

**SB 5550 A BUDGET REPORT and MEASURE SUMMARY**

**Carrier:** Sen. Lieber

**Joint Committee On Ways and Means**

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**Action Date:** 03/14/25

**Action:** Do pass with amendments. (Printed A-Eng.)

**Senate Vote**

**Yeas:** 8 - Anderson, Broadman, Campos, Frederick, McLane, President Wagner, Smith DB, Sollman

**Nays:** 1 - Bonham

**Exc:** 3 - Girod, Lieber, Woods

**House Vote**

**Yeas:** 9 - Bowman, Breese-Iverson, Drazan, Evans, Gomberg, Levy E, Ruiz, Sanchez, Smith G

**Nays:** 1 - Cate

**Exc:** 2 - Owens, Valderrama

**Prepared By:** John Terpening, Legislative Fiscal Office

**Reviewed By:** Amanda Beitel, Legislative Fiscal Office

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***CORRECTED***

**Various Agencies**

**2023-25**

## Budget Summary

	2023-25 Legislatively Approved Budget	2025 Committee Recommendation	Committee Change from 2023-25 Approved Budget	
			\$ Change	% Change
<b><u>Emergency Board</u></b>				
General Fund - Special Purpose Appropriations				
Emergency management stockpile	5,000,000	(5,000,000)	-	-100.0%
<b><u>ADMINISTRATION PROGRAM AREA</u></b>				
<b><u>Department of Administrative Services</u></b>				
General Fund	297,449,702	6,500,000	303,949,702	2.2%
Other Funds	1,008,192,878	36,250,000	1,044,442,878	3.6%
Other Funds Debt Service	538,056,345	(508,030)	537,548,315	-0.1%
<b><u>Department of Revenue</u></b>				
General Fund Debt Service	4,459,399	(148,150)	4,311,249	-3.3%
<b><u>Employment Relations Board</u></b>				
General Fund	3,548,203	70,000	3,618,203	2.0%
Other Funds	2,816,298	125,000	2,941,298	4.4%
<b><u>Oregon Facilities Authority</u></b>				
General Fund	3,613,925	(3,613,925)	-	-100.0%
Other Funds	3,613,925	(3,613,925)	-	-100.0%
<b><u>Oregon Liquor and Cannabis Commission</u></b>				
Other Funds Debt Service	21,581,604	(7,966,537)	13,615,067	-36.9%
<b><u>Public Records Advocate</u></b>				
Other Funds	1,000,967	30,000	1,030,967	3.0%
<b><u>Secretary of State</u></b>				
Federal Funds	5,050,327	250,000	5,300,327	5.0%
<b><u>State Treasurer</u></b>				
Other Funds	135,564,052	(263,925)	135,300,127	-0.2%

<b>Budget Summary</b>	<b>2023-25 Legislatively Approved Budget</b>	<b>2025 Committee Recommendation</b>	<b>Committee Change from 2023-25 Approved Budget</b>	
			<b>\$ Change</b>	<b>% Change</b>
<b><u>CONSUMER AND BUSINESS SERVICES PROGRAM AREA</u></b>				
<b><u>Department of Consumer and Business Services</u></b>				
General Fund	12,803,438	7,290	12,810,728	0.1%
Other Funds	447,855,864	1,206,540	449,062,404	0.3%
<b><u>Health Related Licensing Boards</u></b>				
Other Funds	9,825,831	78,000	9,903,831	0.8%
<b><u>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</u></b>				
<b><u>Oregon Business Development Department</u></b>				
General Fund	217,229,120	5,000,000	222,229,120	2.3%
General Fund Debt Service	101,570,704	(6,874,760)	94,695,944	-6.8%
Lottery Funds	127,928,392	120,282	128,048,674	0.1%
Other Funds	1,252,618,485	106,663	1,252,725,148	0.0%
Federal Funds	141,262,092	2,149,230	143,411,322	1.5%
<b><u>Housing and Community Services Department</u></b>				
General Fund	719,810,194	3,214,757	723,024,951	0.4%
General Fund Debt Service	126,667,431	(401,960)	126,265,471	-0.3%
<b><u>Department of Veterans' Affairs</u></b>				
Other Funds	141,425,696	2,100,000	143,525,696	1.5%
<b><u>EDUCATION PROGRAM AREA</u></b>				
<b><u>Department of Education</u></b>				
General Fund	9,415,418,366	(13,944,096)	9,401,474,270	-0.1%
Other Funds	3,874,612,505	19,421,825	3,894,034,330	0.5%
<b><u>Higher Education Coordinating Commission</u></b>				
General Fund	2,613,073,622	6,318,388	2,619,392,010	0.2%
General Fund Debt Service	308,899,282	(104,480)	308,794,802	0.0%
Other Funds	629,947,240	6,515,000	636,462,240	1.0%

## Budget Summary

	2023-25 Legislatively Approved Budget	2025 Committee Recommendation	Committee Change from 2023-25 Approved Budget	
			\$ Change	% Change
<b><u>Teacher Standards and Practices Commission</u></b>				
General Fund	2,005,295	1,000,000	3,005,295	49.9%
<b><u>HUMAN SERVICES PROGRAM AREA</u></b>				
<b><u>Commission for the Blind</u></b>				
General Fund	8,429,871	67,779	8,497,650	0.8%
Federal Funds	19,299,483	1,837,380	21,136,863	9.5%
<b><u>Oregon Health Authority</u></b>				
General Fund	5,568,402,325	197,611,430	5,766,013,755	3.5%
General Fund Debt Service	61,997,304	(86,700)	61,910,604	-0.1%
Other Funds	10,353,296,016	728,845,387	11,082,141,403	7.0%
Federal Funds	19,765,182,045	646,850,861	20,412,032,906	3.3%
<b><u>Department of Human Services</u></b>				
General Fund	6,096,411,475	191,852,872	6,288,264,347	3.1%
Other Funds	1,182,329,085	60,892,284	1,243,221,369	5.2%
Federal Funds	8,878,935,477	515,726,842	9,394,662,319	5.8%
<b><u>JUDICIAL BRANCH</u></b>				
<b><u>Commission on Judicial Fitness and Disability</u></b>				
General Fund	426,660	75,000	501,660	17.6%
<b><u>Judicial Department</u></b>				
General Fund	737,332,839	4,960,000	742,292,839	0.7%
Other Funds	395,406,211	(960,000)	394,446,211	-0.2%
<b><u>LEGISLATIVE BRANCH</u></b>				
<b><u>Legislative Administration Committee</u></b>				
General Fund Debt Service	42,972,527	(1,349,980)	41,622,547	-3.1%
<b><u>Legislative Policy and Research Committee</u></b>				
General Fund	22,519,811	50,000	22,569,811	0.2%

## Budget Summary

### NATURAL RESOURCES PROGRAM AREA

#### State Department of Agriculture

	2023-25 Legislatively Approved Budget	2025 Committee Recommendation	Committee Change from 2023-25 Approved Budget	
			\$ Change	% Change
Other Funds	97,593,748	418,079	98,011,827	0.4%

#### Department of Environmental Quality

General Fund	80,191,250	2,515,710	82,706,960	3.1%
Other Funds	322,451,914	2,700,000	325,151,914	0.8%

#### State Department of Fish and Wildlife

General Fund Debt Service	2,352,521	(46,928)	2,305,593	-2.0%
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#### Department of Forestry

General Fund Debt Service	16,465,728	(812,009)	15,653,719	-4.9%
Other Funds	699,823,751	5,700,000	705,523,751	0.8%
Other Funds Debt Service	1,826,040	(1,225,170)	600,870	-67.1%

#### Department of Land Conservation and Development

Other Funds	19,645,485	702,035	20,347,520	3.6%
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#### Land Use Board of Appeals

General Fund	2,994,485	225,824	3,220,309	7.5%
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#### Water Resources Department

General Fund	88,114,428	1,872,852	89,987,280	2.1%
Other Funds	177,826,762	300,000	178,126,762	0.2%

### PUBLIC SAFETY PROGRAM AREA

#### Department of Corrections

General Fund	2,152,751,458	28,434,757	2,181,186,215	1.3%
General Fund Debt Service	103,571,242	(700,440)	102,870,802	-0.7%
General Fund Capital Improvements	3,186,299	(250,000)	2,936,299	-7.8%
Other Funds	169,610,384	(4,201,032)	165,409,352	-2.5%
Federal Funds	2,029,649	390,600	2,420,249	19.2%

## Budget Summary

### Department of the State Fire Marshal

	2023-25 Legislatively Approved Budget	2025 Committee Recommendation	Committee Change from 2023-25 Approved Budget	
			\$ Change	% Change
General Fund	93,244,943	6,000,000	99,244,943	6.4%
Federal Funds	599,769	400,000	999,769	66.7%

### Oregon Department of Emergency Management

General Fund	28,236,104	5,000,000	33,236,104	17.7%
Other Funds	186,022,549	3,500,000	189,522,549	1.9%

### Department of Justice

Other Funds Debt Service	2,508,271	(259,570)	2,248,701	-10.3%
Federal Funds	222,471,269	750,000	223,221,269	0.3%

