

Senate Bill 474

Sponsored by Senators SCHRADER, MORSE, DECKERT, WESTLUND, Representatives JENSON, BURLEY, ESQUIVEL, BERGER, BRUUN

SUMMARY

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

Requires Governor's budget to include proposed spending target for General Fund and lottery moneys. Requires cochairs of Joint Legislative Committee on Ways and Means to propose, and Legislative Assembly to adopt, spending agreement resolution prior to March 31 for following biennium. Prohibits enactment of bills after March 31 if spending agreement has not been reached. Prohibits Legislative Assembly from enacting bills during regular session that in total appropriate or allocate more or less than amount agreed to under spending agreement. Specifies circumstances under which spending agreement may be modified.

Requires budget presentations of judicial, legislative and executive departments to include performance measures and prioritized list of services provided. Requires budget presentation of state agency to include plans for improvements in agency operations proposed improvement projects.

A BILL FOR AN ACT

1
2 Relating to state financial administration; creating new provisions; amending ORS 291.216 and
3 293.190; repealing ORS 291.120; and appropriating money.

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

5 **SECTION 1. (1) The cochairs of the Joint Legislative Committee on Ways and Means**
6 **shall prepare a resolution setting forth a spending agreement for adoption by the Legislative**
7 **Assembly. The spending agreement shall contain the elements described in section 2 of this**
8 **2007 Act. In establishing the proposed amount of the spending agreement, the cochairs, in**
9 **consultation with the chairs of the House and Senate Revenue Committees, shall consider:**

10 (a) **The estimated amount of General Fund revenues and net proceeds of the state lottery**
11 **for the biennium beginning July 1 of the year in which a regular legislative session begins,**
12 **as shown in the quarterly revenue estimate for the first quarter of the year in which the**
13 **regular legislative session begins;**

14 (b) **The need for a reasonable and prudent ending balance; and**

15 (c) **The factors that the Governor is required by section 7 (5) of this 2007 Act to consider**
16 **in proposing a spending target under section 7 (4) of this 2007 Act.**

17 (2) **The Legislative Assembly shall adopt the resolution prepared under subsection (1) of**
18 **this section prior to March 31 of the year in which a regular legislative session begins.**

19 **SECTION 2. The spending agreement required by section 1 of this 2007 Act shall:**

20 (1) **Set forth the amount of moneys that the Legislative Assembly is required to:**

21 (a) **Appropriate from the General Fund in the legislatively adopted budget;**

22 (b) **Allocate from the net proceeds of the state lottery in the legislatively adopted budget;**

23 **and**

24 (c) **Set aside as an ending balance.**

25 (2) **Based on the amount of moneys established under subsection (1) of this section, set**
26 **forth the initial percentages of General Fund moneys and net proceeds of the state lottery**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 that each of the following subcommittees of the Joint Legislative Committee on Ways and
 2 Means is required to recommend be appropriated or allocated in the legislatively adopted
 3 budget for programs within the purview of the subcommittee:

- 4 (a) Education;
- 5 (b) General Government;
- 6 (c) Human Services;
- 7 (d) Natural Resources;
- 8 (e) Public Safety; and
- 9 (f) Transportation and Economic Development.

10 (3) Based on the amount of moneys established under subsection (1) of this section, set
 11 forth the initial percentage of General Fund moneys that the Legislative Assembly is re-
 12 quired to appropriate to the Emergency Board:

- 13 (a) As a general purpose appropriation; and
- 14 (b) For salary adjustments.

15 (4) Based on the amount of moneys established under subsection (1) of this section, set
 16 forth an amount of General Fund moneys that the cochairs may recommend be appropriated
 17 to state agencies as rewards under section 13 of this 2007 Act.

18 **SECTION 3.** (1) The Legislative Assembly may not enact any bills in its regular session
 19 after March 31 of the year in which the session begins unless the Legislative Assembly has
 20 adopted a spending agreement resolution as required by section 1 of this 2007 Act on or be-
 21 fore that date. A bill enacted by the Legislative Assembly in violation of this subsection is
 22 void.

