

# **Oregon Legislative Fiscal Office and State of Oregon Budget**

**January 2021**

# 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 (ORS 291.200)

## 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

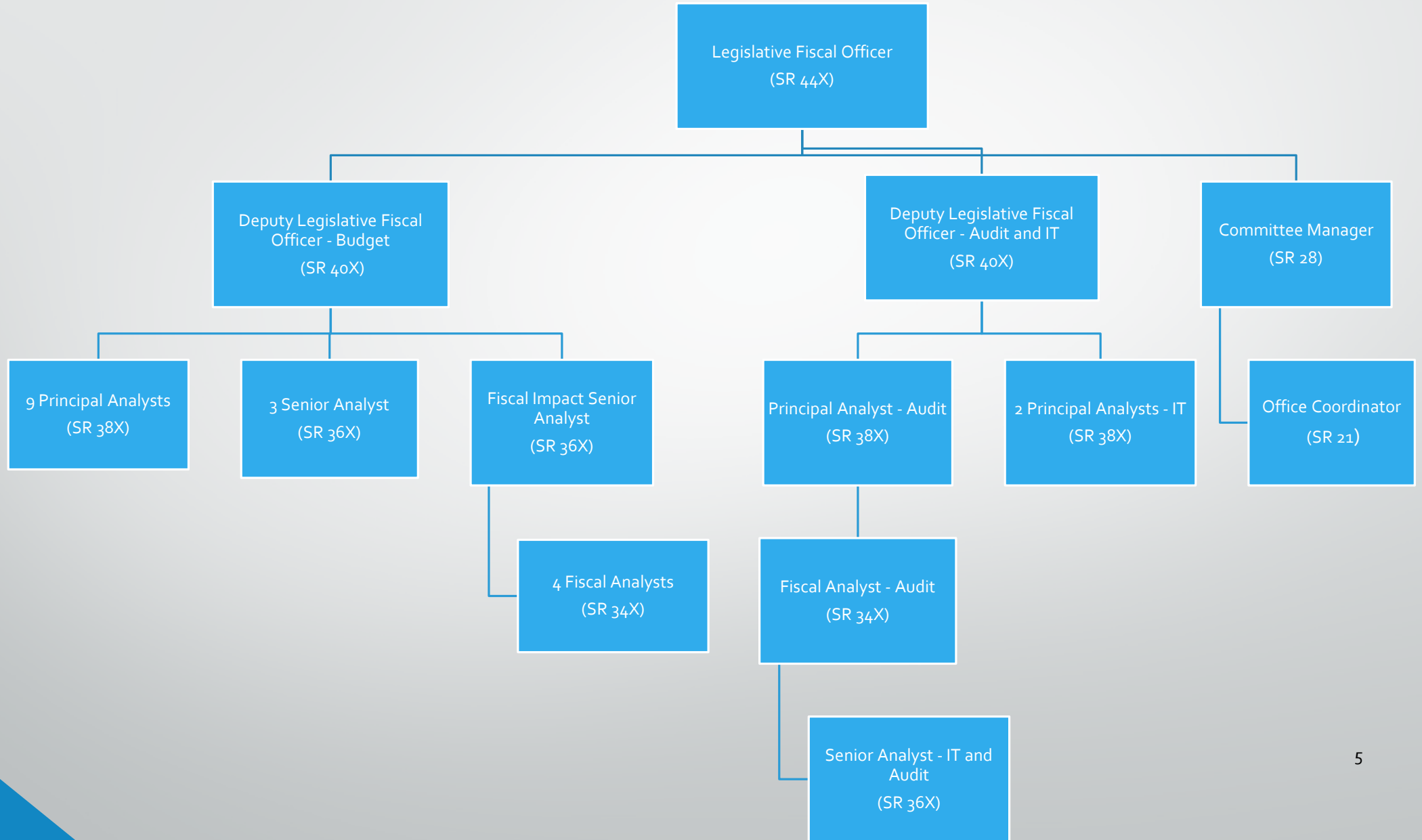
## LFO Mission

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 Organizational 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)

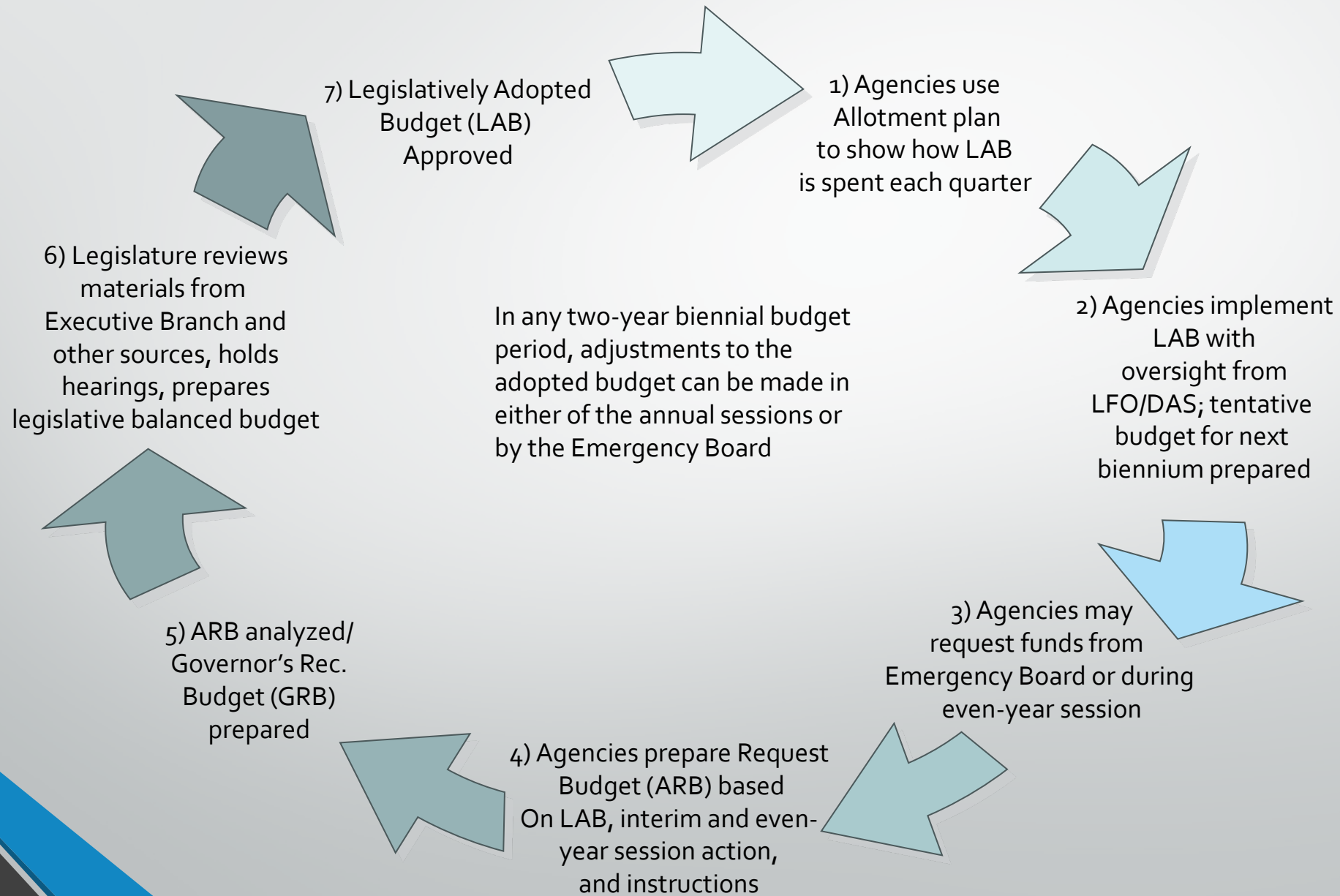
# LFO Staffing

- **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.