### Oregon Military Department

General Fund	29,436,861	1,010,951	30,447,812	3.4%
General Fund Debt Service	12,862,750	(86,910)	12,775,840	-0.7%

### Department of State Police

General Fund Debt Service	21,285,474	(2,287,077)	18,998,397	-10.7%
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### Public Defense Commission

Other Funds	22,352,949	(1,901,771)	20,451,178	-8.5%
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### Department of Public Safety Standards and Training

Other Funds	72,427,141	1,360,554	73,787,695	1.9%
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### Oregon Youth Authority

General Fund	395,861,116	2,303,604	398,164,720	0.6%
General Fund Debt Service	21,161,557	(2,802,560)	18,358,997	-13.2%

## TRANSPORTATION PROGRAM AREA

### Department of Transportation

Other Funds	5,421,082,914	15,000,000	5,436,082,914	0.3%
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<b>Budget Summary*</b>	<b>2023-25 Legislatively Approved Budget</b>	<b>2025 Committee Recommendation</b>	<b>Committee Change from 2023-25 Approved Budget</b>	
			<b>\$ Change</b>	<b>% Change</b>
<b>2023-25 Budget Summary</b>				
<b>General Fund Total</b>	28,594,305,491	441,533,193	29,035,838,684	1.5%
<b>General Fund Capital Improvements Total</b>	3,186,299	(250,000)	2,936,299	-7.8%
<b>General Fund Debt Service Total</b>	824,265,919	(15,701,954)	808,563,965	-1.9%
<b>Lottery Funds Total</b>	127,928,392	120,282	128,048,674	0.1%
<b>Other Funds Total</b>	26,627,342,650	874,310,714	27,501,653,364	3.3%
<b>Other Funds Debt Service Total</b>	563,972,260	(9,959,307)	554,012,953	-1.8%
<b>Federal Funds Total</b>	29,034,830,111	1,168,354,913	30,203,185,024	4.0%

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

<b>Position Summary</b>	<b>2023-25 Legislatively Approved Budget</b>	<b>2025 Committee Recommendation</b>	<b>Committee Change from 2023-25 Approved Budget</b>	
			<b>Change</b>	<b>% Change</b>
<b>ADMINISTRATION PROGRAM AREA</b>				
<b><u>State Treasurer</u></b>				
Authorized Positions	223	(2)	221	-0.9%
Full-time Equivalent (FTE) positions	213.87	(1.13)	212.74	-0.5%
<b>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</b>				
<b><u>Oregon Business Development Department</u></b>				
Authorized Positions	211	4	215	1.9%
Full-time Equivalent (FTE) positions	190.86	0.60	191.46	0.3%
<b>HUMAN SERVICES PROGRAM AREA</b>				
<b><u>Oregon Health Authority</u></b>				
Authorized Positions	5,750	21	5,771	0.4%
Full-time Equivalent (FTE) positions	5,604.33	7.62	5,611.95	0.1%
<b>NATURAL RESOURCES PROGRAM AREA</b>				
<b><u>State Department of Agriculture</u></b>				
Authorized Positions	523	12	535	2.3%
Full-time Equivalent (FTE) positions	402.26	1.01	403.27	0.3%

## **Summary of Revenue Changes**

SB 5550 rebalances and makes other changes to state agency budgets within forecasted recourses. Other Funds expenditure limitations are increased by a net \$864.4 million, with the major adjustments involving forecasted changes in tobacco tax, marijuana tax, and health care provider assessment revenues; Public Employees Benefit Board and Oregon Educators Benefit Board stabilization funds; Federal Highway Administration Emergency Relief expended as Other Funds; and debt service. The measure increases Federal Funds expenditure limitations by a net \$1.17 billion, which is largely driven by federal matching revenue received to pay for Medicaid caseload costs and associated Medicaid programs, and federal awards for legislatively approved grants.

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

SB 5550 is an omnibus budget rebalance bill that modifies General Fund appropriations, adjusts expenditure limitations and position authority, and makes technical adjustments in certain state agency budgets for the 2023-25 biennium. Overall, the measure increases General Fund appropriations by approximately \$425.6 million, inclusive of savings and debt service. The measure increases Lottery Funds expenditure limitation by \$120,282, increases Other Funds expenditure limitation by \$864.4 million, and increases Federal Funds expenditure limitation by \$1.17 billion. In total, 35 positions (8.10 FTE) are also established. The Subcommittee did not recommend any budget notes. The amendment recommended by the Subcommittee includes the legal citations necessary to effectuate the omnibus budget adjustments, which are described in the narrative below.

## **Statewide Adjustments**

Statewide adjustments reflect budget changes in multiple agencies based on reductions to debt service realized through savings from general obligation bond sales in November 2023 and May 2024. Debt service savings total \$15.7 million General Fund and \$10 million Other Funds. The debt service adjustments are not described in each agency's narrative section below but are included in the table at the beginning of the budget report. Section 206 of the measure reflect these changes for each agency.

## **Emergency Board**

SB 5550 disappropriates \$5,000,000 General Fund from the Emergency Board. This amount represents the balance remaining in the special purpose appropriation for a disaster preparedness stockpile. A corresponding one-time General Fund appropriation is made to the Department of Emergency Management for a disaster preparedness stockpile described below.

## **Adjustments to 2023-25 Agency Budgets by Program Area**

### **ADMINISTRATION**

#### **Department of Administrative Services**

The Subcommittee approved the disappropriation of \$1 million General Fund to the Coalition of African and African American Pastors (CAAAP) that was erroneously appropriated in SB 5701 (2024) for land acquisition and low-income housing development. In May 2024, the Emergency Board provided \$1 million to CAAAP for rent assistance and unscheduled this appropriation.

SB 1584 (2022) enacted Oregon's Wrongful Conviction Compensation statute, allowing a plaintiff to file suit against the State of Oregon in state court to establish by a preponderance of evidence that they meet statutory requirements demonstrating that they were wrongfully convicted and seek compensation. If a plaintiff establishes that they were wrongfully convicted, they are entitled to \$65,000 per year of incarceration and \$25,000 per year of post-release supervision or listing on a sex offender registry. Starting in 2023, these amounts were adjusted for inflation. In addition, the statute requires the court to award a prevailing plaintiff reasonable attorney's fees, reimbursement for restitution, fees or other costs paid associated with the conviction, and may provide access to state, local or other service programs, such as counseling, housing assistance, medical assistance, educational assistance, job training, legal services to regain custody of children, and assistance with food and transportation and personal financial literacy.

For the 2023-25 biennium, \$4.8 million General Fund was provided to DAS Risk Management through two appropriations, one for state legal costs totaling \$832,000 and one for settlement payouts totaling \$4 million. So far in the 2023-25 biennium, 29 complaints have been filed and six cases have been settled. Funds to cover legal costs have been exhausted and approximately \$2 million in settlement claims have been paid. The Department of Justice (DOJ) expects to settle nine additional cases by the end of the biennium, requiring an estimated \$8 million for settlement claims and \$1.5 million for state legal costs. The Subcommittee approved an appropriation of \$1.5 million General Fund for the anticipated state legal costs and an additional \$6 million for settlement payouts.

The Subcommittee approved the following Other Funds expenditure limitation increases for the Department of Administrative Services budget:

- \$8.7 million for the Enterprise Goods and Services Division, Risk Management program for Department of Justice expenses related to defending liability claims.
- \$3.5 million for the Enterprise Goods and Services Division, Procurement Services program for personnel and contract costs related to the OregonBuys e-procurement system.
- \$7 million for the Enterprise Goods and Services Division, Publishing and Distribution program for paper stock and postage costs related to increased customer usage.
- \$750,000 for the Enterprise Goods and Services Division, Financial Business Systems program for overtime and staffing costs related to increased customer usage.
- \$600,000 for the Enterprise Goods and Services Division, Shared Financial Services program for personal services costs, including \$203,016 for costs related to pay equity adjustments.
- \$800,000 for the Chief Human Resources Office, Policy Investigations and Compliance program to provide investigation services to agencies.

- \$4.9 million for the Enterprise Asset Management Division, Fleet and Parking Services program for increased fuel and maintenance costs.
- \$10 million for DAS Real Estate to disburse proceeds from the sale of parcels of the Mill Creek Corporate Center to Oregon Correction Enterprises and Oregon Cultural Trust.

The Subcommittee approved a net-zero technical adjustment to transfer \$1.5 million Other Funds expenditure limitation from the Office of the State Chief Information Officer - State Data Center, to the Office of the State Chief Information Officer, Policy Division, to cover the increased subscription cost of ArcGIS software suite for statewide use.

The project scope or recipient has been modified for three previously approved General Fund grants. HB 5204 (2024) included two projects that have scope changes in the measure:

- \$5.8 million was originally approved to Lifeways, Inc., for the Ontario Medical Plaza project to convert vacant retail space into an integrated healthcare facility with supported housing units. The scope change modifies the project to allow Lifeways to construct a new building instead of modifying existing space.
- \$8 million was originally approved to Wasco County to support the development of the Mid-Columbia Center for Living Campus. The scope change updates the name of the project to the Columbia Gorge Resolution Center.

