FTE) are supported with Federal Funds, which include one position (0.25 FTE) for a 988 Call Center Grant and one position (0.17 FTE) as a part of the expansion of a comprehensive suicide prevention grant. Seven positions (1.75 FTE) are included to realign the Other Funds spending plan related to the drug treatment and recovery services required under Ballot Measure 110 (2020) within the program's required 4% administrative cost cap.

**Other Rebalance Adjustments:** HB 5045 also includes \$51 million in Federal Funds expenditure limitation to accommodate the federal match for reinvesting \$14 million from the Designated State Health Programs (DSHP) and \$5 million in Federal Funds expenditure limitation to take advantage of federal match from the FMAP extension in Central Services and State Assessments and Enterprise-wide Costs that also equally offsets General Fund. An additional \$5 million in Other Funds expenditure limitation is also included for the Healthy Homes program. This program received a \$5 million General Fund increase in section 367 of HB 5202 (2022); however, the appropriation language did not deposit the revenue to the Healthy Homes Repair Fund, as intended. The \$5 million in Other Funds expenditure limitation and legal reference corrections are included in HB 5045 to fix this issue. OHA's budget rebalance also includes various technical adjustments to expenditure limitations and position counts, as well as net-zero transfers across agency programs.

**Hospital Capacity:** In addition to the budget rebalance adjustments discussed above, the Subcommittee approved a one-time General Fund appropriation of \$25 million to further address hospital capacity constraints. During the September 2022 meeting of the Emergency Board, OHA requested \$6.9 million to fund nurse staffing contracts to support an increase in hospital capacity. On December 7, 2022, former Governor Brown issued Executive Order 22-24 to expand the declaration of emergency in response to the surge in hospitalization rate for severe respiratory illness, influenza, and COVID-19. Through early February 2023, OHA funded 370 clinicians in total across the state to alleviate hospitals experiencing the highest levels of stress to their overall operations.

#### **Department of Human Services**

For the Department of Human Services' (DHS) second financial rebalance of the 2021-23 biennium, the Subcommittee approved adjustments resulting in net General Fund savings of \$299.8 million, an Other Funds expenditure limitation increase of \$50.7 million, and a Federal Funds expenditure limitation increase of \$383.5 million. Preliminary rebalance adjustments were identified in a report presented to the Emergency Board at its December 2022 meeting and subsequently updated based on more current information and recommendations from the Legislative Fiscal Office. The adjustments encompass several issues affecting the DHS budget, including savings and funding gaps due to changes in caseloads, costs per case, and the federal medical assistance percentage (FMAP); costs associated with emergency response activities; and other program changes arising since the 2022 legislative session. The following summarizes the budget rebalance adjustments:

- Caseload: The rebalance reflects \$21.4 million net General Fund savings based on the fall 2022 caseload forecast. Compared to the fall 2021 forecast, caseloads are lower in the Child Welfare, Intellectual/Developmental Disabilities, and Aging and People with Disabilities (APD) programs. Savings in these programs are partially offset by caseload costs in the Temporary Assistance for Needy Families (TANF) and Healthier Oregon programs. The General Fund costs for the TANF caseload is partially reduced by a one-time shift of \$17.7 million to TANF federal funds. The rebalance includes an \$8.9 million General Fund increase for the Healthier Oregon program.
- Cost Per Case: The rebalance adjustments include a \$36.4 million General Fund increase for higher than budgeted costs per case in the Child Welfare (CW), Self Sufficiency (SSP), and Intellectual/Developmental Disabilities (I/DD) programs. In CW, the net increase reflects higher utilization and costs related to residential treatment, adoption assistance, and guardianship assistance. In SSP, the increase is mostly driven by higher costs per case in the Temporary Assistance for Needy Families program. The SSP cost per case adjustment included in HB 5045 is \$12.2 million lower than the amount included in the agency's December 2022 rebalance report to correct a calculation. In I/DD, two trends are driving the increase in costs per case: a higher than usual number of exception rates approved for adult 24-hour residential services, and a continuing increase in the use of in-home agency services. Children service hours also did not see a decrease during the school months as was typical prior to the COVID-19 pandemic.
- Provider Rates: The rebalance includes a General Fund increase of \$40.3 million for provider rate increases. This includes \$27.8 million General Fund for provider rate increases in the APD program, and \$6.2 million General Fund for the I/DD program. In APD, the nursing facility average daily rate increased 12% compared to the daily rate assumed in the 2021-23 legislatively adopted budget. The increase captures the impact of the statutorily required annual rate adjustment for nursing facilities, as well as a legislatively approved 4% wage add-on for nursing facility employees and extension of a 5% COVID-19 enhancement through the end of the biennium.

