Oregon Budget Basics and Process Review

Legislative Fiscal Office

Oregon's Budget Policy

Based on principles of:

- Balancing estimated revenues and proposed expenditures
- Allocating resources to achieve desired outcomes
- Measuring program outcomes and progress toward desired outcomes
- Encouraging savings and investments that reduce or avoid future costs
- Planning for the short term and the long term, using consistent assumptions on demographics and trends
- Providing accountability at all levels for meeting program outcomes

Oregon Budget 101

- Oregon budgets on a biennial basis (July 1st of odd-numbered year to June 30th of next odd-numbered year)
- Adjustments to a biennium's budget made by the Emergency Board (interim) or the Legislature (even-year short session, special session, or next regular session)
- Article IX, Section 4, Oregon Constitution provides budgetary authority to the Legislature

Oregon Budget 101

- Appropriation bills generally agency specific (House bills in 5000, Senate bills in 5500 series)
- Oregon has about 100 agencies
- Range from small ($16,000 biennial budget) to large ($16 billion biennial budget)
- Budget for bonding and capital construction in bills separate from agency budget bills
- Article IX, Section 7, Oregon Constitution limits appropriation bills to state current expenses (no other subject allowed)

Oregon Budget 101

- Budget consists of four fund types (General Fund, Lottery Funds, Other Funds, Federal Funds)
- General Fund is “fungible”
- Lottery Funds dedicated to economic development, education, parks/salmon habitat
- Other Funds and Federal Funds dedicated by law for specific purposes
- Other Funds and Federal Funds broken into limited and non-limited categories

Oregon Budget 101

The Legislature:

- ***Appropriates*** General Fund
- ***Allocates*** Lottery Funds
- ***Limits*** the expenditure of Other and Federal Funds (with an expenditure limitation)

The Department of Administrative Services:

- ***Allots*** an agency's appropriation or expenditure limitation (quarterly spending plan)
- ***Unschedules*** the portion of an agency's budget not available for expenditure

Oregon Budget 101

- Budget tracks expenditure categories:
  - **Personal Services** includes personnel costs (wages, PERS, benefits, social security, etc.)
  - **Services & Supplies** includes operation costs (travel, office supplies, rent, legal expenses, contracts, expendable property, etc.)
  - **Special Payments** includes revenue transfers and client or provider payments
  - **Capital Outlay** includes products with value of more than $5,000, life of more than 2 years, used more than once

Oregon Budget 101

- **Capital Improvement** includes construction, remodel, improvement costs of less than $1 million
- **Major Construction/Acquisition** (or Capital Construction) includes construction, remodel, improvement costs of more than $1 million ($3 million or more for OUS projects); established for a six-year period
- **Debt Service** includes principal and interest payments on bonds and certificates of participation

- Budget also tracks positions and FTE (full-time equivalent)

Oregon Budget 101

- Appropriation bills are the budgetary control
- Appropriation bills are session law (Oregon Laws)
- Appropriation bills are not detailed to the expenditure category level
- Appropriation bills are by fund type and may be total agency or detailed to program within agency
- Budget Reports provide information on the budget but do not have force of law
- Budget Notes are directives within the Budget Report