Finally, SB 5701 (2024) included \$750,000 to Wonderfolk for The Kidz Outside for the George Park lighting and walkway improvement project. SB 5550 updates the General Fund appropriation recipient to Portland Parks and Recreation Department since they are the organization doing the construction work.

### **Employment Relations Board**

The Subcommittee approved a General Fund appropriation of \$70,000 and an Other Funds expenditure limitation increase of \$125,000 for the Employment Relations Board for personal services expenses. Of these amounts, \$57,000 Other Funds reflect costs related to a double fill for an Administrative Law Judge position and pay for accrued vacation leave due to an unexpected retirement. The General Fund and remaining Other Funds, totaling \$68,000, reflect costs related to pay equity adjustments.

### **Oregon Facilities Authority**

The Subcommittee approved the disappropriation of \$3.6 million General Fund, and corresponding decrease in Other Funds limitation, that was provided to the Oregon Facilities Authority (OFA) in HB 2001 (2023) as part of an overall housing package. The measure included one-time funding for OFA to provide financing (or refinancing) to local governments or housing developers for moderate-income predevelopment costs. The measure also included two positions within the Oregon State Treasurer to provide administrative support; however, OFA did not begin the financing program and only \$14,757 was expended in initial administrative costs. SB 10 (2025) is moving the moderate-income housing predevelopment loan program to the Network for Oregon Affordable Housing (NOAH) under a grant from the Housing and Community

Services Department (HCSD). Funding for the program at HCSD is provided in SB 5550, including the amount necessary to reimburse the administrative costs incurred. Reductions to the State Treasurer are also included and described below.

### **Oregon Liquor and Cannabis Commission**

Other Funds expenditure limitation related to Oregon Liquor and Cannabis Commission (OLCC) liquor agent compensation is reduced by \$1.2 million due to liquor sales not meeting the assumed 2023-25 sales forecasts. A corresponding amount of Other Funds expenditure limitation is added to OLCC administrative expenses to accommodate information technology modernization project costs, which includes software and licensing.

### **Public Employees Retirement System**

The Subcommittee established an Other Funds expenditure limitation of \$400,000 for the Public Employees Retirement System's (PERS) ORION Modernization Program - Project Consulting for an independent solutions analysis of replacement alternatives for the current pension administration system. The Subcommittee approved a corresponding decrease of \$400,000 for the ORION Modernization Program - Client Relationship Management project for a net-zero adjustment. The overall program budget remains unchanged at \$9.6 million Other Funds and 16 positions (14.41 FTE).

The Modernization Program is a six-year information technology development and implementation effort consisting of approximately 19 projects that is intended to transform the core pension administration system and supporting systems, at an estimated cost of \$150 million. The Program's scale, scope, complexity, costs, risks, and urgency has created a highly elevated risk profile that is expected to persist through execution and the eventual transition to operations. Recently, the Department of Administrative Services - Enterprise Information Services (DAS-EIS), directed PERS to undertake a comprehensive solutions analysis for the pension administration system. PERS has indicated that the requested solutions analysis framework will be completed in approximately 16 weeks, with the solutions analysis shortly thereafter. This analysis is expected to help to inform future legislative investments in the PERS Modernization Program. To avoid any potential conflict of interest, the assessment should be completed by an independent firm with expertise in public employee retirement systems.

### **Office of the Public Records Advocate**

The Subcommittee approved an Other Funds expenditure limitation increase of \$30,000 for the Office of the Public Records Advocate for increased personal services costs related to pay equity adjustments.

### **Secretary of State**

The Subcommittee increased Federal Funds expenditure limitation by \$250,000 for implementation of the new Oregon Registered Voter Information System (ORVIS) and continued maintenance of the existing Oregon Centralized Voter Registration system while it is being replaced. Funding will come from monies the Secretary of State has already received through the federal Help America Vote Act (HAVA). Federal HAVA monies have been the primary source of revenue for ORVIS project expenditures since the project's inception.

### **State Treasurer**

The Subcommittee approved a reduction of \$263,925 Other Funds expenditure limitation and elimination of two vacant positions (1.13 FTE) that were provided in HB 2001 (2023) to support the Oregon Facilities Authority. The positions were intended to provide administrative support for the Facilities Authority; however, the Authority did not begin the financing program and the associated positions were never filled. With the elimination of the Oregon Facilities Authority's funding in SB 5550, the positions and administrative costs are no longer necessary.

## **CONSUMER AND BUSINESS SERVICES**

### **Department of Consumer Business Services**

The Subcommittee approved an increase of \$7,290 General Fund and \$409,251 Other Funds expenditure limitation for agency-wide pay equity adjustments. An additional increase of \$797,289 in Other Funds expenditure limitation was approved for classification and compensation adjustments in Oregon OSHA, the Central Services Division, and the Division of Financial Regulation. The revenue source for the increase in Other Funds expenditure limitation would come from fees and assessments collected by the agency, and inter-agency revenue transfers for provided services.

### **Health Related Licensing Boards**

The Subcommittee approved an increase of \$25,000 Other Funds expenditure limitation for the Board of Naturopathic Medicine for increased personal services costs due to pay equity adjustments, and a \$53,000 Other Funds expenditure limitation increase for the Oregon Veterinary Medical Examiners Board for increased legal costs.

## **ECONOMIC AND COMMUNITY DEVELOPMENT**

### **Oregon Business Development Department**

A one-time General Fund appropriation in the amount of \$5 million to the Oregon Business Development Department (OBDD) was approved to subsidize operating expenses incurred by the Port of Portland for its operation of Terminal 6 (T6), the state's only commercial container shipping facility. Of the total, \$2.5 million is for deposit into the Strategic Reserve Fund to repay an operating loan that was extended to the Port of Portland, and \$2.5 million is appropriated for an operating support grant to the Port of Portland. The Port of Portland has reached a tentative agreement with Harbor Industrial to assume T6 operations via contract, assuming a further state investment in 2025-27 of \$20 million for capital improvements at T6, and \$15 million for dredging of the Lower Columbia River.

The Subcommittee approved a Federal Funds expenditure limitation increase of \$2.1 million to accommodate awards of federal grants. Of the total, \$2 million is attributable to grant funding awarded by the Department of Energy to assist small and medium sized manufacturing businesses through the Smart Manufacturing and Recycling Tactics for States grant program. The remaining Federal Funds expenditure limitation of \$149,230 is for implementation of the state's Digital Equity Plan and funded by a formula grant recommended by the National Telecommunications and Information Administration and awarded by the National Institute of Standards and Technology.

Lottery Funds and Other Funds expenditure limitation was increased by \$120,282 and \$106,663, respectively, to support the addition of four permanent positions (0.60 FTE) to further the implementation, roll-out, and operation of OBDD's Economic Development Management System (EDMS) information technology modernization project. Resources for initial planning and procurement were approved in SB 5524 (2023), the Department's budget bill; however, the timing of the vendor selection through the procurement process did not align with standard budget preparation timelines. Vendor negotiations and contract execution is anticipated to occur in late March 2025. New positions include a Project Manager 2, a Business Process/Operations and Policy Analyst 3, and two Information Systems Specialist 7's to ensure that the project solution meets the business requirements and functional needs of the agency's divisions. The additional positions enable sufficient expertise to be present at project kickoff, supporting project momentum and schedule, knowledge acquisition and retention, and technical expertise.

SB 1530 (2024) included funding for OBDD to disburse grants to specified entities for shovel-ready infrastructure projects intended to support capacity or the development of housing available to those at 120% or less of area median income. The project scope for eight of these projects were amended as follows:

- \$6 million was provided to the City of Eugene for water and sewer infrastructure improvements along Crow Road. The project scope is now expanded to also include transportation and stormwater infrastructure improvements. Additionally, the location is modified to "near the project area of Crow Road."
- \$3 million was provided to the City of Gresham for water, sewer and stormwater improvements for the redevelopment of former Kmart property in Civic Neighborhood at NW Eastman Parkway and NW Burnside Road. The scope is amended to redevelopment of property for affordable housing in Gresham's Civic Neighborhood and to remove the reference to the Kmart property.
- \$2.4 million was provided to the City of Hood River for water, sewer and stormwater site improvements for 7.1 acres of city-owned land for housing development. The scope change is to remove "city-owned" from the description.
- \$1.8 million was provided to the City of Lake Oswego for water, sewer and stormwater infrastructure improvements for Habitat for Humanity development. The scope change amends the recipient to Habitat for Humanity and specifically names two developments: West Lake Grove and Twenty Fifth Terrace.
- \$1.4 million was provided to the City of Madras for stormwater infrastructure for The Heights at Yarrow Apartments and Belmont Lane Apartments. The project scope is now expanded to also include transportation infrastructure improvements.
- \$2.7 million was provided to the City of Manzanita for water and stormwater infrastructure for residential housing development. The project scope is now expanded to also include transportation infrastructure improvements.

- \$3 million was provided to the City of Springfield for sewer infrastructure improvements for Glenwood Riverfront area development. The scope change modifies the project name to the Jasper Trunk Sewer Extension project.
- \$6 million was provided to Prosper Portland for the construction of a new SW Water Avenue and associated water and sewer utilities to support new affordable housing units as a part of the OMSI District Master Plan. The scope change corrects the street name in the project description to SE Water Street.