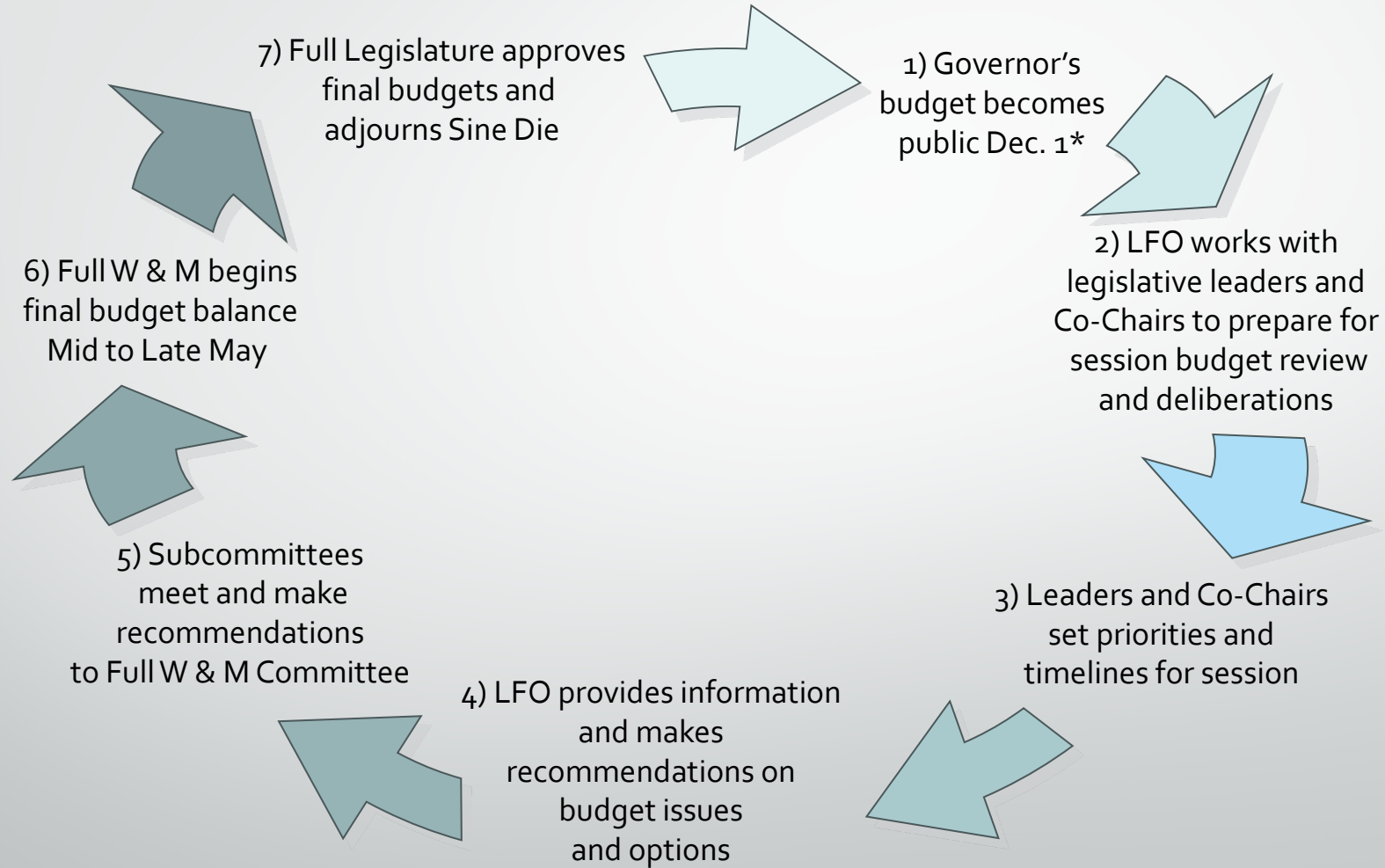


# Oregon Budget Process – Two Year

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, veterans’ services
- 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.)
- **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 also tracks positions and FTE (full-time equivalent)

# 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

**Enrolled  
Senate Bill 5521**

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Oregon Department of Administrative Services)

CHAPTER .....

AN ACT

Relating to the financial administration of the Long Term Care Ombudsman; and declaring an emergency.

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

**SECTION 1.** There are appropriated to the Long Term Care Ombudsman, for the biennium beginning July 1, 2015, out of the General Fund, the following amounts for the following purposes:

- (1) General program and services provided to care facility residents..... \$ 3,915,772
- (2) Public guardian and conservator program..... \$ 2,171,212

**SECTION 2.** Notwithstanding any other law limiting expenditures, the amount of \$719,650 is established for the biennium beginning July 1, 2015, as the maximum limit for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts, and including federal Older Americans Act funds received from the Department of Human Services, but excluding lottery funds and federal funds not described in this section, collected or received by the Long Term Care Ombudsman.

**SECTION 3.** This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect July 1, 2015.

## BUDGET NOTE EXAMPLE

### **Budget Note:**

- 1) The Department of Human Services is directed to take steps to provide policy and budget options for decision making that will be required during the 2017 legislative session to ensure future sustainability of the APD and IDD programs. Steps include further refinement, analysis, and pricing of viable options or ideas brought forth by the agency, stakeholders, and other interested parties; the focus should be on ways to control caseload growth and utilization. The agency will reach out to legislators, stakeholders, and partners to assist in this effort. In developing sustainability proposals, the Department shall prioritize options that minimize impacts on consumers and providers. The Department will also formally report, at a minimum, to the Emergency Board during Legislative Days in May and December 2016 on progress made under both parts of this budget note. The agency may also be requested to report to interim legislative policy committees on human services.
  
- 2) In addition to the work described above, the Department is also directed to take immediate actions that may help contain costs without changing the current service system structure and that do not require statutory changes. The agency's action plan includes:
  - Review and correct, if needed, the relationship between assessment tools and program eligibility criteria;
  - Take action to more efficiently align service authorization with people's needs, also consider appropriate limits;
  - Work to limit use of overtime in service plans; but the agency should take into account workforce shortage areas, the needs of consumers, and changes to current consumer provider relationships;
  - Continue discussions with CMS to prevent the conversion of natural support to paid support, with consideration for parental responsibility; and
  - Further restrict the live-in program to prohibit live-in service plans when the individual lives in their family's home or the family lives with the individual and is served by that relative (they would still be served in the hourly program).

### **Budget Note:**

The budget for the Public Employees' Benefit Board has been limited to annual per employee growth of 3.4 percent. It is the legislature's expectation that PEBB will meet these limits by holding health plans accountable to change the health care delivery system to promote better health, better care and lower costs, and not by shifting costs to PEBB members.