23 (2) The Joint Legislative Committee on Ways and Means may not recommend bills that
 24 in total appropriate or allocate more or less than the total amount allowed under the
 25 spending agreement.

26 (3) Except as provided in subsection (4) of this section, a subcommittee of the Joint
 27 Legislative Committee on Ways and Means may not recommend bills that in total appropri-
 28 ate or allocate more or less than the initial amount allowed for the subcommittee under the
 29 spending agreement.

30 (4) The initial percentages established in section 2 (2) and (3) of this 2007 Act for appri-
 31 priation or allocation by subcommittees and for appropriation to the Emergency Board may
 32 be changed by agreement of the cochairs of the Joint Legislative Committee on Ways and
 33 Means based on testimony presented to subcommittees. Nothing in this subsection author-
 34 izes the cochairs to change the total amount agreed to in the spending agreement.

35 (5) The Legislative Assembly may not enact bills in its regular session that in total ap-
 36 propriate or allocate more or less than the amount agreed to under the spending agreement.

37 (6) After a spending agreement has been reached, if the Joint Legislative Committee on
 38 Ways and Means ceases to function jointly or ceases serving as the budget committee for
 39 the Legislative Assembly, the spending agreement is void and the Legislative Assembly is not
 40 bound by the terms of the agreement or by the provisions of sections 1 to 5 of this 2007 Act.

41 (7) For purposes of this section, a bill is enacted when both houses of the Legislative
 42 Assembly have passed the same version of the bill.

43 **SECTION 4.** (1) Notwithstanding section 3 of this 2007 Act, if a quarterly revenue esti-
 44 mate released after the spending agreement required by section 1 of this 2007 Act is reached,
 45 but before the end of the legislative session during which the agreement was reached, indi-

1 cates that the estimated amount of General Fund revenues available for the biennium to
 2 which the spending agreement applies is greater than the amount on which the spending
 3 agreement was based, the increased amount shall be distributed as follows:

4 (a) 25 percent of the increase shall be set aside to be part of the ending balance;

5 (b) 50 percent of the increase shall be deposited into the Education Stability Fund es-
 6 tablished by ORS 348.696; and

7 (c) 25 percent of the increase shall be appropriated for programs as determined by the
 8 cochairs of the Joint Legislative Committee on Ways and Means.

9 (2) If a quarterly revenue estimate released after the spending agreement required by
 10 section 1 of this 2007 Act is reached, but before the end of the legislative session during
 11 which the agreement is reached, indicates that the amount of General Fund revenues avail-
 12 able for the biennium to which the spending agreement applies is less than the amount on
 13 which the spending agreement was based, the Legislative Assembly shall raise a sufficient
 14 amount of revenue to meet the terms of the spending agreement.

15 (3)(a) Notwithstanding subsection (2) of this section, if a recession occurs after the
 16 spending agreement is reached, but before the end of the legislative session during which the
 17 spending agreement is reached, the agreement may be modified. The cochairs of the Joint
 18 Legislative Committee on Ways and Means shall prepare a resolution proposing modifications
 19 to the spending agreement. The modified spending agreement becomes effective on the date
 20 the resolution is adopted by both houses of the Legislative Assembly.

21 (b) For purposes of this subsection, a recession occurs if the Legislative Assembly finds
 22 that one of the economic events described in section 4 (6), Article XV of the Oregon Consti-
 23 tution has occurred. Nothing in this paragraph requires more than a majority vote of mem-
 24 bers serving in each house of the Legislative Assembly to approve modifications to the
 25 spending agreement.

26 (4) Expenditures or revenues that result from initiatives adopted by the people after the
 27 effective date of the spending agreement but prior to the end of the legislative session during
 28 which the agreement is reached are not subject to the agreement.

29 **SECTION 5.** As used in sections 1 to 5 of this 2007 Act:

30 (1) "General purpose appropriation," when used in reference to an appropriation to the
 31 Emergency Board, means an appropriation to the Emergency Board that gives the board
 32 discretion to allocate the appropriated moneys at any time for any purpose for which the
 33 board may lawfully allocate moneys.

