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Budget Information Brief / 2011-5

Budget Terms

During the budget process a number of terms are used on a regular basis. This budget brief is intended to help describe and understand some of the more commonly used budget terms.

Allocation vs. Limitation/Appropriation – Allocations refer specifically to revenues. Lottery Funds and Criminal Fines Account funds are allocated to an agency by the Legislature. Allocated funds may not be spent without expenditure limitation.

Appropriations are General Fund expenditures established by the Legislature. Limitations are Lottery Funds, Other Funds, and Federal Funds expenditures established by the Legislature.

Approved Spending Level – The actual amount of spending authority an agency has for a particular budget cycle. Typically, this is called the legislatively approved budget; however, the Governor may lower the General Fund amount that can be spent if the revenue forecast falls to the point of putting the state in a deficit situation. In that case, the Governor does not actually reduce the statutorily approved amounts, but simply reduces the amount that agencies will be allowed to spend. The approved spending level is the amount approved by the Legislature, less any allotment reductions implemented by the Governor to balance the budget.

Backfill – One-time funds used to replace discretionary funding in an agency's budget. These are typically Other or Federal Funds used to replace General or Lottery Funds. They are used extensively when General and Lottery Funds are at a premium, and continue programs that would otherwise be eliminated. While one-time funds continue the program for a certain period, the program must then revert to the original funding source once the "backfilled" funds go away.

Budget Note – Included in a Budget Report, it is a formal directive to a state agency expressing legislative intent for a particular budget issue. A budget note is technical in nature, directing an agency to take administrative and managerial action relating to the agency's execution of its biennial budget. A budget note is of limited scope, not intended to circumvent, supplant, or replace other substantive or policy measures or law. The directive of a budget note typically expires at the end of the biennium for which it pertains. Budget notes are neither required nor necessary for every Ways and Means measure.

Budget Report – An official report on any bill approved by the Joint Committee on Ways and Means that appropriates General Fund or establishes expenditure limitation for Lottery Funds, Other Funds, and Federal Funds. The report summarizes any discussion by the Committee and contains the recommendations to the Legislature on the bill. In addition to the recommended expenditures and revenues, it also lists the recommended number of positions and full-time equivalent positions.

Current Service Level – A means of estimating the costs of continuing existing programs and implementing new policy changes from the existing biennium to the next one. For a complete explanation, see www.leg.state.or.us/comm/lfo/2010-3TentativeBudgetandCSL.pdf

Legislatively adopted budget vs. Legislatively approved budget – The legislatively adopted budget is the budget that is passed by the Legislature at the beginning of the biennium. It consists of one or more budget bills that are passed during the odd-year regular session. The legislatively approved budget consists of the legislatively adopted budget plus any actions that modify the budget during the biennium. These actions include administrative increases to Nonlimited limitations, approved Emergency Board actions, and any actions during subsequent special and regular legislative sessions.

Maintenance of Effort – A requirement contained in certain legislation, regulations, or administrative policies that a recipient must maintain a specified level of financial effort in the area for which federal funds will be provided in order to receive federal grant funds. This requirement is usually given in terms of a previous base-year dollar amount.

Nonadd Expenditures – Generally, these are inter-agency and intra-agency expenditures that fund administrative functions and are paid for by other programs. This results in a double-count in total statewide expenditures. While the expenditures are included for both programs for reporting purposes, the nonadd expenditures are usually shown as an informational tool to indicate where the budget contains expenditures that are counted twice.

Many of the programs at the Department of Administrative Services (DAS) are considered nonadd because they assess agencies for the costs of the programs. The agency shows an expenditure to DAS for their services and DAS then has expenditures to provide those services.

Nonlimited Expenditures – Expenditure limitation that may be increased by the Department of Administrative Services instead of by the Legislature. The initial amount of limitation is set by the Legislature during budget hearings and is included in the budget report.

These expenditures can only be supported by Other and Federal Funds. The expenditures are for programs that have a single source of revenue and support programs that have expenditures that are often outside of the agency's control. An example would be Unemployment Insurance; during the 2009-11 biennium, Nonlimited expenditure limitation for the Oregon Employment Department was increased by almost \$3.3 billion from the adopted budget because of federal legislation and the economic situation. The Department was able to increase its limitation and pass those payments through without having to wait for a legislative hearing.

Pass-through Expenditures – Expenditures that are not directly for state use. While an agency has an appropriation or limitation for a particular program, the funds may be “passed through” to non-state entities. Some examples include funding for education programs such as the State School Fund, Community Colleges, and Higher Education, as well as many social programs that provide cash and food assistance.

Rebalance – Sometimes it becomes necessary to realign budgets during the biennium. Because appropriations and limitations are specified in statute, legislative action is needed to rebalance the budget. A rebalance can be done on a statewide basis (usually when revenues are below forecast) or can be done at the agency level. In either case, the term generally refers to the increases and decreases necessary to better align the budget with the expected needs.

Roll-up Costs - The full costs associated with expenditures that were not fully charged in the previous biennium. Typically, these are personal services and debt service costs that are implemented as the biennium progresses. Increases in salary and/or benefits are usually phased-in during the biennium as part of a collective bargaining agreement. Debt is usually issued during the biennium. Many times it is issued late in the biennium to minimize the costs for that period.

During the following biennium, the full 24-month costs for both categories need to be accounted for. The additional amount is considered the roll-up cost. While roll-up costs are usually associated with personal services and debt service costs, they also apply to any program costs that were implemented in the middle of the biennium.

Special Purpose Appropriation - A General Fund appropriation to the Emergency Board for a specific purpose. When the appropriation is established, it states the agency and specific purpose for the funds. The Emergency Board can only allocate funds to that agency and for that purpose. There is also an expiration date for the appropriation. After that date, any remaining funds become available for any purpose for which the Emergency Board may lawfully allocate funds.

Tentative Budget - A document that is used to estimate the state's relative fiscal position for the coming two-year budget period, assuming the continuation of all current law programs and services. For a complete explanation, see www.leg.state.or.us/comm/lfo/2010-3TentativeBudgetandCSL.pdf

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