Beginning January 1, 2021, DHS funded a 5% rate increase to support I/DD provider agencies with costs related to the workforce shortage and other expenditures related to the pandemic. The increase was scheduled to expire on June 30, 2022 but was extended by DHS through December 2022. In December, the Emergency Board approved a separate request (Item #10) to continue the increase through June 30, 2023, with the understanding the General Fund costs of \$6.3 million would be funded from rebalance savings. The services impacted by this rate adjustment include I/DD group homes, host homes, day support activities, employment services, foster care services, and behavioral support services.

- Hospital Capacity/Decompression Efforts: The rebalance includes a General Fund increase of \$17.3 million for costs related to DHS efforts to free up hospital beds during the pandemic. DHS offered adult foster care providers \$10,000 for each patient admitted directly from a hospital between January 20, 2022 and March 31, 2022 at a cost of \$2.5 million General Fund; and, for the period of April 2022 to September 2022, the agency incurred costs of \$14.8 million for Nurse Crisis Teams to ease acute workforce challenges. In September 2022, the Emergency Board approved an agency request for \$14.8 million General Fund to operate the teams for an additional six

months.

- Eligibility Workload/Personal Services Shortfall: To manage growth in eligibility workload caused by pandemic-related federal policy changes, the agency has hired significantly beyond its current position authority. In January 2023, for example, the agency reported exceeding its budgeted human services specialist positions by more than 600 positions. The rebalance includes a budget adjustment of \$9.8 million General Fund to cover a portion of the cost of these unbudgeted positions.
- Child Welfare Savings: The rebalance includes one-time General fund savings of \$74.1 million in the CW program, including personal service savings of \$33.3 million due to vacant positions, program savings of \$40.8 million due to lower than anticipated utilization of behavior rehabilitation services beds and other support services, and delayed implementation of the new Respite Foster Care benefit.
- Enhanced FMAP Savings: The Families First Coronavirus Response Act increased states' FMAP by 6.2 percentage points during the period of the national COVID-19 public health emergency. The 2021-23 legislatively adopted budget for DHS assumed enhanced FMAP savings through March 31, 2022, and in its fall 2022 rebalance report, the agency reported savings of \$245.7 million General Fund for the period April 1, 2022 to March 31, 2023. The Subcommittee approved additional one-time General Fund savings of \$295.8 million for the period April 1, 2022 to June 30, 2023.
- Expenditure Limitation/Technical Adjustments: The \$383.5 million increase in Federal Funds expenditure limitation is largely driven by federal funds from the 6.2% enhanced FMAP (\$236.2 million), as well as federal matching funds associated with the increases in costs per case (\$73.9 million), and provider rates in APD and IDD discussed above (\$55.6 million). Federal Funds expenditure limitation was also increased by \$17.7 million to reflect the use of TANF federal funds to offset General Fund costs related to growth in TANF caseloads. The \$50.7 million increase in Other funds expenditure limitation includes \$35.6 million to allow the agency to use Federal Emergency Management Agency (FEMA) reimbursements transferred to DHS from the Oregon Department of Emergency Management for hospital decompression and COVID testing-related costs, \$13.5 million for refinancing in the CW program, and \$1.7 million for a transfer from the Department of Early Learning and Care for the costs of an interagency agreement related to the Employment-Related Day Care program. Also approved were one limited duration Administrative Specialist 2 position (0.42 FTE) in Self Sufficiency and various technical adjustments with a net zero budget impact for transfers of positions and funding between programs.

In addition to the budget rebalance changes, the Subcommittee approved several other changes to DHS's budget. A one-time increase of \$7.5 million General Fund was approved to fund the Oregon Food Bank's emergency food supply stabilization efforts, which follows increases approved during the 2022 session and September 2022 meeting of the Emergency Board. An additional one-time increase of \$3.3 million General fund was approved to ensure access to essential long-term care services and supports in underserved communities by supporting community-based care providers experiencing financial distress. DHS received funding in the 2022 session and from the Emergency Board in September 2022 for this purpose, but the number of eligible distressed providers outweighed available funding.

The Subcommittee also approved a one-time increase of \$9.4 million General Fund to cover higher than projected costs for wildfire shelter and feeding, and other emergency housing activities. A \$7.7 million reduction in Other Funds expenditure limitation was also approved to correct expenditure limitation established in error in HB 5202 (2022) for American Rescue Plan Act. This correction reduces the Other Funds expenditure limitation for Aging and People with Disabilities by \$4.4 million and Intellectual and Developmental Disabilities by \$3.3 million.

