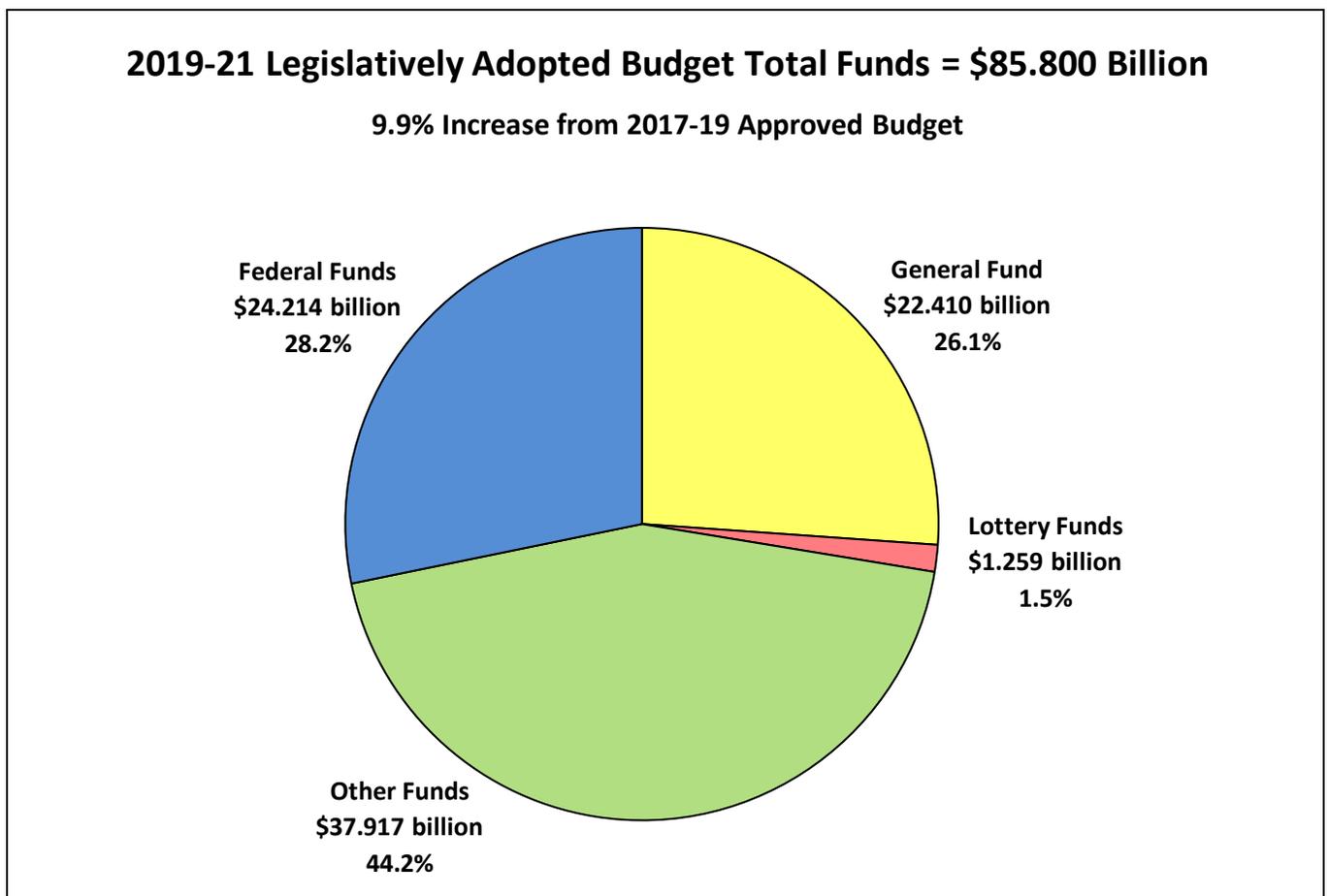


## Summary of the 2019-21 Legislatively Adopted Budget

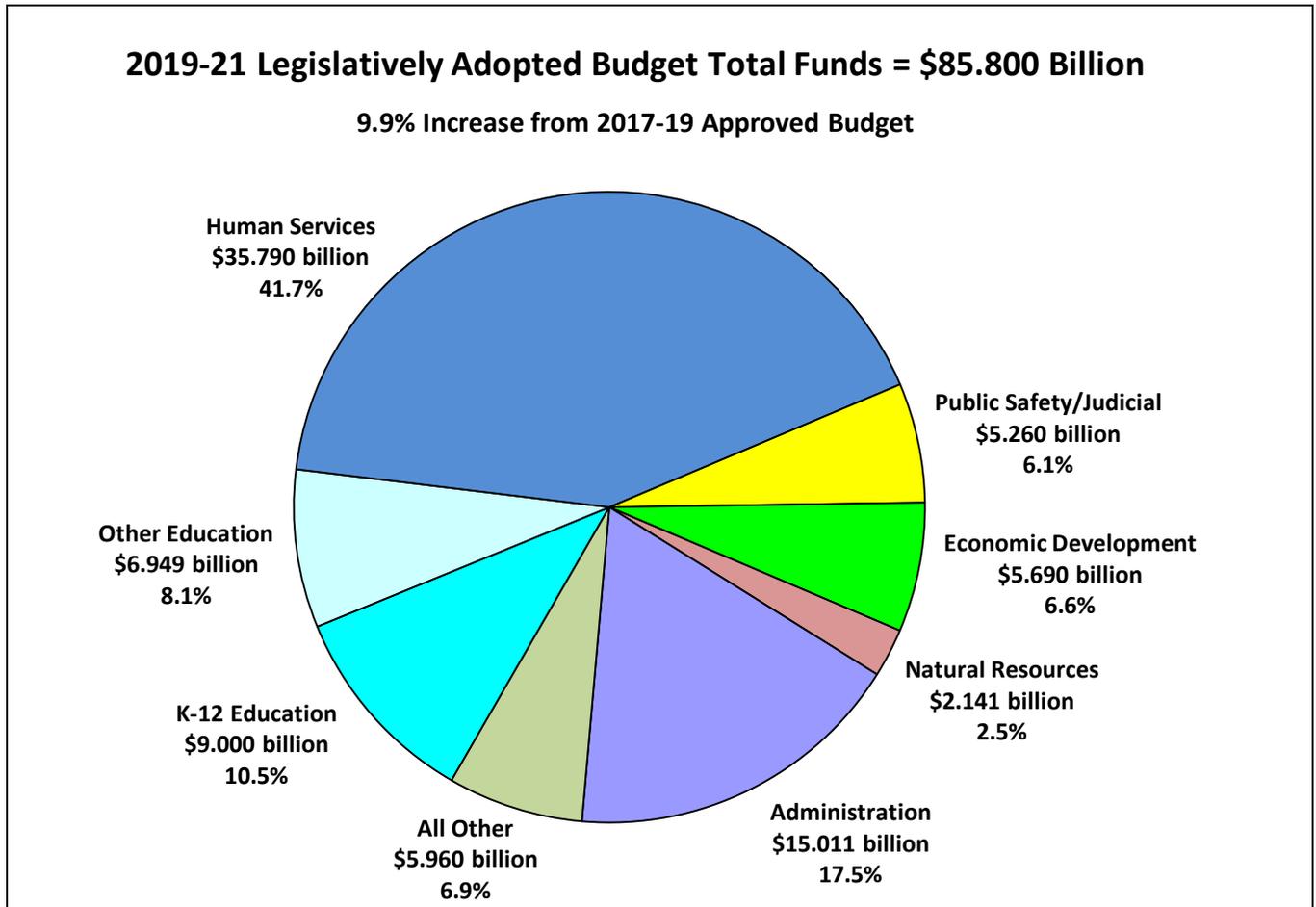
### Overview

The legislatively adopted budget (LAB) for the 2019-21 biennium is \$85.8 billion total funds, an increase of \$7.8 billion (or 9.9%) from the 2017-19 legislatively approved budget of \$78.0 billion. The increase between the two biennia is largely due to the authorization to spend \$2.5 billion more in General Fund and \$4.1 billion more in Other Funds in the 2019-21 biennium than was spent in 2017-19. The 12.6% increase in General Fund expenditures continues a trend of biennial double-digit percentage increases.

The LAB includes \$23.7 billion in combined General Fund and Lottery Funds, \$37.9 billion Other Funds, and \$24.2 billion Federal Funds. The 2017-19 biennial increase was 3.6%, which was the second smallest increase between biennia since 1987-89. The 2019-21 biennial increase of 9.9% represents significant growth in Other Funds Limited due primarily to the approval of \$1.175 billion in revenue from a new commercial activities tax (this is further discussed in the Major Revenue Bills section of this document). The healthy increase in General Fund and Other Funds was somewhat offset due to a relatively small increase in total Federal Funds. The eventual 2019-21 approved budget will change from the adopted level, since changes in Other Funds expenditure limitation and receipt of federal funding will likely increase over the course of the biennium. Additionally, if there is a change in the anticipated revenue for the biennium, the Legislature may elect to (in the case of additional revenue) or need to (in the case of revenue shortfalls) make adjustments to the budget.



A constitutional amendment adopted by the people in November 2010 changed the historical Oregon biennial session process into annual sessions. The odd-numbered year session is limited to 160 calendar days and allows for an organizational session where action on bills is prohibited. The even-year session is limited to 45 calendar days. In each case, the Legislature, by a two-thirds vote, can extend the session by five calendar days. For the 2019 regular session, the Legislature organized in mid-January and began session activities on January 22<sup>nd</sup>, and completed business on 30<sup>th</sup>, meeting the constitutional deadline.



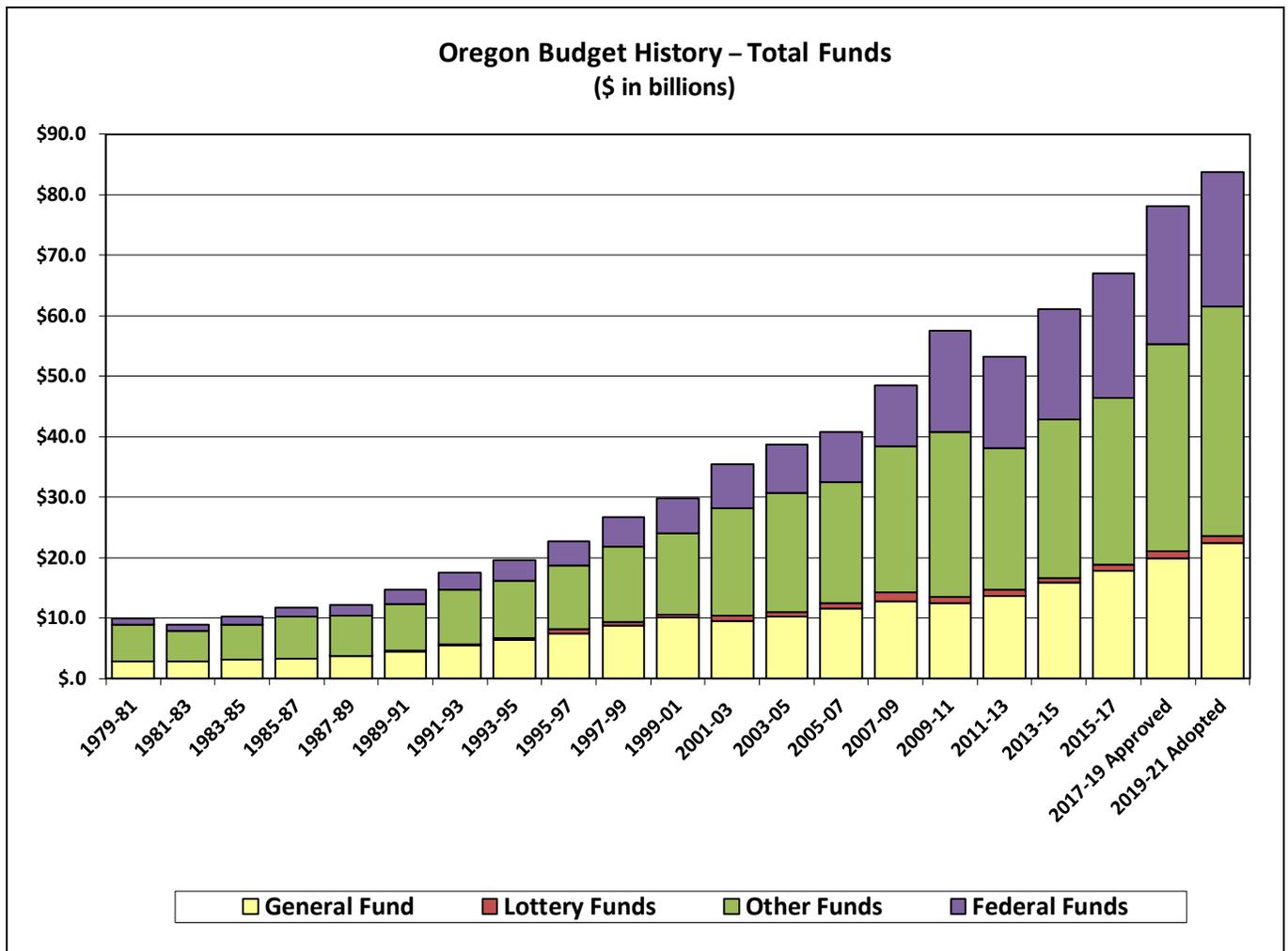
To implement the budget decisions made during the 2019 regular session, besides individual agency budget bills, the Joint Committee on Ways and Means moved the following bills that determined the final pieces of the 2019-21 adopted budget:

