

# Oregon Legislative Fiscal Office and State of Oregon Budget

February 2017

# Constitutional Responsibility of Legislature: To balance the budget

## **Article IX, Section 2 - Legislature to provide revenue to pay current state expenses and interest.**

The Legislative Assembly shall provide for raising revenue sufficiently to defray the expenses of the State for each fiscal year, and also a sufficient sum to pay the interest on the State debt, if there be any.

## **Article IX, Section 4 - Appropriation necessary for withdrawal from treasury.**

No money shall be drawn from the treasury, but in pursuance of appropriations made by law.

## **Article IX, Section 6 - Deficiency of funds; tax levy to pay.**

Whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year.

# Oregon's Budget Policy

## **Based on principles of:**

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

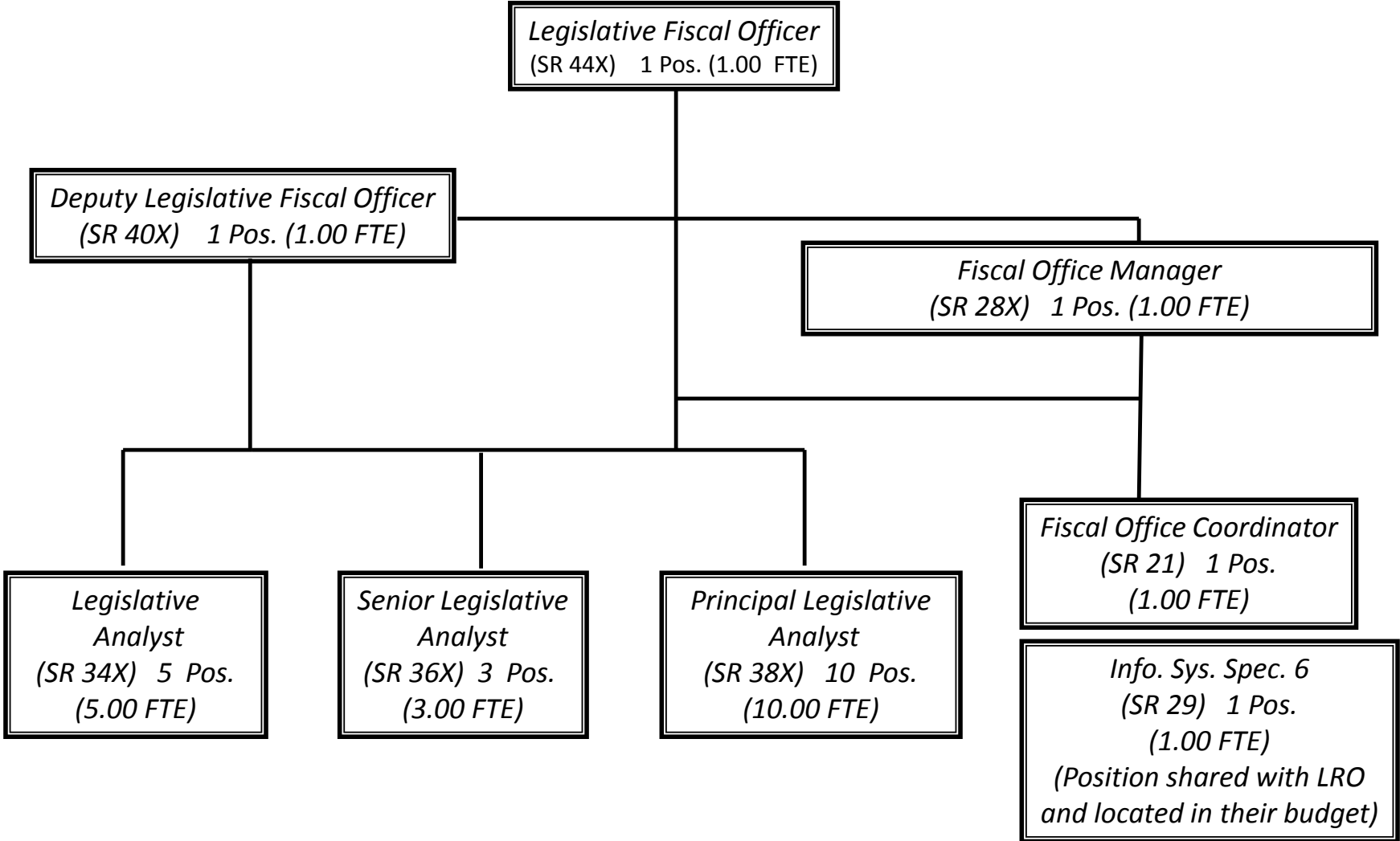
# Mission

**The Legislative Fiscal Office's mission is to promote state fiscal accountability.**

The Legislative Fiscal Office (LFO) provides objective research, analysis, and evaluation of state expenditures, financial affairs, program administration, and agency operations. LFO also provides staffing to several legislative committees.

LFO was created in 1959 as a non-partisan, independent, permanent professional support staff office to the Legislature.

# LFO Organization Chart



# Session Responsibilities

- Review agency budgets for accuracy
- Analyze fiscal and policy issues
- Examine revenue sources, expenditure limitations, expenditure patterns, staffing levels, and proposed law changes
- Review impact of budget reductions or enhancements
- Make recommendations to the Legislature related to agency budgets
- Prepare fiscal impact statements
- Respond to questions and collect information requested by legislators
- Facilitate bill amendments, budget note and budget report finalization, and presentation of Ways and Means Subcommittee decisions for the Full Ways and Means Committee
- Assist bill carriers on House and Senate floors

# Interim Responsibilities

- Analyze and make recommendations on agency requests to the Emergency Board and interim Joint Committee on Ways and Means
- Evaluate and audit programs when issues are identified or as directed by the Legislature
- Analyze reports and make recommendations on major information technology projects and investments
- Publish briefs on budget-related topics and issues of interest to the Legislature
- Produce regular reports on Liquidated and Delinquent Accounts and on Semi-Independent State Agencies
- Review state agency budget execution and operations
- Work to enhance the effectiveness of Oregon's statewide key performance measurement system
- Other duties as assigned (e.g. Task Force on Reserve Funds)

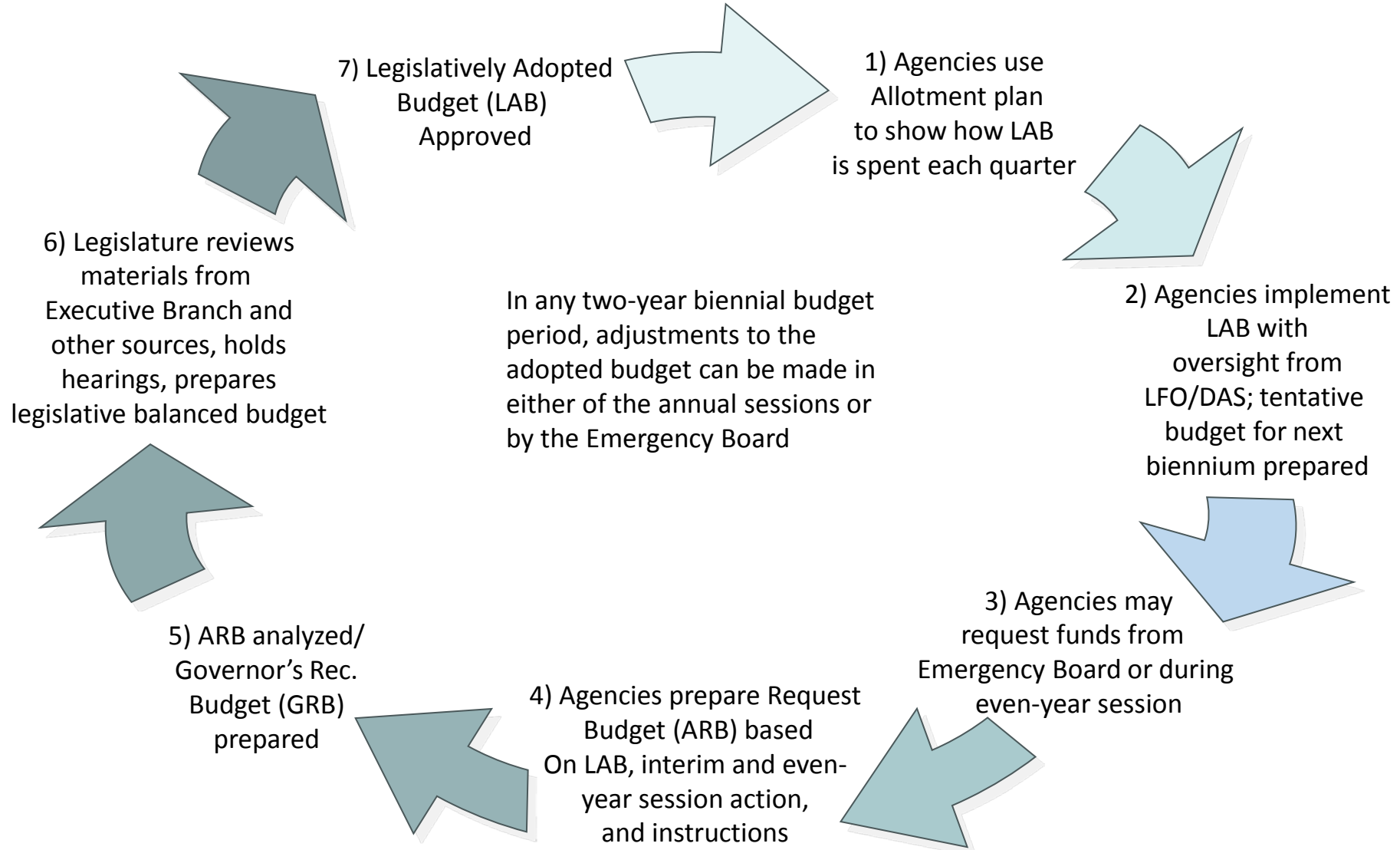
# LFO Staffing

- **Emergency Board** is a constitutional body responsible for making certain allowable budget adjustments when the Legislature (and the Joint Committee on Ways and Means) is not in session.
- **Joint Legislative Audit Committee** is responsible for reviewing audits, conducting evaluations, and making recommendations for change based on audit findings.
- **Joint Legislative Committee on Information Management and Technology** is responsible for establishing statewide policy on information systems and technology and making recommendations on information resource management programs and information technology acquisitions.
- **Transparency Oregon Advisory Commission** is responsible for advising and making recommendations to the Department of Administrative Services on the creation, contents, operations, and enhancements to the state's transparency website.