# 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 (\$25 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; also included are the bonding, capital construction, and lottery/CFA allocation bills



# Subcommittee Role and Responsibilities

- Agency Budget Presentations – Budget Presentation, Follow-up on Specific Issues & Work Session).
- Budget or Appropriation Bills
- 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.
- 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.

## Subcommittee Role and Responsibilities (cont.)

- 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.
- Subcommittee makes recommendation to Full Committee on budget bills, fee related bills, federal grants, budget notes and policy bills.

# Emergency Board Powers

- Established by the Constitution (Art. III, Sec. 3)
- Constitutional Authorities
  - Allocate from the Emergency Fund
  - Authorize agencies to spend from dedicated or continuously appropriated funds
  - Approve or revise funding for a new activity not included in the budget
  - Authorizing transfers between expenditure classifications within the budget of an agency
- No access to the state General Fund and not able to reduce agency budgets
- Only exists when Legislative Assembly is not in session

# Reserve Funds

- **Education Stability Fund**


- Constitutionally created reserve fund; established in 2002 by transforming an existing education endowment fund
- Funded with 18% of net proceeds from the lottery and capped at 5% of the amount accrued in General Fund revenues in the prior biennium
- Requires 3/5 vote of each chamber and must be spent on public education (K-12 and Post-Secondary)
- December 2020 forecast projects a balance of \$427.2 million at the end of the 2019-21 biennium

- **Rainy Day Fund**

- Established by the Legislature in 2007 as a general purpose reserve and capitalized with \$319 million from retention of a portion of the corporate kicker due to be refunded to corporate taxpayers in 2007
- Use in a biennium is limited to 2/3 of the amount in the fund at the beginning of the biennium and requires 3/5 majority of each chamber to access
- December 2020 forecast projects a balance of \$942.3 million at the end of the 2019-21 biennium

# Current Service Level Budget - Adjustments

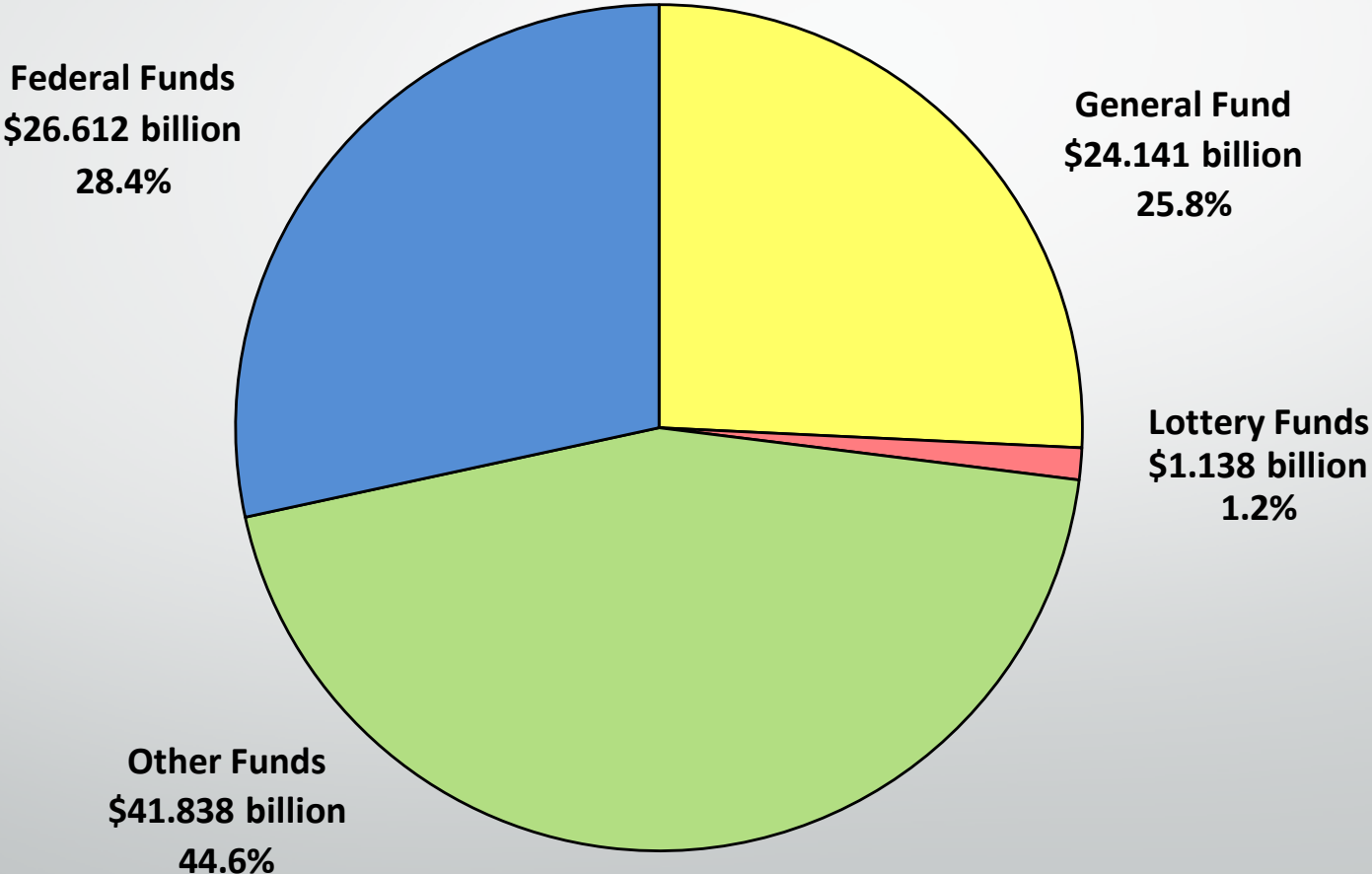
- Personal Services adjustments for 2021-23
- Debt Service adjustments
- Program phase-in costs for new programs that did not operate for the entire biennium
- Program phase-out savings for programs that will be discontinued or were one-time
- Inflation (4.3% general, 5.7% non-state personnel [contract providers], 5.7% medical; all with exceptions)
- Mandated caseload increases or decreases
- Fund shifts – replace one-time funds