- HB 5050 – Emergency Fund and omnibus budget reconciliation
- HB 2377 – non-appropriation program changes to implement budget decisions
- HB 5005 – bonding authorization
- HB 5006 – capital construction
- HB 5029 – lottery and Criminal Fine Account allocations
- HB 5030 – lottery bonding authorization
- HB 5038 – Tobacco Settlement Funds Account

Details of the content of these bills are described later in this document.

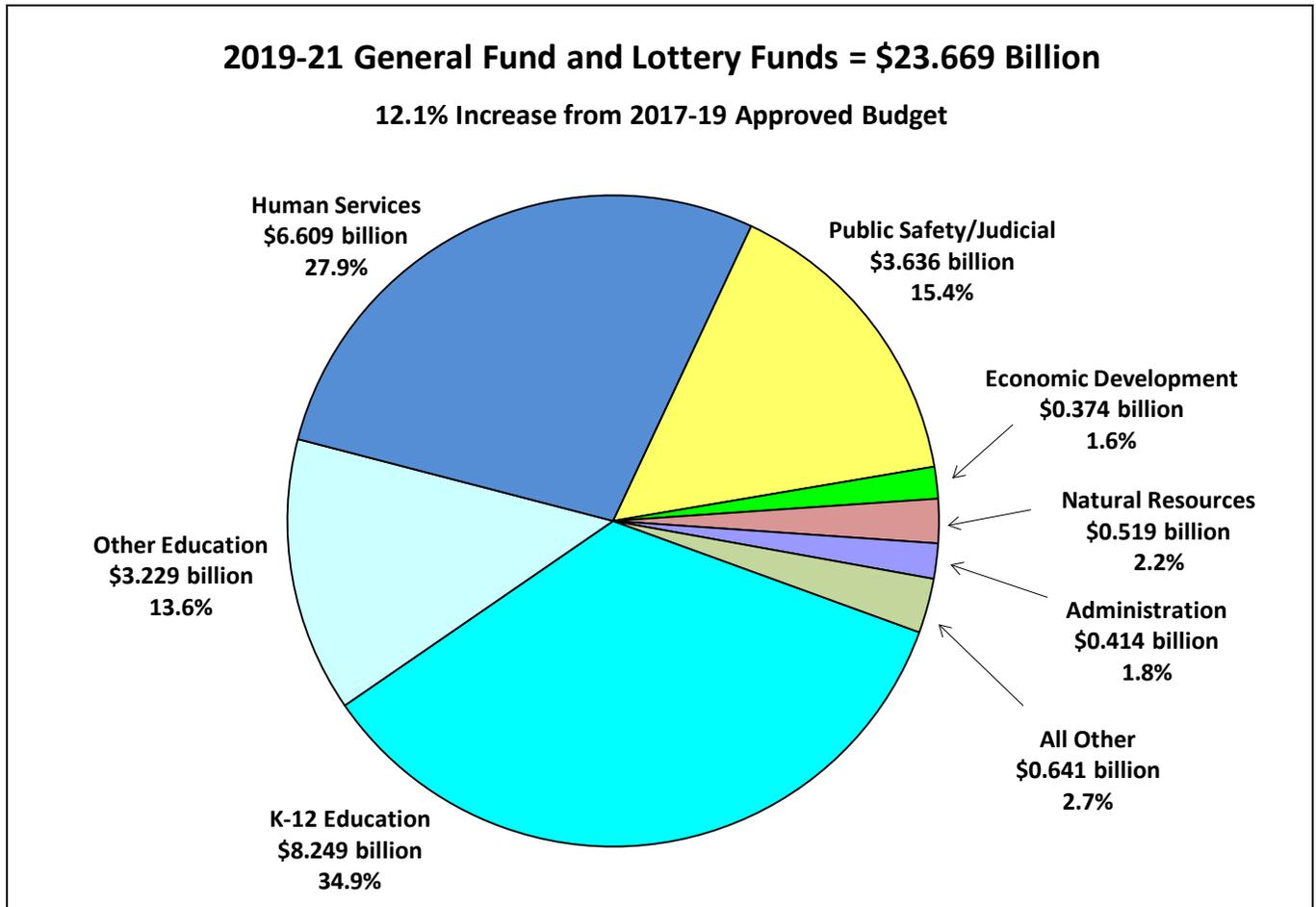
With respect to the overall development of the 2019-21 LAB, highlights of the 2019 session budget process were:

- An organizational session was held in mid-January followed by the convening of the odd-numbered year regular session on January 22<sup>nd</sup>.
- The release of a Joint Committee on Ways and Means Co-Chair Multi-Biennial budget plan in March that included expenditure targets by program area.
- Planning and executing a budget rebalance for the 2017-19 biennium by the end of February.
- A series of community hearings on the budget were held by the Joint Committee on Ways and Means earlier in the session than in previous years. The hearings, which occurred between March 9<sup>th</sup> and March 21<sup>st</sup>, were held in Coos Bay, Pendleton, Redmond, and Portland.
- In addition to the 106 budget bills heard and passed by the Joint Committee on Ways and Means (and its seven subcommittees), the Committee also had 392 policy bills referred to it, of which 123 received at least a public hearing and 121 were passed out of the Committee to either the Senate or House floor for further action. Ultimately, 112 were passed by the Legislature. Budget decisions and the development of budget documentation occurred in a timely manner that enabled the Legislature to complete its business by the constitutional deadlines. Legislation passed to establish the annual session process allows for 160 calendar days for the odd-numbered year session, which forced *sine die* by June 30<sup>th</sup>; the session ended on June 30<sup>th</sup>.



## General Fund and Lottery Expenditures

Combined General Fund and Lottery Funds expenditures for the 2019-21 biennium, as a result of 2019 legislative session actions, total \$23.7 billion, up \$2.6 billion (or 12.3%) from the legislatively approved budget for the 2017-19 biennium. General Fund appropriations increased by \$2.5 billion (or 12.6%) in the adopted budget over the 2017-19 approved level, while the net Lottery Funds expenditure limitation increased by \$99.2 million (or 8.6%).



Planning for the 2019-21 budget started in the spring of 2018 with the development of an official estimated tentative budget for the coming biennium. Under statute, that estimate is made jointly by the Department of Administrative Services and the Legislative Fiscal Office. This tentative budget calculation is provided to give decision makers a point-in-time estimate of the state's relative fiscal position for the coming two-year budget period; it is not a guarantee of funding for any agency or program. It is based on the projected revenues for the next two budget years and the "current service level" budget which is the amount needed to continue all currently approved programs, services, and revenue sources for the next two budget years.

The initial tentative budget, published in November 2018, showed a General Fund budget gap of about \$623 million. After the November 2018 election, the gap was recalculated to be \$647 million due to changes in the state's revenues in the December 2018 forecast. The gap was recalculated again after the March 2019 economic and revenue forecast at \$585 million. It was at this point that the Co-Chairs released the Multi-Biennial Budget Plan for the 2019-21 biennium. The Multi-Biennial Plan provided a

summary of General and Lottery Fund target expenditures in each program area for the 2019-21 biennium and also provided tentative forecasts of future biennial budgets based on the 2019-21 budget.

The Co-Chair plan provided each of the Joint Committee on Ways and Means Subcommittees a starting point for determining final budget decisions by program area. For the Target Reduction Lists, the Co-Chairs directed the Subcommittees to review prioritized program lists and reduction options to come up with plans to achieve each Subcommittee target. This approach was also intended to help spread and identify areas for enhancement and reduction in agency costs sufficient to balance to forecasted resources and to make strategic investments and set priorities.

For the 2019-21 biennium, the Co-Chairs, in their Multi-Biennial Budget Plan, set an initial General Fund and Lottery Funds budget of \$23.2 billion, with a \$519.2 million planned ending balance. In terms of actual dollar amounts, this is the largest General Fund/Lottery Funds ending balance that has been recorded in Oregon and represents 2.3% of expenditures.<sup>1</sup> The ending balance at close of session has not been at 2% or more since the 2009-11 biennium.

The approved ending balance allows for the 1% ending balance that is statutorily required for deposit into the Rainy Day Fund and another 1% as a reserve to protect against potential revenue declines and to provide some protection from unsustainable growth in future biennia of programs approved in 2019.

The revenue assumption of \$23.7 billion General Fund and Lottery Funds used to build the Co-Chair plan was from the March 2019 economic and revenue forecast. Projected resources for 2019-21 increased by \$900 million in the May 2019 economic and revenue forecast, at which time final budget adjustments were made. The May forecast included General Fund increases for both the 2017-19 biennium and the 2019-21 biennium. The change for the 2017-19 biennium resulted in an anticipated “kicker” in the amount of \$1.4 billion. The net change was an additional \$887 million in available General Fund resources for the 2019-21 budget as compared to the March 2019 forecast.

The total funds adopted budget is \$5.5 billion more than the 2019-21 current service level calculation, including the adopted General Fund and Lottery Funds budget at \$23.7 million (or 0.6%) below the calculated 2019-21 current service level budget. This reduction from the current service level was due to the use of new Other Fund resources in lieu of General Fund. General Fund and Lottery Funds comparisons by program area can be found in the following table.

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<sup>1</sup> There were legislatively approved budgets with larger ending balances from a percentage perspective. For example, the 1989 legislatively approved budget left a General Fund ending balance of 2.5% of expenditures, equaling \$118.7 million General Fund.