Oregon Budget 101

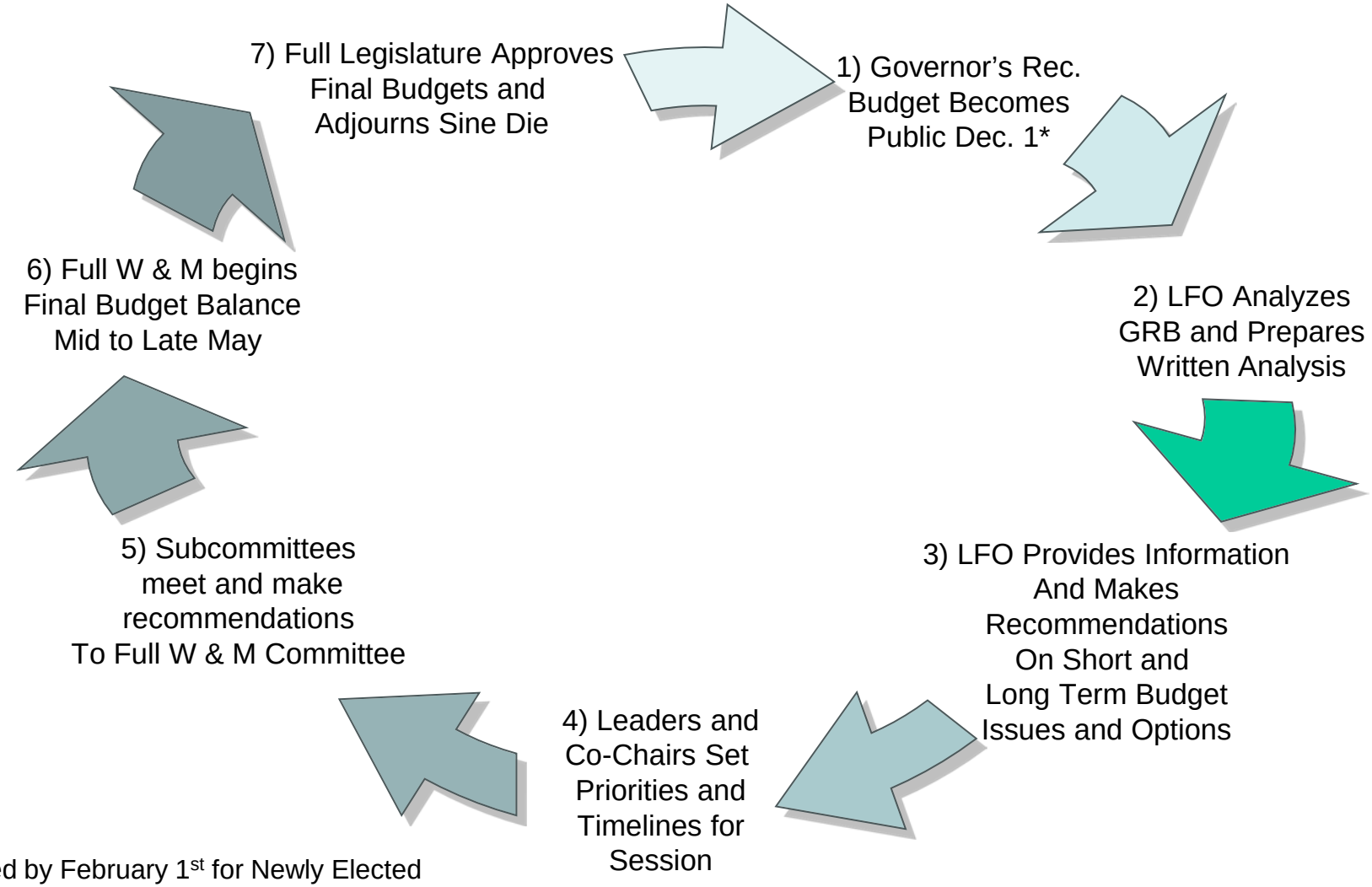
Budgetary Limits

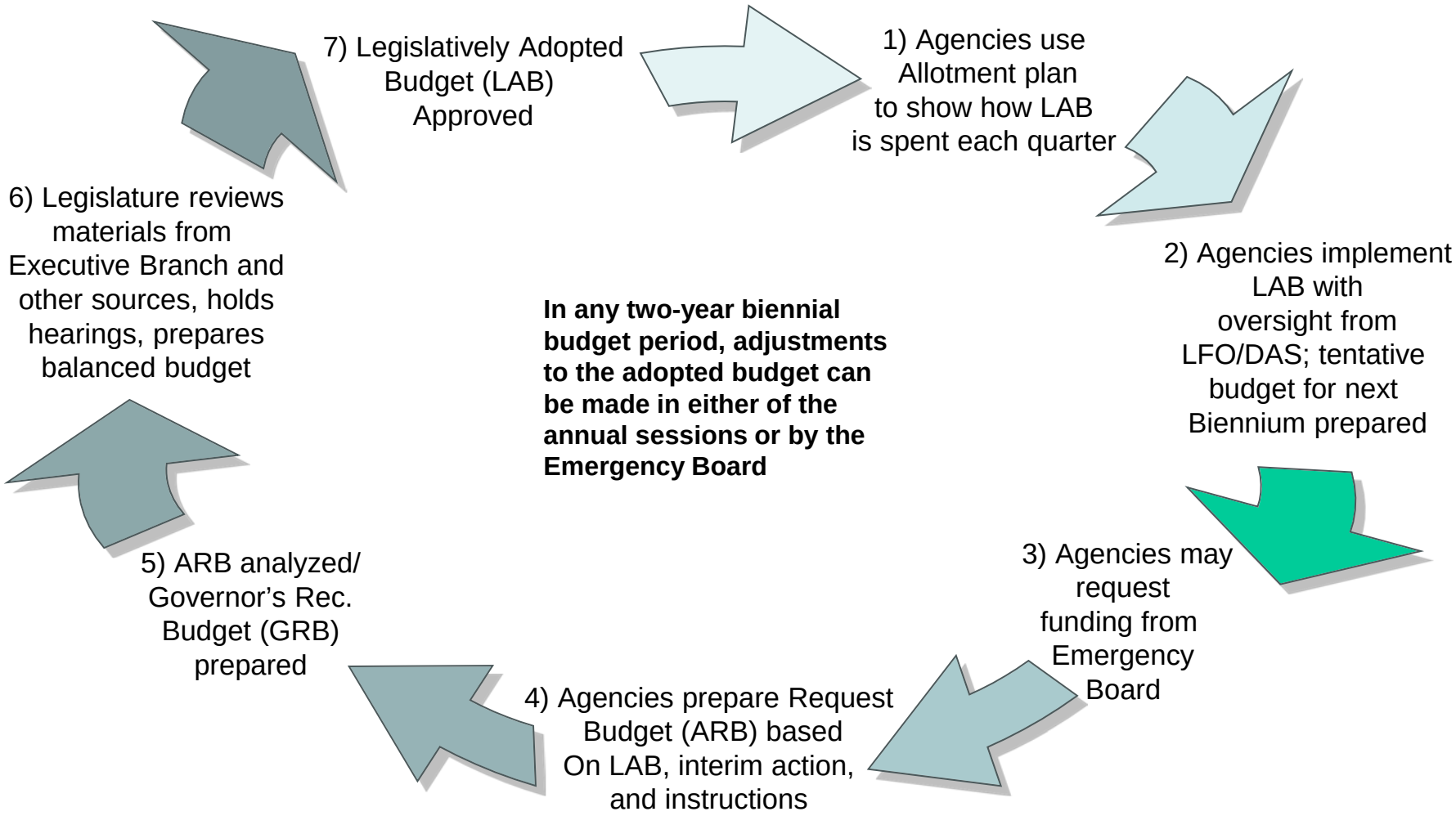
- Revenues in Excess of Estimate (ORS 291.349 and Article IX, Section 14, Constitution) or the “kicker” law; if revenue exceeds close-of-session forecast by more than 2%, all revenue above forecast is returned to taxpayers (personal; corporate now goes to K-12)
- Appropriations Limit (ORS 291.357); budget cannot exceed 8% of the projected personal income; fiduciary and business activities excluded
- Full-Time Equivalent Positions (ORS 240.185); the number of state positions cannot exceed 1.5% of the state population, counted as FTE; exemptions for elective offices and Oregon University System

Oregon Budget 101

- Key Drivers of Budget Change:
  - Population Growth
  - Demographics
  - Inflation
  - Health Care Costs
  - Mandated Caseloads
  - Federal Policy Changes
  - Lawsuits
  - Initiatives
  - Rollup Costs
  - Replacement of One-Time Revenues
  - State Policy Decisions

Oregon Budget Process - Session



*Required by February 1st for Newly Elected Governor

Oregon Budget Process – Two Year