# Oregon Budget Information

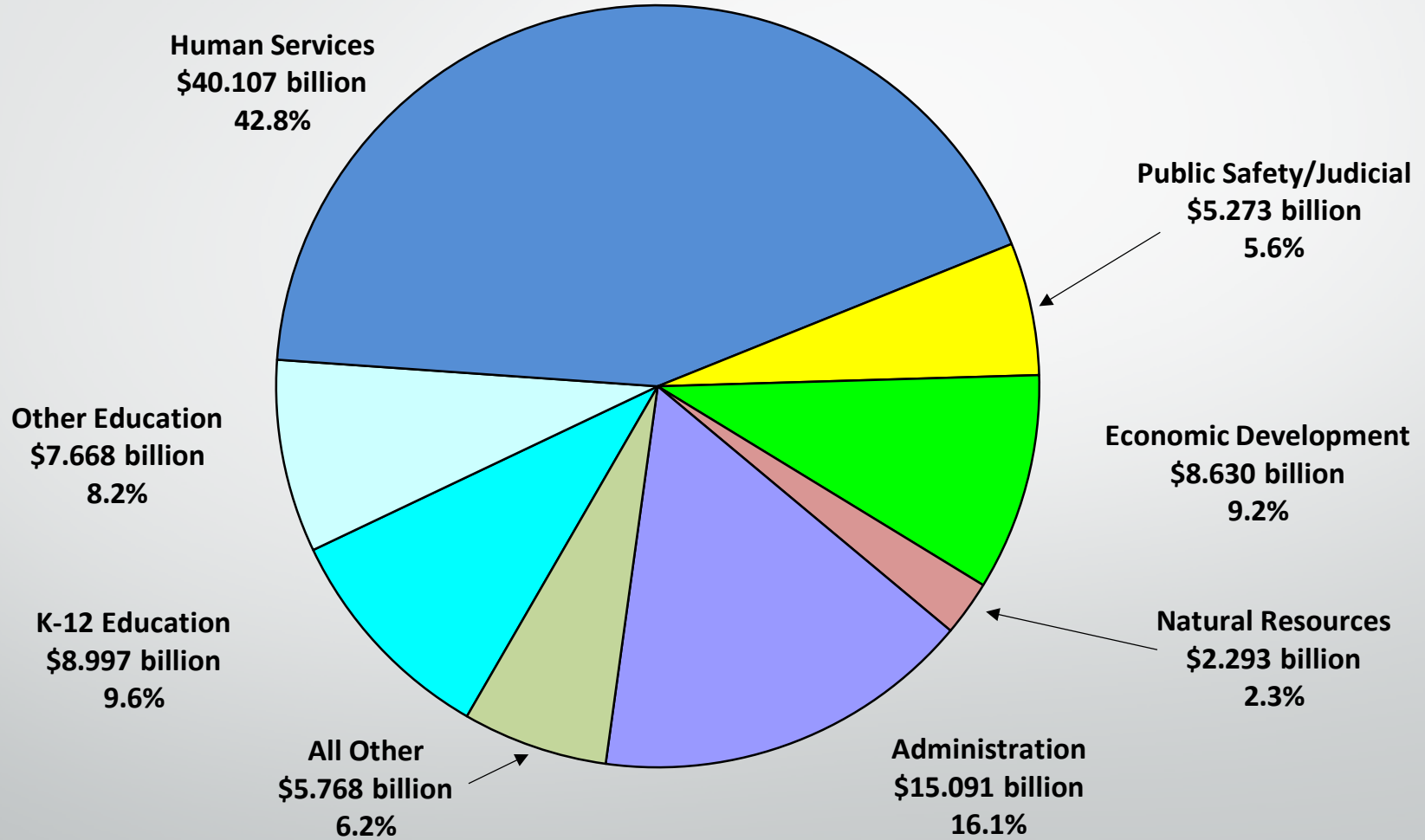
# 2021-23 Current Service Level Budget

Total Funds = \$93.729 Billion



# 2021-23 Current Service Level Budget

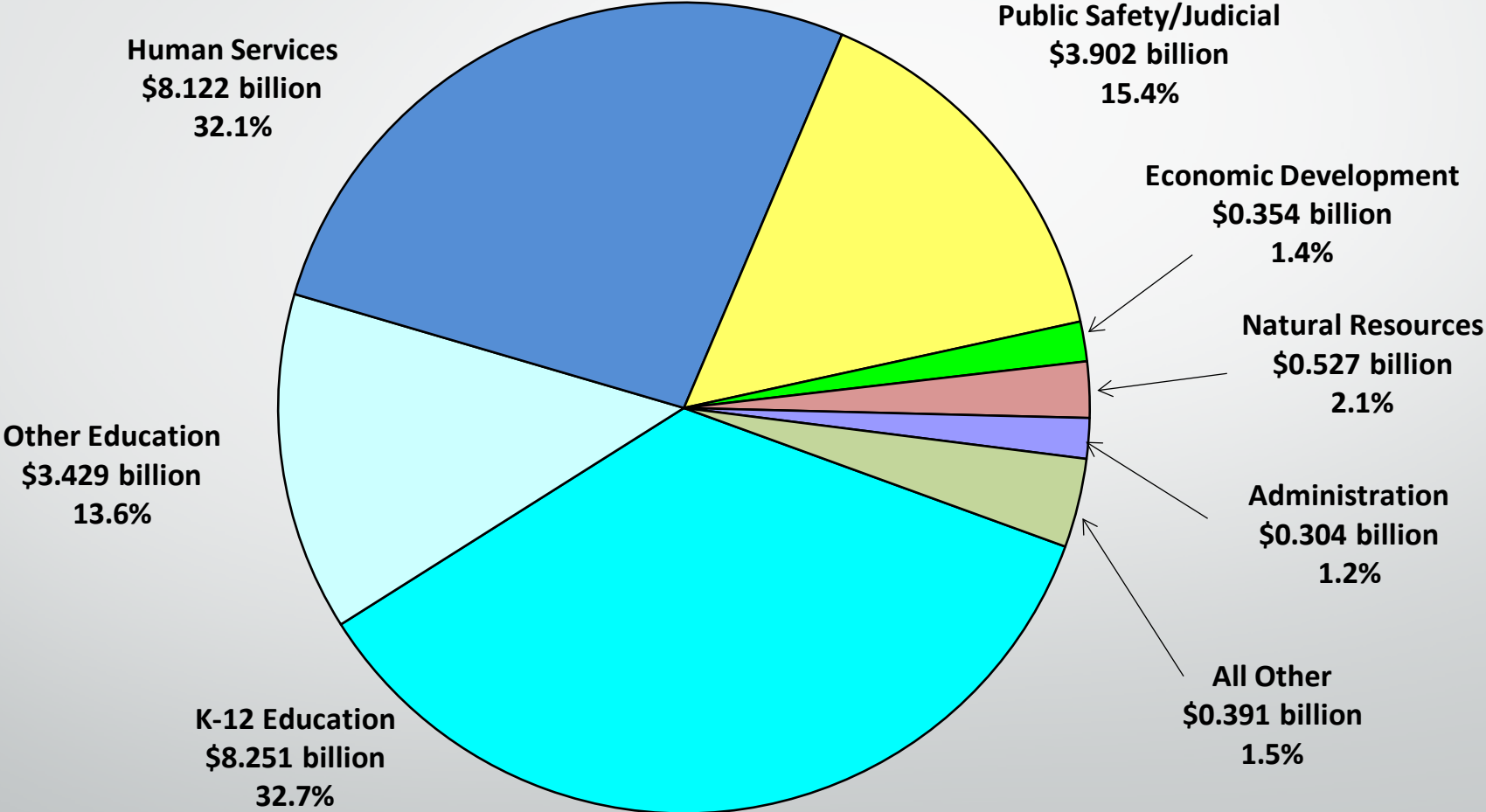