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

The Subcommittee approved a General Fund appropriation of \$3.2 million to the Housing and Community Services Department. The Department will serve as the contract administrator for a grant to the Network for Oregon Affordable Housing (NOAH). This grant will provide \$3 million in financing to local governments and housing developers, for predevelopment costs for housing projects with affordability restrictions, serving moderate income households. \$200,000 will be used by NOAH for administrative costs associated with the program. A total of \$14,757 General Fund is for the purpose of reimbursing the Oregon Facilities Authority for costs incurred in initial development of the moderate-income housing predevelopment loan program.

### **Department of Veterans' Affairs**

The Subcommittee approved an increase in Other Funds expenditure limitation of \$2.1 million for preliminary design and feasibility work on the Roseburg Veterans' Home, including a wetland mitigation study on the proposed site.

## **EDUCATION**

### **Department of Education**

The transfer from the Statewide Education Initiatives Account (SEIA) to the Student Success Teams Account (ORS 327.224) for the Intensive program for high needs school districts is reduced by \$5.5 million and that amount is redirected to the School Stabilization Subaccount for Wildfire-impacted School Districts. The Intensive program for high needs school districts is underspent this biennium and has a revenue balanced sufficient to sustain the current program level.

This School Stabilization Subaccount for Wildfire-impacted School was established by HB 4026 (2022) to reimburse those school districts affected by the catastrophic wildfires in 2020 for temporary declines in average daily membership through the 2024-25 school year resulting from wildfire-damaged homes and schools. The calculated ADMw amount for the final year of funding was higher than originally estimated. Additionally, SB 10, the early session program change bill, extends the sunset date of the subaccount to December 31, 2025, to accommodate reimbursement of expenditures incurred during the 2024-25 school year through the state's biennial close.

The Subcommittee approved a reduction of \$13.9 million General Fund and an increase of \$13.9 million Other Funds expenditure limitation for the State School Fund (SSF) from the Fund for Student Success. This change reflects the most recent forecast of the Fund for Student Success revenues statutorily transferred to the SSF. The overall 2023-25 State School Fund budget total of \$10.2 billion is not changed.

### **Higher Education Coordinating Commission**

To allow the Higher Education Coordinating Commission (HECC) to meet its obligations for a higher than projected number of student applicants, without implementing cost-cutting measures, such as reducing award amounts, for the remainder of the 2024-25 academic year, the Subcommittee approved the following one-time General Fund appropriations for the following student financial aid programs:

- \$1.1 million for Oregon National Guard Student Tuition Assistance
- \$2.3 million for Oregon Tribal Student Grant
- \$2.9 million for Oregon Promise

In addition, the Subcommittee approved a transfer of \$661,800 General Fund from the Oregon Student Child Care grant program to the Oregon Promise grant program, bringing the total General Fund appropriation for Oregon Promise to \$3.6 million. HECC will apply \$661,800 in federal Governor’s Emergency Education Relief (GEER) funds to backfill the Oregon Student Child Care grant program.

The Subcommittee also approved increasing Other Funds expenditure limitation by \$3.5 million for the Oregon Opportunity Grant program to award grants from moneys in the program’s Tax Credit Auction Fund and \$3 million for the Private Awards program to allow HECC to award grants and scholarships using moneys from private donations.

The Subcommittee approved increasing Other Funds expenditure limitation for HECC programs and related grants by \$15,000 for the costs of issuing bonds authorized in HB 5050 (2025) for the Klamath Community College Childcare Resource Learning Center. Increased capital construction limitation for the Center is provided in HB 5051 (2025) and the project descriptions are included in HB 5050 (2025).

Finally, the Subcommittee approved a technical change to clarify that funds appropriated to HECC in the 2024 session to disburse to public universities and community colleges for the delivery of college-in-prison courses could be expended in both the 2023-24 and 2024-25 academic years.

### **Teacher Standards and Practices Commission**

The Subcommittee approved a one-time \$1 million General Fund appropriation to supplement \$1.7 million total funds provided in SB 5537 (2023) for replacement of the Commission’s current e-Licensing system. The initial estimates for the purchase and implementation of the data system increased due vendor cost increases and the addition of iQMS and organizational change management.

## HUMAN SERVICES

### Commission for the Blind

The Subcommittee approved an increase in Federal Funds expenditure limitation of \$1.8 million to address increases in case services costs and caseload for the Commission for the Blind. Additionally, the measure increases General Fund by \$67,779 and Federal Funds expenditure limitation by \$66,574 for personal services costs due to pay equity adjustments for nine positions.

### Oregon Health Authority

SB 5550 appropriates \$197.6 million General Fund, adjusts expenditure limitations, and establishes 21 positions (7.62 FTE) for the Oregon Health Authority (OHA). In addition to increased budgetary authority of \$2.6 million, including \$1.3 million General Fund and \$1.3 million Federal Funds, to support unanticipated contracting costs related to the development and implementation of the 1115 Medicaid waiver, the budgetary adjustments included in the bill relate to OHA's requested budget rebalance as presented in a report to the Emergency Board in December 2024 and updated for the March 2025 revenue forecast and adjustments to certain requested items as recommended by the Legislative Fiscal Office. Although the adjustments result in an overall increase in the General Fund appropriation to OHA, the rebalance recognizes General Fund savings through anticipated program cost reductions, fund shifts, and offsetting increases in Other Funds resources. The following table provides a high-level summary of the rebalance changes:

Item	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Forecast Adjustments							
<i>Revenues</i>	\$ (58,775)	\$ -	\$ 69,275,937	\$ 80,372,023	\$ 149,589,185	0	0.00
<i>Caseload</i>	\$ 248,946,299	\$ -	\$ -	\$ 534,220,442	\$ 783,166,741	0	0.00
Programmatic Savings	\$ (136,254,074)	\$ -	\$ (26,284,741)	\$ (113,758,187)	\$ (276,297,002)	0	0.00
Unbudgeted Personal Services Co	\$ 51,453,559	\$ -	\$ 740,921	\$ 1,437,956	\$ 53,632,436	3	1.26
General Fund Adjustments	\$ 32,949,061	\$ -	\$ 190,477,596	\$ -	\$ 223,426,657	11	4.18
Other Budget Adjustments	\$ -	\$ -	\$ 493,911,034	\$ 142,051,233	\$ 635,962,267	4	1.17
Federal Grant Related Adjustmen	\$ -	\$ -	\$ -	\$ 1,227,394	\$ 1,227,394	3	1.01
Technical Adjustments	\$ (724,640)	\$ -	\$ 724,640		\$ -	0	0.00
<b>Total</b>	<b>\$ 196,311,430</b>	<b>\$ -</b>	<b>\$ 728,845,387</b>	<b>\$ 645,550,861</b>	<b>\$ 1,570,707,678</b>	<b>21</b>	<b>7.62</b>

### Revenue Forecasts

The rebalance includes adjustments for projected revenues that were included in the agency's Fall 2024 rebalance report and updated to the March 2025 revenue forecasts. The summary table below describes the impact of these adjustments by fund type, followed by discussion of individual items.

Revenue Forecasts	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds
Marijuana Tax - DTSRF	\$ -	\$ -	\$ (904,817)	\$ -	\$ (904,817)
Hospital Provider Assessments	\$ (8,277,620)	\$ -	\$ 21,419,806	\$ 8,277,620	\$ 21,419,806
Insurance Provider Assessments	\$ (27,694,403)	\$ -	\$ 44,058,539	\$ 27,694,403	\$ 44,058,539
OHSU Inter-Governmental Transfer (IGT)	\$ (4,500,000)	\$ -	\$ 50,000,000	\$ 44,400,000	\$ 89,900,000
Beer, Wine, & Cider Taxes	\$ -	\$ -	\$ (1,441,863)	\$ -	\$ (1,441,863)
Tobacco Tax	\$ 40,413,248	\$ -	\$ (43,855,728)	\$ -	\$ (3,442,480)
<b>Total</b>	<b>\$ (58,775)</b>	<b>\$ -</b>	<b>\$ 69,275,937</b>	<b>\$ 80,372,023</b>	<b>\$ 149,589,185</b>

- Marijuana Tax: Other Funds expenditure limitation from the Drug Treatment and Recovery Services fund is reduced by \$904,817 to adjust fund expenditures to anticipated available revenues as of the March 2025 forecast.
- Hospital Provider Assessments: Hospitals in Oregon are assessed at a rate of 6% of the net patient revenues to support the Oregon Health Plan with the revenue from the assessment segregated by the hospital designation; small/rural A and B hospitals, and larger Diagnostic Related Group (DRG) hospitals. Somewhat offsetting forecasted revenue between hospital type changes net out to an overall increase in revenues that, after accounting for other expenditures, displaces \$8.3 million in General Fund budgeted expenditures for the Oregon Health Plan. The Subcommittee approved a reduction of \$8.3 million General fund and increases of \$21.4 million Other Funds and \$8.3 million Federal Funds in the Medicaid program to align expenditures with anticipated assessment revenues.
- Insurance Provider Assessments: A reduction of \$27.7 million General Fund and increases of \$44.1 million Other Funds and \$27.7 million Federal Funds were approved to align expenditures with anticipated revenues from the 2% assessment on net health insurance premium and premium equivalent revenues.
- OHSU Intergovernmental Agreement: The Subcommittee approved budget adjustments related to Oregon Health and Science University's (OHSU) projected increase in Inter-Governmental Transfer payments to OHA that, when combined with federal matching funds provide an additional \$89.9 million in Qualified Directed Payments to OHSU from OHA to maintain an overall Medicaid cost recovery rate of 87%, and an additional \$4.5 million to support Oregon Health Plan costs. These include a reduction of \$4.5 million General Fund and increases of \$50 million Other Funds and \$44.4 million Federal Funds.
- Beer, Wine, and Cider Taxes: A decrease in expenditure limitation of \$1.4 million Other Funds was approved to align programmatic expenditures to forecasted revenues from Beer, Wine, and Cider Taxes supporting behavioral health and addiction services.