General Fund and Lottery Funds							
(\$ in millions)							
PROGRAM AREA	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Legislatively Adopted		% Change 2019-21 Adopted from 2017-19 Approved	% Change 2019-21 Adopted from 2019-21 CSL
State School Fund	7,352.5	8,118.6	8,686.3	8,248.8	*	1.6	(5.0)
Education – Post Secondary	1,805.1	2,016.2	2,185.5	2,288.9		13.5	4.7
Education – Other	622.1	871.1	1,053.2	939.6		7.9	(10.8)
Human Services – OHA	2,163.5	2,175.4	3,190.0	2,736.5		25.8	(14.2)
Human Services – DHS	2,714.0	3,203.1	3,723.1	3,855.1		20.4	3.5
Human Services – Other	11.3	13.0	14.8	17.6		35.2	18.9
Public Safety	2,368.6	2,587.8	2,716.6	2,773.0		7.2	2.1
Judicial Branch	717.4	764.8	850.1	862.4		12.8	1.5
Economic Development	173.1	273.3	260.9	373.8		36.8	43.3
Natural Resources	417.5	518.5	485.3	518.5		0.0	6.8
Transportation	129.5	137.1	164.2	140.9		2.8	(14.2)
Consumer/Business Services	14.4	13.5	14.3	16.4		22.2	14.7
Administration	254.0	286.0	282.4	414.3		44.9	46.7
Legislative Branch	89.2	127.6	127.6	142.3		11.5	11.5
Emergency Fund	0.0	0.0	56.0	340.8		NA	508.7
<b>TOTAL</b>	<b>18,832.2</b>	<b>21,105.8</b>	<b>23,810.1</b>	<b>23,668.9</b>		<b>12.1</b>	<b>(0.6)</b>
* State School Fund with Other Funds totals \$9.0 billion in 2019-21							

The final legislatively adopted budget is summarized in the following table. It is broken into three sections – resources, expenditures, and ending balance. An explanation of each of these sections follows the table.

2019-21 Legislatively Adopted Budget				
May 2019 Forecast Revenues (millions)	General Fund	Lottery Discretionary	Lottery Dedicated	TOTAL
<b>Revenues</b>				
Beginning Balance	2,321.6	65.3	58.3	2,445.3
Beginning LF Debt Service Balance	-	1.3	-	1.3
Beginning Balance - HECC Opportunity Grants	-	7.3	-	7.3
1% Appropriation to Rainy Day Fund	(199.5)	-	-	(199.5)
Adjustments				
<i>Projected TANS interest costs for 2017-19</i>	(10.4)	-	-	(10.4)
Projected Revenues	21,165.5	1,219.0	240.9	22,625.3
<i>Shared Services Fund (Gain Share)</i>	(45.3)	-	-	(45.3)
<i>Lottery Interest Earnings (Forecast)</i>	-	2.0	-	2.0
<i>Lottery ESF Interest Earnings</i>	-	40.0	-	40.0
<i>Lottery Fund Reversions</i>	-	3.7	-	3.7
<i>OBDD LF Beginning Balance (Committed)</i>	-	3.8	-	3.8
Distributions: Education Stability Fund/Counties				
<i>Education Stability Fund</i>	-	(262.8)	-	(262.8)
<i>County Economic Development</i>	-	(50.2)	-	(50.2)
<b>Forecast Revenues</b>	<b>23,232.0</b>	<b>1,029.4</b>	<b>299.2</b>	<b>24,560.6</b>
<b>Revenue Enhancements/(Reductions):</b>				
<i>Tax Expenditures - Sunset Renewal/New (HB 2164)</i>	(70.5)	-	-	(70.5)
<i>Corporate Activity Tax - Student Success (HB 3427)</i>	(423.0)	-	-	(423.0)
<i>OLCC Fees (SB 248)</i>	5.2	-	-	5.2
<i>DOC Inmate Collections (SB 980)</i>	0.5	-	-	0.5
<i>Court Filing Fees (HB 3447)</i>	3.1	-	-	3.1
<i>DOR Tax Compliance Auditors (HB 5033)</i>	0.5	-	-	0.5
<i>Rural Medical Provider Tax Credit (HB 2847)</i>	(0.2)	-	-	(0.2)
<i>DOR Debt Collection Pilot (SB 523)</i>	2.0	-	-	2.0
<i>DAS Operating Fund Transfer (HB 2377)</i>	50.9	-	-	50.9
<i>DAS OSCIO Operating Fund Transfer (HB 2377)</i>	26.5	-	-	26.5
<i>DAS Insurance Fund Transfer (HB 2377)</i>	10.0	-	-	10.0
<i>DOJ Protection and Education Account Transfer (HB 2377)</i>	46.0	-	-	46.0
<i>DCBS Health Insurance Exchange Fund Transfer (HB 2377)</i>	3.8	-	-	3.8
<i>Oregon Medical Board Transfer (HB 2377)</i>	5.0	-	-	5.0
<i>OHA Public Employees' Revolving Fund Transfer (HB 2377)</i>	15.0	-	-	15.0
<i>DSL Portland Harbor Cleanup Fund Transfer (HB 2377)</i>	3.0	-	-	3.0
<i>OJD Legal Aid Account Directed to GF (HB 2377)</i>	11.9	-	-	11.9
<i>Central Government Service Charge Redirection (HB 2377)</i>	(0.5)	-	-	(0.5)
<i>CFA Transfer to GF from LAB Actions and Revised Forecast</i>	13.2	-	-	13.2
<b>2017-19 Rebalance Issues</b>				
<i>SB 5544 (OHA)</i>	3.7	-	-	3.7
<i>SB 5511 (DOGAMI)</i>	(0.7)	-	-	(0.7)
<i>HB 5019 (ODF)</i>	(3.2)	-	-	(3.2)
<i>HB 5050 (DOC)</i>	(3.0)	-	-	(3.0)
<b>TOTAL RESOURCES</b>	<b>22,931.1</b>	<b>1,029.4</b>	<b>299.2</b>	<b>24,259.8</b>
<b>2019-21 Program Area Expenditures</b>				
Education - State School Fund	7,718.7	530.1	-	8,248.8
Education - Post-Secondary	2,184.1	144.4	-	2,328.5
Education - Other	899.3	0.7	-	900.0
Human Services - Oregon Health Authority	2,719.4	14.6	2.5	2,736.5
Human Services - Department of Human Services	3,855.1	-	-	3,855.1
Human Services - Other	17.6	-	-	17.6
Public Safety	2,762.5	-	10.6	2,773.0
Judicial Branch	862.4	-	-	862.4
Economic & Community Development	204.0	149.2	20.6	373.8
Natural Resources	274.5	15.4	228.5	518.5
Transportation	25.3	115.6	-	140.9
Consumer & Business Services	16.2	-	0.3	16.4
Administration	387.8	26.5	-	414.3
Legislative Branch	142.3	-	-	142.3
Emergency Board	340.8	-	-	340.8
<b>TOTAL 2019-21 BUDGETED EXPENDITURES</b>	<b>22,410.0</b>	<b>996.6</b>	<b>262.4</b>	<b>23,668.9</b>
<b>PROJECTED ENDING BALANCES</b>	<b>521.2</b>	<b>32.9</b>	<b>36.8</b>	<b>590.9</b>

## Resources

- Resources are based on the May 2019 forecast but are adjusted to account for beginning balances and agency-specific interest earnings that are ultimately included in the budget.
- The General Fund resources from the forecast are adjusted by the estimated amount of interest costs for the use of Tax Anticipation Notes by the Treasury.
- Lottery Funds are reduced by projected distributions for county economic development and transfers to the Education Stability Fund, which are not part of the adopted budget.
- Additional resources approved by the Legislature during the session are identified.
- The amounts of additional tax credits beyond current law as approved by the Legislature are included.
- Actual final resources will be presented in the close-of-session forecast in September.
- Resources also include various expenditures for the 2017-19 biennium that result in a reduction of the projected beginning balance for the 2019-21 budget.

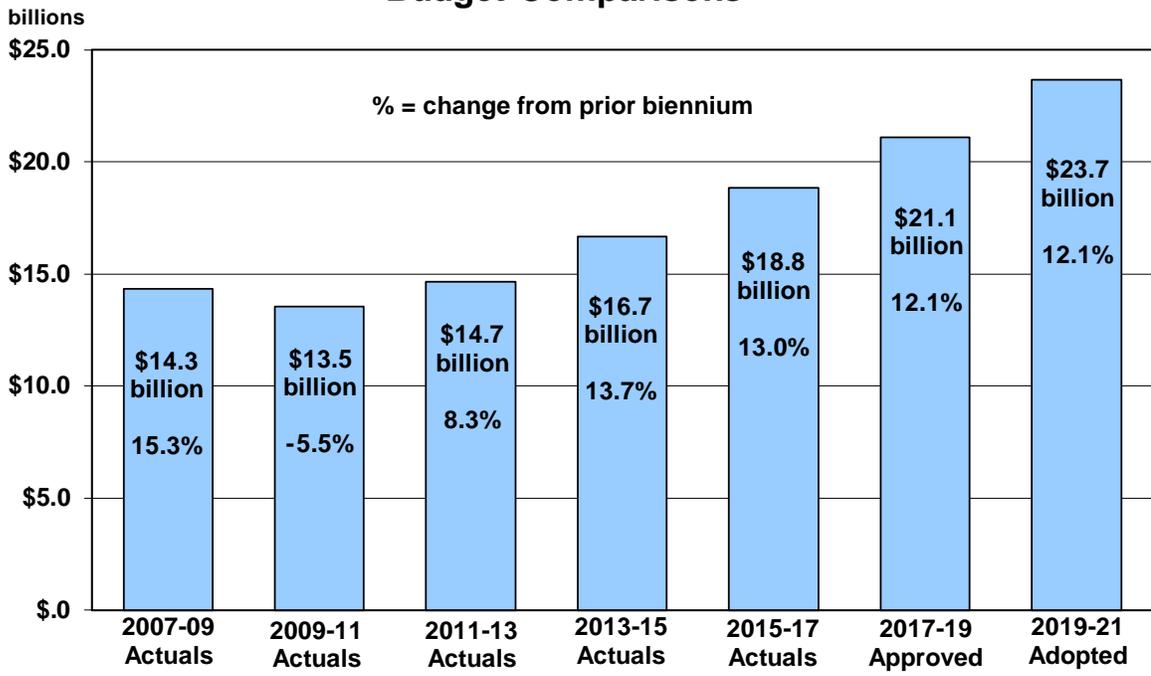
## Expenditures

Expenditures are identified as approved by budget actions taken by the Legislature during the 2019 regular session for the 2019-21 biennium, both from agency budget bills and appropriations included in various policy bills. Expenditures do not reflect the effect of the Governor's post-session vetoes as the Legislature must take action on the vetoes during the 2020 session.