## Total Funds = \$93.729 Billion



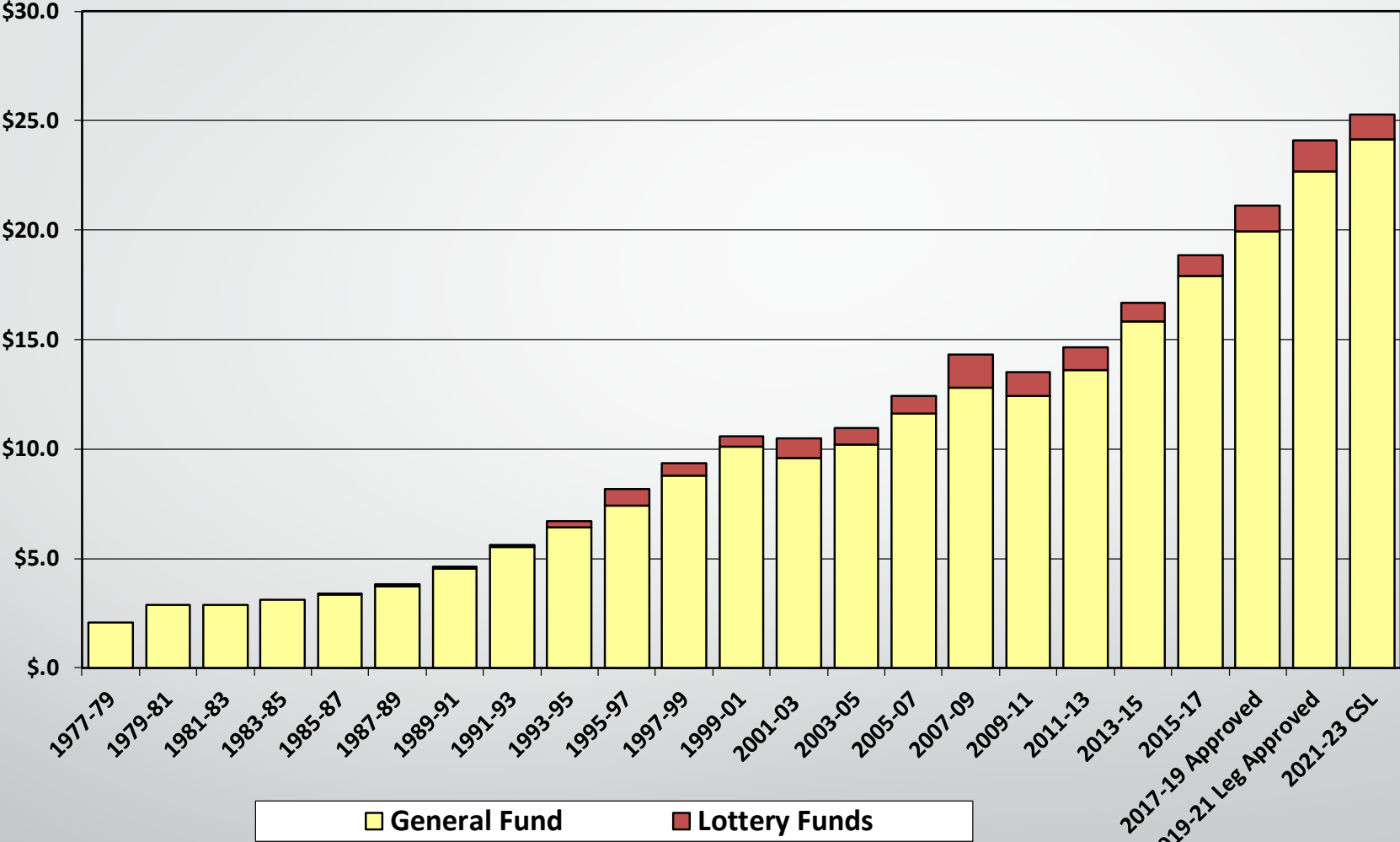


# 2021-23 Current Service Level Budget

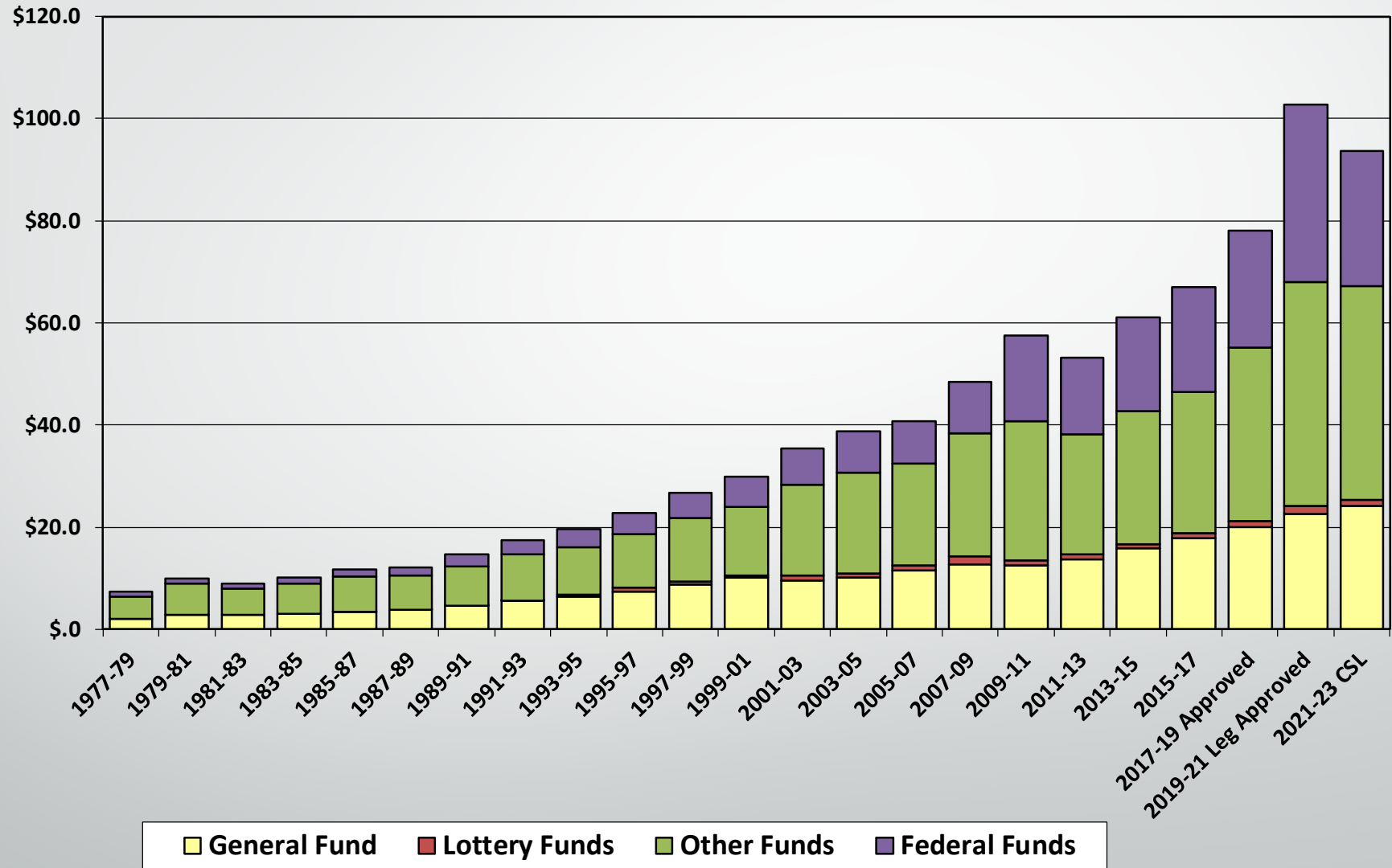
## General Fund and Lottery Funds = \$25.280 Billion