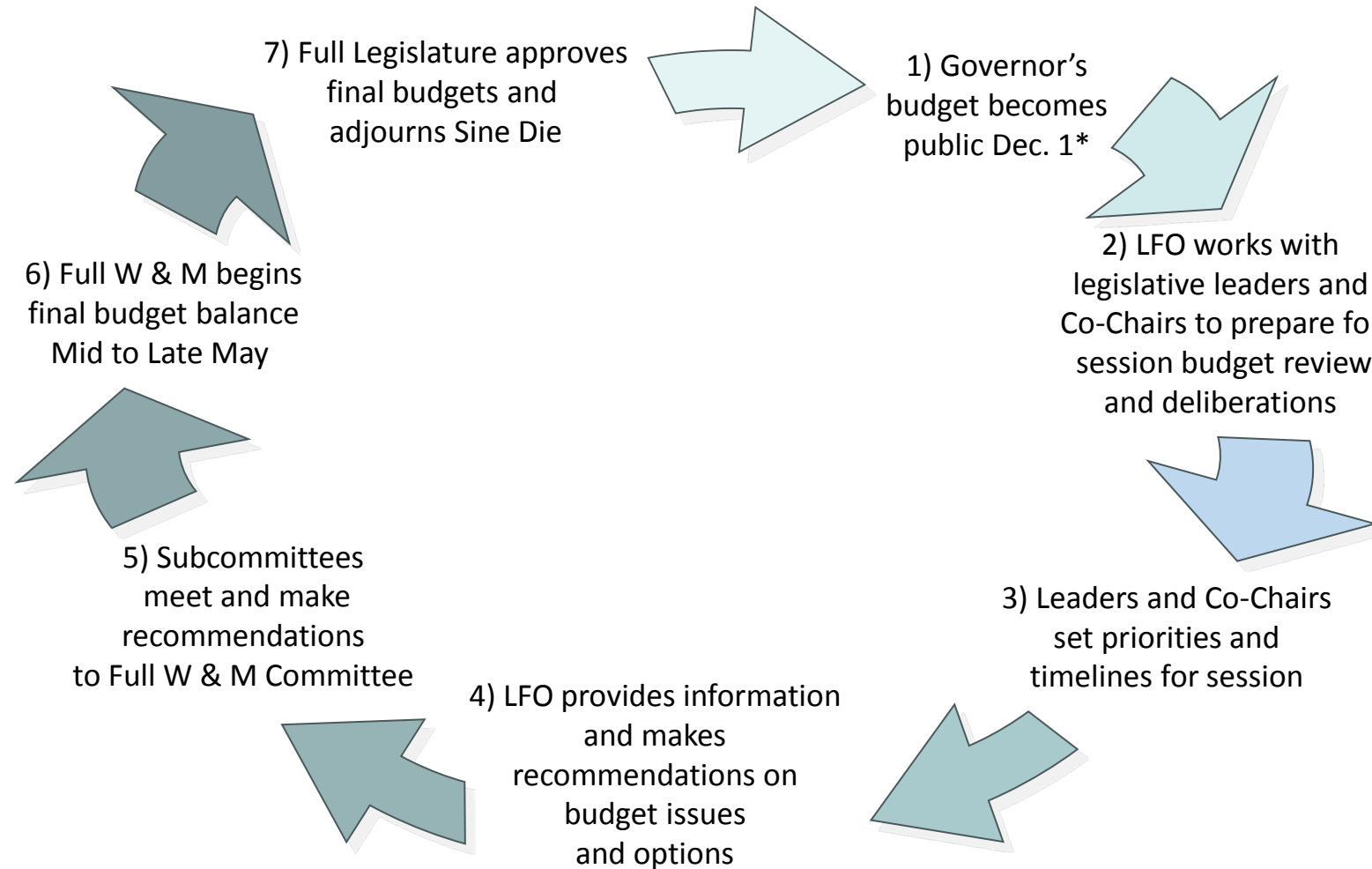


# Oregon Budget Process – Two Year

Oregon budgets on a biennial basis (July 1<sup>st</sup> of odd-year to June 30<sup>th</sup> of next odd-year)



# Oregon Budget Process – Odd-Year Session



\*Required by February 1<sup>st</sup> for Newly Elected Governor

# Budget Process Detail

- Budget consists of four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds)
- General Fund is “fungible”
- Lottery Funds dedicated to economic development, education, parks/salmon habitat
- Other Funds and Federal Funds dedicated by law for specific purposes
- Other Funds and Federal Funds broken into limited and non-limited categories

# Budget Process Detail

Budget tracks expenditure categories:

- **Personal Services** includes personnel costs (wages, PERS, benefits, social security, etc.)
  - Budget also tracks positions and FTE (full-time equivalent)
- **Services & Supplies** includes operation costs (travel, office supplies, rent, legal expenses, contracts, expendable property, etc.)
- **Special Payments** includes revenue transfers and other payments
- **Capital Outlay** includes products with value of more than \$5,000, life of more than 2 years, used more than once
- **Capital Improvement** includes construction, remodel, improvement costs of less than \$1 million
- **Major Construction/Acquisition (or Capital Construction)** includes construction, remodel, improvement costs of more than \$1 million (\$3 million or more for OUS projects); established for a six-year period
- **Debt Service** includes principal and interest payments on bonds and certificates of participation

# Budget Process Details

- Appropriation bills are the budgetary control
- Appropriation bills are session law (Oregon Laws)
- Appropriation bills are not detailed to the expenditure category level
- Appropriation bills are by fund type and may be total agency or detailed to program within agency
- Budget Reports provide information on the budget but do not have force of law
- Budget Notes are directives within the Budget Report

# Budget Process Detail

- Appropriation bills generally agency specific (House bills in 5000, Senate bills in 5500 series)
- Oregon has about 90 agencies
- Agencies range from small (\$400,000 biennial budget) to large (\$20 billion biennial budget)
- Budget for bonding and capital construction in bills separate from agency budget bills
- Article IX, Section 7, Oregon Constitution limits appropriation bills to state current expenses (no other subject allowed)
- Final bills of session are commonly known as the Program Change bill and the Emergency Fund bill

# Subcommittee Role and Responsibilities

- Agency Budget Presentations – Phase 1, Phase 2, and Phase 3 (Work Session).
- Budget or Appropriation Bills
- Budget Report – Corresponds to a specific appropriation bill.
- Budget Notes – Included in a Budget Report to provide budget execution to agency. Cannot be used in lieu of legislation.
- Federal Grants – Required by statute to have Joint Committee on Ways and Means or Emergency Board approval. Subcommittee makes recommendation to Full Committee.

# Subcommittee Role and Responsibilities *continued*

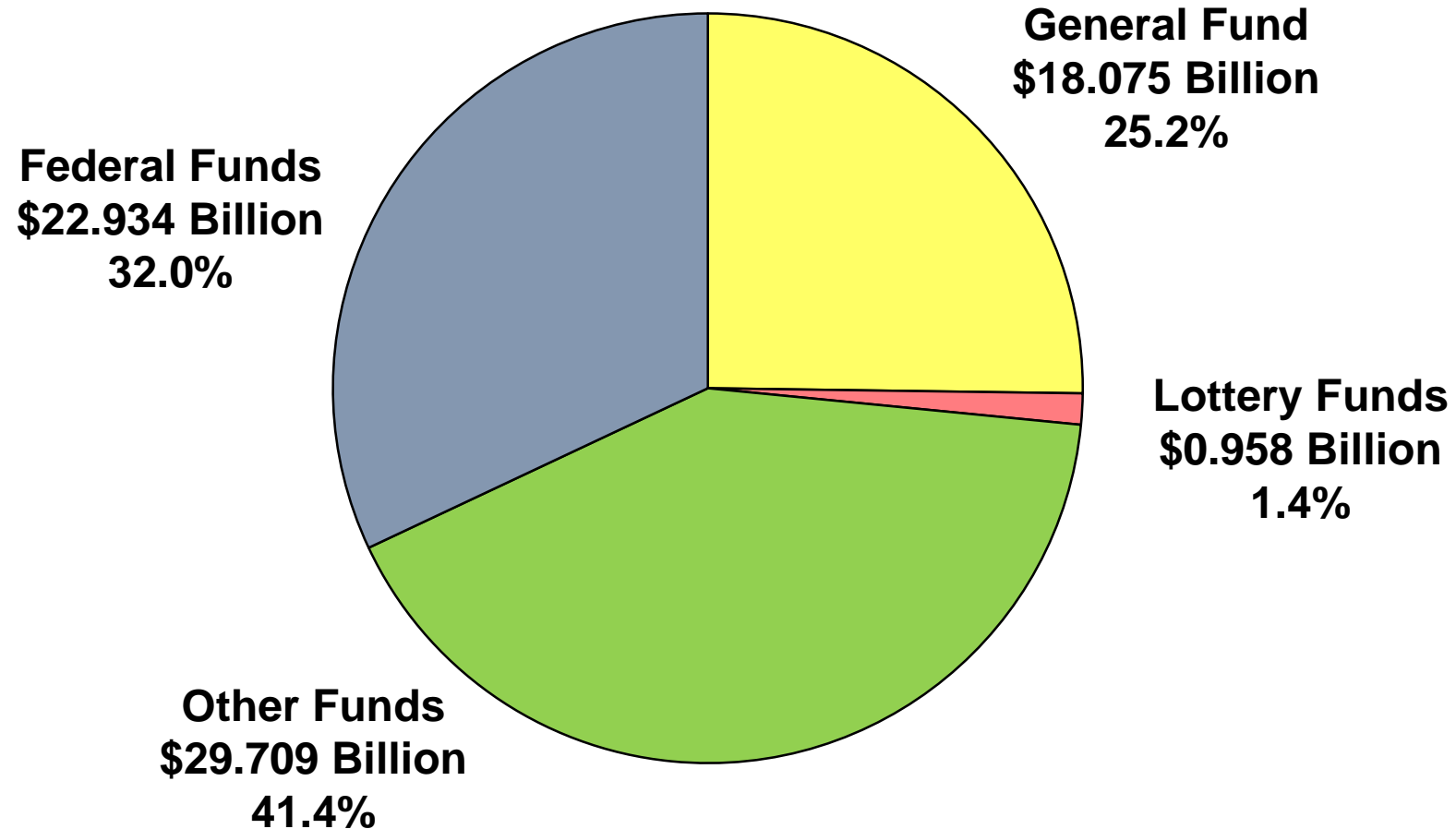
- Reports – Often required by Budget Report or Subcommittee instructions. If formally, required by a Budget Report or statute, Subcommittee makes formal recommendation to Full Committee.
- Informational Hearings
- Fee Related Bills – Generally tied to an agency's budget request.
- Policy Bills – Referred to Joint Committee on Ways and Means by legislative leadership or a policy committee. Assigned to a Subcommittee by Full Committee Co-Chairs. Often has a financial impact or may be tied to assumptions in an agency budget.



# Oregon 2015-17 Budget Information

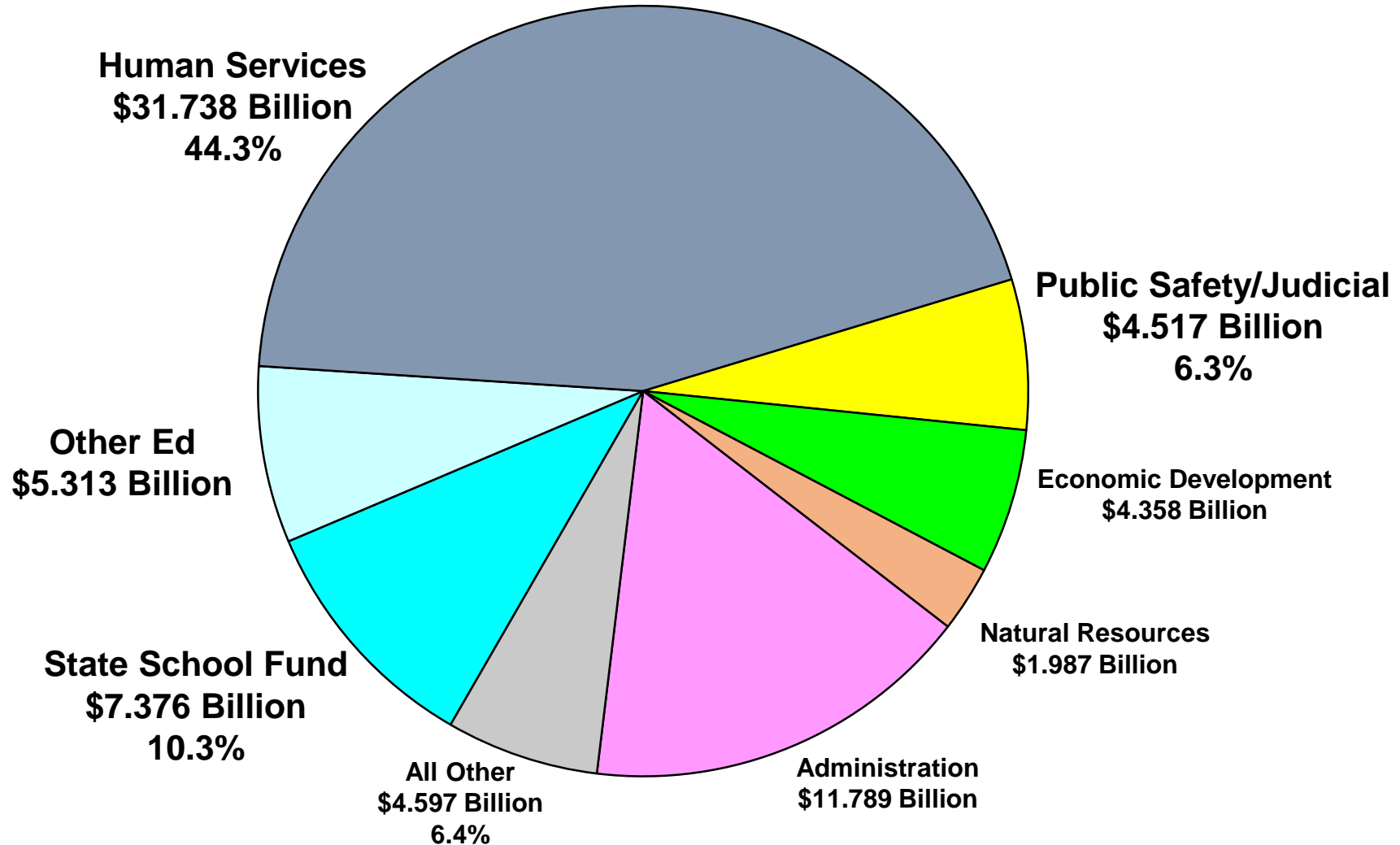
# 2015-17 Legislatively Approved Budget Totals \$71.676 Billion

