

Ways and Means Co-Chair Principles for the Second Special Session of 2020

Outlined below are the principles and approach the Ways and Means Co-Chairs used to rebalance the budget.

Focus on Program and Service Preservation

The Co-Chairs identified programs and services critical to Oregonians that must be preserved and worked to protect essential investments in public education, health care, child welfare, housing, economic development, and other critical areas during this unprecedented public health and economic crisis.

Below is a list of programs and services that have been prioritized for preservation in this budget rebalance proposal. Additional information on programs and services preserved follows in the detail for each Ways and Means Subcommittee.

- K-12 State School Fund remains at \$9 billion, sparing students and teachers from devastating program cuts amid the uncertainty of the pandemic and holding critical investments in public education harmless at a time of great uncertainty.
- Student Success Act funding for early learning programs, High School Success (Ballot Measure 98) and programs in the Statewide Education Initiatives account.
- The Community College Support Fund and the Public University Support Fund.
- State support for the OHSU Schools of Medicine, Nursing, and Dentistry, as well as funding for the OHSU Child Development and Rehabilitation Center and the Oregon Poison Center.
- Total funding for the Oregon Opportunity Grant program, the largest state-funded, need-based grant program for college students.
- Housing stabilization programs, including the Emergency Housing Assistance, State Homeless Assistance programs, and funding for affordable housing preservation, multifamily housing development, and foreclosure prevention counseling services.
- Significant programs in the Oregon Health Authority and the Department of Human Services are maintained due to increased federal FMAP resources.
- Child welfare investments and other programs providing benefits to those most in need.
- Lottery allocations to counties for economic development programs, which will be critical to Oregon's economic recovery.
- Funds to support the current prison population and maintenance of funding for community corrections.
- Community residential treatment capacity for youth.
- Current Oregon State Police Patrol Trooper strength and forensic laboratory and medical examiner capacity.
- Department of Justice child support enforcement, domestic and sexual violence programs, civil rights investigations, and other services.
- Department of Veterans' Affairs positions to provide advocacy and other services, as well as Veterans' Emergency Financial Assistance, the Veterans Crisis Line and other grant programs.

- Department of Agriculture Food Safety, Water Quality, Weights and Measures, Pesticide Stewardship Partnership, Confined Animal Feeding Operations, Noxious Weed programs, and base funding for Predator Control.
- Department of Forestry Fire Protection, Forest Practices Act, and Sudden Oak Death programs.
- Water Resources Department Placed-based Planning, and other programs.
- Department of Revenue tax administration programs, including processing, compliance, audit, collections, fraud detection, and technology investments.
- Prudent use of Reserve Funds to sustain programs and services going forward.

Additional Guiding Principles for Rebalancing the Budget

Below are additional principles that were used to review and rebalance the budget.

- Prioritize and address immediate problems and issues first, considering equity while focusing on the needs of individual Oregonians, workers, and Oregon businesses most affected by COVID-19.
- Review programs and services to prevent reductions from creating or exacerbating barriers to underserved and marginalized communities and Oregonians.
- Be prudent with the use of reserves as the effect of the pandemic on Oregon’s economy and revenue may continue for the foreseeable future.
- Evaluate programs and services for efficacy and cost-savings and make permanent reductions where appropriate.
- Use bonding judiciously and appropriately to stimulate the economy and make needed investments in communities.
- Capture savings in state agencies that will not have a negative effect on current programs and services and use those savings on critical needs and to help address the budget shortfall.
- Prioritize programs and services so that reductions are based on values rather than an “across the board” methodology.
- Where possible, minimize reductions that result in loss of federal matching funds.
- Evaluate and consider the long-term impact of reductions.

*It should be noted that work will continue, according to the outlined principles, on detailed elements of the budget rebalance plan and, therefore, there may be adjustments in this plan before it is made final for consideration during the special session. In addition, budget actions to reduce General Fund and replace it with Other and/or Federal Funds will also adjust detailed budget numbers in state agencies; such changes will not directly impact programs or services. The proposed lottery funds and lottery funds reduction amounts do not, at this time, include reductions to constitutionally dedicated lottery funds; such reductions will need to be made based on forecasted lottery funds revenue.