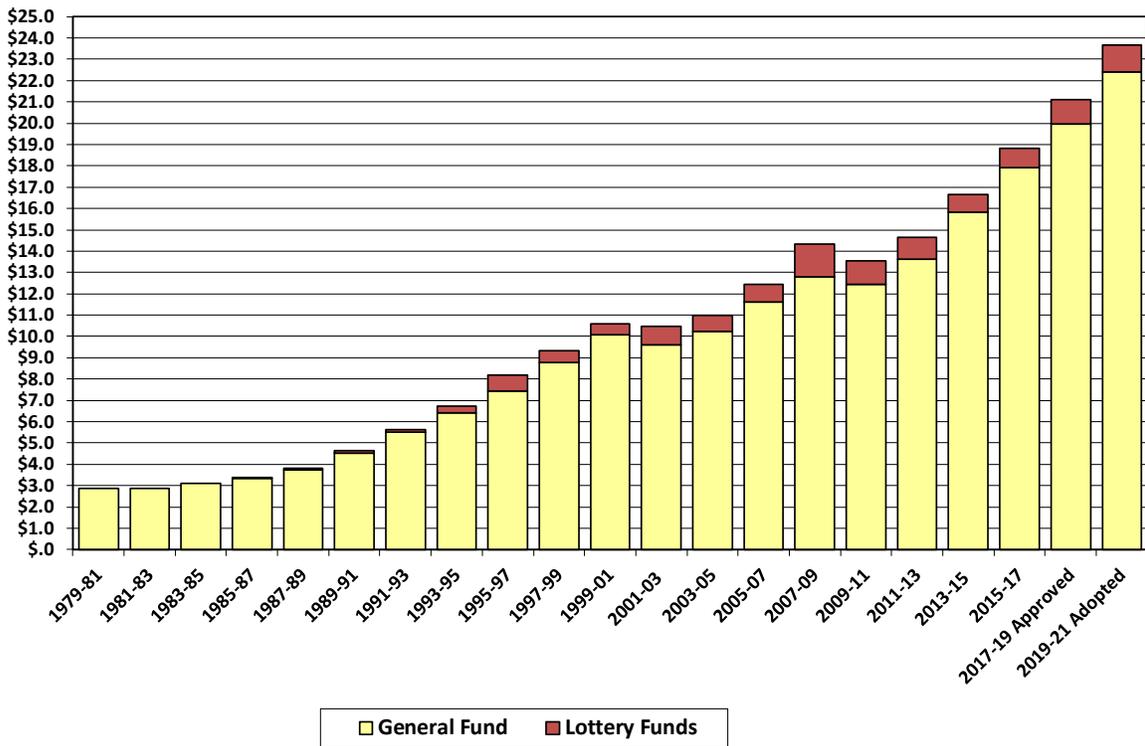
## Ending Balance

- Ending balances include \$521.2 million General Fund and \$69.7 million Lottery Funds (including both discretionary and dedicated Lottery Funds); the Lottery Funds ending balance is for salary and benefit adjustments, to protect against allocation reductions in case of future lottery revenue declines, and for other dedicated purposes.
- The General Fund ending balance includes 1% of projected expenditures for deposit into the Rainy Day Fund and another 1% of projected expenditures as a reserve to protect against revenue declines and to assist with future current service level growth. The Rainy Day Fund deposit will occur at the end of the 2019-21 biennium if a sufficient ending balance exists at that time to complete the transfer; under the current projection, one-half of the ending balance would be transferred.
- The General Fund adopted ending balance is the largest in total dollar terms since at least the 1995-97 biennium and the highest in percentage terms since at least the 2011-13 biennium. It should be noted that the 2011-13 ending balance was the highest in percentage terms since at least the 1995-97 biennium.
- Not included in the General Fund ending balance is a larger than usual general purpose Emergency Fund of \$75 million rather than the recent norm of \$30 to \$50 million.
- Projected ending balances are not static and change throughout the biennium with revenue forecast changes; with the September 2019 revenue forecast, the projected General Fund ending balance for the biennium is now \$817.3 million.

## General Fund and Lottery Funds Expenditures Budget Comparisons



## Oregon Budget History – General Fund and Lottery Funds (\$ in billions)



## Lottery Resources and Expenditures

Lottery game earnings are forecast to grow 3.7% over the 2017-19 biennium level. The broader measure of total Lottery resources, however, which includes the beginning balance and reversions, is forecast to total \$1.531 billion in the 2019-21 biennium, a \$19.5 million (or 1.3%) increase over the 2017-19 biennium level. This represents a continued increase in biennial lottery resources that began in the 2015-17 biennium, following three biennia of declines. After a period of rapid growth earlier in the decade, lottery resources declined by 22.4% during the 2009-11 biennium, followed by smaller declines in the 2011-13 and 2013-15 biennia (0.4% and 1.7%, respectively). Lottery resources returned to pre-recession levels in the 2017-19 biennium and exceeded the 2007-09 peak by 7.8%. Although the Office of Economic Analysis anticipates that lottery resources will continue to grow going forward, it is not forecasting a return to the rapid growth rates that occurred when video lottery games were first added.

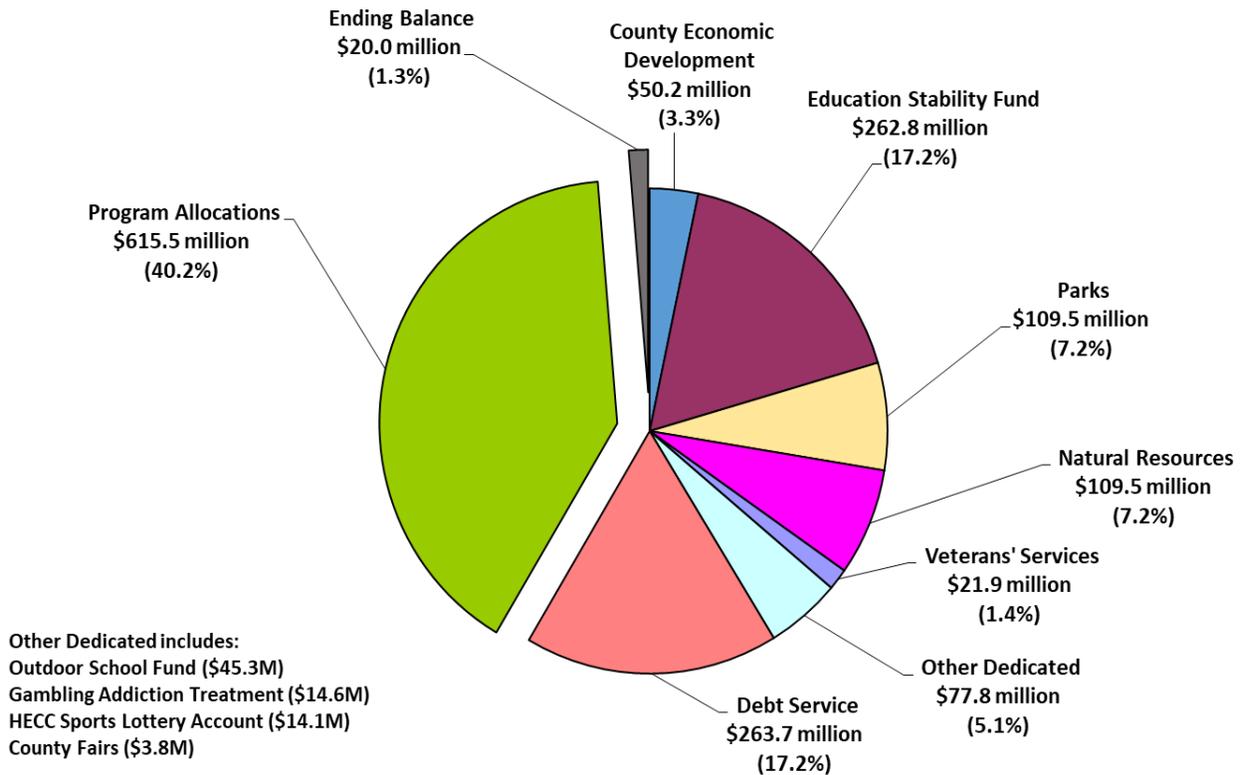
	<b>2015-17 Actuals</b>	<b>2017-19 Legislatively Approved</b>	<b>2019-21 Legislatively Adopted</b>	<b>Difference 2017-19 to 2019-21</b>
Lottery Game Earnings	\$1,234.4	\$1,408.4	\$1,459.8	\$51.4
Beginning Balance & Reversions	27.9	53.2	69.1	15.9
Administrative Actions	0.9	47.8	0.0	(47.8)
Interest Earnings	2.0	2.0	2.0	0.0
<b>Total Lottery Resources</b>	<b>\$1,265.3</b>	<b>\$1,511.4</b>	<b>\$1,530.9</b>	<b>\$19.5</b>

During the 2017 session, the Legislature anticipated \$1.33 billion of total lottery resources, and adopted a budget that authorized \$1.31 billion of these resources for transfer and allocation, retaining an ending balance of \$19.1 million in the Administrative Services Economic Development Fund (EDF). Actual 2017-19 biennium lottery resources, however, came in approximately \$179.5 million above the level projected during the 2017 session. After the constitutionally-established distributions to the Education Stability Fund and the Parks and Natural Resources Fund, and the EDF allocation adjustments made during the 2018 session, a 2017-19 biennium EDF ending balance of approximately \$65.3 million remained, which was available for the 2019-21 biennium budget.

Total lottery resources are used for four general purposes in the budget: Dedicated Transfers, Debt Service payments, Program Allocations, and the Ending Balance. EDF ending balances (including the \$65.3 million ending balance for 2017-19) are carried forward and become a resource for the next biennium's budget. Beginning in the 2015-17 biennium, Lottery Funds allocations that are unspent and uncommitted at the end of the prior biennium revert to the EDF and become available for re-allocation. During the 2019-21 biennium, \$3.7 million of prior-biennium Lottery Funds allocations to the Oregon Business Development Department that are projected to be unspent and uncommitted at the close of the 2017-19 biennium are forecast to revert to the EDF.

The following chart shows the allocation of lottery resources to dedicated transfers, debt service, program allocations, and the ending balance in the 2019-21 legislatively adopted budget.

## Over 58% of Lottery Funds Are Used for Dedicated Transfers and Debt Service



### Dedicated Transfers

Certain portions of total lottery resources are dedicated to specific uses by either the Oregon Constitution or by statute. The Legislature, therefore, cannot use these funds for other purposes within the regular budget process. The statutory dedications, however, can be modified by legislation.

There are three constitutionally dedicated transfers and five statutorily dedicated transfers. These dedicated transfers are projected to total \$631.7 million (or 41.3% of total lottery resources) during the 2019-21 biennium, a 6.7% increase over the prior biennium level. The constitutionally dedicated transfers include:

- Education Stability Fund – In 1996, voters dedicated 15% of total net lottery proceeds and administrative action transfers to the Education Endowment Fund. In 2002, in another vote, this fund was renamed the Education Stability Fund (ESF), and the percentage of proceeds transferred to the ESF was increased to 18%. The Constitution limits the balance of the ESF to an amount equal to no more than 5% of General Fund revenues in the prior biennium.

When the ESF balance reaches this limit, transfers into the Fund are suspended. During this suspension, a temporary transfer equal to 15% of net lottery proceeds and administrative actions is transferred to the School Capital Matching Fund to be used to match designated school district capital expenditures. The ESF balance has never exceeded 5% of prior biennium General Fund revenues to date. Dedicated transfers to the ESF are projected to total \$262.8 million in the 2019-21 biennium (up 0.2% from the \$262.1 million transferred in 2017-19).

Of the amount deposited in the ESF, 10% goes into the Oregon Growth Account, which is a subaccount within the ESF. These deposits, which are allocated to illiquid investments, become unavailable for other budget purposes until earnings are declared on the invested funds. After accounting for the Oregon Growth Account deposit, \$236.5 million of Lottery Funds will be transferred to the ESF in the 2019-21 biennium and be available, if needed, for expenditure.

The Lottery Funds transferred to the ESF cannot be spent unless approved by a 3/5 vote in both houses of the Legislature. Certain conditions must be met, however, before such a vote can even take place, which include: the state experiences non-farm payroll employment declines extending for two or more consecutive quarters; the projected General Fund declines exceed levels established in the Constitution; or the Governor declares an emergency to exist.

The conditions allowing expenditure of ESF funds on approval of 3/5 votes without the need for a gubernatorial declaration of emergency were met during the 2009, 2010, and 2011 legislative sessions. During these three sessions, the Legislature approved transferring most of the ESF balance to the State School Fund. During the 2009 session, the Legislature transferred the 2007-09 ESF ending balance of \$393.8 million to the State School Fund to rebalance the 2007-09 biennium budget. During the 2010 and 2011 sessions, a total of \$180.7 million was transferred from the ESF to the State School Fund to rebalance the 2009-11 biennium budget, and a total of \$182.2 million was transferred to the State School Fund in 2011-13. The conditions allowing ESF expenditures without a gubernatorial declaration of emergency have not existed since the 2013 session, and no transfers to the State School Fund have been made during this period. As a result, deposits into the Fund will be retained, and the 2019-21 biennium ESF ending balance is forecast to equal \$856.2 million, a 38.2% increase over the 2017-19 ESF ending balance.