8.5% Increase from 2013-15 Approved



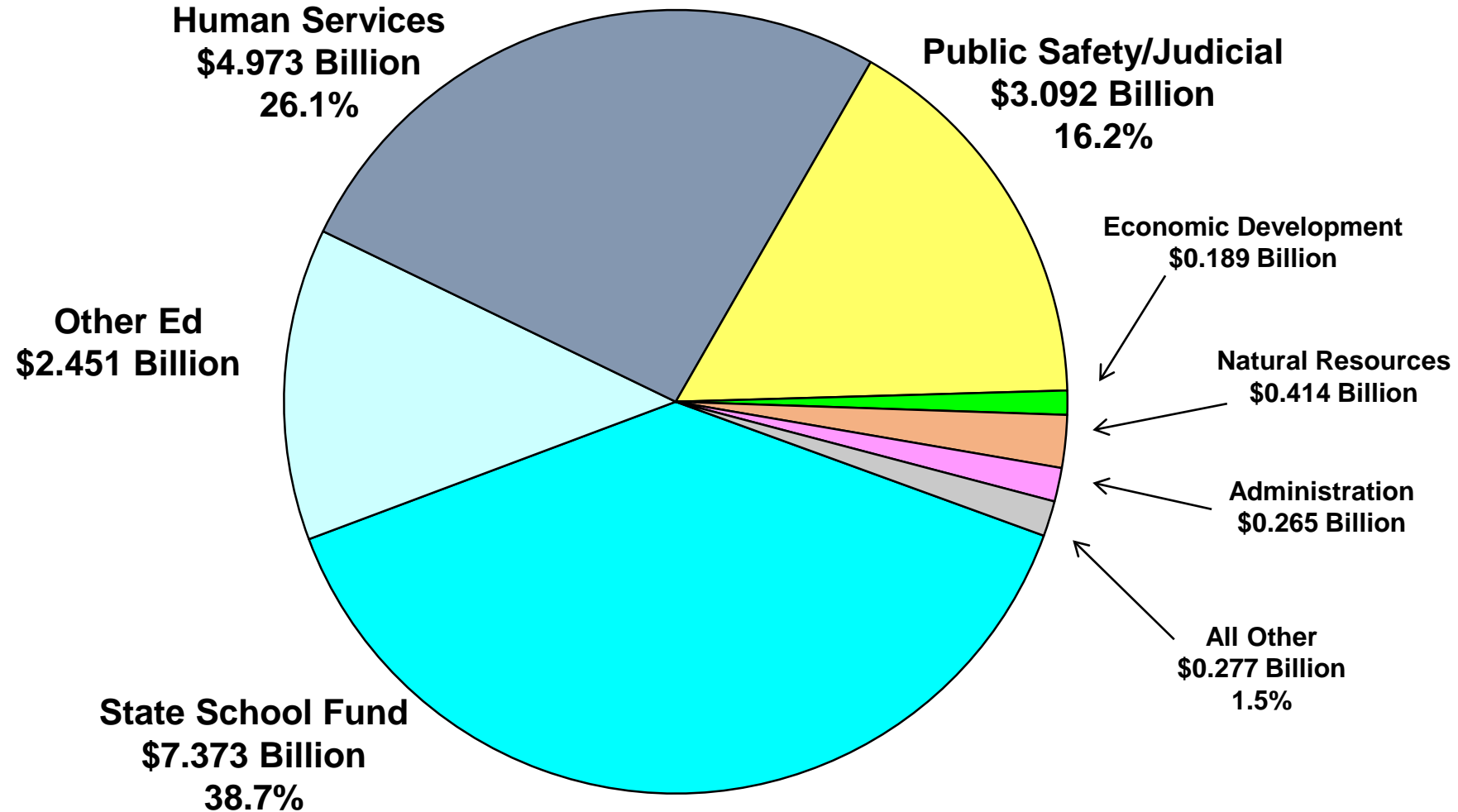
# 2015-17 Legislatively Approved Budget - Total Funds \$71.676 Billion

8.5% Increase from 2013-15 Approved  
(through Dec. 2016 Emergency Board)

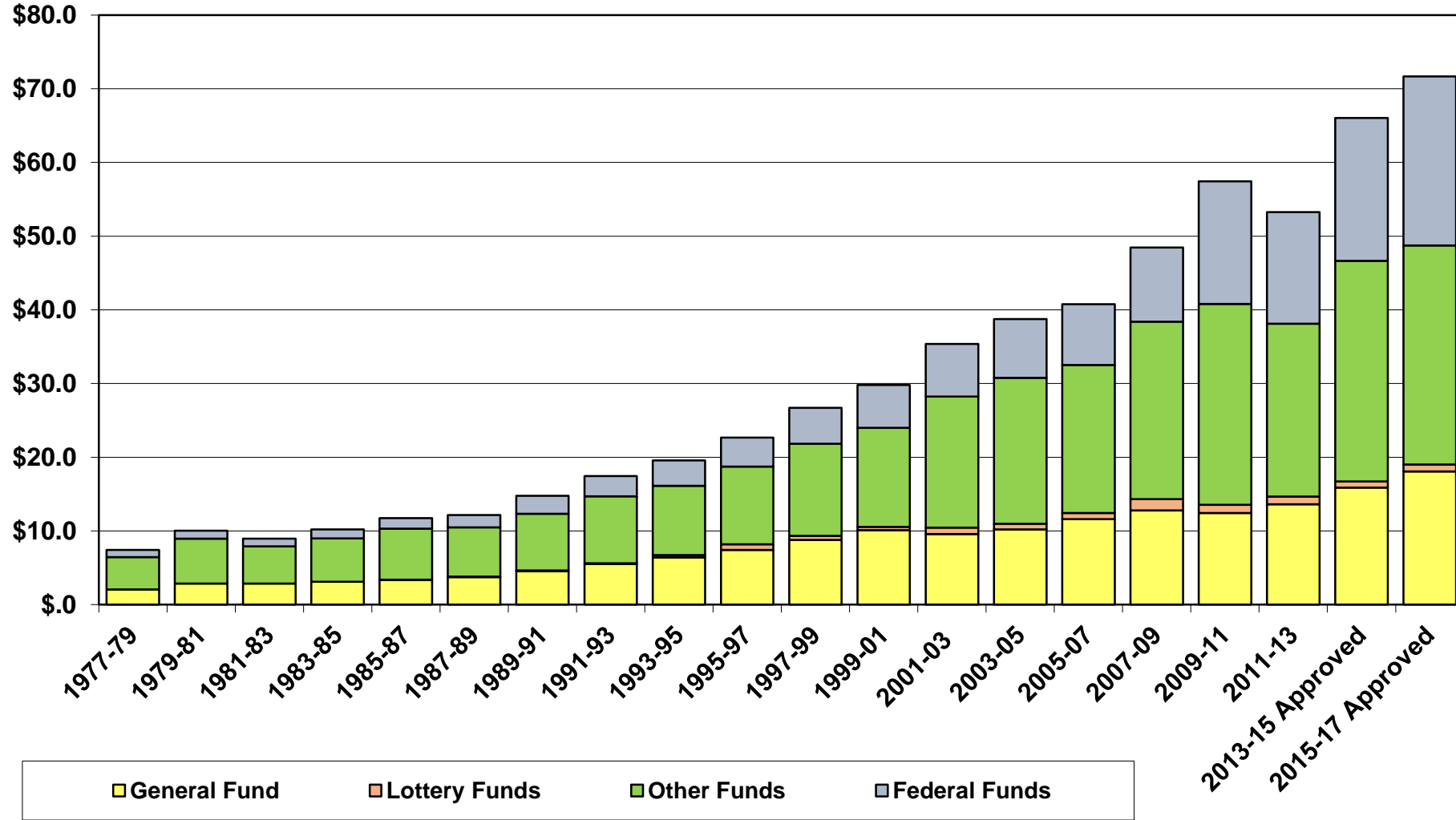


# 2015-17 General Fund & Lottery Funds Approved Total \$19.033 Billion

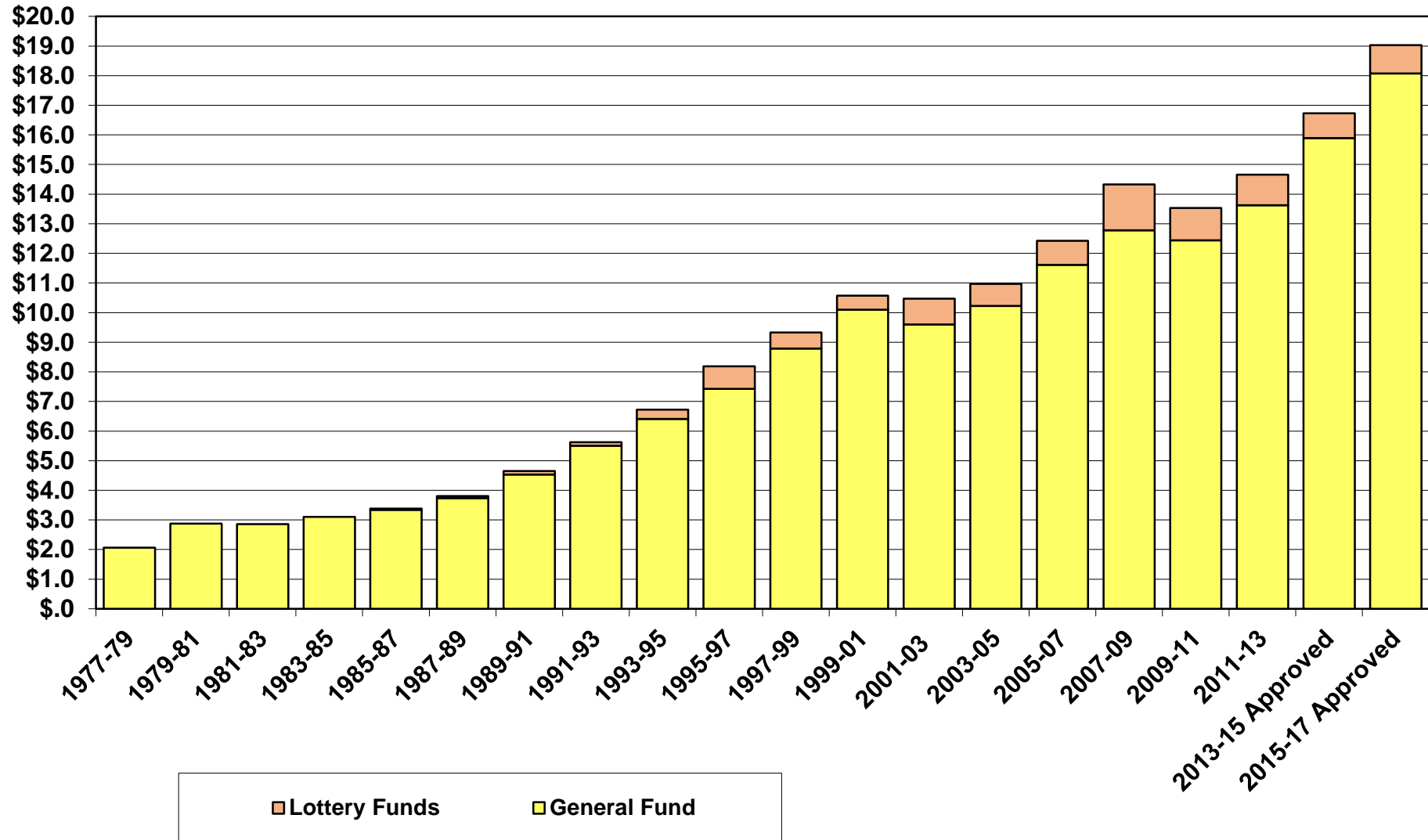
13.8% Increase from 2013-15 Approved  
(through Dec. 2016 Emergency Board)