JWM Co-Chair 2020 Rebalance Plan for the 2019-21 Biennium

| \$ Millions | General Fund | Lottery Funds Discretionary |
|---|-----------------|-----------------------------------|
| Legislatively Approved Expenditures through June 2020 | 22,427.4 | 1,010.6 |
| Projected Revenues for 2019-21 Biennium (as of June 2020) | 21,763.0 | 808.0 |
| Projected Ending Balance - (as of June 2020) | (664.4) | (202.6) |
| Additional Budget Needs | | |
| Retaining Ending Balance or Emergency Fund Balance | (300.0) | (20.0) |
| Existing Agency Budget Needs to Rebalance | (6.3) | |
| Net Budget Problem | (970.7) | (222.6) |
| Expenditure Reductions by Budget Subcommittee | | |
| Education Subcommittee | 74.9 | (47.7) |
| Human Services Subcommittee | 180.3 | 0.0 |
| Public Safety Subcommittee | 48.9 | |
| Natural Resources Subcommittee | 25.9 | |
| Transportation/Economic Development Subcommittee | 16.3 | 13.3 |
| General Government Subcommittee | 18.0 | 1.0 |
| Emergency Board | 22.7 | |
| Subtotal Subcommittee Expenditure Reductions | 387.0 | (33.4) |
| Resource Adjustment Options | | |
| March/April 2020 Emergency Board Allocations Using CRF | 26.9 | |
| PERS Undo Employer Incentive Fund Revenue Sources | 61.3 | 3.3 |
| PERS Undo School District Unfunded Liability Fund Revenue Sources | 152.0 | |
| OSP Patrol Use CRF Federal Funds | 56.0 | |
| Debt Service Savings | 31.7 | 3.8 |
| Education Stability Fund State School Fund Backfill | 350.0 | 50.0 |
| Other Adjustments | 107.7 | 0.3 |
| Subtotal Resource Adjustment Options | 785.5 | 57.3 |
| Net Ending Balance Position | 201.8 | (198.7) |
| Net Position (combined GF and LF Discretionary) | 3.1 | |

EDUCATION SUBCOMMITTEE

| State School Fund | | | | |
|-------------------|------------------------|------------------------|---------------|-----------|
| | Legislatively Approved | Proposed | \$ Change | % Change |
| GF/LF | \$8,248,834,274 | \$8,298,834,274 | \$50,000,000 | 0.61% |
| OF* | \$751,165,726 | \$701,165,726 | -\$50,000,000 | -6.66% |
| Total | \$9,000,000,000 | \$9,000,000,000 | NA | NA |

*OF is Other Funds from the Corporate Activity Tax and several other sources.

| All Other Education | | | | |
|---------------------|------------------------|------------------------|----------------------|---------------|
| | Legislatively Approved | Proposed | \$ Change | % Change |
| GF | \$3,083,343,323 | \$3,008,458,160 | -\$74,885,163 | -2.43% |
| LF | \$145,120,963 | \$142,855,671 | -\$2,265,292 | -1.56% |
| Total | \$3,228,464,286 | \$3,158,828,385 | -\$77,150,455 | -2.50% |

Impacted Budgets: State School Fund, Higher Education Coordinating Commission, Oregon Department of Education

Programs and Services Prioritized for Preservation

- K-12 State School Fund remains at \$9 billion from a combination of General Fund, Lottery Funds, and Corporate Activity Tax, using \$400 million in Education Stability Fund resources (Lottery Funds).
- Student Success Act funding of \$170 million for early learning programs and \$246 million for programs in Statewide Education Initiatives account, including the High School Success Fund (Ballot Measure 98), are generally funded at levels approved during the 2019 session.
- The Community College Support Fund and the Public University Support Fund are not reduced.
- State support for the OHSU Schools of Medicine, Nursing, and Dentistry, as well as funding for the OHSU Child Development and Rehabilitation Center and the Oregon Poison Center are continued at current levels.
- Sports Lottery funding for public university sports programs and scholarships is maintained.
- Total funding for the Oregon Opportunity Grant program is maintained.

