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To: Capital Construction Subcommittee
From: John Terpening, Legislative Fiscal Office
Date: March 3, 2026
Subject: HB 5204 – Budget Reconciliation
Work Session Recommendations

HB 5204 relates to state financial administration and is the omnibus budget reconciliation measure for the 2026 session. The measure modifies state agencies' 2025-27 legislatively approved budgets and adjusts General Fund appropriations made to the Emergency Board. A section-by-section summary of the measure, index of statewide reductions, and a list of all existing and proposed Emergency Board balances are available on the Oregon Legislative Information System (OLIS) as part of the March 3, 2024, meeting materials. The -2 amendment replaces the introduced measure to implement the 2025-27 budget adjustments.

Resources are based on the DAS Office of Economic Analysis March 2026 revenue forecast, debt services savings, reversions, agency reductions, and the projected revenue impact of measures passed during the 2026 session, including SB 1507. The balance of the general purpose emergency fund remains unchanged at \$83.4 million and the special purpose appropriations to the Emergency Board total \$261.2 million

Overall, the amendment results in net increases of \$193.6 million General Fund, \$569.2 million Other Funds, and \$317.1 million Federal Funds. Lottery Funds are decreased by \$26.2 million. The total funds budget is increased by \$1.1 billion in the 2025-27 biennium, with the General Fund increasing by 0.5% and retaining a net projected ending balance of approximately \$367 million, or 1% of expenditures.

Some of the major changes to state agency budgets included in the amendment are summarized below:

- \$272.8 million net General Fund increase (\$69.4 million total funds decrease) to the Department of Human Services and Oregon Health Authority for implementing provisions of U.S. Public Law 119-21, known as House Resolution (HR) 1.
- \$49.5 million net General Fund decrease (\$305.3 million total funds decrease) to rebalance the Department of Human Services and Oregon Health Authority budgets for changes in forecasted caseloads, revenue, and existing program expenditures.
- \$77.1 million General Fund for one-time 2025 fire season costs, including \$69.5 million for 2025 fire season costs for the Oregon Department of Forestry and \$7.6 million for the Department of the State Fire Marshal, and another \$7 million for the Department of the State Fire Marshal to support repositioning, readiness response, and cash flow constraints for the 2026 fire season.
- \$78.2 million in Other Funds reductions to the Oregon Department of Transportation to balance the agency budget to available State Highway Fund revenues.
- \$39.9 million General Fund to the Department of Corrections for items previously approved by the Interim Joint Committee on Ways and Means.
- \$15.5 million General Fund, \$15 million of which is in a special purpose appropriation, to address operational funding shortfall and develop a long-term financial sustainability plan for Southern Oregon University.
- \$10 million General Fund for deposit into the Regional Infrastructure Fund for grants to local and tribal governments with populations of under 25,000 for rural infrastructure projects.
- \$9.6 million General Fund to backfill Judicial Department, Department of Justice, and Department of Human Services programs for a Criminal Fine Account revenue shortfall.
- \$8 million General Fund for universal representation, with \$5.6 million of funding provided to the Department of Administrative Services for deposit into the Universal Representation Fund and \$2.4 million provided to the Oregon State Bar for immigration legal services; an additional \$2 million General Fund is provided to the Department of Human Services for refugee assistance.
- \$6 million General Fund, on a one-time basis, to the Department of the State Fire Marshal for wildfire season staffing grants for the 2027 fire season.
- \$5 million General Fund for deposit into the Industrial Site Loan Fund in the Oregon Business Development Department; an additional \$10 million Other Funds is included for lottery bonds approved for the fund.
- \$5 million General Fund, on a one-time basis, to support horse racing events at county fairgrounds.
- \$4.1 million General Fund of one-time funding to the Department of Administrative Services for local capital projects.

- \$1.9 million General Fund, on a one-time basis, to the Department of Education for the East Multnomah Outreach, Prevention, and Intervention program.
- \$1.8 million General Fund, on a one-time basis, to the Oregon Department of Agriculture to continue Japanese beetle eradication efforts.
- \$1 million General Fund to the Department of Justice for increased caseload for the Internet Crimes Against Children program.
- \$1 million General Fund, on a one-time basis, to the Oregon Department of Agriculture for wolf depredation compensation.
- \$321.5 million General Fund across state agency budgets to fund pension obligation bond adjustments and negotiated state employee compensation adjustments, including one-time payments and two cost-of-living adjustments (COLAs); a related \$300 million special purpose appropriation to the Emergency Board is disappropriated to support these costs.
- \$128.1 million of General Fund and Lottery Fund reductions available through cost containment measures implemented by the executive branch, fund shifts, carryover balances, and reductions in the Legislative and Judicial branches.

Including the overall budget adjustments, the measure also reduces or eliminates four existing special purpose appropriations, expands the eligible use of an existing special purpose appropriation, and establishes a new \$15 million special purpose appropriation to address a projected operational funding shortfall for Southern Oregon University.

Budget Notes

Four budget notes are proposed for inclusion in the HB 5204 budget report. One for the Department of Administrative Services, two for the Higher Education Coordinating Commission, and one for the Oregon Youth Authority. The budget notes are included in a separate document available on OLIS.

Accept LFO Recommendation

MOTION: I move the LFO recommendation on Budget Notes. *(vote)*

Amendment

LFO recommends adoption of the –2 amendment.

MOTION: I move adoption of the –2 amendment to HB 5204. *(vote)*

Final Subcommittee Action

LFO recommends that HB 5204, as amended by the –2 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5204, as amended, to the Full Committee with a do pass recommendation. *(vote)*

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____