- **Tobacco Tax:** Forecasted revenues from Tobacco Taxes as of March 2025 indicate a \$43.9 million decline in funding for Medicaid, behavioral health, and public health programs. This decline continues the trend of reduced revenues from the budgeted amounts coming out of the 2024 legislative session. The Subcommittee approved Other Funds expenditure reductions of \$38.5 million in the Medicaid program, \$2 million behavioral health programs, and \$3.4 million in the Public Health Division to account for this decline. Increases in General Fund appropriations to backfill lost tobacco tax revenues of \$38.5 million in the Medicaid program and \$2 million for behavioral health programs were also approved.

Caseload Forecasts

Budgetary adjustments are included in the rebalance to align expenditures to forecasted changes to average biennial enrollment numbers as of the Fall 2024 caseload forecast. The table below summarizes these changes followed by additional information on individual items.

<b>Caseload Forecasts</b>	<b>General Fund</b>	<b>Lottery Funds</b>	<b>Other Funds</b>	<b>Federal Funds</b>	<b>Total Funds</b>
Medicaid	\$ 133,814,309	\$ -	\$ -	\$ 794,399,793	\$ 928,214,102
Healthier Oregon	\$ 115,131,990	\$ -	\$ -	\$ 113,823,927	\$ 228,955,917
Basic Health Plan	\$ -	\$ -	\$ -	\$ (374,003,278)	\$ (374,003,278)
<b>Total</b>	<b>\$ 248,946,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 534,220,442</b>	<b>\$ 783,166,741</b>

- **Medicaid:** Total Medicaid caseload cost increases of \$201.7 million General Fund were offset by \$67.9 million of savings in the Temporary Medicaid Expansion (TME) program for a net change in the forecasted Medicaid caseload of \$133.8 million General Fund. Although not shown in the table above, the Temporary Medicaid Expansion caseload, which was originally thought to move entirely to the Basic Health Plan has, as of the Fall 2024 forecast, a residual average caseload of just under eleven thousand individuals due primarily to the extension of the redetermination process and the application of continuing eligibility rules preventing the move of certain individuals to the Basic Health Plan. The Subcommittee approved increases of \$133.8 million General Fund and \$794.4 million Federal Funds expenditure limitation in the Medicaid Program to accommodate these forecasts.
- **Healthier Oregon:** The rebalance includes an approved increase in General Fund appropriation of \$115.1 million and increased Federal Funds expenditure limitation of \$113.8 million for caseload related cost changes of the Healthier Oregon Program (HOP). Isolated for just the change in caseload, costs increase by \$259.1 million General Fund and \$45 million Federal Funds. Of the total change in caseload costs, a portion are eligible for Federal Medicaid Assistance (FMAP) funding. OHA has determined that federal funds will displace an additional \$73.7 million of existing General Fund budgeted expenditures. Additionally, due to lower than anticipated utilization costs, OHA has estimated a savings of \$70.2 million General fund for the biennium.

- Basic Health Plan: Anticipated initial enrollment numbers for the Basic Health Plan have not materialized due, in part, to two-year continuous enrollment for Oregon Health Plan members in both the ACA caseload and expansion caseload. The Subcommittee approved a \$374 million reduction in Federal Funds expenditure limitation related to the Basic Health Plan to align budgetary authority with the updated caseload.

Programmatic Savings: The Subcommittee approved budgetary reductions of \$136.3 million General Fund, \$26.3 million Other Funds, and \$113.8 million Federal Funds to account for programmatic savings including:

- \$125 million General Fund for risk corridor payments from Healthier Oregon Program CCOs.
- \$8.7 million General Fund due to increased Medicaid match rates on the REALD and SOGI data projects.
- \$2.6 million General Fund due to increased Medicaid match rates for expenditures related to the public health emergency unwinding and Basic Health Plan development.
- \$26.3 million Other Funds and \$118.6 million Federal Funds in expenditure reductions related to the Designated State Health Program (DSHP) 1115 waiver activities.

Unbudgeted Personal Services Costs: Increased General Fund appropriations totaling \$51.5 million General Fund and increased expenditure limitation of \$740,921 Other Funds and \$1.4 million Federal Funds were approved to allow OHA to cover unbudgeted personal services costs. These adjustments include:

- \$42.7 million General Fund for the Oregon State Hospital for overtime and contracted staffing.
- \$8.8 million General Fund, \$740,921 Other Funds, and \$1.4 million Federal Funds in the Central Services program for Department of Administrative Services approved reclassifications, equal pay analysis, and unbudgeted positions in the Human Resources and Director's Office programs.

General Fund Adjustments: The Subcommittee approved increases totaling \$32.9 million General Fund and \$190.5 million Other Funds for unanticipated or unbudgeted costs in multiple programs that include:

- \$1.6 million General Fund for costs related to services provided in the Lower Umatilla Basin Groundwater Management Area. \$1.16 million is for incurred costs of an interagency agreement with the Department of Human Services.
- \$1.8 million General Fund for unbudgeted, but anticipated interest expense of cash-flow loans from Treasury. An associated increase in Other Funds limitation of \$198 million is provided for the repayment of the loans.
- \$7.5 million General Fund for unrealizable Other Funds revenues at the Oregon State Hospital due to lower than anticipated Medicaid and commercial insurance reimbursements. A corresponding reduction of \$7.5 million Other Funds is also included.

- \$22.1 million General Fund for costs associated with Centers for Medicare and Medicaid Services (CMS) survey findings corrective actions including:
  - \$13.7 million for repayment of Medicaid funds paid to OSH for services that were certified as medically necessary by Psychiatric Mental Health Nurse Practitioners (PMHNP) but were required by CMS to be certified by a physician by rule.
  - \$1.7 million for contracted consultant services to assist with the corrective plan development and implementation.
  - \$6.7 million in total for the establishment of 11 new positions: five nurse positions addressing medical emergencies, and six incident review and data analysis positions that will be phased-in through the remainder of the biennium at a cost of \$1.5 million General Fund. The new positions are in addition to contracted mental health security positions and equipment that OSH has brought on to immediately address the identified issues at a cost of \$5.2 million to the end of the current biennium.

Other Budget Adjustments: Adjustments in Other Funds and Federal Funds expenditure limitation were approved as part the OHA budget rebalance for 13 items across the agency, including:

- \$328.6 million Other Funds for PEBB stabilization funds to support benefit costs associated with increased member enrollment.
- \$65.8 million Other Funds for OEBC stabilization funds to support benefit costs associated with increased member enrollment.
- \$2.6 million Other Funds from PEBB and OEBC administrative funds for costs associated with professional services contracts.
- \$62.3 million Other Funds and \$89.1 million Federal Funds for leveraged support of OHSU Graduate Medical Education programs.
- \$40.4 million Federal Funds for support of HB 3396 (2023) clinical placement and labor-management training trust programs.
- \$26 million Other Funds for expenditure of allocated funding to the Public Health Division (\$15 million) and Behavioral Health Division (\$11 million) from the Opioid Settlement Fund.
- \$8 million Other Funds in the Shared Services program supporting the Office of Information Services due to increased federal Medicaid funding flows through cost allocated programs in OHA and DHS.
- \$5 million Federal Funds in the Statewide Assessments and Enterprise Costs program due enhanced Medicaid matching rates on certain projects and programs. The majority of this is passed through to the Shared Services program and expended as Other Funds.
- \$613,948 Other Funds expenditure limitation and authorization to establish two positions (0.50 FTE) in the Public Health program.
- \$7.5 million Federal Funds for enhanced federal Medicaid matching rates in the Central Services (\$4 million) and Health Services Administration (\$3.5 million) programs.

Federal Grant Related Adjustments: Federal Funds expenditure limitation of \$1.2 million and increased position was approved for federal grant awards across the agency as follows.