The investment earnings of the ESF, unlike the Fund's corpus, are distributed for expenditures on a regular basis. Investment earnings are distributed as follows: 75% to finance debt service costs on bonds that the Legislature approved for schools in the 1997 and 1999 sessions, and 25% for need-based college scholarships awarded through the Oregon Opportunity Grant program. The Legislature changed the distribution in 2015 to allow any funds dedicated to debt service, but not needed for that purpose, to be redirected to Opportunity Grants instead. As a result, \$39.3 million of earnings that are not needed for debt service will be available for Opportunity Grants in the 2019-21 biennium.

Funds available for these distributions had declined when ESF moneys were transferred to the State School Fund and interest rates fell. During the 2015-17 biennium, earnings distributions for debt service and Opportunity Grants totaled only \$738,000 and \$246,000, respectively. Earnings are increasing again as the ESF balance has grown. Earnings distributions are in addition to the total lottery resources figures noted previously.

- Parks and Natural Resources Fund – The second constitutionally-mandated transfer requires 15% of total lottery net lottery proceeds and administrative actions be dedicated to parks and natural resources. This dedication was established when voters approved Ballot Measure 66 in 1998 and extended and modified the dedication with the approval of Ballot Measure 76 in 2010. A total of \$219 million is forecast to be available for parks and natural resources in the 2019-21 biennium from this dedicated transfer, an increase of 0.2% over the prior biennium. An additional \$49.4 million is carried forward from prior biennium distributions and \$4 million of interest earnings

on dedicated balances are projected during the biennium. The 2019-21 legislatively adopted budget includes \$238.5 million of expenditures using Ballot Measure 76 lottery funds.

- Veterans' Services Fund – The third constitutionally-mandated transfer requires 1.5% of total net lottery proceeds and administrative actions be dedicated to services for the benefit of veterans. This dedication was established when voters approved Ballot Measure 96 in 2016. A total of \$21.9 million is forecast to be available for veterans' services in the 2019-21 biennium from this dedicated transfer, an increase of 0.2% over the prior biennium. An additional \$4.9 million is carried forward from prior biennium distributions. The 2019-21 legislatively adopted budget allocates \$23.9 million from the Veterans' Services Fund to the Department of Veterans' Affairs (\$20.6 million), Bureau of Labor and Industries (\$250,000), Criminal Justice Commission (\$555,000), and Oregon Health Authority (\$2.5 million), retaining a \$3 million ending balance as a reserve against revenue fluctuations and future program needs.

The 2019 Legislature approved temporary, one-biennium changes to all five of the statutorily-dedicated transfers in the 2019-21 biennium budget. The statutory transfer amounts and their modifications for the 2019-21 biennium are:

- 4% of total lottery transfers, but not more than \$5.5 million per quarter adjusted for inflation, is distributed to the Outdoor School Education Fund. The Fund supports the Outdoor School program and is managed by the Oregon State University Extension Service. The Legislature, however, established a fixed allocation of \$45.3 million for the 2019-21 biennium, in lieu of the formula distribution. The allocation is an 88.8% increase over the prior biennium level.
- 1% of total lottery transfers is dedicated to gambling addiction treatment programs operated by the Oregon Health Authority. In lieu of that formula-determined amount, the Legislature fixed the 2019-21 biennium allocation at the 1% of resources figure and approved an allocation of \$14.6 million. This amount will not vary with the level of lottery revenues. The allocation is a 16.8% increase over the prior biennium level.
- 1% of total lottery transfers is dedicated to the public universities for athletic programs and graduate student scholarships. The Legislature approved a fixed allocation of \$14.1 million for the 2019-21 biennium, rather than the percentage distribution. The allocation is a 71.1% increase over the prior biennium level.
- 2.5% of video lottery earnings (not of total lottery resources) is dedicated to counties for economic development programs. The distribution of 2.5% of video lottery earnings to counties is the state's primary shared revenue supporting local economic development programs. In lieu of this transfer, the Legislature established a fixed allocation amount of \$50.2 million for the 2019-21 biennium. This amount represents the forecasted level of the transfer at the full 2.5% rate, with a subtraction to finance one-half of the allocation made to the Governor's Office to support Regional Solutions positions. The allocation to counties is a 21.7% increase over the prior biennium level.
- 1% of total lottery transfers, not to exceed \$1.53 million annually, is dedicated to the County Fair Account for distribution to counties. The maximum amount is adjusted each biennium pursuant to changes in the Consumer Price Index. The Legislature instead, however, established a fixed allocation of \$3.8 million for the 2019-21 biennium. The allocation is equal to the prior biennium level.

### Debt Service

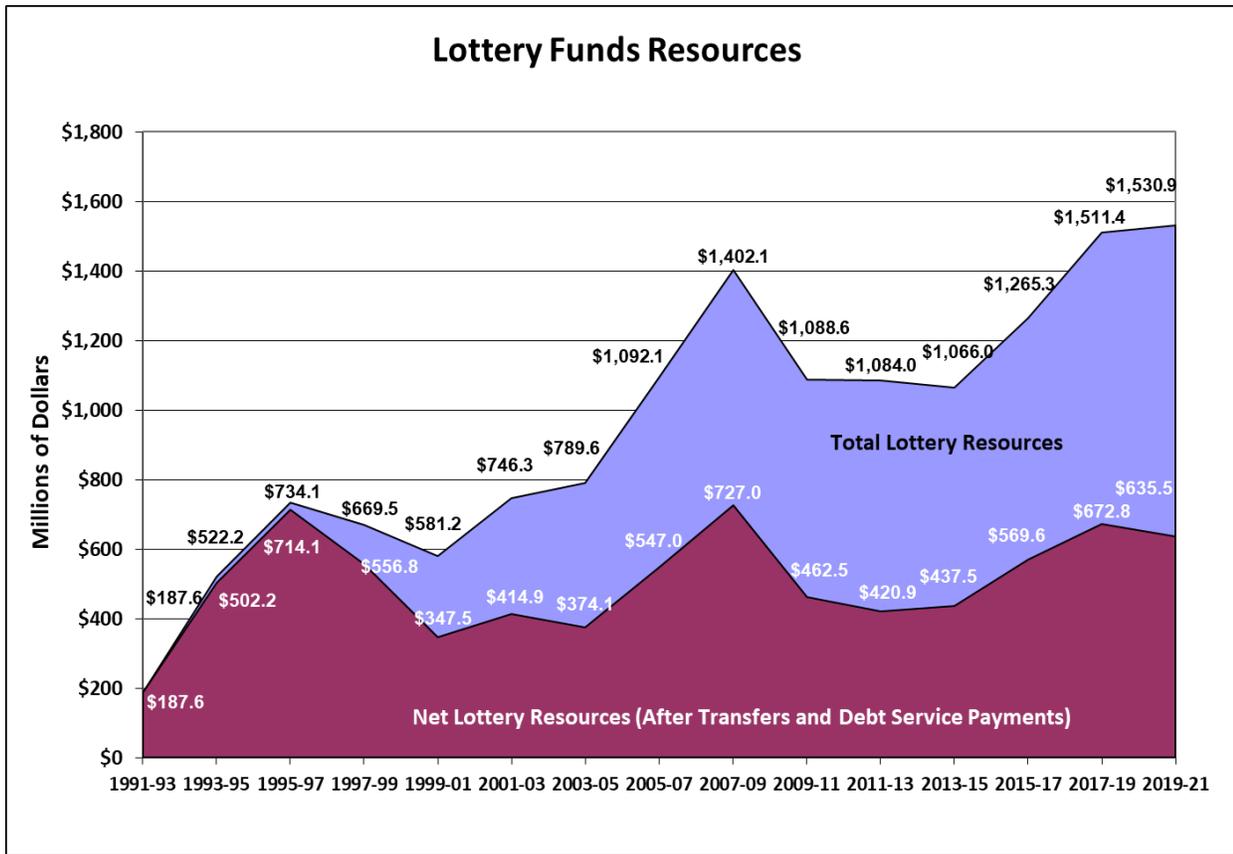
The second categorical use of lottery resources in the budget is to finance debt service costs associated with lottery revenue bonds. The state has issued lottery revenue bonds for a wide number of programs

and projects that support public education or economic development. The state's lottery bond program includes covenants with bondholders guaranteeing that these obligations will be given priority over other uses. For example, the state guarantees that it will not reduce debt service payments on lottery bonds when resources are insufficient to finance all Lottery Funds-financed expenditures in the budget. In such circumstances, the state allocates the full amount of any necessary expenditure reductions to the ending balance and to dedicated transfers or program allocations instead.

The legislatively adopted budget allocates \$263.7 million for debt service costs on outstanding lottery revenue bonds. This amount is equal to 17.2% of total lottery resources and is a 7% increase over the amount allocated for debt service in the prior biennium. Although the budget also supports issuing \$302.5 million of new lottery revenue bonds in the 2019-21 biennium, these bonds will not be issued until spring 2021, with no debt service costs due on the new bonds in the 2019-21 biennium. Debt service on the new bonds is projected to total \$48.3 million in 2021-23, when debt service payments will first become due.

The debt service allocation in the 2019-21 budget supports debt service costs for lottery revenue bonds issued for the Department of Transportation (\$115.1 million), the Oregon Business Development Department (\$48.1 million), public universities and community colleges (\$44.7 million), the Housing and Community Services Department (\$21.7 million), the Department of Administrative Services (\$18.7 million), the Water Resources Department (\$7.6 million), the Department of Energy (\$3 million), the Department of Forestry (\$2.5 million), and the Parks and Recreation Department (\$2.3 million).

In the 2007-09 biennium, debt service payments were equal to 11.5% of total lottery resources. In the 2019-21 biennium, debt service payments equal 17.2% of total lottery resources, which is up slightly from 16.1% in 2017-19. A general bond covenant incorporated in the state's lottery revenue bonds requires the state to restrict debt service costs to no more than 25% of total lottery resources. The State Debt Policy Advisory Commission calculates the capacity for the state to issue additional lottery revenue bonds on this basis.



#### Net Lottery Resources after Dedicated Transfers and Debt Service

Dedicated transfers and debt service payments have priority claims to lottery resources in statute and in the state Constitution. The resources remaining net of these purposes represent the funds available for two other uses: to be spent as program allocations to support education or economic development programs *in lieu* of General Fund, or to be saved in an ending balance. The amount of net resources available for these purposes is projected to total \$635.5 million in the 2019-21 biennium. This is equal to a \$37.3 million (or 5.5%) decrease from the prior biennium level. The decrease is primarily attributable to the increased 2019-21 allocation to the Outdoor School Education Fund to cover the biennial cost of the program. The dedicated Outdoor School transfer was established in the 2017-19 biennium through the passage of Ballot Measure 99 (2016), but the initial allocation was approved at approximately 55% of the statutory authorization to phase-in the program over its first two years. Additionally, dedicated transfers for county economic development programs and public university sports programs and scholarships were approved at higher amounts in the 2019-21 budget, and the percentage of lottery resources dedicated to debt service also increased.

The \$615.5 million of approved program allocations is a 1.3% increase over the prior biennium level. The allocations are as follows:

- \$530.1 million to the State School Fund.
- \$81.5 million to the Oregon Business Development Department for program and operating costs.
- \$3.9 million to the Governor’s Office for Regional Solutions positions.

