Legislative Fiscal Office

Peggy Archer
Interim Fiscal Officer

900 Court Street NE
Room H-178
Salem, Oregon 97301
(503) 986-1828

Budget Information Brief / 2001-5

New Statutory Spending Limitation

The 2001 Legislative Assembly passed legislation (House Bill 3997) replacing Oregon's spending limitation with one that is designed to keep expenditures within check but allow reasonable growth. The old limitation applied only to the General Fund but required complicated adjustments when other funding sources were used to offset General Fund costs. The new spending limitation eliminates the problems associated with identifying and interpreting fund shifts in the formula, excludes federal funds and donations from the limitation, and ties appropriations for a biennium to personal income of that biennium. 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. The limitation is effective for the 2001-03 biennium. Authorized expenditures under the new limitation in the 2001-03 legislatively adopted budget are 7.6% of projected personal income for the same period, based on the May 2001 forecast.

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 future ballot measures

Because of concerns over the effect of future ballot measures on expenditures, the legislation 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.

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 Senate vote to exceed the limit. The three-fifths majority vote is consistent with the majority needed to increase taxes in the state.

For additional information, contact: Dallas Weyand, 503-986-1834