## Oregon Budget History -- All Funds (Billions \$)

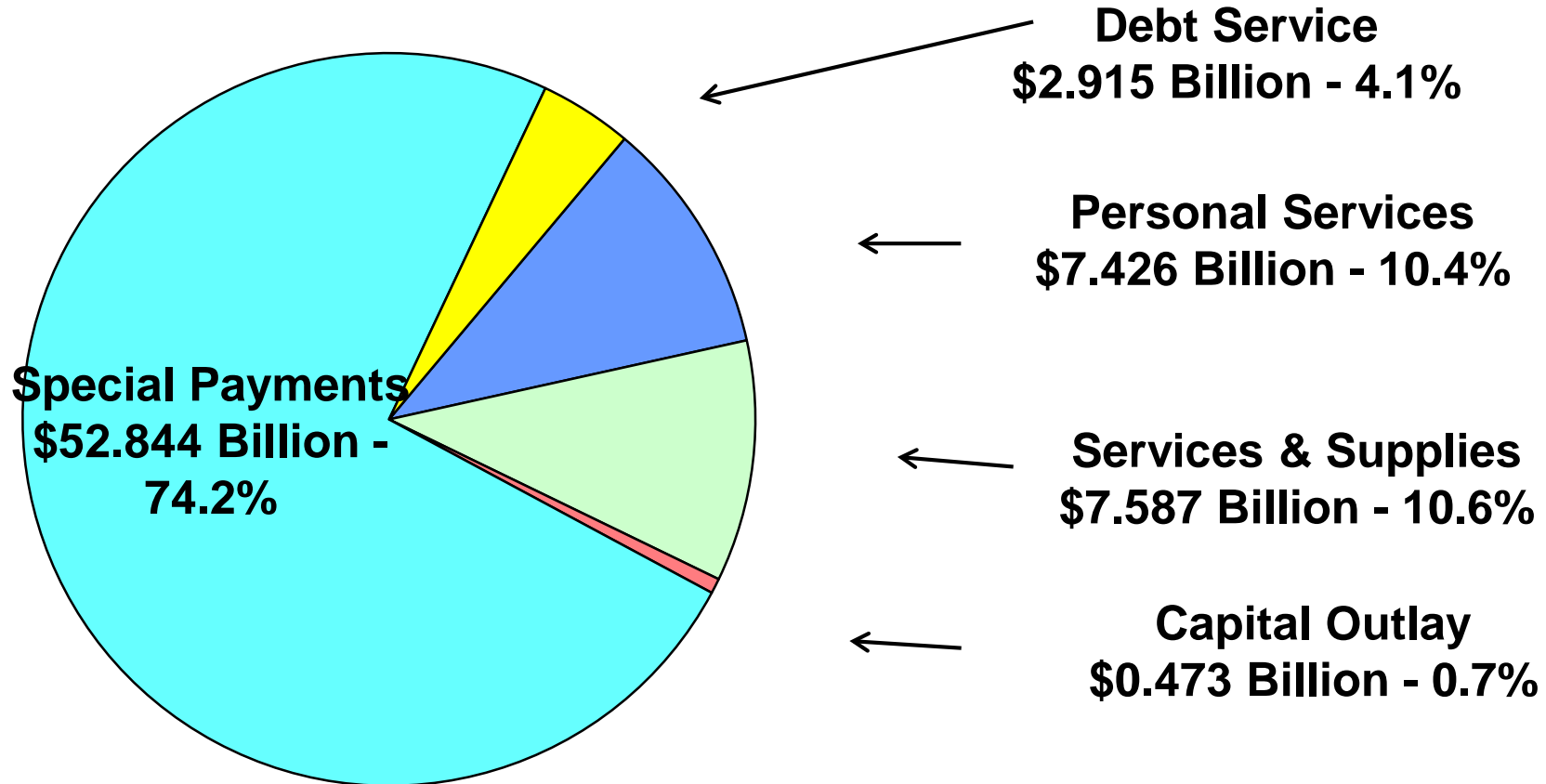


## Oregon Budget History -- General Fund and Lottery Funds (Billions \$)



# Expenditures by Category

Total Funds - 2015-17 Legislatively Approved Budget  
(through May 2016; \$71.2 Billion)



# Budget Issues

## Key Drivers of Budget Change:

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



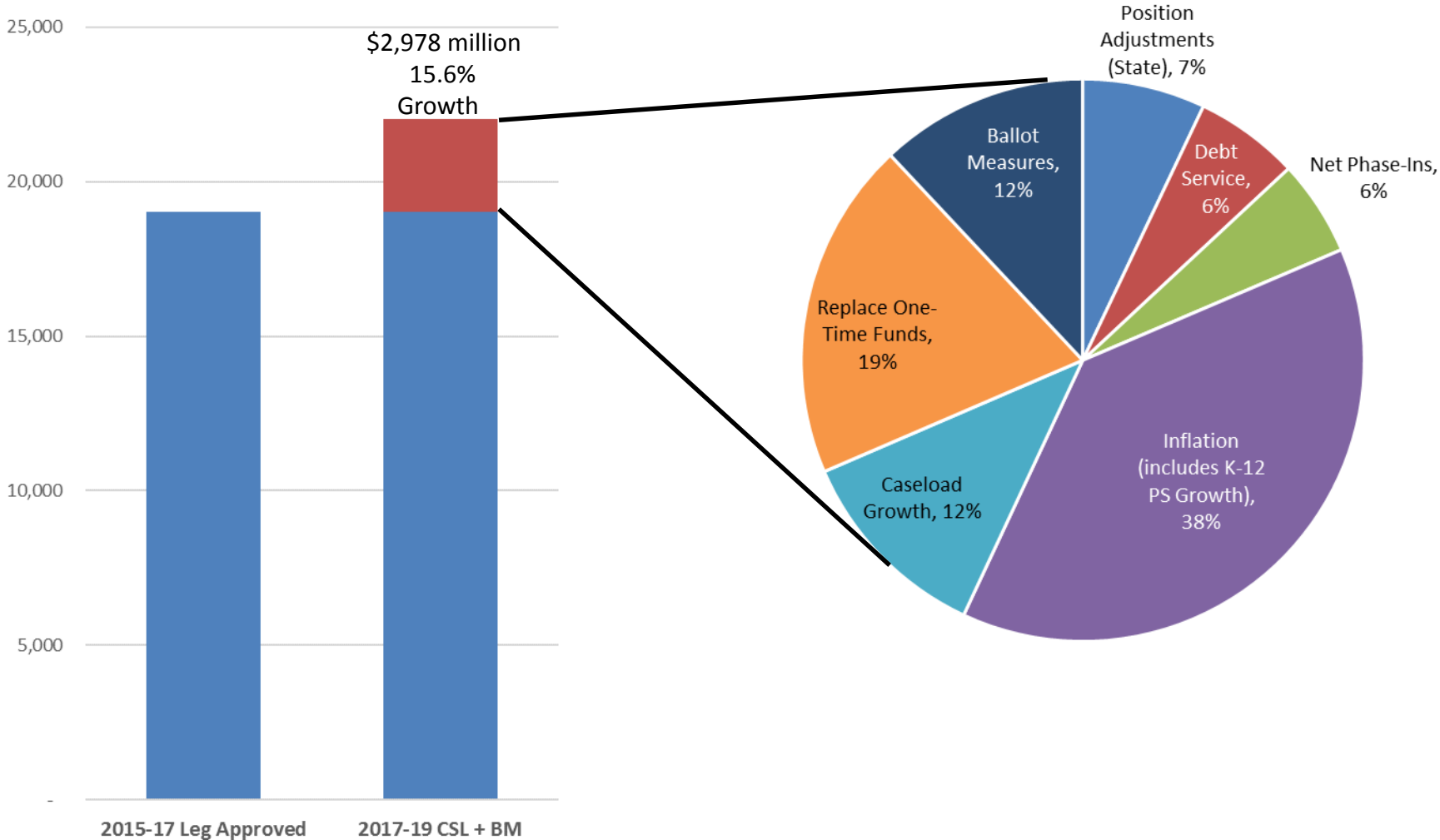
# Budget Issues Facing 2017 Legislature

- Rebalancing the 2015-17 budget
- Revenue Forecast Changes
- Potential difficulty continuing current General Fund programs and services
- Governor and other stakeholder budget proposals
- Potential Issues (e.g., lawsuits, decreased federal funding)
- State employee and non-state employee compensation
- Responding to successful ballot initiatives
- 2019-21 tentative budget and revenue forecast

# Current Service Level Budget - Adjustments

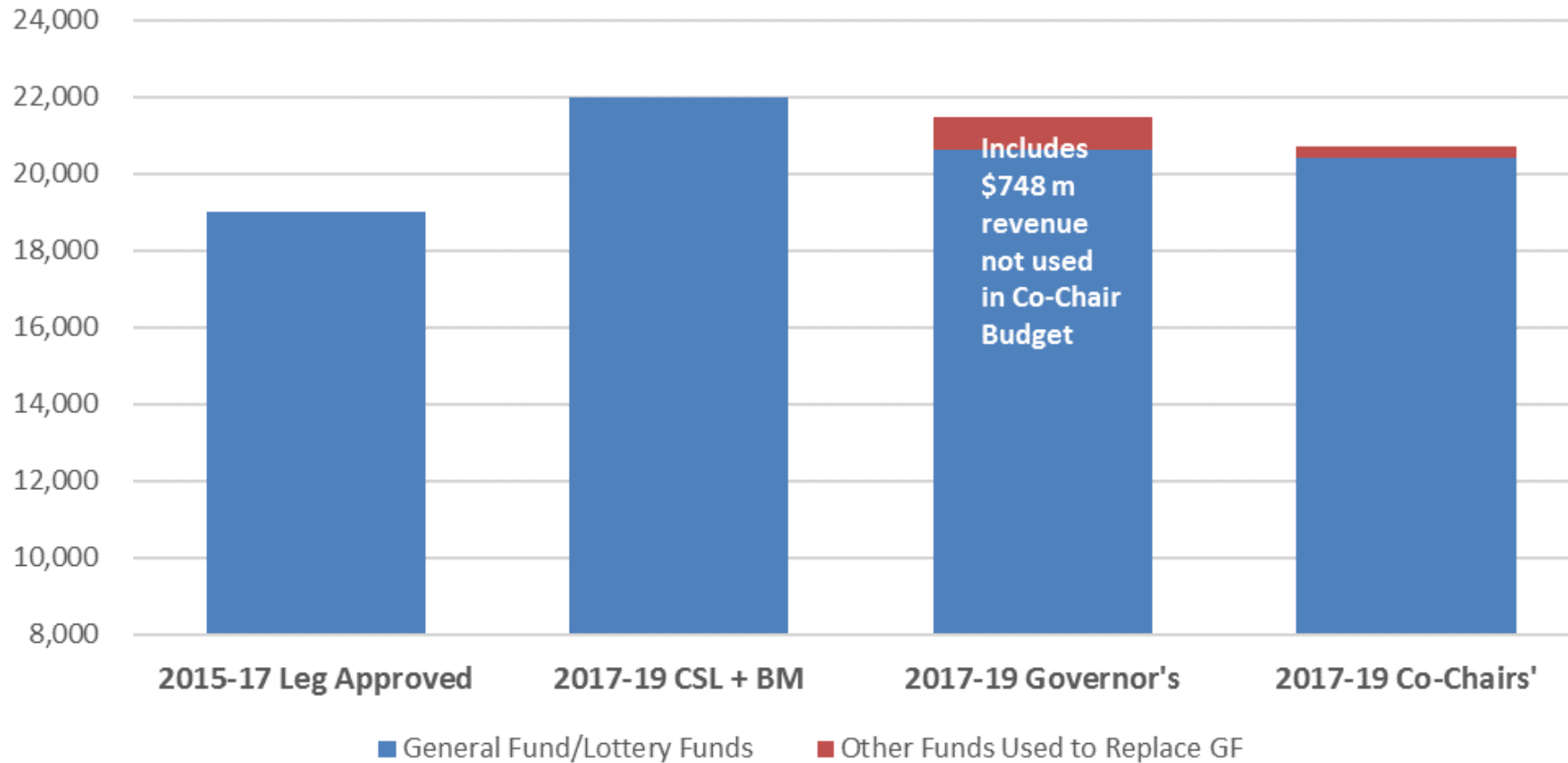
- Personal Services adjustments for 2017-19
- Debt Service adjustments
- Program phase-in costs for new programs that did not operate for the entire biennium
- Program phase-out savings for programs that will be discontinued or were one-time
- Inflation (3.7% general, 4.1% medical, exceptions)
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds

# 2017-19 Budget Growth – General Fund/Lottery Funds Current Service Level



# Statewide General Fund/Lottery Funds Budget

Millions of Dollars



# Public Safety/Judicial Budget Overview

Joint Committee on Ways and Means  
February, 2017

# State Public Safety Agencies

## Executive Branch

- Corrections
- State Police
- Justice
- District Attorneys & their deputies
- Military Department
- Youth Authority
- Public Safety Standards & Training
- Board of Parole & Post-Prison Supervision
- Criminal Justice Commission

## Judicial Branch

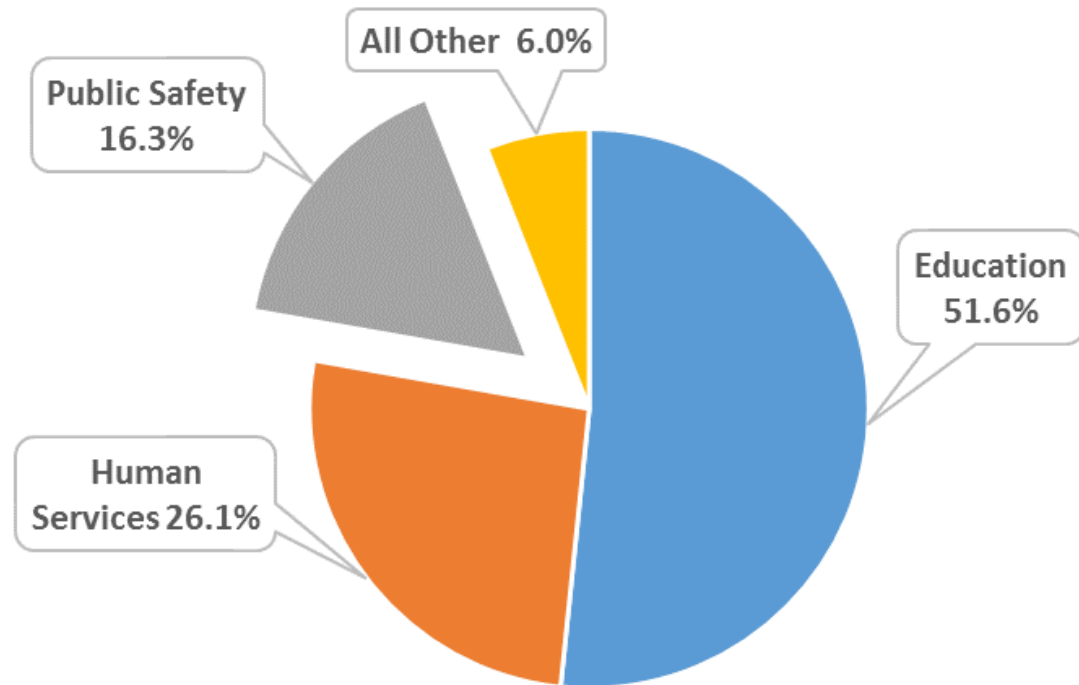
- Judicial Department
- Public Defense Services Commission
- Commission on Judicial Fitness & Disability

# Public Safety Spending

Combined General Fund and Lottery Funds for 2015-17 is \$19 billion.

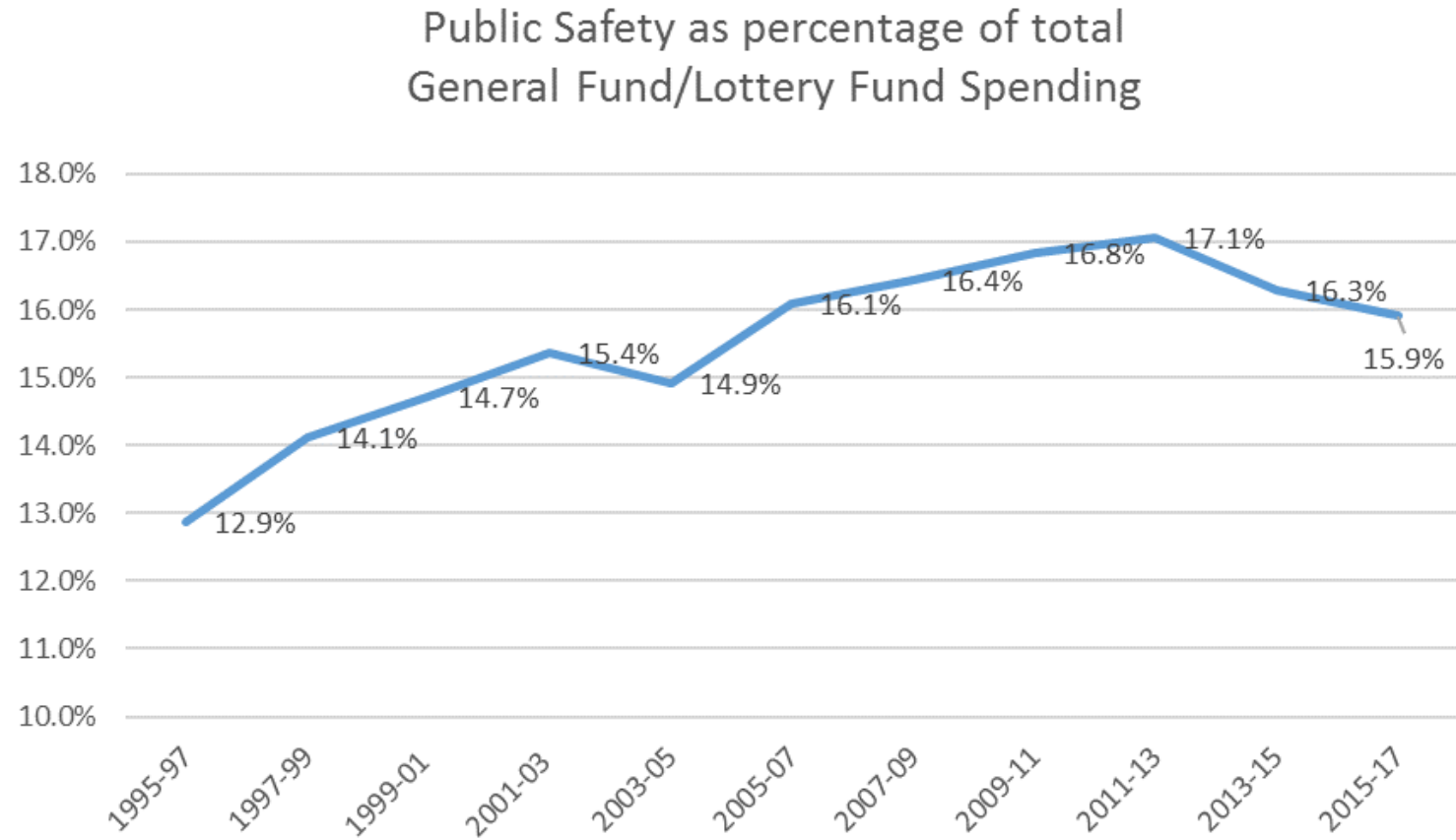
All funds budget for 2015-17 is \$71.7 billion. Public safety spending accounts for 6.3% of the all-funds budget.

Public Safety's Percentage of General Fund/Lottery Funds Spending, 2015-17



# Public Safety Spending

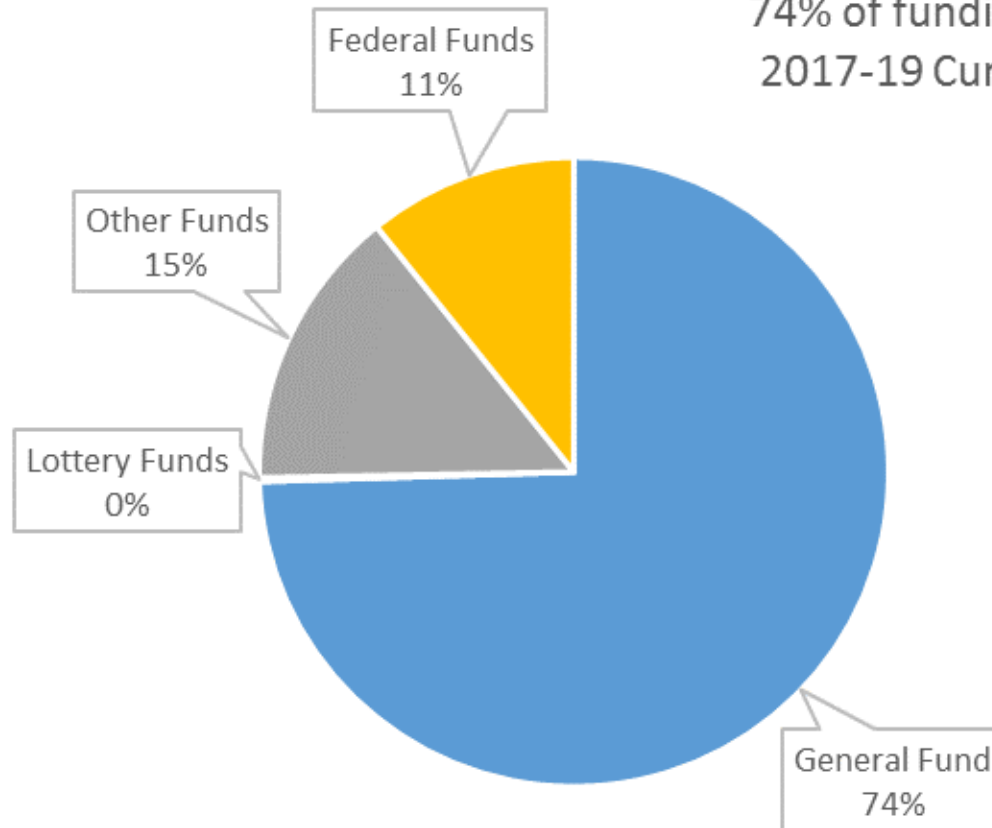
Over the last twenty years, public safety spending as a percentage of GF/LF spending has increased from 13% to around 16%.





# Public Safety Funding

Public Safety Resources:  
74% of funding is from the General Fund  
2017-19 Current Service Level = \$4.46B



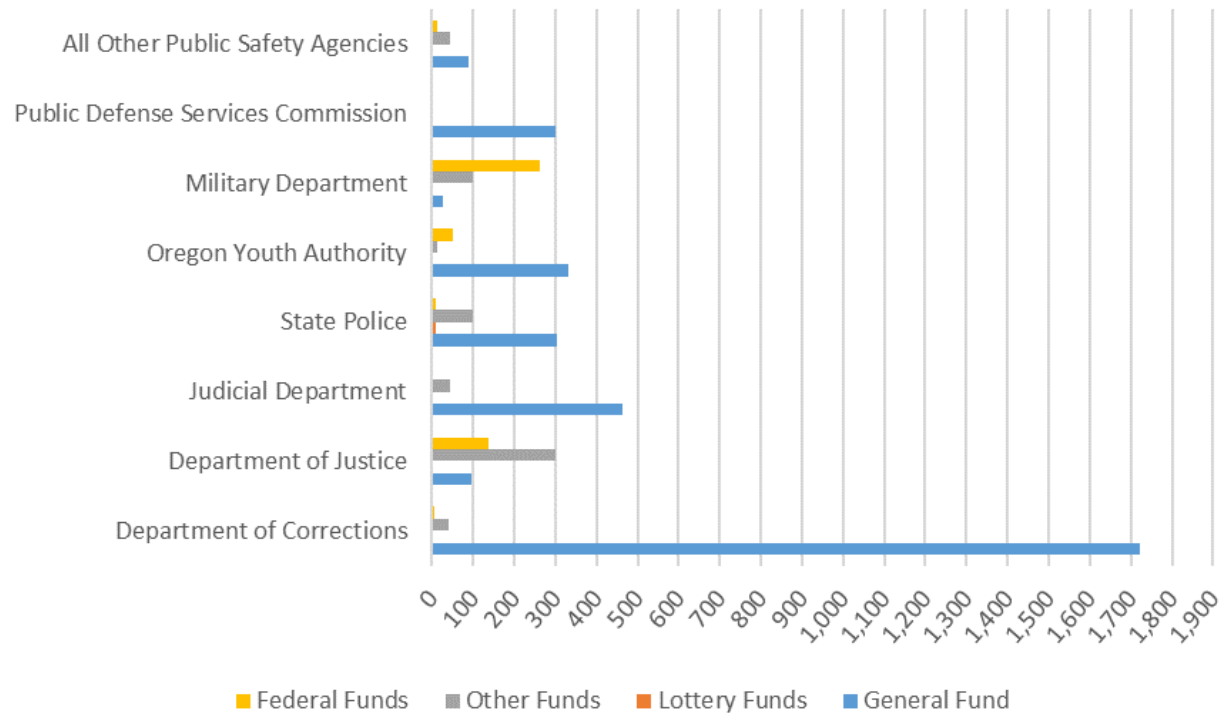
# Public Safety Spending by Agency

The Department of Corrections accounts for 40% of total public safety agency spending and 52% of General Fund public safety agency spending.