34 (2) "Legislatively adopted budget" has the meaning given that term in ORS 291.002.

35 (3) "Spending agreement" means an agreement presented to and adopted by the Legisla-
 36 tive Assembly as required by section 1 of this 2007 Act and an agreement modified as pro-
 37 vided in section 4 of this 2007 Act.

38 **SECTION 6.** Section 7 of this 2007 Act is added to and made a part of ORS 291.201 to
 39 291.222.

40 **SECTION 7.** (1) The Governor shall include in the budget report submitted to the Legis-
 41 lative Assembly under ORS 291.216 a proposed budget for the state in which total proposed
 42 expenditures and total anticipated income are balanced.

43 (2) The proposed budget shall show the sources of total anticipated income, including but
 44 not necessarily limited to:

45 (a) The amount of revenue estimated under ORS 291.342 to be available for the fiscal year

1 in which the budget report is prepared, adjusted to reflect projections for the biennium for
2 which the proposed budget is presented;

3 (b) The amount to be borrowed, if any; and

4 (c) The amount to be realized from projected increases in taxes or fees, if any.

5 (3) The proposed budget shall include all dedicated funds, as well as the General Fund,
6 and shall include the estimated amounts of federal and other aids or grants to state agencies
7 or activities provided for any purpose whatever, together with estimated expenditures
8 therefrom.

9 (4) The Governor shall include in the proposed budget a spending target for General Fund
10 moneys and net proceeds of the state lottery. The spending target shall be the sum of the
11 amount the Governor proposes be appropriated from the General Fund, the amount the
12 Governor proposes be allocated from net proceeds of the Oregon State Lottery and the
13 amount the Governor proposes be set aside as an ending balance.

14 (5) In determining the amount of the spending target prepared under subsection (4) of
15 this section, the Governor shall consider at least the following:

16 (a) How each of the following factors has changed since the budget for the current
17 biennium was enacted by the Legislative Assembly:

18 (A) The population of the state;

19 (B) Inflation;

20 (C) Personal income of residents of the state; and

21 (D) Agency costs attributable to increases in the population served or to inflation in
22 relevant aspects of an agency budget that is not necessarily accurately reflected in the in-
23 flation number considered under subparagraph (B) of this paragraph;

24 (b) The financial impacts of unfunded mandates resulting from voter-approved initiatives
25 and of unfunded federal mandates if the mandates have been imposed or their impacts have
26 changed since the budget for the current biennium was enacted by the Legislative Assembly;

27 (c) The amount and availability of moneys in the Education Stability Fund and other re-
28 serve accounts; and

29 (d) The basic service and investment needs of the state.

30 (6) The budget report shall include a summary of the data and assumptions used by the
31 Governor in reaching a spending target, including, but not necessarily limited to, data and
32 assumptions described in subsection (5) of this section.

33 **SECTION 8.** ORS 291.216 is amended to read:

34 291.216. (1) Not later than November 10 of each even-numbered year the Governor shall cause
35 the budget report to be compiled and prepared for printing.

36 (2) The budget report shall include a budget message prepared by the Governor[, *including rec-*
37 *ommendations of the Governor with reference to the fiscal policy of the state government for the coming*
38 *biennium,*] describing the important features of the budget. [*plan, embracing a general budget sum-*
39 *mary setting forth the aggregate figures of the budget report so as to show a balanced relation between*
40 *the total proposed expenditures and the total anticipated income, with the basis and factors on which*
41 *the estimates are made, the amount to be borrowed, and other means of financing the estimated*
42 *expenditures for the ensuing biennium, compared with the corresponding figures for at least the last*
43 *completed biennium and the current biennium.*]

44 (3) The budget [*plan*] **report** shall be supported by explanatory schedules or statements[, *classi-*
45 *fying the*] **that:**

1 **(a) Classify the proposed** expenditures *[reported therein, both past and proposed,]* by organiza-
2 tion units, objects and funds[, *and the*];

3 **(b) Classify the anticipated** income by organization units, sources and funds[, *and*];

4 **(c) List** the proposed amount **and sources** of new borrowing; **and** *[as well as]*

5 **(d) List all** proposed new tax *[or]* **and** revenue sources, including *[a single comprehensive list*
6 *of]* **but not limited to** all proposed increases in fees, licenses and assessments *[assumed in the*
7 *budget plan]*.