A total of \$20 million remains unallocated from the Economic Development Fund and will be retained in the 2019-21 biennium ESF ending balance. The table on the following page compares 2017-19 and 2019-21 Lottery Funds resources and allocations.

## LOTTERY FUNDS CASH FLOW SUMMARY

	2017-19 Legislatively Approved Budget <sup>1</sup>	2019-21 Legislatively Adopted Budget <sup>2</sup>
<b>ECONOMIC DEVELOPMENT FUND</b>		
<b>RESOURCES</b>		
Beginning Balance	\$ 49,016,803	\$ 65,339,501
Lottery Funds Reversions under ORS 461.559	4,174,452	3,730,702
<b>REVENUES</b>		
Transfers from Lottery		
Net Proceeds	1,408,416,655	1,459,844,118
Administrative Actions	47,813,925	-
Other Revenues		
Interest Earnings	2,000,000	2,000,000
Other	-	-
Total Revenue	1,458,230,580	1,461,844,118
<b>TOTAL RESOURCES</b>	<b>\$ 1,511,421,835</b>	<b>\$ 1,530,914,321</b>
<b>DISTRIBUTIONS / ALLOCATIONS</b>		
Distribution to Education Stability Fund	(262,121,504)	(262,771,941)
Distribution to Parks and Natural Resources Fund	(218,434,587)	(218,976,618)
Distribution for Veterans' Services Fund	(21,843,459)	(21,897,662)
Distribution for Outdoor School Fund	(24,000,000)	(45,305,847)
Distribution of Video Revenues to Counties	(41,285,992)	(50,231,366)
Distribution for Sports Programs	(8,240,000)	(14,099,809)
Distribution for Gambling Addiction	(12,498,909)	(14,593,071)
Distribution for County Fairs	(3,828,000)	(3,828,000)
Allocation to State School Fund	(535,719,907)	(530,146,857)
Debt Service Allocations	(246,357,867)	(263,661,510)
Other Agency Allocations	(71,752,109)	(85,401,640)
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>\$ (1,446,082,334)</b>	<b>\$ (1,510,914,321)</b>
<b>ENDING BALANCE</b>	<b>\$ 65,339,501</b>	<b>\$ 20,000,000</b>
<b>EDUCATION STABILITY FUND</b>		
(not including the Oregon Growth Account balances)		
<b>RESOURCES</b>		
Beginning Balance	\$ 383,759,084	\$ 619,668,217
Revenues		
Transfer from the Economic Development Fund	235,909,354	236,494,747
Interest Earnings	22,366,297	40,012,241
Oregon Growth Account Earnings Distributions	5,184,729	-
Total Revenue	\$ 263,460,380	\$ 276,506,988
<b>TOTAL RESOURCES</b>	<b>\$ 647,219,464</b>	<b>\$ 896,175,205</b>
<b>DISTRIBUTIONS</b>		
Oregon Opportunity Grant Program	(26,904,035)	(39,340,946)
Debt Service Allocations to Department of Education	(646,991)	(671,295)
Treasury Account Fees	(221)	
<b>TOTAL DISTRIBUTIONS</b>	<b>\$ (27,551,247)</b>	<b>\$ (40,012,241)</b>
<b>ENDING BALANCE</b>	<b>\$ 619,668,217</b>	<b>\$ 856,162,964</b>

1. The 2017-19 Legislatively Approved Budget is based on the May 2019 forecast of 2017-19 resources.

2. The 2019-21 Legislatively Adopted Budget is based on the May 2019 forecast of 2019-21 resources with the adjustments shown for lottery reversions and administrative actions.

3. 2019-21 beginning balance is equal to 2017-19 ending balance.

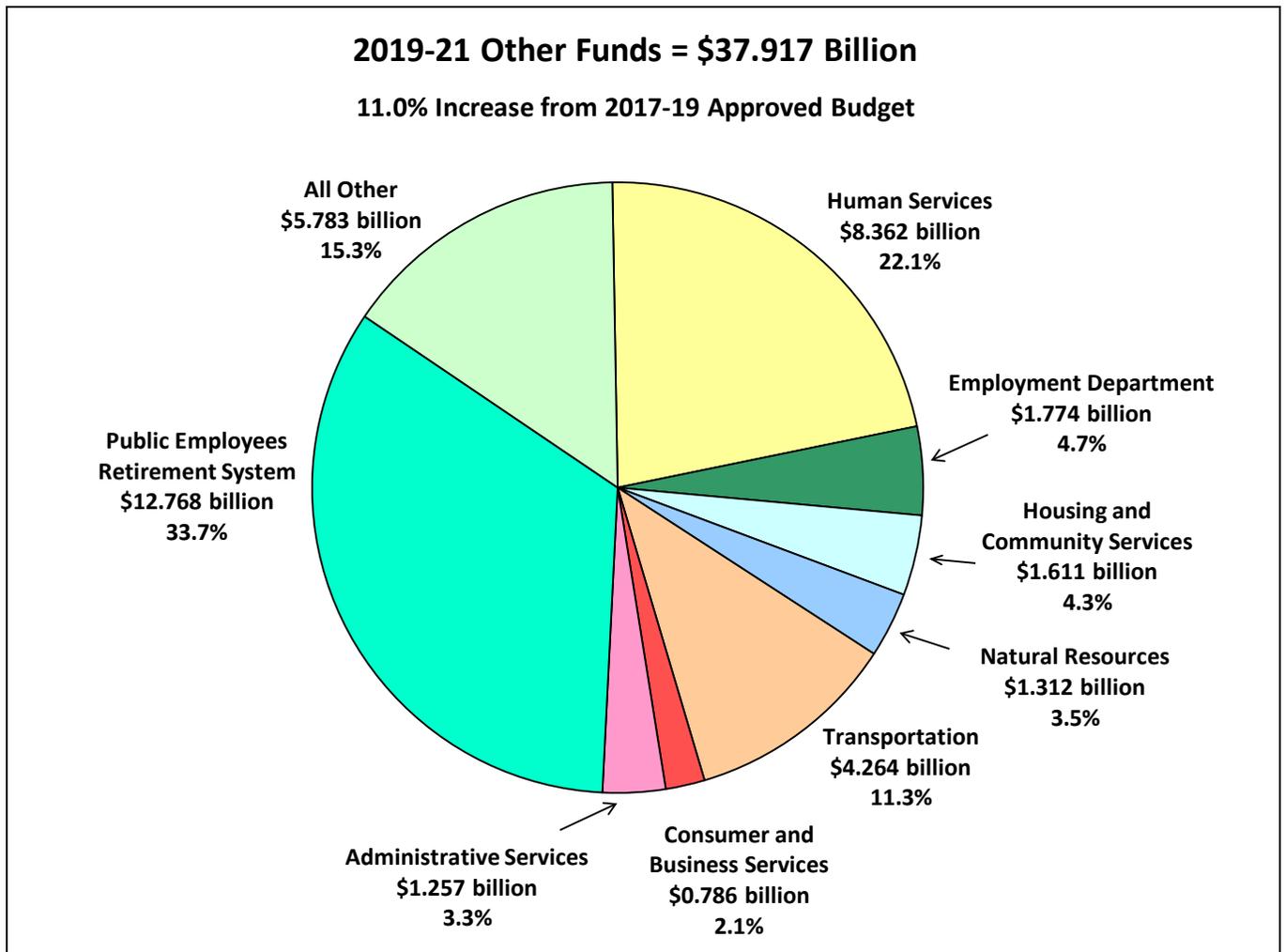
4. Oregon Growth Account distributions and transfers to the Oregon Education Fund and Oregon Opportunity Grant Program are included.

5. Only includes transfers to the main Education Stability Fund account, and not the 10% transferred to the Oregon Growth Account.

## Other Funds Expenditures

The 2019-21 legislatively adopted budget provides for the expenditure of \$37.9 billion in Other Funds resources. Other Funds are revenues received by a state agency other than General Fund, Lottery Funds, or Federal Funds that are restricted to defined purposes. Examples include revenue from licenses and fees; charges for service; fines, rents and royalties; interest earnings; bond sale proceeds; sales income; donations and contributions; loan repayments; and certain funds received from the federal government.

Other Funds comprise three categories of expenditures: Limited, Nonlimited, and Non-Adds. Limited Other funds represent agency resources, excluding General Fund and Federal Funds, which are subject to a limitation on how much the agency may spend (referred to as “expenditure limitation”). Nonlimited Other Funds are more difficult to precisely estimate, and must be paid by law, such as trust fund payments. Consequently, no expenditure limitation is placed on agencies when Nonlimited expenditures are authorized. An example of a Nonlimited expenditure is unemployment insurance benefit payments, the level of which is dependent on external factors such as state and national economic conditions. Non-Adds reflect funds that are spent twice within the state’s accounting system. An example is assessments charged against one agency for services provided by a second agency.



The 2019-21 legislatively adopted Other Funds budget is an increase of \$3.77 billion (or 11.03%) over the 2017-19 legislatively approved budget. Significant changes in Other Funds expenditure limitation include the following:

### Education

The \$9 billion State School Fund includes \$751.2 Other Funds, an eight-fold increase over the \$85.2 million in 2017-19. The primary reason for this increase is the \$643 million contribution from the new Fund for Student Success. This amount includes \$423 million to offset decreases in projected General Fund revenues because of the lower income tax rates and other revenue changes in HB 3427, a \$20 million increase in the amount for High Cost Disability account, and \$200 million for general distribution to school districts and Education Service Districts (ESDs). The amount of marijuana tax revenues dedicated to the State School Fund is \$103.8 million, an increase of over \$22 million over the amount dedicated in 2017-19.

The major increase in the Other Funds budget for the Department of Education (ODE) is from the new Fund for Student Success established in HB 3427. Almost \$909 million is directed to ODE, including \$472.7 million for Student Investment grants made to school districts beginning in the second year of the biennium. Another \$171.1 million Other Funds is designated for early learning related programs including Early Intervention, Early Childhood Special Education, Oregon Pre-Kindergarten, Preschool Promise, Relief Nurseries, early childhood professional development, a new Equity Fund for early learning programs for underserved populations, and Early Head Start. Finally, \$245.3 million is directed to K-12 programs including nutritional programs (e.g. school lunch program); High School Student Success grants (Ballot Measure 98); summer learning grants; student re-engagement grants, grant and development funds for educational programming for specific populations including Native Americans, Latino students and Black American students; and professional development funds for K-12 educators. This amount also includes funding for assisting districts which are experiencing challenges in meeting student performance goals. Overall, the funding includes resources for 72 new positions in ODE to administer these grants and other programs. Other notable changes in Other Funds for ODE include:

- Transfer of funding for professional development from the former Network for Quality Teaching and Learning to the new Educator Advancement Council, including \$35.8 million Other Funds for grants to Regional Educator Networks across the state.
- \$125 million in proceeds from the issuance of Title IX-P bonds for matching grants to school districts that have passed voter-approved local bonding for new construction or improvements for district facilities. Also included in the budget is \$1.1 million Other Funds for issuance costs for these bonds.

Notable Other Funds changes for the Higher Education Coordinating Commission (HECC) include:

- The Oregon Opportunity Grant program is partially funded with \$14.5 million of the proceeds from the auction of tax credits for the program. This program also relies on \$40 million in investment earnings (Lottery Funds) from the Education Stability Fund.
- An increase of \$2.4 million Other Funds is for staffing and other costs for the education-related Statewide Longitudinal Data System (SLDS) which is transferred to HECC from the Chief Education Office which sunset on June 30, 2019. Funding is from a transfer from ODE with resources from the Fund for Student Success.
- Other Funds limitation is provided for debt service costs on previously-issued bonds, including \$4.9 million for public universities, \$3.1 million for community colleges, and \$48,365 for the Oregon Health and Science University (OHSU). These Other Funds resources are available from excess

proceeds and interest earnings that may be applied to debt service payments that offset the need for General Fund and Lottery Funds.