<b>Federal Grant Program</b>	<b>Division</b>	<b>Federal Funds</b>	<b>Positions</b>	<b>FTE</b>
Assisted Outpatient Treatment (AOT) Program for Individuals with Serious Mental Illness	Medicaid	\$ 402,415	-	-
Maternal and Child Health (MCH)	Public Health	\$ 495,000	1	0.25
School Based Health Services (SBHS)	Medicaid	\$ 236,772	1	0.38
State Opioid Response (SOR)	Medicaid	\$ 93,207	1	0.38
<b>Total</b>		<b>\$ 1,227,394</b>	<b>3</b>	<b>1.01</b>

**Technical Adjustments:** As a part of the budget rebalance for the Oregon Health Authority, the Subcommittee approved 34 individual technical budget adjustments covering 26 topics that, when taken together, make no net change to total expenditures or position authority. The majority of these actions are to move appropriation and position authority between and within divisions and programs to adjust authorities provided in the legislatively approved budget with how these resources will actually be used within the agency. These actions result in net zero changes to individual fund types with the exception of adjustments made to decrease General Fund by \$724,640 and increase Other Funds expenditure limitation by an offsetting \$724,640 from allocated, but unexpended, Tobacco Master Settlement Agreement (TMSA) funds that was carried-forward from the prior biennium, resulting in no change in overall expenditures. The following table presents a summary of these changes by division and fund type.

<b>Division</b>	<b>General Fund</b>	<b>Lottery Funds</b>	<b>Other Funds</b>	<b>Federal Funds</b>	<b>Total Funds</b>	<b>Positions</b>	<b>FTE</b>
Central Services	\$ 1,728,945	\$ -	\$ (7,793)	\$ (182,472)	\$ 1,538,680	-1	-0.50
HSD Admin	\$ 9,008,264	\$ (504,545)	\$ 7,793	\$ 6,120,856	\$ 14,632,368	0	0.00
HSD Medicaid	\$ (8,926,738)	\$ -	\$ -	\$ (6,003,003)	\$ (14,929,741)	0	0.00
HSD Non-Medicaid	\$ (3,599,730)	\$ 479,545	\$ 724,640	\$ -	\$ (2,395,545)	0	0.00
Health Policy & Analytics	\$ 64,619	\$ 25,000	\$ -	\$ 64,619	\$ 154,238	1	0.50
Public Health	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000	0	0.00
Oregon State Hospital	\$ -	\$ -	\$ -	\$ -	\$ -	0	0.00
<b>Total</b>	<b>\$ (724,640)</b>	<b>\$ -</b>	<b>\$ 724,640</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0</b>	<b>0.00</b>

**Unbudgeted Contract Costs:** The Subcommittee approved increases of \$1.3 million General Fund and \$1.3 million Federal Funds in the Health Systems Administration program to support costs associated with contracted professional services related to the development and implementation of the 1115 waiver program. These costs were budgeted in the prior biennium, but due to delayed deliverables and billing by the contractor, the expenditures will be recognized in the current biennium.

## **Department of Human Services**

For the Department of Human Services' (DHS) second financial rebalance of the 2023-25 biennium, the Subcommittee approved adjustments resulting in net General Fund costs of \$161.4 million, an Other Funds expenditure limitation increase of \$41.2 million, and a Federal Funds expenditure limitation increase of \$501.4 million. Preliminary rebalance adjustments were identified in a report presented to the Emergency Board at its December 2024 meeting. The adjustments encompass several issues affecting the DHS budget, including savings and funding gaps due to changes in caseloads, costs per case, and the federal medical assistance percentage (FMAP); costs associated with migration to a statewide contract for telecommunications services provider, and other program changes arising since the 2024 legislative session. No adjustments to position authority are included. The following summarizes the budget rebalance adjustments:

- **Caseload:** The rebalance reflects \$160.5 million net General Fund costs based on the fall 2024 caseload forecast. Compared to the fall 2023 forecast, caseloads are higher in the Vocational Rehabilitation, Temporary Assistance to Needy Families, Intellectual/Developmental Disabilities (I/DD), and Aging and People with Disabilities (APD) programs. Costs in these programs are partially offset by caseload savings in the Child Welfare (CW) program, which had lower caseloads compared to the earlier forecast.
- **Cost Per Case:** The rebalance adjustments include a \$24.8 million General Fund increase for higher than budgeted costs per case in the APD, I/DD, and CW programs. For APD and I/DD, the changes in cost per case are attributable to increased demand for more costly services, such as bariatric nursing and in-home agency services. In CW, the increase reflects higher net costs per case attributed to contracted services for children with high needs.
- **Telecommunications Services.** At the direction of Office of the State Chief Information Officer, DHS was required to begin to migrate to the statewide contract during the current biennium; however, some agency costs for the transition were not budgeted. DHS estimates \$11.6 million is needed on a one-time basis to cover equipment and one-time set-up costs with the new contract provider for the Oregon Eligibility Partnership (OEP) and CW call centers.
- **Job Opportunities and Basic Skills (JOBS) Services.** The rebalance adds \$5.4 million General Fund for the JOBS program, which offers an array of services to Temporary Assistance to Needy Families (TANF) participants, including education and training, child care, housing assistance, behavioral health interventions, and other support services. According to DHS, this adjustment is needed because a higher proportion of current program participants do not qualify for TANF federal block grant support.
- **Provider Tax Adjustment.** Under state law, nearly all Oregon nursing facilities are subject to a long-term care facility assessment which DHS sets at a rate that will generate an amount equal to 6% of the annual gross revenue of these facilities. As a result of the higher forecasted APD long term care caseload, DHS estimates revenue from the assessment will increase from \$152 million to \$164.7 million. An increase in Other Funds expenditure limitation in the APD program by \$12.7 million will allow the increased provider tax revenue to be used in lieu of General Fund.

- Expenditure Limitation: The \$501.4 million increase in Federal Funds expenditure limitation is largely driven by federal matching funds associated with the increases in caseload (\$397.3 million), costs per case (\$35.1 million), and American Rescue Plan Act spending plan adjustments (\$67.4 million). Other Funds expenditure limitation increases include \$12.7 million for increased long term care provider tax revenues, \$11.6 million for Waivered Case Management revenues, \$10.2 million for higher projected Employment-Related Day Care payments, \$3 million to address unanticipated Attorney General and Background Check Unit costs, and \$3 million for Vocational Rehabilitation caseload costs.

In addition to the budget rebalance changes, the Subcommittee approved several other changes to DHS's budget, highlighted below.

Pay Equity: Increase of \$18.5 million General Fund, an Other Funds expenditure limitation increase of \$1.5 million, and a Federal Funds expenditure limitation increase of \$13.7 million to cover pay equity costs as determined by the Department of Administrative Services Chief Human Resource Office. This supports a pay equity adjustment for 3,112 staff receiving at least one salary step increase for 13 months of the 2023-25 biennium.

Social Services Assistant Classification: Increase of \$1.4 million General Fund and a Federal Funds expenditure limitation increase of \$620,037 to cover the salary and other payroll expenses associated with raising the Social Services Assistant classification from a Salary Range 17 to a Salary Range 19 effective September 1, 2024, based on an analysis by the Department of Administrative Services' Classification and Compensation Unit.

Temporary Lodging Prevention Services: Increase of \$10 million General Fund to support temporary lodging prevention services in the current biennium. In December 2024, DHS estimated temporary lodging prevention costs of \$22 million General Fund for the 2023-25 biennium. All but \$10 million was funded using existing resources in the budget for Child Welfare programs.

2024 Wildfire Response: An increase of \$534,673 General Fund for the DHS Office of Resiliency and Emergency Management to cover 2024 wildfire expenses, including staff travel and overtime pay, as well as costs for food, water, and other emergency assistance to survivors.

Emergency Stockpile: An Other Funds expenditure limitation increase of \$3.2 million to support an interagency agreement between DHS and the Oregon Department of Emergency Management (ODEM) for the delivery of 15 to 20 emergency response packages of supplies and equipment, such as communication equipment, water, and shelf-stable food, to help communities prepare for any emergency, disaster, or adverse event. This funding comes from the disaster preparedness stockpile funding provided to ODEM.

Employment-Related Day Care Payments: An Other funds expenditure limitation increase of \$15 million for Employment-Related Day Care payments, as spending projections for the current biennium exceed available Other Funds expenditure limitation.

## **JUDICIAL BRANCH**

### **Commission on Judicial Fitness**

The Subcommittee approved, on a one-time basis, a supplemental General Fund appropriation of \$75,000 for extraordinary expenses related to ongoing investigations and potential prosecutions. The Commission is experiencing higher complaint filings and a rise in the number of investigations being initiated, which may lead to an increase in the number of prosecutions undertaken by the Commission.

### **Oregon Judicial Department**

The Subcommittee approved, on a one-time basis, a supplemental General Fund appropriation of \$4 million for mandated court payments for interpreter services for the Oregon Judicial Department (OJD). The Department reports that it has only been able to fulfill court interpreter requests by utilizing out-of-state contract interpreters when unable to employ Oregon-domiciled contract interpreters or when OJD interpreters are unavailable. This has materially increased the cost of providing interpreter services, which are generally more expensive due to the added cost of travel-related expenses. The total cost is estimated to be \$8.5 million but is being partially offset by one-time General Fund savings in Judicial Compensation due to vacancies (\$2 million) and Third-Party Debt Collection due to lower-than-expected collection expenses (\$2.5 million). OJD is projecting a continued deficit in this program related to the increasing number of cases requiring interpreter services and the rising costs of acquiring and providing Oregon-certified contract court interpreters, and more specifically certified Spanish language contract interpreters.