The Department of Justice and the Judicial Department combined account for the next largest amount, 23% of total public safety spending and 17% of General Fund public safety spending.

State Police, Youth Authority, and Military Department each account for 9% of public safety spending.

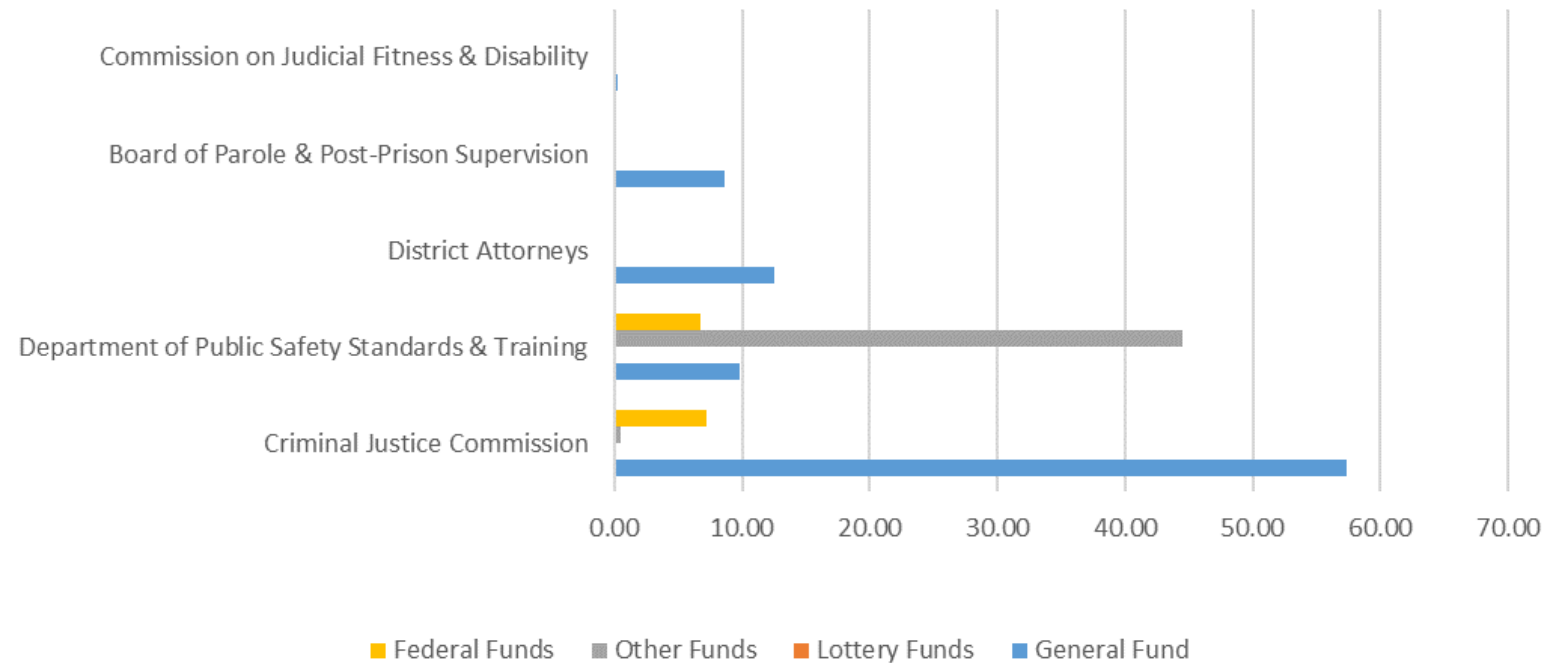
Public Safety Spending  
2017-19 Current Service Level  
*Dollars in millions*



# Public Safety Spending by Agency

Five smaller agencies account for three percent of total public safety spending and 2.7% of General Fund public safety spending.

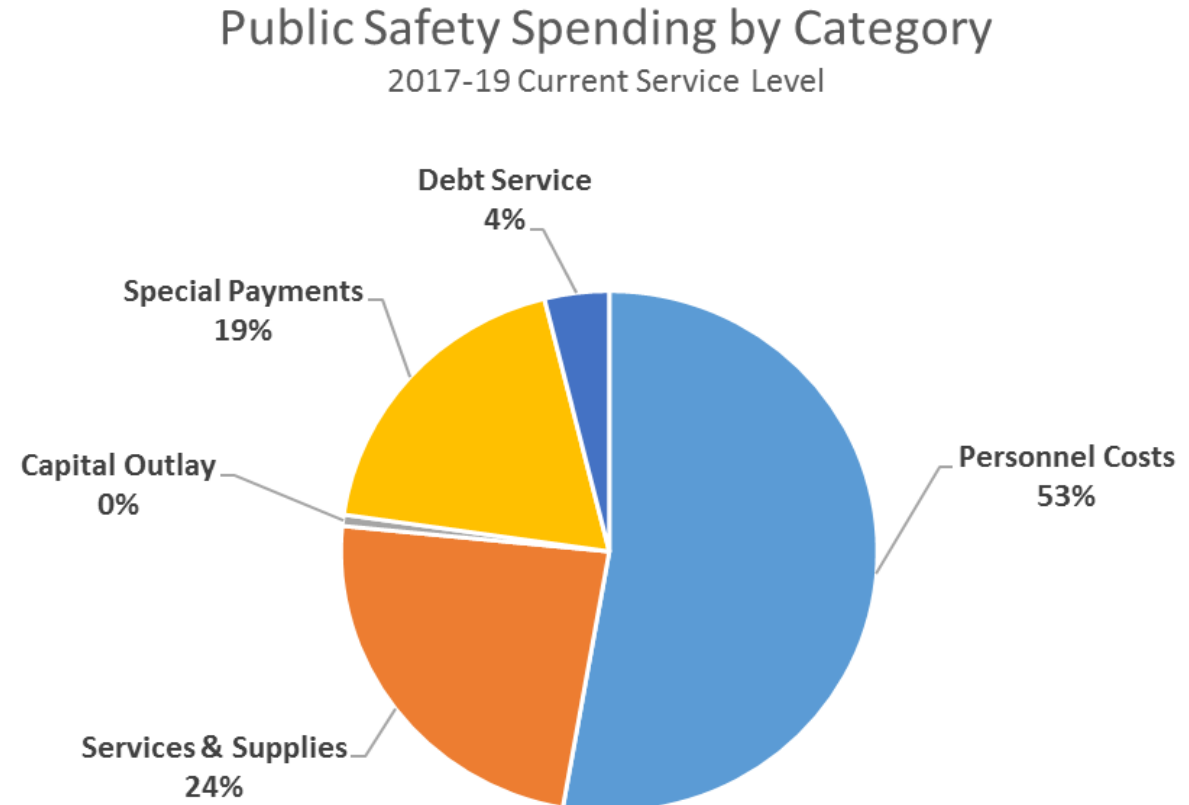
Public Safety Spending  
2017-19 Current Service Level  
*Dollars in millions*



# Public Safety Spending by Category

Personnel costs make up the largest share of public safety spending, \$2.36 billion of the \$4.46 billion all-funds current service level for 2017-19.

The special payments category contains community corrections funding, juvenile crime prevention grants, and Justice Reinvestment grants to counties totaling \$842 million.



# Public Safety System

Public Safety is an interconnected system involving state, local, and federal agencies.



# Public Safety System Partners

Federal, State, Local, and Private Agencies

- Local law enforcement agencies
- Federal law enforcement agencies
- Local jails
- County parole & probation agencies
- County juvenile departments
- District Attorney offices
- Defense Attorneys
- Federal agencies such as Homeland Security, Defense, Justice, and Health & Human Services
- County and non-profit community mental health & substance abuse programs
- Department of Human Services
- Court Appointed Special Advocates

# Public Safety System Budget Drivers

A great number of factors contribute to the growth of public safety agency budgets.

- Statutory changes in criminal adult and juvenile laws, including changes made via ballot measures
- Demographic changes: population growth, the unemployment rate, the number of persons in high-risk crime categories
- Availability of and funding for mental health and substance abuse services
- Local funding for law enforcement
- Growth in the prison population
- Growth in the probation, parole, and post-prison populations

# Public Safety System Budget Drivers *continued*

- State labor costs, including retirement and benefit costs
- Other cost pressures facing state agencies, including utilities, purchased health care, and drug costs
- Demand for National Guard services in Oregon
- Prevalence of illegal business activities in the state (i.e. drugs, gangs, etc.)
- State and federal mandates
- Crime rates
- Demand for forensic laboratory services
- Caseload and staffing levels for courts, District Attorneys, public defenders, and local law enforcement agencies

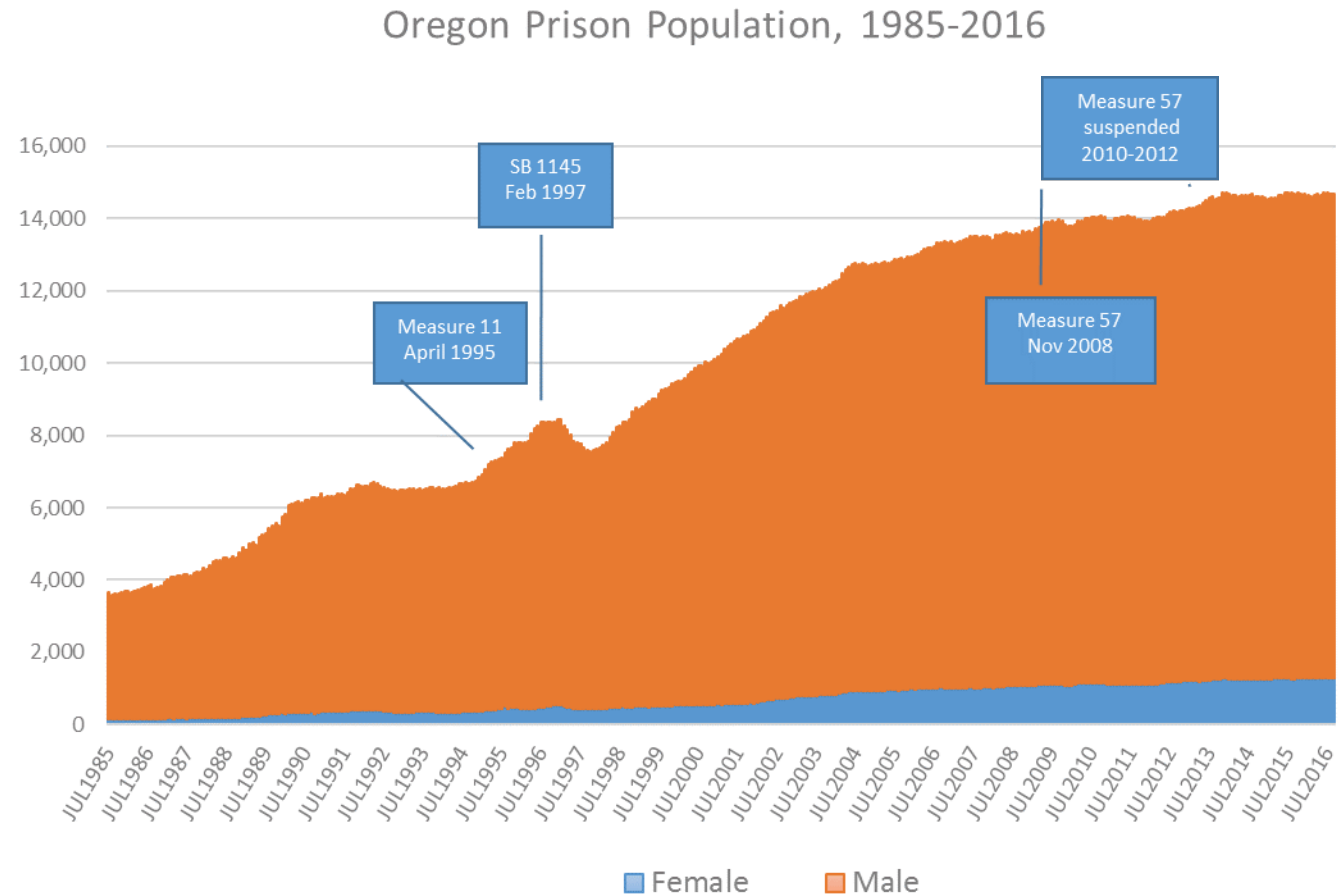


# Cost Drivers

Prison operations are the largest single expense in the public safety system.