- Capital construction limitation of \$77.7 million is authorized for two public university projects: \$65 million for capital improvement and renewal projects at all seven public universities and \$12.7 million for a building and research equipment the Oregon Manufacturing Innovation Center (OMIC) R&D campus. Other Funds limitation for public university capital construction projects represents an 80.5% decrease from the 2017-19 legislatively approved budget due to the deferral of remaining projects pending HECC's completion of a 10-Year Strategic Capital Plan for public universities.
- A total of \$24.9 million in capital construction limitation was approved for four projects at community colleges.
- Issuance costs of \$2.2 million Other Funds is also included for the above public university and community college capital projects.

The budget for the Teacher Standards and Practices Commission is increased by almost \$300,000. It is assumed that this increase as well as the use of the ending balance in past biennia will require a fee increase of at least 20%.

### Human Services

The Other Funds budget in the Oregon Health Authority reflects a decrease of 2.1% (or \$163.3 million) from 2017-19, but an increase of 11% (or \$758.5 million) from the 2019-21 current service level (CSL) budget. Major Other Funds budget components or actions include:

- The largest Other Funds changes in OHA result from adjustments to provider assessments. HB 2010 (2019) reinstates the insurer assessment at 2% and expands it to include stop-loss insurance premiums. The budget also increases the assessment for diagnostic related group (DRG) hospitals from 5.3% to 6% and the assessment for Type A and B rural hospitals from 4% to 5.5%, both under the fully reimbursable assessment model. Taken together, these changes generate an estimated \$507 million in revenue to support the Oregon Health Plan, inclusive of the amounts necessary to repay DRG and rural hospitals for their share of the assessments.
- The budget makes multiple adjustments to the OHSU intergovernmental transfer agreement (IGT) resulting in increased Other Funds of \$165.7 million and related General Fund savings of \$141 million. First, OHSU's IGT contribution is increased by \$25 million to support the Oregon Health Plan. The remaining Other Funds increase is due to updated revenue estimates consistent with program growth, the use of ongoing IGT revenue initially identified as contingency revenue prior to the program's full biennial roll-out in 2019-21, and an adjustment to reflect the expected level of quality directed payments made by the program.
- \$63.25 million in Other Funds expenditure limitation is removed from the budget to reflect the use of one-time Tobacco Master Settlement Agreement (MSA) revenue in 2017-19, which is not available in 2019-21. The budget also includes a net \$7.1 million decrease to reflect declines in the ongoing level of MSA revenue.
- Due to forecasted changes in the amount of tobacco tax revenue available for Oregon Health Plan and non-Medicaid mental health services, the budget includes a net decrease of \$10.6 million Other Funds. These reductions are backfilled with General Fund to maintain the existing level of services.
- Due to the suspension of the Oregon Common Credentialing Program, the budget removes \$13.8 million Other Funds, which represented anticipated fee revenue had the program continued.
- Other Funds increased by \$14.2 million as a result of increasing retail marijuana tax revenue, which will continue to support non-Medicaid behavioral health services.

- Other Funds in the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB) total almost \$3.9 billion, which reflect a combined increase of \$100.2 million from 2017-19. This change includes an increase of \$17.2 million to pay for PEBB's share of the 2% insurer assessment.

At \$673.9 million Other Funds, the 2019-21 legislatively adopted budget for the Department of Human Services is \$7.1 million (or 1.1%) higher than the 2017-19 funding level. Noteworthy Other Funds budget elements include:

- A total of \$169.1 million from the long term care facility provider assessment, which helps pay for care in nursing facilities. This amount includes \$32.2 million of one-time funding available from 2017-19; the carryforward is used in lieu of General Fund.
- One-time revenue of \$43.9 million in proceeds from Article XI-Q bonds to support the ONE Integrated Eligibility and Medicaid Eligibility project is also part of the agency budget.
- The budget for the Employment Related Day Care (ERDC) program, which helps low-income families pay for child care, includes a total of \$114.3 million Other Funds; this amount supports 63.6% of program costs. While spent as Other Funds, the revenue originates as federal Child Care Development Fund dollars and are passed to the agency from the Oregon Department of Education.

#### Public Safety and Judicial Branch

The Criminal Justice Commission's Other Funds budget more than quintupled from its 2017-19 legislatively approved amount. Significant changes include:

- Phase-in of marijuana tax revenues (\$1.3 million) to support the Illegal Marijuana Market Enforcement Grant Program created by SB 1544 in 2018.
- A one-time Racial Profiling Data Collection formula grant (\$0.6 million) from the National Highway Transportation Safety Administration, for the Statistical Transparency of Policing (STOP) program.
- A grant from the Laura and John Arnold Foundation (\$0.3 million), for gathering and establishing baseline data on Oregon's pretrial detention system and pretrial jail population.
- Creation of the \$10 million Improving People's Access to Community-based Treatment, Supports, and Services Account, from which the Commission will award grants to counties for behavioral health justice reinvestment initiatives. The fund is capitalized on a one-time basis with \$10 million General Fund.

The Department of Corrections has several significant changes in its Other Funds budget:

- \$47.1 million in Article XI-Q bond proceeds for deferred maintenance projects, camera upgrades and replacements, and radio system upgrades.
- Other Funds expenditure limitation was established for \$0.7 million in cost of bond issuance.
- Fourteen positions were added, and Other Funds expenditure limitation was increased by \$3 million to establish ten work crew leaders, 3 positions to manage the communications system used by adults in custody, and one accountant to manage prison industry and club accounts in the Inmate Welfare Fund.

Other Funds expenditures for the Judicial Branch program area total \$221.9 million, a decrease of \$46 million (or 17.2%) compared to the 2017-19 legislatively approved budget. This decrease reflects the fact that Other Funds for the county share of courthouse construction project costs was not included in the adopted budget. The Judicial Department will seek limitation for the local share of costs later in the biennium. Major changes include:

- \$135 million Other Funds for the state share of courthouse replacement project costs in Clackamas (\$31.5 million), Linn (\$15.9 million) and Lane (\$87.6 million) counties. This brings total state bonding for the Lane and Linn county projects to \$94 million and 32.7 million, respectively. Future requests are anticipated for all three projects.
- \$27.8 million Other Funds for renovation of the Oregon Supreme Court building, including seismic updates, energy efficiency improvements, and various systems and safety code upgrades, bringing the two-biennium total Article XI-Q bond proceeds for this project to \$33.8 million. (The budget also provides \$5.3 million General Fund for project costs that cannot be financed with bonds.)
- \$8.5 million Other Funds to purchase state-owned furniture and equipment for the new Multnomah County Courthouse, bringing the total costs for state-owned furniture, fixtures, and equipment at the facility to \$17.4 million.
- \$6.7 million Other Funds for activities funded from the State Court Facilities and Security Account, including emergency preparedness, court security training, and courthouse capital improvements.

Other Funds expenditure limitation totaling \$2.1 million was added to the Judicial Department budget for the costs of issuing the bonds identified above. These costs will be financed from bond proceeds.

Other Funds expenditures for the Department of Justice total \$351.8 million and are \$19 million (or 5.7%) higher than the 2017-19 legislatively approved budget. Major changes include:

- \$16.7 million for the final statewide expansion of enhanced juvenile dependency representation.
- \$6.9 million to reconcile the intra-agency line item reflecting charges for administrative expenses.
- \$6.3 million reduction to eliminate most double-budgeting of Criminal Justice Division expenditures.
- \$5.6 million for information technology costs, including reinitiating the Legal Tools project.
- \$6 million for additional legal services to state agencies.
- \$4.8 million reduction in the Child Support Division for a revenue shortfall in Temporary Assistance for Needy Families.
- \$3.7 million for the final phase of the Child Support Division's Child Support Enforcement Automated System information technology project.
- \$3.1 million reduction to remove excess or unneeded expenditure limitation, primarily in the Civil Enforcement Division and the Mortgage Mediation program.
- \$2.2 million for child support enforcement legal services.
- \$1.1 million reduction due to the elimination of vacant positions and associated services and supplies.

Other Funds expenditure limitation is increased in the Military Department by:

- \$21.9 million in Article XI-Q bond proceeds for Salem and Pendleton Army Aviation Facilities upgrades, Salem and Anderson Readiness Center renovations, an Armory Service Live Extension Project at the Jackson Armory in Portland, and to construct exhibition spaces at the Oregon Military Museum in Clackamas, Oregon.
- \$0.3 million for the cost of bond issuance.
- \$0.3 million for the Youth Challenge Program.
- \$0.2 million to leverage \$2.5 million of Federal Funds and support the establishment and/or reclassification of 11 positions at armory locations throughout the state.
- \$0.3 million of Other Funds expenditure limitation for the Fuel Storage Facility Compatibility Grant program.

The Public Defense Services Commission Other Funds expenditures were increased by \$305,853 to allow expenditure of revenues from the Application Contribution Program for contracted public defense costs. The funds will be used to restore a position in the Application Contribution Program.

In the Department of Public Safety Standards and Training:

- Two full-time training positions (1.50 FTE) and \$0.3 million Other Funds expenditure limitation were added to the Statistical Transparency of Policing (STOP) program.
- One ongoing position and \$0.2 million of Other Funds expenditure limitation was added to the Private Security and Investigators program.
- Four basic police training classes are reduced, eliminating 8 positions and \$2.6 million in Criminal Fines Account funding.
- Deferred maintenance projects at the Public Safety Campus will be addressed with \$0.4 million Other Funds from the Criminal Fines Account.
- A one-time reduction of \$2.3 million was taken from the agency's Criminal Fines Account allocation for the agency to spend down its fund balance in the 2019-21 biennium.

The Other Funds budget for the Department of State Police increased by 4.1% over the 2017-19 legislatively approved budget, due in part to a fund shift of \$8.5 million from General Fund to marijuana tax revenues. Additionally:

- \$2 million Other Funds expenditure limitation and 5 positions (5.00 FTE) are added for the fee-supported Ignition Interlock Device Program, which was transferred from the Department of Transportation to the Department of State Police as of July 1, 2019.
- \$2.4 million and 5 positions (5.00 FTE) are added from the Department of Fish and Wildlife (ODFW) Anti-Poaching Initiative. Funds are transferred from ODFW for the program.
- \$2 million of Other Funds expenditure limitation is provided to correct imbalances between revenues and expenditures in various agency programs.
- Expenditure limitation is increased by \$3.6 million to allow the Regional Hazardous Materials Emergency Response Team to spend accumulated fund balance on vehicle and equipment replacements, and to accommodate a Petroleum Load Fee increase expected to generate an additional \$840,000 in revenue to support the program in 2019-21.

A total of \$6.4 million of Other Funds expenditure limitation was approved for the Oregon Youth Authority's Capital Construction program to renovate medical and dental clinics at the Tillamook, MacLaren, and Oak Creek youth correctional facilities, and to renovate control rooms at OYA facilities throughout the state. Other Funds expenditure limitation was increased by \$0.8 million for the cost of bond issuance on \$34.4 million of Article XI-Q bonds for the projects noted above and for projects authorized in 2017-19.

#### Economic and Community Development

Other Funds expenditure limitations for the Oregon Business Development Department increased by \$213.2 million (or 34.2%) over the 2017-19 legislatively approved budget. Significant increases are primarily related to bond proceeds authorized for the Department's programs, including:

- \$120 million of general obligation bonds for seismic rehabilitation grants to schools and emergency services facilities.
- \$50 million of lottery revenue bond proceeds to capitalize the Special Public Works Fund (\$30 million), Levee Project Grant Fund (\$15 million), and Brownfields Redevelopment Fund (\$5 million).