Additionally, the Subcommittee approved a one-time, net-zero, technical adjustment to replace a shortfall of Criminal Fines Account (CFA) revenue with General Fund. The most recent revenue forecast from the Department of Administrative Services, Office of Economic Analysis, includes a reduction in CFA revenues for the current biennium. To help address this shortfall, the CFA associated Other Funds limitation in the State Court Technology Fund was decreased by \$960,000 and General Fund was increased by \$960,000 to backfill the reduced revenue.

## **LEGISLATIVE BRANCH**

### **Legislative Policy and Research Office**

The Subcommittee approved a one-time General Fund appropriation of \$50,000 to the Legislative Policy and Research Office, to enter into a professional services contract with a third party to conduct a management review of the Oregon Department of Transportation and provide a report on its findings to the Joint Committee on Transportation during the 2025 legislative session.

## **NATURAL RESOURCES**

### **Department of Agriculture**

The Subcommittee approved increasing Other Funds expenditure limitation for the Department of Agriculture by \$418,079 to support continued eradication efforts of the Japanese Beetle and established one limited duration Natural Resource Specialist 4 (0.13 FTE), one limited duration Natural Resource Specialist 1 (0.08 FTE), and 10 limited duration Laborers (0.80 FTE), along with services and supplies, for treatment and traps. The Japanese Beetle season runs from March to October, so the agency will need expenditure limitation to continue these efforts in the 2025-27 biennium.

### **Department of Environmental Quality**

The Subcommittee approved a one-time General Fund appropriation totaling \$1.3 million, in the Water Quality division, for increased Attorney General costs due to lengthy and complex cases, as well as domestic well sampling activities in Crook County to address the public's concern regarding potentially elevated contaminants in private wells.

The Subcommittee approved a one-time increase of \$2.7 million in Other Funds expenditure limitation, supported by American Rescue Plan Act (ARPA) State Fiscal Recovery Funds, to continue delivering financial assistance through the Onsite Septic Financial Aid Program. This program provides grants and/or loans to address failing septic systems that present a threat to public health and the environment. \$15 million in ARPA funding was provided in 2021-23, with \$9.5 million carried forward into 2023-25. Thus far, the Department has established contracts with eight entities and successfully distributed \$9.2 million.

The Subcommittee approved \$1.3 million General Fund to cover indirect costs for the centralized services of the Department. This General Fund includes \$375,968 for the Air Quality division, \$812,365 for the Water Quality division, \$34,295 for the Land Quality division, and \$33,082 for the Agency Management division. DEQ's indirect cost rate is 26% assessed across all divisions.

### **Department of Forestry**

SB 1501 (2023) established the Small Forestland Investment in Stream Habitat Program Fund (SFISH), without a source of funding, while HB 5020 (2023) included \$6.7 million General Fund for the same purpose of the SFISH program. To align with the legislative intent of the fund establishment, the Subcommittee approved the reduction of \$5.7 million General Fund from the Forest Resources division, representing the amount remaining for the program, and the reappropriation of the same amount for deposit into the SFISH Fund. Additionally, the Subcommittee approved a corresponding increase of \$5.7 million of Other Funds expenditure limitation for expenditure of the monies in the Fund.

### **Department of Land Conservation and Development**

The Subcommittee approved a \$702,035 increase in Other Funds expenditure limitation for the Department of Land Conservation and Development to accommodate increases in funding agreements DLCD has with three other state agencies. The first such increase is \$584,844

for funding from the Oregon Department of Emergency Management for natural hazards mitigation planning it received from the Federal Emergency Management Agency (FEMA), which experienced larger than usual awards in the current grant cycle. The second increase of \$67,549 is for monies from the Department of Geology and Mineral Industries (DOGAMI) to help local jurisdictions complete flood mapping and risk assessments. DOGAMI received the funding from FEMA's Cooperative Technical Partners program. The final increase of \$49,642 is for monies DLCD receives from the Oregon Department of Transportation to help government entities in Oregon plan long-term growth in transportation systems.

### **Land Use Board of Appeals**

The Subcommittee approved an increase of \$225,824 General Fund for the Land Use Board of Appeals for pay equity adjustments and vacation payouts.

### **Water Resources Department**

The Water Resources Department (WRD) has seen a substantial increase in legal expenses, and the Department of Justice (DOJ) has asked the WRD to contract with an external law firm for legal services related to a complicated case, because DOJ lacked capacity to support the Department. WRD's total cost for legal services, including DOJ, the contracted provider, and the Office of Administrative Hearings, is projected to reach \$7.6 million by the end of the 2023-25 biennium. This is \$4.7 million above the legislatively approved budget for legal costs. To help mitigate the increase, the Department will utilize \$1 million in American Rescue Plan Act (ARPA) funding granted to the agency for protest backlog support, and \$1.8 million General Fund of internal savings, leaving a balance of \$1.9 million. The Subcommittee approved a one-time appropriation of \$1.9 million General Fund for the remaining projected legal costs in the 2023-25 biennium.

The Subcommittee approved a one-time increase in Other Funds expenditure limitation of \$300,000, supported by ARPA funds, for dam safety related engineering analyses. The Department's 2023-25 legislatively approved budget included \$2.5 million in Other Funds expenditure limitation for ARPA projects and contracted activities. Progress on some of the projects has proceeded faster than originally anticipated and additional expenditure authority is necessary to continue funding dam safety activities through June 2025.

## **PUBLIC SAFETY**

### **Department of Corrections**

The Subcommittee approved a General Fund increase of \$17.7 million across multiple divisions for personal services costs related to pay equity adjustments. The Department had 1,268 positions impacted across Operations (\$13 million) and Health Services (\$3.1 million), Central Administration and Administrative Services (\$1 million), Community Corrections (\$100,000), and Correctional Services (\$500,000).

In addition, the Department's General Fund was increased by \$1.9 million in Health Services for adjustments to physician and dentist salaries as part of a new American Federation of State, County and Municipal Employees collective bargaining agreement. This is a one-time increase for the 2023-25 biennium, and an additional request of \$1.5 million has been submitted by the Department for the 2025-27 biennium that, if approved, would permanently address this issue in agency base budgets in future biennia.

The General Fund appropriation for Community Corrections was increased by \$2.3 million to augment funding for SB 395 (2011) jail reimbursements to counties for certain DUI convictions. This is a one-time increase in the 2023-25 biennium and an additional request of \$3.4 million General Fund has been submitted by the Department for the 2025-27 biennium. This request is based on historic trends projecting the amount necessary to address the shortfall in the agency's base budget.

The Subcommittee approved a General Fund increase of \$1.1 million to Central Administration for additional Department of Administrative Services risk charges related to legal costs. Risk charges had been incorrectly charged to Oregon Correctional Enterprises instead of the Department of Corrections, so the resulting adjustment required increased appropriation for the Department to cover those costs.

The Subcommittee approved an increase in Other Funds expenditure limitation of \$496,204 for the Department of Corrections Health Services Division to utilize remaining American Rescue Plan Act and Article XI-Q bond proceeds for completing the electronic health records project. \$105,402 was received as Federal Funds by the Department of Administrative Services and disbursed to the Department in 2021 as Other Funds. Due to project delays, not all proceeds were expended in the 2021-23 biennium and this limitation increase will allow them to use all remaining funds to complete the project. The Department received \$390,802 in one-time Other Funds expenditure limitation to also utilize remaining Article XI-Q bond proceeds from a sale in 2021 to complete the electronic health records project.

The Subcommittee approved an increase of \$500,000 Other Funds expenditure limitation in the Operations Division for a Residential Substance Abuse Treatment grant from the Criminal Justice Commission to support care coordination in the co-occurring disorder program at the Columbia River Correctional Institution in Portland.

The Subcommittee approved an increase in Federal Funds expenditure limitation of \$390,600 to the Department's Correctional Services Division on a one-time basis for the Braille Transcription and Certification Program grant from the Bureau of Justice Assistance. The grant will be used to start a braille transcription and certification program, allowing adults in custody to become certified transcribers and earn eligibility for the American Printing House apprenticeship program.

The Subcommittee approved a one-time, agencywide, net-zero technical adjustment to rebalance funding between General Fund appropriations for the Department. Central Administration and Administrative Services were increased (\$3.2 million and \$9.3 million, respectively) by \$12.5 million primarily attributable to increased recruitment efforts for security and health care vacancies, while a programmatic transfer of release counselors from Operations to Correctional Services required an additional \$7.4 million. Those challenges

were offset by a \$19 million decrease in Operations (\$929,059) and Health Services (\$18.1 million) to account for the release counselor shift and lower than anticipated Hepatitis C costs, as well as decreases in Community Corrections (\$600,000) and Capital Improvement (\$250,000) for operational surpluses.

Finally, a one-time net-zero technical adjustment was approved to replace a shortfall of Criminal Fines Account (CFA) revenue with General Fund. The most recent revenue forecast from the Department of Administrative Services, Office of Economic Analysis, includes a reduction in CFA revenues for the current biennium. To help address this shortfall, the CFA associated Other Funds limitation in the Community Corrections division was decreased by \$5.2 million and General Fund was increased by \$5.2 million in the same division to backfill the reduced revenue.