## **JUDICIAL BRANCH**

### **Oregon Judicial Department**

The Subcommittee approved, on a one-time basis, an increase of \$950,000 Federal Funds expenditure limitation for three grants previously approved for submission to the federal government. The grants include the Family Treatment Court (\$550,297); Adult Treatment courts (\$184,163); and Juvenile Justice Delinquency Prevention (\$215,540).

### **Public Defense Services Commission**

HB 5045 includes, on a one-time basis, an increase of \$1.1 million General Fund for the Public Defense Services Commission's (PDSC) response to the *Watkins v. Ackley* court decision (December 30, 2022) on nonunanimous jury convictions. *Watkins v. Ackley* applies the U.S. Supreme Court ruling in *Ramos v. Louisiana* retroactively to nonunanimous jury convictions, which allows for post-conviction relief of cases challenging their nonunanimous jury conviction. Persons with nonunanimous jury felony conviction have up to two years from the date of the *Watkins v. Ackley* court decision to challenge their conviction. At present, PDSC estimated that there are 225 to 250 existing post-conviction relief cases, with approximately 83 possibly returning for new trial in the next 60 days. The total number of post-conviction cases, and their timing, is currently unknown, but could total up to 2,000 cases. The 2021-23 legislatively approved budget for PDSC already included \$1.9 million General Fund for the U.S. Supreme Court ruling in *Ramos v. Louisiana* for only those persons currently in custody.

Included in the \$1.1 million increase is \$757,765 General Fund for hourly public defense providers to provide legal services to defendants whose cases are remanded for new trials in light of the *Watkins v. Ackley* court decision (based on average estimated hourly case data). The remaining amount represents \$181,864 General Fund provided for associated nonroutine case expenses and \$150,966 General Fund for two contract attorneys to perform post-conviction relief work for the remainder of the biennium. Cases undertaken in this biennium may continue to incur costs during the 2023-25 biennium at an estimated total cost of \$2.8 million General Fund.

The Subcommittee approved a rebalance action related to a \$10 million General Fund Emergency Board allocation for the unrepresented defendant/persons crisis (December 2022, Item #3). The rebalance aligns the agency's revised supplemental crisis plan, which was recently reported to the Legislature, by moving \$3.6 million General Fund from the Trial Criminal Division to Nonroutine Expenses (\$715,885) and Court Mandated Expenses for hourly-paid attorneys (\$2.9 million).

Also supported in the measure, on a one-time basis, is an agency-wide rebalance plan for the agency to complete the current 2021-23 biennium. Rebalance actions include transferring estimated budget savings from the Executive (\$50,000), Compliance, Audit and Performance (600,000), Appellate (\$500,000), Trial Criminal (\$3.7 million), Administrative Services (\$475,000), and the Special Programs, Contracts, and Distributions Divisions (\$150,000) to Nonroutine Expenses (\$865,026), Court Mandated Expenses (\$3.3 million), and the Juvenile Divisions (\$1.4 million). The agency's rebalance proposal was for two reasons: 1) to align the agency's administratively approved unrepresented defendant/persons crisis plan with the associated budget authority; and 2) to fund a \$1.4 million deficit in Juvenile Division (Parent Child Representation Program) expenditures due to a one quarter revenue shortfall in Federal Funds expended as Other Funds from Title IV-E for reimbursement for state expenses from the Department of Human Services. This is the agency's third major rebalance of the biennium.

## **LEGISLATIVE BRANCH**

### **Legislative Assembly**

The Subcommittee approved a net-zero fund shift to rebalance the Legislative Assembly budget. This adjustment includes decreasing the General Fund appropriated for the 81st Legislative Assembly by \$750,000 and increasing the appropriation for the 82nd Legislative Assembly by the same amount.

## **NATURAL RESOURCES**

### **Department of Agriculture**

During the November 2021 meeting of the Interim Joint Committee on Ways and Means, the Department of Agriculture was given approval to apply for a U.S. Department of Agriculture (USDA) grant benefitting seafood processors impacted by the pandemic, as well as a USDA grant intended to mitigate foreign and high-consequence animal diseases. The Department was subsequently awarded over \$1.8 million for both grants. To support grant delivery during the 2021-23 biennium, the Subcommittee approved a \$1 million increase in Federal Funds expenditure limitation for the Market Access program.

In addition, the Subcommittee approved a net-zero fund shift in Federal Funds expenditure limitation between two programs within the Department. The fund shift totals \$600,000, moving excess expenditure limitation from the Natural Resources program to the Food Safety program, where it will be used to support the new Meat Inspection program created by HB 4206 during the 2020 first special session.