Oregon's prison population grew by 302% between 1985 and 2015.

- In 1985 there were 1.37 prison inmates per 1,000 residents
- In 2015, there were 3.66 prison inmates per 1,000 residents

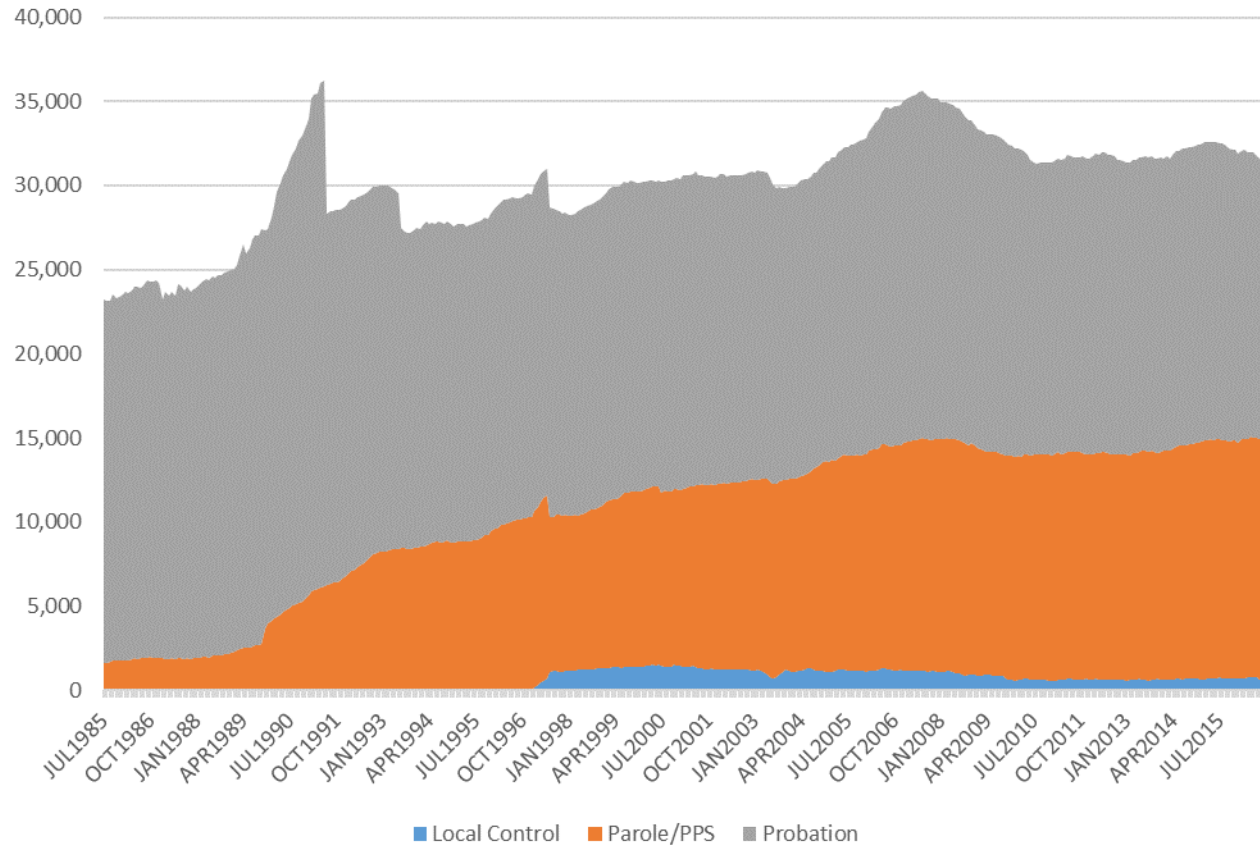


# Cost Drivers

The population of offenders on parole, probation, and post-prison supervision has remained fairly constant over time after spikes in 1991 and 2006-2007.

“Local Control” offenders are those whose felony sentences are less than one year, and who serve those sentences in their local communities.

Offenders on Parole, Probation, Post-Prison Supervision, and under Local Control, 1985-2015



# Public Safety System Spending

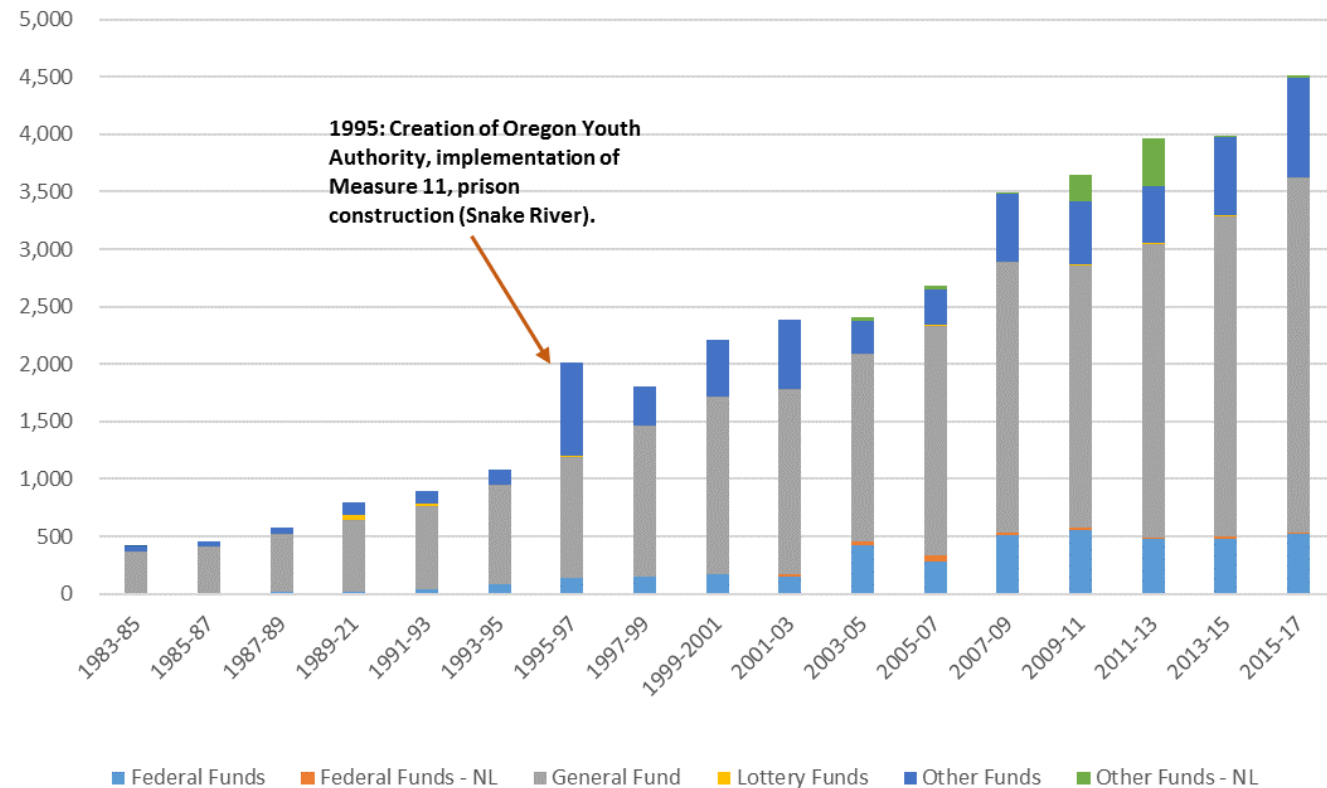
Spending on public safety has increased significantly since 1985.

1995 shows the effect of policy decisions on the cost of the public safety system.

- Bond funding for new correctional institutions
- Bond funding for Military Department facilities
- Bond funding for OYA facilities

Growth in Public Safety Spending, 1985-2015

*dollars in millions*



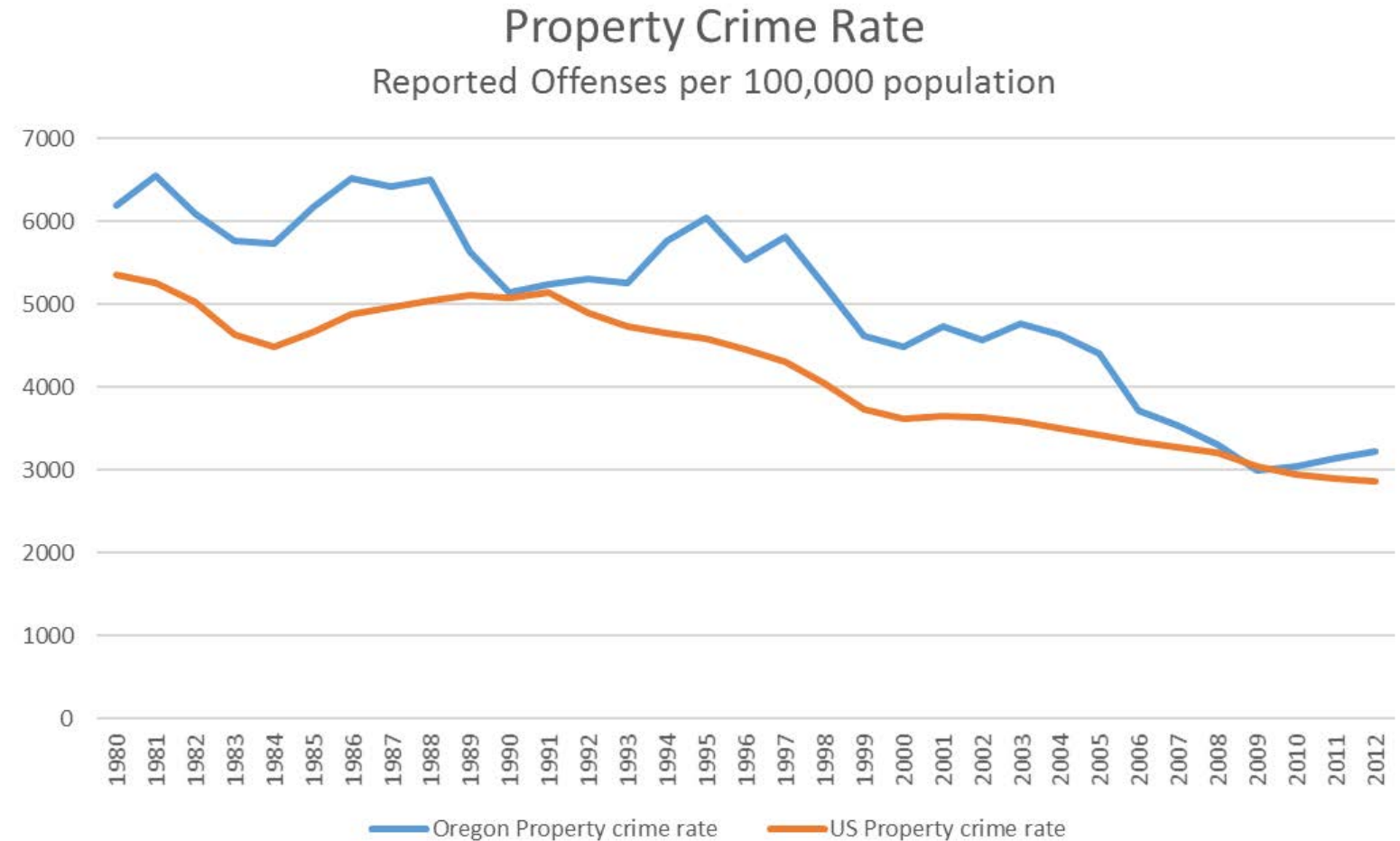
# Crime Rates

Property crimes include burglary, larceny/theft, and motor vehicle theft. Oregon's reported property crime rate as of 2012 is 32.2 crimes per 1,000 people.