### **Department of Emergency Management**

The Subcommittee approved a one-time \$5 million General Fund appropriation to the Department of Emergency Management (ODEM) for an emergency preparedness stockpile. During the 2024 session, a \$5 million special purpose appropriation to the Emergency Board was approved to support statewide efforts to organize and facilitate assistance for local jurisdictions through the acquisition and distribution of durable goods and funding support in an emergency. In September 2024, the Department submitted a report to the Emergency Board on plans for establishing the stockpile, with examples of materials including road closure equipment, animal shelter kits, medical personal protection equipment, communication trailers, and deployable repeater kits. As part of the stockpile plan, the Department intends to provide \$3.2 million to the Department of Human Services to support existing resilience hubs.

The Subcommittee approved a one-time \$3.5 million Other Funds expenditure limitation increase for costs associated with statewide managed services contracts and tariffed telecommunication services for the 9-1-1 Emergency Program. The 9-1-1 Enhanced Subaccount is supported by 9-1-1 taxes for infrastructure, goods, and services necessary to facilitate delivering emergency calls to Oregon's 41 Public Service Answering Points and increases in the cost of delivering calls through service contracts necessitates the increase. There is no increase in taxes to support this increase, but instead allows the Department to utilize existing Other Funds revenue already received.

### **Department of Justice**

The Subcommittee approved a one-time net-zero technical adjustment to rebalance appropriations between the Appellate Division and Trial Division in the Department of Justice. The Appellate Division incurred an unexpectedly high cost-of-living adjustment based on low turnover rates as attorneys higher in the pay range are more greatly impacted by these adjustments, requiring a \$1 million increase in Other Funds expenditure limitation. The Trial Division experienced vacancy savings during the implementation phase of defending nonunanimous jury verdicts, providing a \$1 million decrease in Other Funds expenditure limitation to balance the Appellate need.

A one-time Federal Fund expenditure limitation increase of \$750,000 was also approved to support unexpected increases in the Civil Enforcement Division's Medicaid Fraud Control Unit. As a result of Oregon's increased Medicaid program, a corresponding need exists to combat fraud. This limitation request allows the Department to expend federal dollars already approved and available for draw-down.

### **Oregon Military Department**

The Subcommittee approved, on a one-time basis, a supplemental General Fund appropriation of \$123,000 for the Portland Air National Guard base - Civil Engineering program for the state's matching share (20%) of the following expenses: (a) an increase in Portland Water Bureau water, sewer, and stormwater charges (\$81,310); (b) an increase in costs for the Portland Airport Joint Use Agreement that pay for the National Guard's use of runways, taxiways, lighting systems, navigational aids, marking, and appurtenances (\$21,472); and (c) non-matched payroll costs in excess of federal pay caps for select position classifications (\$95,049). The total cost of \$197,831 is reduced by \$74,831 to account for budgetary savings identified by the Department, leaving an unfunded balance of \$123,000 General Fund. OMD has sufficient existing Federal Funds limitation to cover the matching 80% Federal Funds requirement for each of these cost increases.

The Subcommittee approved, on a one-time basis, a supplemental General Fund appropriation of \$887,951 for payroll costs related to: (a) state Information Technology positions that were determined by the federal government's U.S. Property and Fiscal Officer to be no longer eligible for federal funding during the period October 2024 to June 2025 (\$480,000); (b) increased personal services costs related to pay equity adjustments (\$217,951); and (c) funding for an Other Funds revenue shortfall in the administrative prorated that is used to fund accounting, payroll, procurement, and budget services (\$190,000). OMD has sufficient Other and Federal Funds expenditure limitation to support to the pay equity adjustments.

### **Public Defense Services**

The Subcommittee approved, on a one-time basis, a net zero agency-wide rebalance that moves \$11.8 million General Fund between each of the agency's 10 budgeted programs. This is the third rebalance for Public Defense Services (PDC) this biennium, including SB 5701 (2024) and the December 2024 Emergency Board (Item #3). Major components of the rebalance include the transfer of \$11.8 million General Fund savings from seven programs to fund projected deficit spending for the remainder of the biennium in the following areas:

- Preauthorized Expenses (PAE) totaling \$7.4 million
- Court Mandated Expenses (CME) totaling \$1.6 million
- Juvenile Trial Division totaling \$74,000
- Special Contract, Programs, and Distribution for the reimbursement of county discovery costs totaling \$436,000
- Appellate Division totaling \$140,000
- Parent Child Representation Program (PCRP) totaling \$2.1 million from a backfill of prior rebalance action

The rebalance is funded through transfers of General Fund from the following areas: Adult Trial Division (\$9.7 million), Administrative Services Division (\$1.6 million), Compliance, Audit, and Performance Division (\$250,000), and the Executive Division (\$200,000). The Subcommittee also

approved, on a one-time basis, a corresponding Other Funds expenditure limitation reduction of \$1.9 million for the PCR. After the rebalance, the agency projects to have an unobligated \$2.9 million General Fund ending balance for the 2023-25 biennium.

PDC's rebalance projects Temporary Hourly Increase Program (THIP) expenditures of \$45.4 million General Fund for the remainder of the biennium. In total, THIP expenditures for the 2021-23, 2023-25, and 2025-27 biennium are projected to total \$80 million General Fund under the assumption that the program ends on June 30, 2025. This estimate assumes that the costs in the 2025-27 biennium only include the amounts required to pay for previously authorized cases.

### **Department of Public Safety Standards and Training**

The Subcommittee approved a one-time \$200,000 increase in Other Funds expenditure limitation for the Department of Public Safety Standards and Training (DPSST) to deliver Telecommunicator and Emergency Medical Dispatcher training. Through an intergovernmental agreement, the Department of Emergency Management provides funding to the DPSST for delivering mandatory Basic Telecom classes throughout the biennium. This expenditure limitation will cover the past delivery of 3 Basic Telecom classes and those scheduled for the remainder of the 2023-25 biennium.

A one-time \$300,000 increase in Other Funds expenditure limitation is also approved for additional traffic safety curriculum delivery. In a joint effort, DPSST and the Oregon Department of Transportation (ODOT) are increasing training to deter crimes related to intoxicated driving, with ODOT agreeing to partially cover the cost of instruction within the mandated basic training for police officers. The increase reflects the funds being transferred from ODOT to DPSST for this purpose.

The most recent revenue forecast from the Department of Administrative Services, Office of Economic Analysis, includes a reduction in CFA revenues for the current biennium. The following Other Funds expenditure limitation increases utilize existing Criminal Fines Account revenues which were allocated to the Department, in effect reducing the available ending fund balance the Department will have at the conclusion of the 2023-25 biennium.

The Department operates the Basic Corrections Local program to provide mandated training to students who are seeking certification as corrections officers and are currently employed at local jurisdictions, not the Oregon Department of Corrections. The current budget includes expenditure limitation to accommodate 10 classes of 40 students each. Enrollment in this program is forecast to increase before the end of the biennium to the point where the Department will be unable to meet the statutory 90-day requirement for student entry into the program from their date of hire. The Subcommittee approved a one-time increase in Other Funds expenditure limitation of \$250,554 to accommodate an additional 40 Basic Corrections Local students for the remainder of the biennium.

The Subcommittee approved a one-time \$350,000 increase in Other Funds expenditure limitation to replace one of its three firing range controllers that was damaged during a power outage. The controller manages target operation, lighting, and ventilation, all of which are essential for safety and effective training.

The Subcommittee approved a one-time increase of \$260,000 Other Funds expenditure limitation for personal services costs related to pay equity adjustments. The Department had 26 positions impacted across their four divisions.

### **Department of the State Fire Marshal**

The Subcommittee approved a one-time \$6 million General Fund appropriation to continue the Wildfire Season Staffing grants for the 2025 season. This grant program began with SB 762 (2021) and has annually provided funding to local fire departments across the state since 2022 to increase the number of fire fighters available in the event of wildfire between June and October.

Additionally, a one-time increase in Federal Funds expenditure limitation of \$400,000 was approved for an extension of the Hazardous Materials Emergency Preparedness grant, received from the U.S. Department of Transportation, to match available revenues to available expenditure limitation. The majority of funds from this grant program are sub-granted to local communities to implement training and planning programs for hazardous materials transportation emergency preparedness.

### **Oregon Youth Authority**

The Subcommittee approved a one-time \$2.3 million General Fund increase to Facility Programs for personal services costs related to pay equity adjustments for 238 positions across the agency. Additionally, a one-time net-zero technical adjustment to rebalance General Fund appropriations between the Facility Programs, Community Programs, and Program Support divisions within the Oregon Youth Authority was also approved. The Facility Programs is increased \$1.2 million for additional costs associated with overtime, Program Support is increased \$500,000 for additional costs to address caseload in the Professional Standards Office, and this is balanced by a \$1.7 million decrease in Community Programs related to savings from unobligated grant funds.

## **TRANSPORTATION**

### **Department of Transportation**

A \$15 million increase in Other Funds expenditure limitation was approved for unanticipated costs of emergency repair due to damages resulting from multiple slides, sinks, flooding and rockfall events caused by storms.