### **Department of Environmental Quality**

The Agency Management Division in the Department of Environmental Quality (DEQ) has experienced higher than anticipated expenditures in the 2021-23 biennium, largely driven by professional contracts and temporary staff. This is related to the implementation of Workday Payroll as well as DEQ initiatives supporting strategic planning and improved information technology infrastructure. The division is predominantly

supported by Other Funds, collected through an indirect rate assessment to the other agency programs. The Subcommittee approved a \$1 million increase in Other Funds expenditure limitation to allow for the additional expenditures, using existing agency resources.

### **Department of Fish and Wildlife**

During the September 2022 meeting of the Emergency Board, the Department of Fish and Wildlife received approval to apply for an America the Beautiful Challenge grant, administered by the National Fish and Wildlife Foundation. The subsequent award totaled \$2.8 million, funding the Upper Rogue Oak Initiative project focused on oak habitat restoration. The Subcommittee approved a \$500,000 increase in Federal Funds expenditure limitation for current biennium grant expenditures.

### **Department of Geology and Mineral Industries**

The Department of Geology and Mineral Industries has entered into an interagency agreement with the Department of Forestry to provide Light Detection and Ranging (lidar) services under the Oregon Lidar Consortium. The project totals \$2.2 million for the collection of 4,629 square miles of new lidar data as part of the Private Forest Accord. The Subcommittee approved a \$740,000 increase in Other Funds expenditure limitation to support project expenditures anticipated in the 2021-23 biennium.

### **Department of State Lands**

HB 5045 increases the Other Funds expenditure limitation for the Department of State Lands by \$3.3 million to accommodate the anticipated expenditure of monies from the Common School Fund for removal and cleanup activities related to certain abandoned and derelict vessels on submerged lands owned by the state.

### **Water Resources Department**

The General Fund appropriation made to the Water Resources Department, Field Services Division, is reduced by \$1.5 million. The funding had originally been provided to the agency as one-time investments in two Racial Justice Council recommendations: \$1 million General Fund for equitable water access and \$500,000 General Fund for Indigenous energy resiliency. These items came from recommendations by the Racial Justice Council. Investments focus on exploring the water needs of Black, Indigenous, Tribal, rural and communities of color, addressing Indigenous treaty water rights, water scarcity, hydropower, and ecosystem services. The proposed investments were unlikely to be fully effectuated by the agency in the current biennium. This action allows the Legislature to explore alternative avenues to address the implementation of these recommendations.

## **PUBLIC SAFETY**

### **Department of Corrections**

For the Department of Corrections (DOC), the Subcommittee approved \$1.3 million in Federal Funds expenditure limitation to expend the remaining balance of State Criminal Alien Assistance Program (SCAAP) federal grant. While the Department is no longer eligible to receive

SCAAP funding going forward due to passage of HB 3265 (2021), some funding remains available that DOC had previously received from the federal government as part of the fiscal year 2020 grant award.

Additionally, two budget-neutral fund shifts were approved. The first is a fund shift of \$15.9 million of American Rescue Plan Act (ARPA) funding that had been provided to DOC for deferred maintenance, being shifted to Operations to address a budget shortfall in that area. The budget shortfall is a result of the inflationary costs of food; fuels and utilities; personal items for adults in custody, such as clothes, bedding, paper products, and personal supplies; the unbudgeted cost of collective bargaining agreements; and the cost of ongoing habeas corpus cases. While the Department's deferred maintenance needs remain, logistically the anticipated projects could not be undertaken in the current biennium, allowing for the utilization of available ARPA funding for the operational needs of the Department in lieu of a General Fund request.

The second budget-neutral fund shift includes technical adjustments that shift costs between programs within DOC to rebalance the Department's budget. These include: \$5.5 million from health services, \$3.8 million from correctional services, and \$600,000 from community corrections shifted to central administration, totaling \$9.9 million. The available funding comes from delayed rollout of the Hepatitis C vaccine due to the COVID-19 pandemic and vacancy savings in correctional services and community corrections that will be utilized to fund a budget shortfall in central administration for human resource positions to address recruitment issues and information technology-related costs.

The Subcommittee also approved a reduction of \$30.2 million General Fund to reconcile actions taken by the Emergency Board in September 2022, which had provided \$30.2 million of remaining Coronavirus Relief Fund (CRF) monies to the Department for payroll expenses, which are an eligible use of CRF. This action was intended to act as a fund shift from General Fund to Other Funds; however, because the Emergency Board cannot reduce an agency's budget authority, the General Fund was unscheduled but remained within the Department's budget until it could be reconciled by the Legislature.

