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Oregon's Statutory Spending Limit

The 2001 Legislative Assembly passed legislation (House Bill 3997) that replaced Oregon's existing spending limitation with one designed to tie expenditures for governmental activities to Oregon personal income. Codified as ORS 291.357, Oregon's spending limit specifically excludes expenditures of federal funds and donated moneys from the limitation. Appropriations subject to the new spending limitation are limited to no more than 8% of projected personal income for the same biennium.

New limitation applies to governmental activities

The new spending limit applies to governmental activities as promulgated by an independent authority – the Governmental Accounting Standards Board (GASB). In addition to governmental activities as defined by GASB, the statute also defines post-secondary educational activities that are partially funded by student tuition and fees. This makes expenditures from these sources for state-supported college education subject to the limitation.

Excluded from governmental activities are activities considered to be business or fiduciary in nature. Business activities include such self-sustaining programs as higher education's dormitories and bookstores, Veterans Administration and other loan programs, and Lottery operations. Fiduciary activities are those where funds are held in trust for specific beneficiaries. The primary fiduciary activity in state government is the payment of retiree benefits through the Public Employees Retirement System.

Limitation is tied to projected personal income over the same period

Unlike the prior limitation, which limited spending growth to the rate of growth of personal income in the state over the two years prior to the expenditure period, the new limit is a percentage of personal income projected for the same biennium as the expenditure period. The personal income projection is based on the last revenue forecast delivered to the Legislative Assembly prior to the end of a regular session on which the adopted budget is based. The personal income base used in the calculation is the average total personal income for the two fiscal years of the biennium. The limitation effective for the 2003-05 biennium is $17.6 billion. At the close of the regular session, authorized expenditures were $800 million under the limit. The failure of Ballot Measure 30 triggered appropriations reductions that caused authorized expenditures to drop to slightly more than $1.3 billion under the limit.

Limit applies to appropriations

For purposes of the spending limit, appropriations are considered to be any authorization to expend moneys and any limitation on the expenditure of moneys that are continuously appropriated. In addition, the limit includes the estimated amounts of moneys that are continuously appropriated and will be spent in the biennium without limitation.

Limit does not apply to certain types of funds received

The spending limitation does not apply to any moneys received from the federal government or to moneys voluntarily donated to state agencies. Additionally, the limit does not apply to the expenditure of moneys borrowed to acquire or construct assets that are used for governmental activities. However, debt service on the borrowings is subject to the limit. There is another exclusion for the fee remission programs (tuition and fee waivers) of the Department of Higher Education.

Exclusion of revenues and expenditures resulting from ballot measures

Because of concerns over the effect of future ballot measures on expenditures, the statute excludes from the limitation any revenue increases or new revenue sources resulting from future ballot measures. Additional expenditures for new or existing programs resulting from future ballot measures would also be excluded from the 8% limitation. These exclusions apply to any revenue or expenditure measure approved by the people in an election on or after August 10, 2001, the effective date of the spending limit legislation. In the fall of 2001, Oregonians approved a ballot measure that increased tobacco taxes. As a result, expenditures of $207 million that are to be paid from the increased tax receipts are specifically excluded from the expenditure limitation in the 2003-05 budget.

Limitation can be exceeded in an emergency

Appropriations for governmental activities can exceed the limit if the Governor declares an emergency and three-fifths of the members of both the House of Representatives and the Senate vote to exceed the limit. The three-fifths majority vote is consistent with the majority needed to increase taxes in the state.

Spending limitations in other states

According to the National Conference of State Legislatures (NCSL), eighteen other states have a constitutional or statutory limit on state spending or appropriations. Nine states have a constitutional limit, seven have a statutory limit, and two have both a constitutional and a statutory limit. Eight states have a limit on revenues. In all cases, the spending limitation is connected to a calculation based on population, inflation, total personal income, or per capita personal income growth. Most spending limitations have provisions to exclude certain costs or activities and a process to waive the limitation in cases of fiscal emergency.

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