# Oregon Budget History – General Fund and Lottery Funds (\$ in billions)

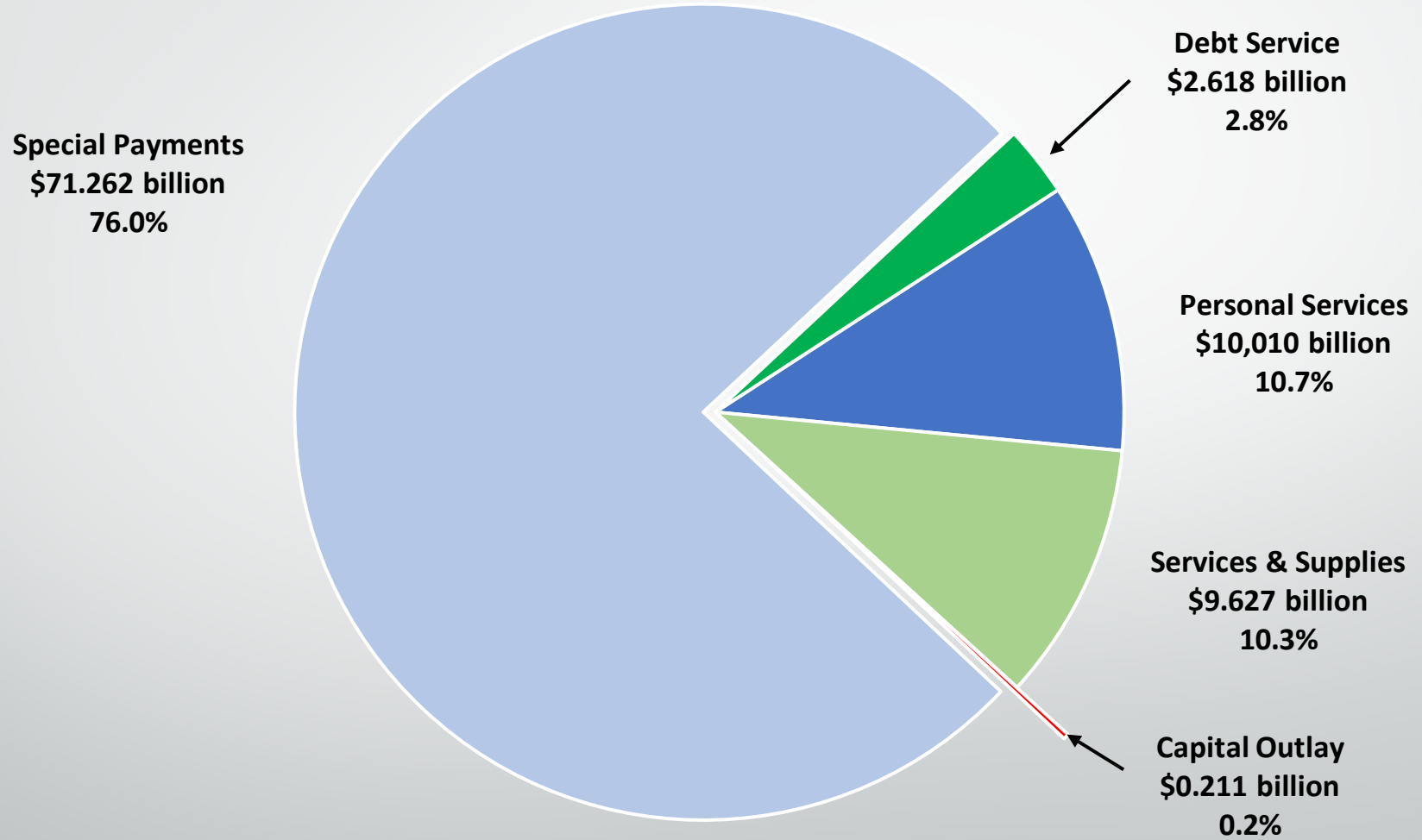


# Oregon Budget History -- Total Funds (Billions \$)



# 2021-23 Current Service Level Budget by Category

Total Funds = \$93.729 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 2021 Legislature

- Rebalancing the 2019-21 budget
- Revenue Forecast Changes
- Pandemic related economic difficulties
- 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
- 2023-25 tentative budget and revenue forecast

**For  
Additional  
Information**


Legislative Fiscal Office - 503-986-1828

<https://www.oregonlegislature.gov/lfo>

State Capitol

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Salem, Oregon 97301



# Public Safety/Judicial Branch Budget Overview

Joint Committee on Ways and Means

Public Safety Subcommittee

January 2021



# State Public Safety Agencies

## Executive Branch

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

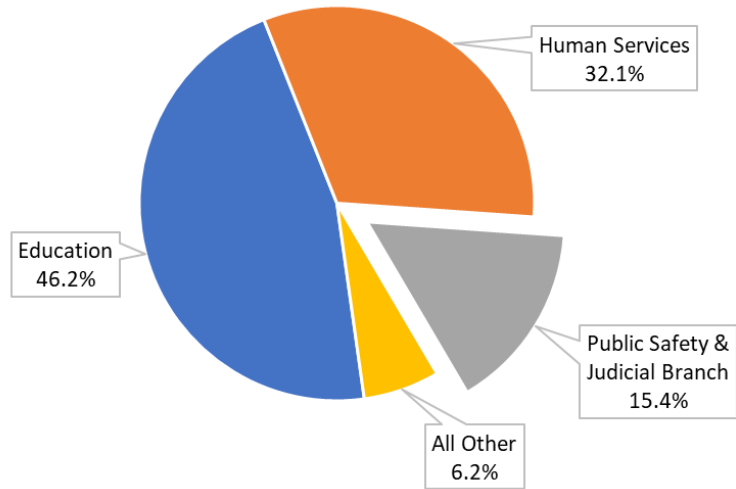
## Judicial Branch

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

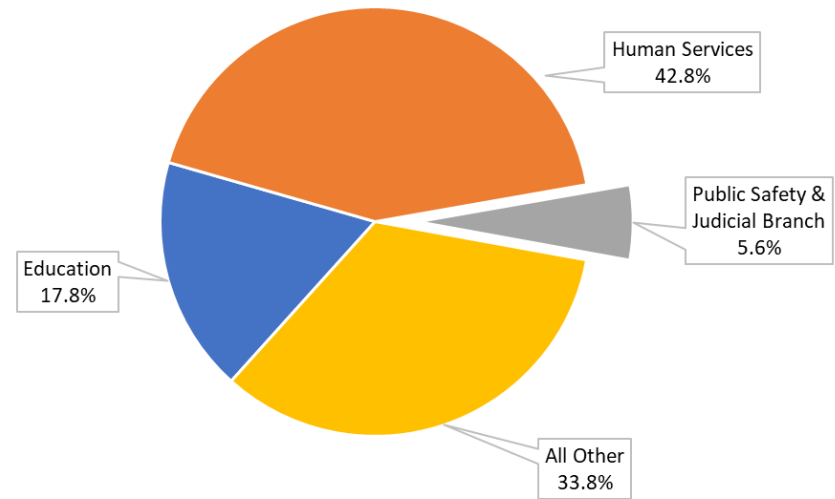
# Public Safety Spending

Public Safety and Judicial Branch agencies make up 15.4% of the 2021-23 current service level General/Lottery Funds budget (\$25.3B) and just 5.6% of the total state budget of \$93.7B.