Finally, a legal reference correction was approved related to \$363,582 of ARPA funding provided in HB 5202 (2022) that had been incorrectly referred to as Coronavirus Aid, Relief, and Economic Security Act funding.

#### **Department of Justice**

HB 5045 disappropriates \$3.2 million General Fund for the Defense of Criminal Convictions (DCC) due to an agency forecasting error in projecting the cost of capital cases. DCC is a budgetary unit used to track the cost of defending the state in cases in which sentenced offenders challenge their convictions or sentences.

The Subcommittee approved, as a one-time rebalance action, the transfer of \$1 million Other Funds expenditure limitation from the General Counsel Division to the Appellate Division to fund a deficit in the Appellate Division, which is reporting higher projected personal service and services and supplies costs than budgeted. Vacancy savings in the General Counsel Division is the source of the transferred funds.

### **District Attorneys**

The Subcommittee approved, on a one-time basis, an increase of \$230,000 General Fund for the final reconciliation of personal service costs for the biennium. This reconciliation accounts for the unfunded portion of Other Payroll Expenses (Social Security taxes; Workers Compensation assessment; Mass Transit taxes; Public Employees Retirement System; Pension Obligation Bonds; and a district attorney's health benefit plan choices). Such a technical adjustment occurs each odd numbered year as part of the early session omnibus measure. A portion of the total request is offset by vacancy savings and savings in the cost of grand jury recordation (\$220,000).

### **Oregon Military Department**

For the Oregon Military Department (OMD), the Subcommittee approved the necessary net-zero funding adjustments to reconcile the establishment of the Department of Emergency Management as an independent agency. The initial funding and all position authority were transferred in HB 5202 (2022) and this reconciliation transfers the remaining current biennium operational budget for the new department. This includes transfers of \$2.8 million General Fund, \$6.3 million Other Funds, and \$177.6 million Federal Funds.

The Subcommittee also approved the reversion of \$1.3 million General Fund provided to OMD at the December 2020 meeting of the Emergency Board as state matching funds for the Federal Emergency Management Agency's Other Needs Assistance program. While this program is typically reimbursed at 75% federal and 25% state, a presidential declaration adjusted the reimbursement amount to 90% federal and 10% state, allowing for the funds to be repurposed.

### **Department of Emergency Management**

The Subcommittee approved the necessary funding adjustments to reconcile the establishment of the Department of Emergency Management as an independent agency. The initial funding and all position authority were provided in HB 5202 (2022) and this reconciliation transfers the remaining current biennium operational budget for the Department. The amounts include \$2.8 million General Fund and \$6.3 million Other Funds to the Administration program, \$11.8 million Federal Funds for the Preparedness and Response program, and \$165.6 million Federal Funds for the Mitigation and Recovery program.

Additional funding provided to the Department includes approximately \$3.6 million General Fund, on a one-time basis, for the construction of the Emergency Communications Center, located on the first floor of the Department's headquarters building. Of the funding provided, \$1.3 million comes from federal reimbursement of funding that was first provided to the Oregon Military Department by the December 2020 Emergency Board as state matching funds for the Federal Emergency Management Agency's Other Needs Assistance program. While this program is typically reimbursed at 75% federal and 25% state, a presidential declaration adjusted the reimbursement amount to 90% federal and 10% state, allowing for these funds to be repurposed.

### **Department of State Police**

The Subcommittee approved an increase of \$125,040 Other Funds expenditure limitation for the Office of the State Fire Marshal, within the Department of State Police, for the reclassification of five existing positions to align the types of positions with the operational workload needs of the Office, as it becomes an independent agency on July 1, 2023. The position reclassifications include two Training and Development positions reclassified to a Program Analyst 2 and increasing two Program Analyst 2 positions and a Fire Protection Manager 2 upward to the equivalent level 3 for each classification.

## **TRANSPORTATION**

### **Department of Transportation**

Other Funds expenditure limitation for the Department of Transportation's maintenance and emergency relief programs is increased by \$70 million to accommodate a higher than anticipated volume of expenditures resulting from weather events that have damaged or disrupted state highways. The Department anticipates that the Federal Highway Administration will reimburse between 90-100% of all emergency relief costs. An additional \$200 million in Other Funds expenditure limitation included in HB 5045 is attributable to the modernization program for the U.S. 20 and U.S. 97 Bend North Corridor and I-205 Abernathy Bridge improvement projects currently underway, due to contractors hitting projected milestones sooner than anticipated.

PRELIMINARY