8 *[(4) The budget plan shall be submitted for all dedicated funds, as well as the state General Fund,*
9 *and shall include the estimated amounts of federal and other aids or grants to state agencies or activ-*
10 *ities provided for any purpose whatever, together with estimated expenditures therefrom.]*

11 *[(5)] (4)(a)* The budget report *[shall embrace the detailed estimates of expenditures and revenues.*
12 *It]* shall include statements of the bonded indebtedness of the state government, showing the actual
13 amount of the debt service for at least the past biennium, and the estimated amount for the current
14 biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking
15 funds and the borrowing capacity.

16 **(b) The budget report shall include, in a format that provides side-by-side comparison**
17 **with the State Debt Policy Advisory Commission report of net debt capacity, a six-year**
18 **forecast, by debt type and repayment source, of:**

19 **(A) That portion of the capital construction program required to be reported by ORS**
20 **291.224 that will be financed by debt issuance.**

21 **(B) The acquisition of equipment or technology in excess of \$500,000 that will be financed**
22 **by debt issuance.**

23 **(C) Other state agency debt issuance for grant or loan purposes.**

24 **(5) The budget report** *[It]* shall contain the Governor's recommendations concerning tax
25 expenditures identified under ORS 291.214. *[It shall also contain any statements relative to the finan-*
26 *cial plan which the Governor may deem desirable or which may be required by the legislature.]*

27 *[(6) The budget plan shall use the estimated revenues under ORS 291.342 for the fiscal year in*
28 *which the plan is submitted as the basis for total anticipated income under subsection (2) of this section,*
29 *subject to such adjustment as may be necessary to reflect accurately projections for the next*
30 *biennium.]*

31 *[(7) As supplemental information to the budget report, the Governor shall publish an existing level*
32 *tentative budget plan for the two fiscal years for which the budget report is required. This summary*
33 *budget shall reflect only existing revenues estimated under subsection (6) of this section; subject to such*
34 *adjustment as may be necessary to reflect accurately projections for the next biennium. The supple-*
35 *mental information to the budget report shall be submitted at the same time as the budget report.]*

36 *[(8)(a)] (6)(a)* The budget report shall present information regarding the **proposed** expenses of
37 the state in the following categories:

38 **(A) Personnel expenses, including compensation and benefits for state employees, but excluding**
39 **costs of services contracted out and temporary service costs.**

40 **(B) Supplies, equipment and the costs of services contracted out.**

41 **(C) Capital construction.**

42 **(D) Capital outlay.**

43 **(E) Debt service.**

44 **(b) For each category described in paragraph (a) of this subsection, the report shall show actual**
45 **expenditures** *[to date]* **for the fiscal year immediately preceding the fiscal year in which the**

1 **report is prepared.**

2 (c) *[For each category described in paragraph (a) of this subsection,]* The report shall show **the**
3 **following information regarding proposed expenses:**

4 (A) The amount of merit increases **proposed** for the existing workforce.

5 (B) **Anticipated** increases *[for]* **from the current biennium in** the cost of replacement and
6 repair of supplies and equipment.

7 (C) **Anticipated** increases *[for]* **from the current biennium in** the *[costs]* **cost** of new con-
8 struction *[or]* **and** major remodeling.

9 (D) **Anticipated** increases *[for the cost of]* **due to** inflation.

10 (d) The report shall show the total increase in the cost of salaries and benefits for all state
11 positions.

12 *[(9)]* (7) The budget report shall include:

13 (a) The total number of positions included in the budget.

14 (b) The average vacancy rate in the *[present]* **current** biennium.

15 (c) The number of permanent, full-time equivalent vacancies, excluding academics, as of July 1
16 of even-numbered years.