Public Safety/Judicial Branch  
Percentage of **General & Lottery Fund** Spending  
2021-23 Current Service Level



Public Safety and Judicial Branch  
Percentage of **ALL** Spending  
2021-23 Current Service Level

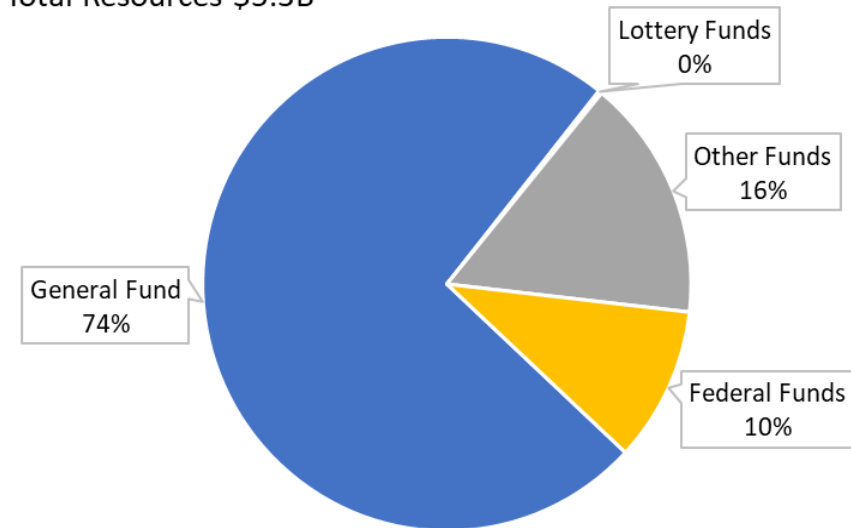


# Public Safety Funding

General Fund supports 74% of Public Safety and Judicial Branch spending overall, but varies widely by agency:

- Department of Corrections is 97.2% funded with General Fund
- Oregon Military Department is 7.8% funded with General Fund
- Entire Judicial Branch is 97.4% funded with General Fund

Public Safety Resources  
2021-23 Current Service Level  
Total Resources \$5.3B

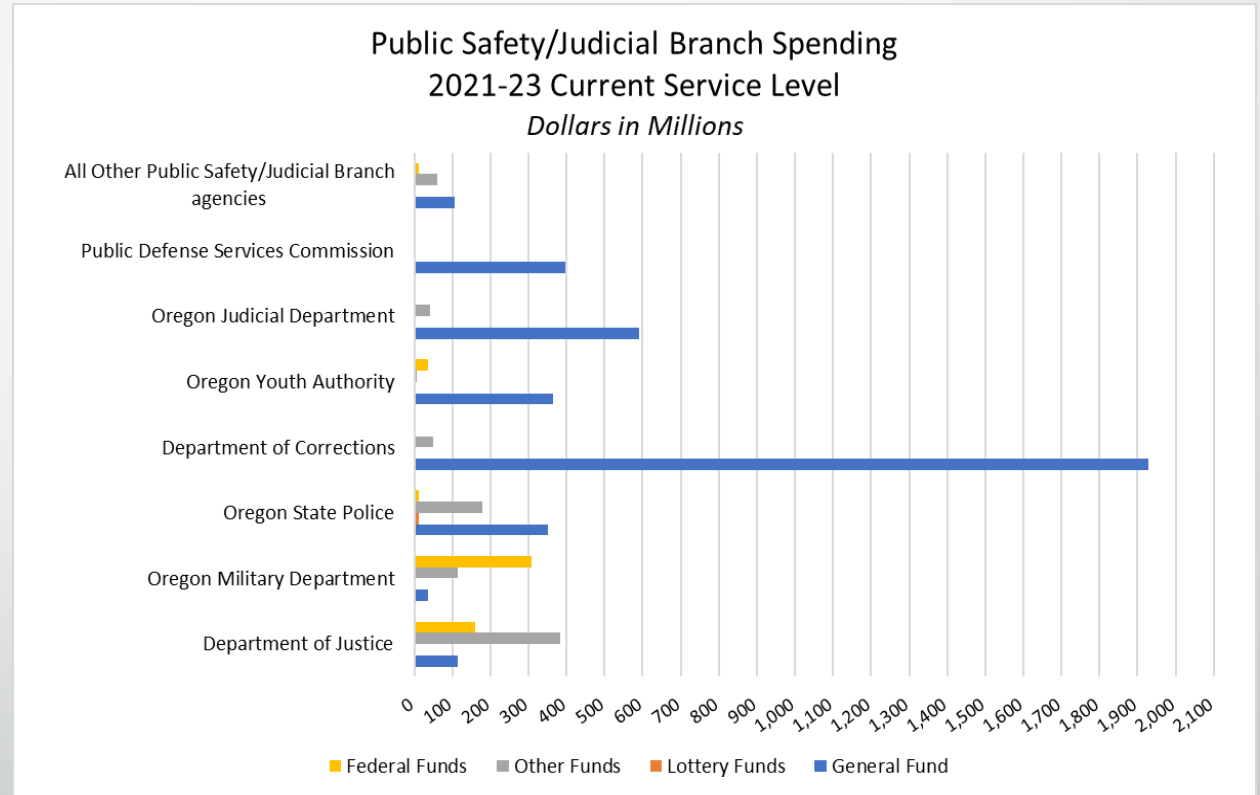


# Public Safety Spending by Agency

The Department of Corrections accounts for 37.6% of total public safety spending and 49.6% of General Fund public safety spending.

The Department of Justice and the Judicial Department combined account for the next largest amount, 24.5% of total public safety spending and 18.2% of General Fund spending.