Major Budget Changes/Reductions:

Oregon Department of Education

- Other Fund balances offset General Fund for administrative staffing, Long Term Care and Treatment program, Hospital Education program, youth corrections, Blind and Visually Impaired Services program, educator professional development, and High School Success Fund grants with no impact on existing program or service levels.
- Services and supplies, contracting costs, statewide assessments, vacancy savings, and other administrative reductions are taken with minimal impact to program and service levels.
- Various grant-in-aid programs are reduced or eliminated for which school districts can use High School Success Fund resources to backfill if they so prioritize, including reductions to Regional Promise grants, Accelerated Learning Opportunities, STEM/CTE programs, and chronic absenteeism grants.

- The Student Success Act's Student Investment grants are funded at a reduced level of \$150 million for the second year of the biennium. Given the COVID-19 pandemic, district investments through these grants should give special emphasis to mental health programs and supports.
- The expansion of the Farm to School program is suspended for the second year of the biennium.
- Child Care Focus Networks are suspended for the second year of the biennium.
- Early Learning Hubs and the Healthy Families program are reduced in the second year of the biennium.

Higher Education Coordinating Commission

- Oregon Opportunity Grants fund shift saves \$10 million General Fund, but program is kept whole by using available Other Funds revenues.
- Oregon Promise grants are reduced limiting assistance to families with Earned Family Contributions of \$18,000 or less.
- Savings from elimination of vacant positions and reductions in services and supplies and other administrative costs with little impact to program or service level.
- Funding for GED programming is reduced by \$350,000.
- Lottery Funds support for the Outdoor School Program is decreased by \$2.3 million.
- OSU Agricultural Experiment Station, Extension Service, and Forest Research Laboratory statewide public service programs are reduced by 5%.
- Reduces Public University State Programs by 5%, except for the Engineering Technology Sustaining Funds that support engineering and technology programs across all seven institutions and the University of Oregon's Office for Community Dispute Resolution.
- Support for the Office of Rural Health and Area Health Education Centers decreased by 5%.

HUMAN SERVICES SUBCOMMITTEE

| | Legislatively Approved | Proposed | \$ Change | % Change |
|--------------|------------------------|-----------------|----------------|----------|
| GF | \$6,620,556,095 | \$6,440,242,512 | -\$180,313,583 | -2.72% |
| LF | \$17,093,071 | \$17,078,599 | -\$14,472 | -0.08% |
| Total | \$6,637,649,166 | \$6,457,321,111 | -\$180,328,055 | -2.72% |

Impacted Budgets: **Department of Human Services, Oregon Health Authority, Long Term Care Ombudsman, Psychiatric Security Review Board, Commission for the Blind**

Programs and Services Prioritized for Preservation

- Makes minimal reductions to Child Welfare programs, maintaining multi-biennia investments in staffing, new programs, and legal services.
- Holds funding for core Temporary Assistance for Needy Families and Employment Related Day Care programs harmless and sustains 2019 session investments in grants to refugee settlement agencies and food-related initiatives.
- Preserves provider rate increases approved in the 2019 session affecting several agency programs.
- Maintains Oregon Project Independence services for both seniors and younger persons living with disabilities.
- Maintains current Oregon Health Plan benefits and eligibility, non-Medicaid community mental health and substance use disorder services, Oregon State Hospital bed capacity, and Public Health Modernization services.
- Maintains staffing levels for all programs within the office of the Long Term Care Ombudsman, including three new deputy ombudsman positions that were approved in HB 3413 (2019).
- Protected direct services and federal funding for Commission for the Blind clients.