Oregon's property crime rate peaked in 1981 at 65.6 reported crimes per 1,000 people.

Nationally, property crime peaked in 1980 at 53.5 reported crimes per 1,000 people.

Source: US Department of Justice, Uniform Crime Reporting Statistics



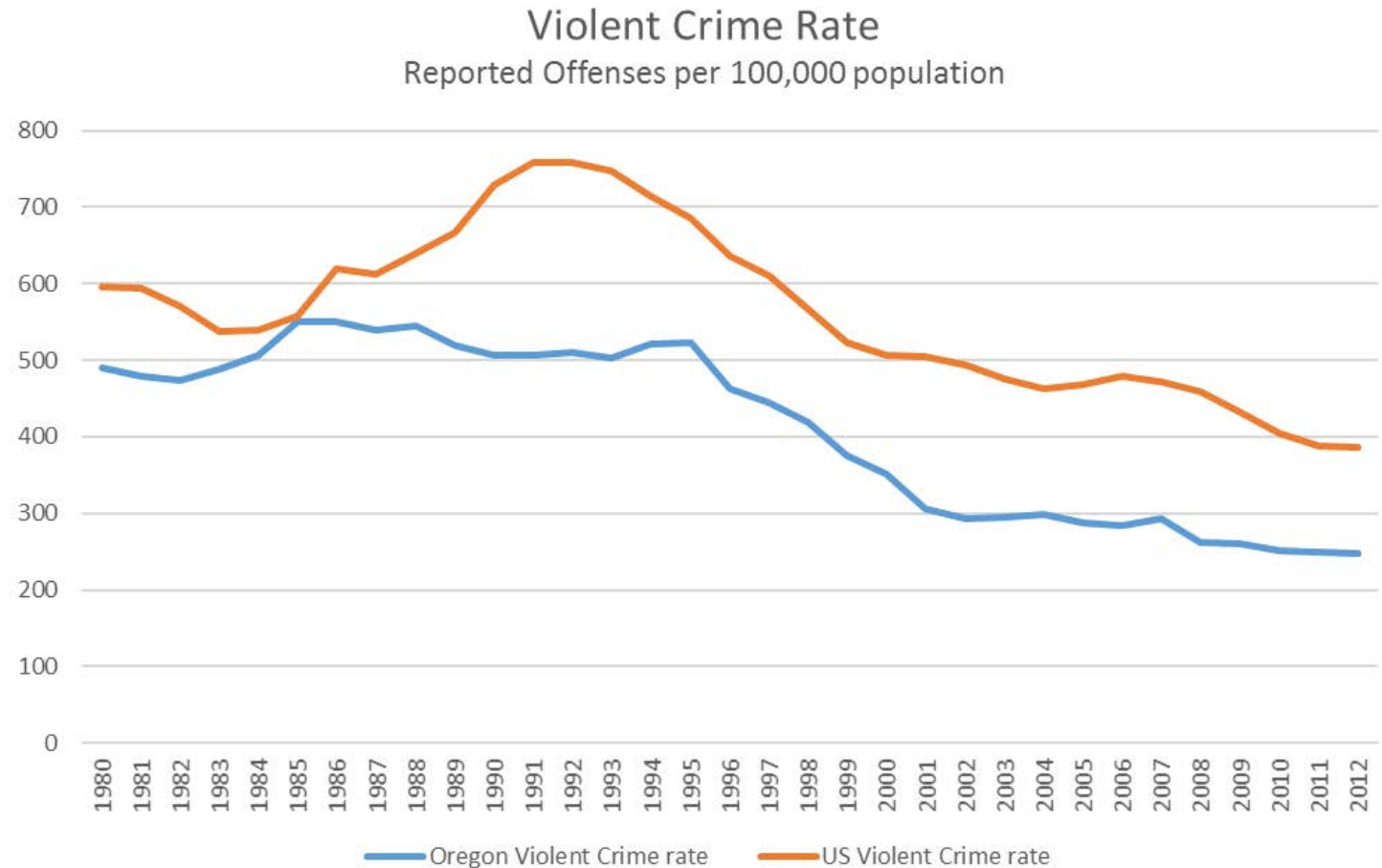
# Crime Rates

Violent crimes include murder, manslaughter, forcible rape, robbery, and aggravated assault. Oregon's reported violent crime rate as of 2012 is 2.48 crimes per 1,000 people.

Oregon's violent crime rate peaked in 1985 at 5.51 reported crimes per 1,000 people.

Nationally, violent crime peaked in 1991 at 7.58 reported crimes per 1,000 people.

Source: US Department of Justice, Uniform Crime Reporting Statistics



# Crime Rate Factors

Many factors affect the crime rate and factors vary from place to place. The US Department of Justice identifies the following factors that can affect the crime rate:

- Population density, percentage of youth in the population, and degree of urbanization
- Stability of the population with respect to residents' mobility, commuting patterns, and transient factors
- Modes of transportation and highway system
- Economic conditions, including median income, poverty level, and job availability
- Cultural factors and educational, recreational, and religious characteristics
- Family conditions and family cohesiveness
- Climate
- Effective strength and investigative emphases of law enforcement agencies
- The local criminal justice system's prosecutorial, judicial, correctional, and probation policies
- Citizens' attitudes toward crime
- Crime reporting practices of the citizenry

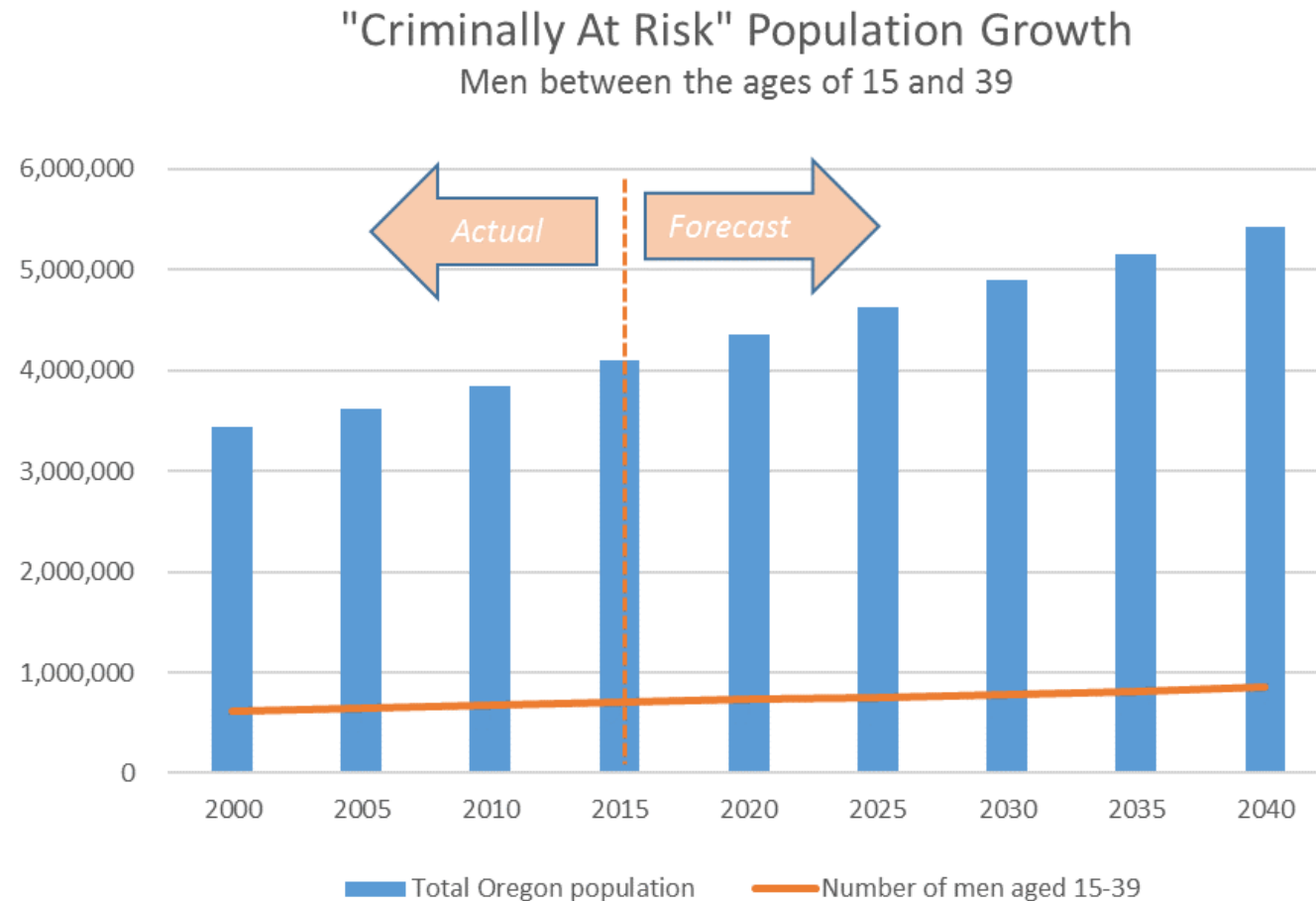
*Source: US Department of Justice, Criminal Justice Information Services Division*

# Crime Rate Factors

Oregon's population grew by 50.1% between 1985 and 2015.

The size of Oregon's population, as well as its age and gender mix, are primary determinants of future prison intakes.

Prison intakes are the major determinant of the long term prison population size, so it is valuable to have factors which are predictive of future intakes.



# Public Safety Key Issues

- Adequate number of State Troopers
- Deferred maintenance needs in DOC, Youth Authority, and Military Department facilities
  - Lead abatement costs in Military Department armories
- Financial viability of non-profits that provide Behavioral Rehabilitation Services
- Capacity of Oregon's one prison for women
- Hiring and training of public safety officers in state and local governments
- Justice Reinvestment
- Public safety resources in cash-strapped Oregon counties
- Capacity of and funding for OSP Forensic laboratories



# Public Safety Key Issues

- Adequate funding for the Defense of Criminal Convictions
- Juvenile dependency representation
- Continued funding for the Tobacco Master Settlement Agreement Defense for Court-ordered arbitration
- Continued funding for the next phase of the Child Support Enforcement Automated System information technology project
- Continued funding for the Titan Fusion Center
- Funding for a potential revenue shortfall in the Child Support Division
- Assessing and classifying sex offenders for notification levels

# Public Safety Key Issues

- Courthouse replacement and renovation needs
- Ongoing funding of eCourt and court technology support
- Court workloads and potential need for additional judgeships and referees
- Increase in caseloads and costs of public defense, including a current-biennium budget shortfall
- Improving legal representation for children and parents in juvenile court proceedings

# LFO Public Safety Agency assignments

John Borden, 503-986-1842

- Department of Justice
- District Attorneys and their deputies

Steve Bender, 503-986-1836

- Judicial Department
- Public Defense Services Commission
- Commission on Judicial Fitness and Disability

Julie Neburka, 503-986-1839

- Department of Corrections
- Oregon State Police
- Oregon Youth Authority
- Criminal Justice Commission
- Oregon Military Department
- Department of Public Safety Standards and Training

Theresa McHugh, 503-986-1815

- Board of Parole and Post-Prison Supervision