17 **(8) The budget report shall include for each state agency subject to the control of the**
18 **Governor:**

19 **(a) Performance measures;**

20 **(b) A prioritized list of the services provided by the agency; and**

21 **(c) A list and descriptions of plans for improvement and proposed improvement projects**
22 **submitted to the Oregon Department of Administrative Services under section 14 of this 2007**
23 **Act.**

24 *[(10) The budget report shall include computations showing budget figures as a percentage of the*
25 *total General Fund, federal fund, fee or other source category, as may be appropriate.]*

26 *[(11) The budget report shall include, in a format that provides side-by-side comparison with the*
27 *State Debt Policy Advisory Commission report of net debt capacity, a six-year forecast, by debt type*
28 *and repayment source, of:]*

29 *[(a) That portion of the capital construction program required to be reported by ORS 291.224 that*
30 *will be financed by debt issuance.]*

31 *[(b) The acquisition of equipment or technology in excess of \$500,000 that will be financed by debt*
32 *issuance.]*

33 *[(c) Other state agency debt issuance for grant or loan purposes.]*

34 *[(12) As supplemental information to the budget report, the Governor shall prepare an alternative*
35 *budget plan for the two fiscal years for which the budget report is required and shall provide the al-*
36 *ternative budget plan to the President of the Senate, the Speaker of the House of Representatives and*
37 *the majority and minority leaders in the Senate and the House of Representatives. The alternative*
38 *budget plan shall establish funding for each state agency's programs and activities at 90 percent of the*
39 *appropriations requested for the state agency in the budget report, excluding appropriations that are*
40 *not made to fund recurring activities. For each state agency, the Governor shall describe the 10 percent*
41 *reduction in appropriated moneys in terms of the activities or programs that the agency will not*
42 *undertake. The activities or programs that are not undertaken as a result of the reductions in appro-*
43 *priated moneys made in the alternative budget plan shall be ranked in order of importance and priority*
44 *on the basis of lowest cost for benefit obtained.]*

45 **SECTION 9. Section 10 of this 2007 Act is added to and made a part of ORS 291.201 to**

1 **291.222.**

2 **SECTION 10.** (1) The Governor shall prepare the following alternative budget plans as
3 supplements to the budget report required by ORS 291.216:

4 (a) An existing level tentative budget plan for the biennium for which the budget report
5 is required. The tentative budget plan shall be based solely on existing revenue. For purposes
6 of this paragraph, existing revenue is the total amount of revenue estimated under ORS
7 291.342 to be available for the fiscal year in which the budget report is prepared, adjusted to
8 reflect projections for the biennium for which the budget report is presented.

9 (b) A current services budget plan for the biennium for which the budget report is pre-
10 pared. The current services budget plan shall show how the current activities and programs
11 of each state agency would be funded in the biennium for which the budget report is pre-
12 sented if there were no change in activities or programs.

13 (c) A 90 percent budget plan for the biennium for which the budget report is presented.
14 The 90 percent budget plan shall show funding for each state agency's programs and activ-
15 ities at 90 percent of the amount requested for the state agency in the budget report sub-
16 mitted by the Governor under ORS 291.216, excluding amounts that are requested for funding
17 nonrecurring programs or activities. For each state agency, the Governor shall describe the
18 10 percent reduction in requested funding in terms of the programs or activities that the
19 agency will not undertake. The Governor shall rank the programs or activities that will not
20 be undertaken as a result of the reductions in funding made in the 90 percent budget plan
21 in order of importance and priority on the basis of cost for benefit obtained.

22 (2) The alternative budget plans required by this section shall be published and distrib-
23 uted at the same time, to the same persons and in the same manner as the budget report
24 required by ORS 291.216.

25 **SECTION 11.** (1) A person making a budget presentation to the Joint Legislative Com-
26 mittee on Ways and Means by or on behalf of units of the judicial department as defined in
27 ORS 174.113, the legislative department as defined in ORS 174.114 or the executive depart-
28 ment as defined in ORS 174.112 shall include performance measures and a prioritized list of
29 services provided by the unit for which the budget is presented. The information required
30 by this subsection shall be presented to the committee at a time specified by the cochair-
31 s of the committee.