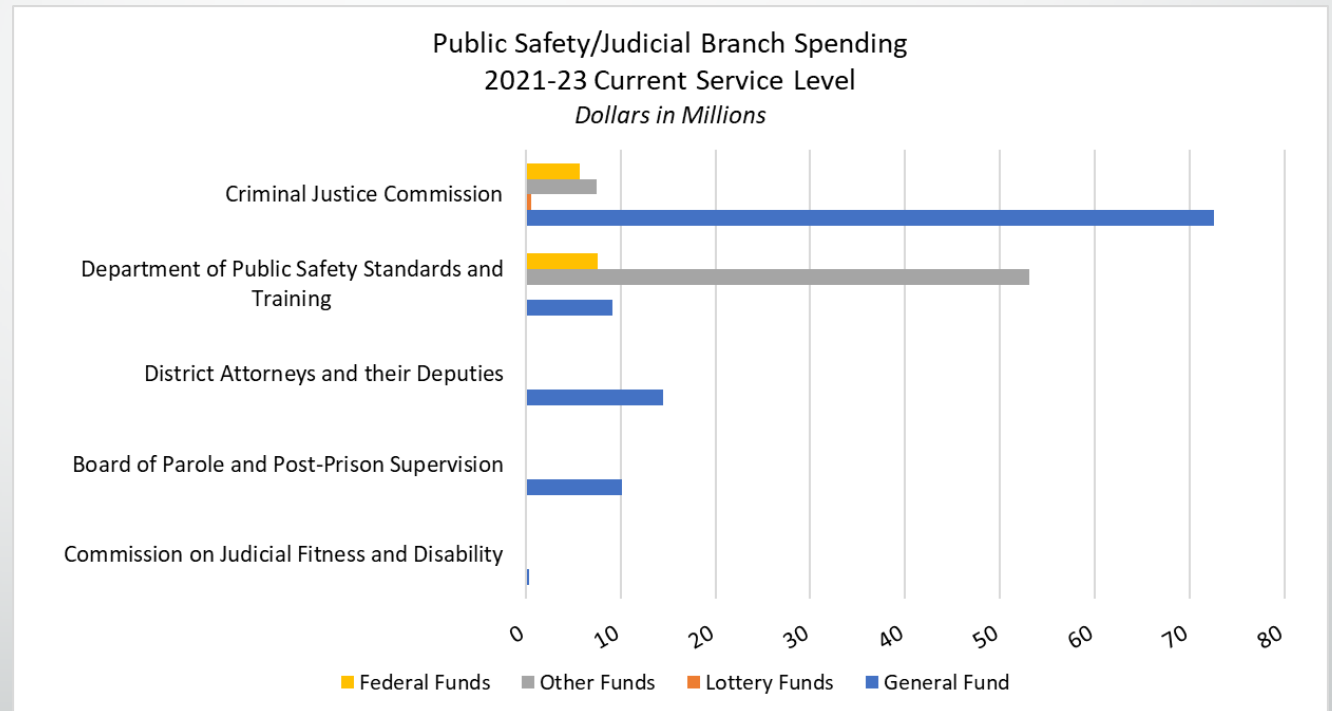
State Police, Youth Authority, and the Public Defense Services Commission each account for between 9%-10% of public safety spending.



# Public Safety Spending by Agency

Five smaller agencies account for 3.4% of total spending and 2.7% of General Fund public safety spending.

DPSST is funded through the Criminal Fine Account, which is functionally equivalent to the General Fund.

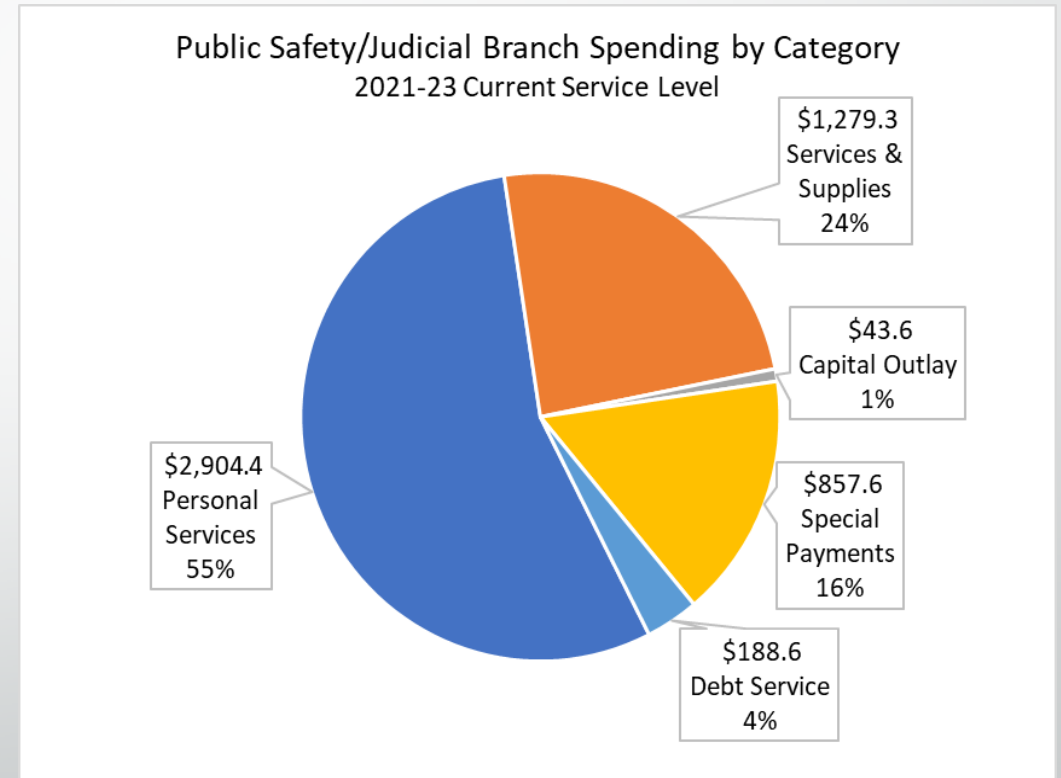


# Public Safety Spending by Category

Personnel costs make up the largest share of public safety spending, \$2.9 billion of the \$5.3 billion all-funds current service level budget for 2021-23.

Public Safety and Judicial Branch agencies employ 11,129 positions (10,986.36 FTE), 42% of whom work for the Department of Corrections.

The special payments category contains community corrections funding, juvenile crime prevention grants, Justice Reinvestment grants to counties, and federal reimbursements through the Office of Emergency Management.



# 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 changes (up or down) in public safety agency budgets:

- Statutory changes in adult and juvenile criminal 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
- The availability of housing for people leaving prison



# 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 – emergencies, wildfires, etc.
- Prevalence of illegal business activities in the state – 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

# Public Safety Key Budget Issues

- Adequate numbers of State Troopers
- Prison closures
- Health care services in prisons
- Community Corrections caseload and funding levels
- Deferred maintenance needs in prisons, youth correctional facilities, and Military Department facilities
- Training public safety professionals in Oregon
- Behavioral health justice reinvestment program (IMPACTS)

# Public Safety Key Budget Issues

- Capacity in OSP forensic laboratories
- Capacity in the Office of the Chief Medical Examiner and the Office of the State Fire Marshal
- More staff to conduct sex offender notification level reviews
- Courthouse replacement and renovation needs
- Potential need for additional circuit judgeships
- Review of major challenges in public defense services, including a current-biennium budget shortfall
- Housing unit population size in youth correctional facilities

# Public Safety Key Budget Issues

- Service expansion of legal representation for children and parents in juvenile court proceedings
- Establishment of the 2021-23 Attorney General hourly rate
- Funding for revenue shortfalls in the Crime Victim and Survivor Services, Criminal Justice, and Child Support Divisions in the Department of Justice
- Continued Funding for grand jury recordation costs
- Supreme Court building capital project completion
- Funding for replacement of County courthouses and security
- Supplemental funding for court technology support and remote court hearings

# Public Safety Key Budget Issues

- Legal, caseload, and budgetary impacts of U.S. Supreme Court decision in *Ramos v. Louisiana* requiring that guilty verdicts for criminal trials be unanimous
- Growing backlog of circuit court cases due to the COVID-19 pandemic (evictions, domestic relations, habeas corpus, etc.) and their impact on future prosecutorial and investigative activities
- Potential need for supplemental funding for domestic and sexual violence services and Child Advocacy Centers

# LFO Public Safety Agency assignments

## **John Borden, 503-986-1842**

- Department of Justice
- District Attorneys and Their Deputies
- Oregon Judicial Department
- Public Defense Services Commission
- Commission on Judicial Fitness and Disability

## **Tim Walker, 503-986-1832**

- Board of Parole and Post-Prison Supervision

## **Julie Neburka, 503-986-1839**

### Public Safety Subcommittee Coordinator

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