Major Budget Changes/Reductions:

Department of Human Services

- Just under \$35 million of the total \$76.1 million reduction is from holding unfilled positions vacant, suppressing utilization of usage-based technology services, reducing services and supplies spending, and restricting travel; these actions are not expected to directly impact programs or services.
- Uses Other and Federal Funds in lieu of General Fund to cover expenditures for domestic violence services, system operations, administrative functions, and rehabilitation services.
- Eliminates funding in the Intellectual and Developmental Disabilities budget for a statewide case management system.
- Within Aging and People with Disabilities, curtails mental health (anxiety and depression classes) and an increment of state support for Older Americans Act programs delivered by local Area Agencies on Aging and Centers for Independent Living.
- Eliminates one-half of the 2019 session investment package for Aging and People with Disabilities that added new surveyor and field positions.
- Within Intellectual and Developmental Disabilities, reduces number of new Host Homes from 140 to 30, eliminates housing emergency repair program, eliminates second year funding for

Family Support/Family to Family Networks, and limits relief care to seven days in the last year of biennium for a collective savings of \$6.8 million General Fund.

- Within Self Sufficiency, eliminates investments within HB 2032 (2019), with the exception of the Oregon Health Authority's mental health pilot project.

Oregon Health Authority

- Holds unfilled positions vacant and reduces services and supplies spending for savings of \$20.5 million General Fund, resulting in no or minimal impact on existing programs and service levels.
- Recognizes savings achieved from standardizing mental health residential rates and the timing of behavioral health provider rate increases and uses Other Funds balances to offset General Fund expenses, for a cumulative savings of \$28.5 million General Fund; these actions do not impact existing programs or service levels.
- Recognizes General Fund savings of \$26 million from the actuarial adjustment of 2020 Coordinated Care Organization rates; savings are largely driven by an overall healthier Oregon Health Plan member population related to growing caseload levels during the COVID-19 pandemic.
- Postpones the implementation of intensive in-home behavioral health treatment services for children and youth.
- Eliminates funding not yet announced or awarded in contracts and uses available federal grant revenue to offset General Fund expenses in behavioral health programs with no anticipated impact on programs or service levels.
- Reduces funding for rental assistance and wraparound services associated with the planned construction of permanent supportive housing units, which are not expected to be constructed in 2019-21; this does not have an anticipated impact on programs or service levels.
- Includes savings in the voluntary Universal Home Visiting Program due to the delayed implementation of the community alignment process and by restricting certain onboarding and program evaluation activities.
- Delays increasing the on-site inspection schedule of in-home care agencies.
- Restructures and eliminates several functions in the Oregon State Hospital resulting in the layoff of 22 non-direct care staff.

Other Agencies

- Within the Office of the Long Term Care Ombudsman, restricts spending on services and supplies, legal services, volunteer training, travel, and public guardianship contracts; these actions are not expected to have long term impacts on programs.
- The budget for the Commission for the Blind includes savings from reduced service contracts and uses internal agency and Oregon State Chief information Office staff and resources for quality and change management in the implementation of a case management IT system.
- Savings from position vacancies, services and supplies, adjustment of a staff person from full- to part-time, as well as eliminating the preparation day stipend for Psychiatric Security Review Board members.

PUBLIC SAFETY SUBCOMMITTEE

| | Legislatively Approved | Proposed | \$ Change | % Change |
|--------------|-------------------------------|-----------------|------------------|-----------------|
| GF | \$3,636,818,507 | \$3,587,968,499 | -\$48,850,008 | -1.34% |
| LF | \$10,559,076 | \$10,559,076 | NA | NA |
| Total | \$3,647,377,583 | \$3,598,527,575 | -\$48,850,008 | -1.34% |

Impacted Budgets: Department of Corrections, Oregon Youth Authority, Oregon Military Department, Oregon State Police, Board of Parole and Post-Prison Supervision, Criminal Justice Commission, Department of Justice, Public Defense Services Commission, Oregon Judicial Department

Programs and Services Prioritized for Preservation

- Staff and services for the current prison population.
- Alcohol & drug treatment and education programs for adults in custody.
- Current funding amount for community corrections.
- Close custody capacity for the current youth offender population.
- Community residential treatment capacity for the number of youth currently receiving services.
- Current Oregon State Police Patrol Trooper strength statewide and forensic laboratory and medical examiner capacity.
- Justice Reinvestment, specialty courts, and other Criminal Justice Commission grant programs, as well as criminal justice research capacity.
- Office of Emergency Management and the Oregon Youth Challenge and STARBASE youth educational programs.
- Funding in the Department of Justice for child support enforcement, domestic and sexual violence programs, civil rights investigations, prosecution of election law violations, internet crimes against children, and legal services for state agencies.
- State funding for district attorneys.