32 (2) The Joint Legislative Committee on Ways and Means shall review the performance
33 measures and priorities submitted under subsection (1) of this section. As part of the com-
34 mittee's budget report, the committee may recommend changes to the performance meas-
35 ures or priorities.

36 **SECTION 12.** As used in sections 13 and 14 of this 2007 Act:

37 (1) "Improvement project" means a project that implements a plan for improvement of-
38 fered to the Joint Legislative Committee on Ways and Means under section 13 of this 2007
39 Act.

40 (2) "State agency" has the meaning given that term in ORS 291.002.

41 **SECTION 13.** (1) The Joint Legislative Committee on Ways and Means may not hold
42 public hearings on a state agency's budget until the agency has presented to the cochair-
43 s of the committee or to the Legislative Fiscal Officer a written description of plans for im-
44 provement in agency operations. Plans for improvement may include, but need not be lim-
45 ited to, changes in agency processes or activities that reduce costs, improve the quality of

1 the agency's services, shorten the time for accomplishing the agency's mission or otherwise
 2 improve the way the agency carries out its mission and meets the performance measures
 3 identified under section 11 of this 2007 Act.

4 (2) Each state agency that includes plans for improvement under subsection (1) of this
 5 section shall:

6 (a) Report to the Joint Legislative Audit Committee created by ORS 171.580 on the
 7 progress and results of improvement projects at least once in the interim after the budget
 8 presentation under subsection (1) of this section; and

9 (b) Include in its budget presentation to the Joint Legislative Committee on Ways and
 10 Means for the next biennium a report on the results of any improvement projects under-
 11 taken as a result of the plans for improvement presented in the prior budget cycle.

12 (3) The cochairs may recommend a reward for a state agency that does an exceptionally
 13 good job of implementing the agency's plans for improvement. The rewards may include, but
 14 need not be limited to:

15 (a) Additional moneys appropriated from the General Fund to the agency;

16 (b) Additional discretion for the agency in choosing how to spend moneys in its budget;
 17 and

18 (c) Public recognition.

19 **SECTION 14.** At the time that a state agency submits budget estimates and requests to
 20 the Oregon Department of Administrative Services under ORS 291.208, the agency shall also
 21 submit plans for improvement and descriptions of proposed improvement projects for inclu-
 22 sion in the budget report issued by the Governor under ORS 291.216.

23 **SECTION 15.** ORS 293.190 is amended to read:

24 293.190. (1) On December 31 in each odd-numbered year, all General Fund appropriation bal-
 25 ances [*as recorded on*] **shown in** the records of the Oregon Department of Administrative Services
 26 for the prior biennium shall revert to the General Fund except for capital construction, continuing
 27 contracts, contested claims, special appropriations designated by legislative action [*or savings con-*
 28 *tinuously appropriated to agencies under ORS 291.120*] **and moneys described in subsection (4) of**
 29 **this section.**

30 (2) On December 31 in each odd-numbered year, all limitation balances on any separate fund or
 31 cash account in the State Treasury shall be canceled except for continuing contracts, contested
 32 claims or special limitations designated by legislative action.

33 (3) Notwithstanding subsections (1) and (2) of this section, under conditions [*which*] **that** shall
 34 be described by the department by rule, upon request, an extension may be granted to allow an
 35 agency to make final analyses and corrections before an appropriation or limitation is canceled. The
 36 procedures for requesting an extension and the criteria for approving the request shall be estab-
 37 lished by the department.

38 (4) **A state agency may keep one-half of any General Fund appropriation balance for that**
 39 **agency for the prior biennium that is shown in the records of the Oregon Department of**
 40 **Administrative Services under subsection (1) of this section. Moneys retained by an agency**
 41 **under this subsection are continuously appropriated to the agency to be used for one-time**
 42 **expenditures.**

43 **SECTION 16.** ORS 291.120 is repealed.
 44