Major Budget Changes/Reductions:

- Approximately \$23 million is from vacancy and other administrative savings, as well as fund shifts to Other or Federal Funds, resulting in no or minimal effect on programs and services.
- Closes Shutter Creek Correctional Institution; Warner Creek Correctional Facility remains open for the remainder of the current biennium but is anticipated to be closed during the 2021-23 biennium.
- Within the Oregon Youth Authority, eliminate unused capacity for community residential treatment and reduce funding for targeted gang intervention.
- Cancel scheduled Oregon State Police vehicle purchases through June 2021 and defer forensic laboratory equipment replacement, as well as recruit school for new troopers for the rest of the biennium and reduce the investment in the state radio system.
- Reduced funding in the Department of Justice for prosecutorial support services and investigative assistance, Defense of Criminal Convictions, as well as one-time support for the Oregon Crime Victims Law Center.

- Captured savings in the Oregon Judicial Department from court-imposed furloughs of employees and from fewer jury trials being conducted due to COVID-19.

NATURAL RESOURCES SUBCOMMITTEE

| | Legislatively Approved | Proposed | \$ Change | % Change |
|--------------|-------------------------------|-----------------|------------------|-----------------|
| GF | \$289,459,052 | \$263,604,860 | -\$25,854,192 | -8.93% |
| LF | \$243,944,703 | \$243,944,703 | NA | NA |
| Total | \$533,403,755 | \$507,549,563 | -\$25,854,192 | -4.85% |

Impacted Budgets: Department of Agriculture, Department of Energy, Department of Environmental Quality, Department of Fish and Wildlife, Department of Forestry, Department of Geology and Mineral Industries, Department of Land Conservation and Development, Water Resources Department

Programs and Services Prioritized for Preservation

- Department of Agriculture Food Safety, Agriculture Water Quality, Weights and Measures, Pesticide Stewardship Partnership, Confined Animal Feeding Operations, and Noxious Weed programs.
- Department of Forestry Fire Protection, Forest Practices Act, and Sudden Oak Death programs.
- Water Resources Department Placed-based Planning, Water Supply Development, Water Rights Servicing, Dam Safety, Well Construction, and Technical Services programs.
- Land Conservation and Development Land Use Planning, Coastal Management, Local Technical Assistance, Plan Review, Code Review, and Climate Change programs.
- Second year funding for the Department of Geology and Mineral Industries.
- Department of Fish and Wildlife fish hatcheries, water quality programs, wildlife troopers, wolf plan funding, and base funding for predator control.
- Existing filled positions in Air and Water Quality programs, as well as in the Harmful Algae Bloom program and Environmental Cleanup programs are maintained in the Department of Environmental Quality.

Major Budget Changes/Reductions:

- Approximately \$18 million of the total \$26.4 million reduction is from vacant position and other administrative savings, as well as fund shifts of programs to Other or Federal Funds, resulting in no or minimal effect on programs and services.
- Made targeted staff position eliminations across agencies in the program and reduced funding for equipment purchases, acquisitions, and contracted services.
- Eliminated additional funding provided during the 2019 session in several areas, including Shellfish Mariculture outreach and education, predator control, support for the Invasive Species Council, and the animal shelter program.
- Reduced funding at the Department of Fish and Wildlife for the anti-poaching campaign, sage grouse mitigation, and Santiam Steelhead propagation.
- Delayed implementation of a second groundwater basin team at the Water Resources Department.
- Eliminated Farm-to-School technical grant funding provided in HB 2579 (2019).

- Eliminated excess funding for middle housing technical assistance grants at the Department of Land Conservation and Development.
- Reduced funding for the Solar Rebate program at the Department of Energy.
- Delayed implementation of Cleaner Air Oregon and of the hiring of permit staff to address the backlog in Air and Water permits at the Department of Environmental Quality.

TRANSPORTATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE

| | Legislatively Approved | Proposed | \$ Change | % Change |
|--------------|------------------------|---------------|---------------|----------|
| GF | \$273,461,792 | \$257,121,995 | -\$16,339,797 | -5.98% |
| LF | \$285,557,328 | \$272,275,846 | -\$13,281,482 | -4.65% |
| Total | \$559,019,120 | \$529,397,841 | -\$29,621,279 | -5.30% |

Impacted Budgets: Oregon Business Development Department, Oregon Department of Veterans Affairs, Employment Department, Department of Consumer and Business Services, Bureau of Labor and Industries

Programs and Services Prioritized for Preservation

- Staffing and agency infrastructure are preserved for the Oregon Business Development Department allowing the agency to focus on coronavirus relief efforts.
- Retains Department of Veterans' Affairs positions to provide advocacy and other services and maintains Veterans' Emergency Financial Assistance, the Veterans Crisis Line and the Rural Veterans' Healthcare Transportation and Veteran Educational Bridge grant programs.
- Maintains Bureau of Labor and Industries positions related to Civil Rights and Wage and Hour investigations and determinations.
- Oregon Employment Department Positions related to the development of the Paid Family Medical Leave Insurance program are maintained.

Major Budget Changes/Reductions:

- Approximately \$8.6 million is from vacancy and other administrative savings, as well as fund shifts to Other or Federal Funds, resulting in no or minimal effect on programs and services.
- Reduced funding for Veterans' Services grants that have not been awarded and made small reductions in other grants and funds passed through the Department of Veterans Affairs.
- Reduced funding that has not been committed or anticipated to be disbursed to Tribal Veteran Offices, resulting in no program or service impact.
- Delays implementation of the Aging Veteran Services conservatorship system replacement project to the 2021-23 biennium.
- Eliminates any new awards by the Oregon Business Development Department from the University Innovation Research Fund for export assistance grants or the Port of Port Orford for the remainder of the biennium.
- Reduces funding by half or more for Oregon InC High-Impact Opportunity Projects, Oregon InC Commercialization Fund, Oregon Metals Initiative, and Tide Gates and Culverts, while making reductions of 15% or less in Arts Commission grants and Arts organizational capital project support, Oregon InC Signature Research Centers, SBIR Federal Grant Matching Funds, OMIC, and the Oregon Film and Video Office.
- Position reductions in the Bureau of Labor and Industries.
- Savings in the Oregon Employment Department associated with delays in planning and procurement activities for the Paid Family Medical Leave Insurance program.

GENERAL GOVERNMENT SUBCOMMITTEE

| | Legislatively Approved | Proposed | \$ Change | % Change |
|--------------|------------------------|---------------|---------------|----------|
| GF | \$555,203,624 | \$537,206,169 | -\$17,997,455 | -3.24% |
| LF | \$26,546,069 | \$25,546,069 | -\$1,000,000 | -3.77% |
| Total | \$581,749,693 | \$562,752,238 | -\$18,997,455 | -3.27% |

Impacted Budgets: Department of Administrative Services, Department of Revenue, Employment Relations Board, Oregon State Library, Office of the Governor, Oregon Advocacy Commission, Secretary of State, Legislative Branch

Programs and Services Prioritized for Preservation

- Maintains Department of Revenue tax administration programs, including processing, compliance, audit, collections, fraud detection, and investments in the revenue collection and management information technology application.
- Central administration and support of state agencies provided by the Department of Administrative Services, including human resources, information technology, asset management, and financial management are retained.
- Continues Oregon State Library Ready to Read and Talking Books and Braille programs.
- Maintains core programs and services in the Office of the Governor, the Office of the Secretary of State, and the Legislative Branch, including personnel and programs in the Office of the Secretary of State to protect the security and integrity of elections.

Major Budget Changes/Reductions:

- Approximately \$15 million is from vacancy and other administrative savings, as well as fund shifts to Other or Federal Funds, resulting in no or minimal effect on programs and services.
- General Fund grants for community projects in the amount of \$930,000 that were appropriated to the Department of Administrative Services during the 2019 session are eliminated.
- Lottery Funds for county fairs is reduced by \$1,000,000.