- \$38.4 million of lottery revenue bond proceeds for legislatively-identified infrastructure projects.
- \$15 million of lottery revenue bond proceeds to reauthorize the Port of Coos Bay Channel Deepening Project.
- \$3 million of lottery revenue bond proceeds for cultural organization capital projects.
- \$3.4 million for bond costs of issuance, which are financed from bond proceeds.

In addition to bond related expenditures, \$10 million of Other Funds limitation was also established for distribution of grants from the new University Innovation Research Fund.

The 2019-21 Other Funds legislatively adopted budget for the Employment Department increased by 25.8% from the 2017-19 legislatively approved budget. The increase in Other Funds expenditures is primarily due to the following Other Funds investments:

- Statewide roll out of three job placement programs for clients of the Department of Human Services (\$9.4 million Other Funds, and 41 positions [41.00 FTE]).
- Continuing efforts to modernize the Department's information technology systems (\$13.7 million Other Funds, and 37 positions [28.63 FTE]). Deliverables include the initiation and procurement of a replacement system for Unemployment Insurance tax and benefits administration.

Other Funds Nonlimited expenditures increased 11% over the prior biennium. This expenditure represents the projected amount of unemployment insurance benefit payments to be made during the 2019-21 biennium.

Increases in Other Funds expenditure limitation for the Housing and Community Services Department (HCSD) was the result of additional funding for several new and existing programs. Other Funds expenditures approved for HCSD were 70.8% higher than the 2017-19 legislatively approved budget due, in part, to significant additional investments funded through bond proceeds, which require Other Funds expenditure limitation. Other Funds expenditures of note include the following:

- \$150 million plus cost of issuance associated with the approval to issue Article XI-Q bonds for the Local Innovation and Fast Track Housing program which is projected to finance 2,168 rental units for low income Oregonians.
- \$50 million plus cost of issuance for Article XI-Q bonds to finance an estimated 500 units of permanent housing with social service supports for populations that are likely to suffer chronic homelessness. It is assumed that 200 of those units will be available by the end of the biennium.
- Expenses related to rental assistance payments on 200 units of permanent supportive housing, totaling \$2.9 million, transferred to HCSD by the Oregon Health Authority.
- \$15.3 million related to lottery bond proceeds that will seed a revolving loan fund to finance the acquisition of market rate, naturally occurring affordable housing, keeping these properties available to low and median income Oregonians.
- \$25.4 million associated with preservation of an estimated 400 units of existing affordable housing and manufactured dwelling parks.
- Additional staffing to effectively manage, administer, and report on additional housing investments totaled \$8 million for 38 (39.50) positions.
- New federal rules require additional inspection of housing units with affordability contracts, resulting in \$2.7 million in additional Other Funds expenditure limitation and 7 (6.16 FTE) additional positions.
- Deploying remaining Troubled Asset Relief Program awards associated with the Hardest Hit program totals \$3.9 million Other Funds and 20 positions (17.25 FTE).

- The Document Recording Fee is expected to generate \$88.8 million in the 2019-21 biennium (compared to an estimated \$61.4 million in 2017-19) and will be utilized to fund emergency housing services and to finance multifamily and single-family low-income housing. Per statute, 25% of this source of revenue is dedicated to services and housing for veterans.
- Temporary Assistance to Needy Families funding transferred from the Department of Human Services for rental assistance and services for families with children who are homeless or at risk of homelessness is budgeted at \$15.5 million for the 2019-21 biennium. Of this amount, \$5 million is associated with Housing and Community Services' Housing Stabilization Program and \$10.5 million is associated with a pilot program which will award funding to collaborative partnerships, as outlined in HB 2032 (2019).

Other Funds limited expenditures for the Department of Veterans' Affairs total \$108.5 million and are \$8.4 million (or 7.2%) less than the 2017-19 legislatively approved budget. This reduction is mainly due to the phase-out of capital construction limitation (\$16.4 million) provided in the 2017-19 biennium for capital improvements at The Dalles and Lebanon Veterans' Homes and construction of the Roseburg Veterans' Home. The decrease is net of \$5.3 million Other Funds expenditure limitation added in the 2019-21 budget for new investments, including:

- \$4.1 million in lottery bond proceeds for a grant to the YMCA of Marion and Polk Counties to construct veterans' affordable housing in Salem and associated bond costs of issuance.
- \$500,000 for improvements to the Department of Veterans' Affairs' office building.

Other Funds Nonlimited expenditures for the Department of Veterans' Affairs total \$408.8 million and are \$38.8 million (or 8.7%) less than the 2017-19 legislatively approved budget due to limitation that was administratively added to the 2017-19 budget to accommodate increased veterans' home loan originations in that biennium.

### Consumer and Business Services

The Other Funds budget for the Department of Consumer and Business Services (DCBS) increased by \$123.4 million (or 27.1%) to \$578.5 million in the 2019-21 biennium as compared to the 2017-19 biennium. The largest single item included in the DCBS budget is one-time expenditure limitation of \$101.3 million Other Funds to allow the Department to make payments to insurers under the Oregon Reinsurance Program established by HB 2391 (2017). Significant additional Other Funds limitation increases include \$1.7 million for contracted professional information technology services and the establishment of a permanent manager position in the Workers' Compensation Division to continue planning efforts to modernize the agency's workers' compensation claims information technology system, and \$1.15 million to support ongoing payments of insurance premiums and out of pocket expenses for qualified program participants in the Compact of Free Association (COFA) Islander health insurance premium assistance program.

The Bureau of Labor and Industries (BOLI) Other Funds budget of \$14 million represents an 11% increase over the 2017-19 legislatively approved budget, due primarily to the addition of an accounting position (1.00 FTE) in the Wage and Hour division which will be paid with revenue from the Wage Security Fund. A new part time Office Specialist position was also approved (0.25 FTE) and is intended to be supported by fees assessed to property service (janitorial) contractors.

The Other Funds budget for the Public Utility Commission increased \$3.3 million (or 7.2%) over the 2017-19 legislatively approved budget. Increases include:

- \$2 million and seven permanent full-time positions (5.25 FTE) to address workload in the Utility Regulation and Policy and Administration programs.
- \$0.8 million and two permanent full-time positions (2.00 FTE) to address workload at the Board of Maritime Pilots.
- \$0.3 million for increased attorney general costs resulting from increased dockets and docket complexity.

### Natural Resources

The Department of Agriculture Other Funds budget increased by \$6 million over 2017-19 due largely to shifting General Fund support for the Pesticide Analytical Response Center to pesticide license fees; additional staffing in the Shipping Point, Plant, and Fertilizer Registration programs; vendor hosting fees for the laboratory databases; and distribution of Farm-to-School grants.

The Department of Environmental Quality Other Funds budget is \$27.3 million (14%) higher than the 2017-19 legislatively approved budget. This is because of the following adjustments:

- Fee increases to support additional position authority in the Air Quality and Water Quality permit programs.
- \$5.7 million and 1 position to oversee the Electric Vehicle Rebate program.
- \$2.6 million and 11 positions (11.00 FTE) to implement the Air Toxics Permitting program known as Cleaner Air Oregon.
- \$3.1 million for solid waste orphan site cleanup.
- \$7.5 million for the Environmental Data Management System.
- \$685,491 related to oil spill prevention through transport vessels or high hazard rail.
- \$500,000 to contract for a business analyst to work on the Clean Water State Revolving Loan Fund loan management software system procurement.

An Other Funds increase of \$7.4 million in the Department of Fish and Wildlife was mostly caused by the addition of \$1.3 million for operation of Leaburg Hatchery, fund shifting \$1.9 million of program costs from General Fund to Other Funds, \$1 million for increased Pittman-Robertson apportionment, and \$4.5 million for culvert fish passage in partnership with the Department of Transportation.

The Department of Energy Other Funds limited budget is \$2.8 million lower than the 2017-19 legislatively approved budget. The decrease is due largely to the phase-out of energy incentive programs and reductions to lessen reliance on the Energy Supplier Assessment. There is also a \$2 million increase for the distribution of rebates related to the installation of solar electric systems. Other Funds Nonlimited expenditures for the Department of Energy are \$78.2 million (or 65.6%) less than the 2017-19 legislatively approved budget. The decrease is due to the phase out of \$78.2 million of expenditure limitation associated with the Small-Scale Energy Loan Program (SELP) to reflect reduced activity in the program and no new bonding authority.

The Other Funds budget for the Department of Forestry totals \$260.1 million, an \$80.5 million reduction from the 2017-19 legislatively adopted budget. Much of the reduction is due to the phase-out of \$100 million of bond-funded expenditure authority related to the partial decoupling of the Elliott State Forest from the Common School Fund. Other Funds savings were also realized through operational

reorganizations in the State Forests Division. These reductions were offset slightly by a \$12 million Other Funds increase in the State Forests Division to accommodate expanded use of log sort sales. The Department of Land Conservation and Development budget includes an additional \$846,294 Other Funds in conjunction with \$515,074 Federal Funds expenditure limitation and the authority to establish five limited duration positions (5.00 FTE) for updates to Oregon's Climate Change Adaptation Framework, natural hazard mitigation planning, and to assist local communities in working with the National Flood Insurance Program.

The Marine Board's 2019-21 legislatively adopted budget for 2019-21 includes Other Funds expenditure limitation of \$28,328,774, supported by license and fee revenue and motor boat fuel tax revenues. Fee increases for Vessels, Boat Certificate of Title, and Mandatory Boater Education Card fees amounting to an additional \$3.1 million in Other Funds revenue were approved. New fees were established via policy bills, creating a nonmotorized boat Waterway Access Fund and a Towed Watersports Program for public safety law enforcement in Newberg, generating \$1 million and \$124,000 Other Funds, respectively.

The Other Funds budget for the Parks and Recreation Department totals \$130.7 million, a \$29 million (or 28.6%) increase from the legislatively approved budget for 2017-19. Although a flexible camping fee schedule was adopted by the Parks Commission, the impact on Other Funds revenue is nominal since the agency is only implementing the fee changes as a pilot project to allow the agency to develop long-term pricing strategies dependent on the sensitivity to demand. The majority of the additional Other Funds expenditures are on a one-time basis, allowing the agency to fund needed activities using excess fund balances. Other Funds investments include:

- State grant funding for recreational and economic development, \$6.3 million.
- Evaluation of needed repairs at the Capitol State Park, \$400,000.
- Replacement of a fish ladder and development of a bypass channel at Bates State Park, \$3 million.
- Significant investments in accessibility improvements, facilities maintenance, and development of existing parks and trail systems, \$11.25 million.
- Funding for inclusivity programs to address recreation and service needs of under-represented and non-traditional park users, \$300,000.
- Increased funding for operational costs and contracted services, \$1.9 million.
- Initial reservation system planning, \$256,100.
- Support for ongoing work related to the Salmonberry Trail, \$500,000.
- Increased expenditure limitation is provided for Parks to distribute increased funding available for all-terrain vehicle recreational opportunities due to the increase in fuel taxes, \$3 million.

The Water Resources Department Other Funds budget increased \$32.3 million (or 48.3%) in the 2019-21 budget as compared to the 2017-19 biennium. Much of the budget increase is due to the provision of Other Funds expenditure authority for lottery revenue bond proceeds. Although \$22.9 million of a total \$53.6 million in Other Funds expenditure authority approved for bond-funded projects in the 2017-19 biennium was scheduled to be phased-out of the 2019-21 biennium budget, the adopted budget carried-forward \$42 million in expenditure authority from the 2017-19 budget to the 2019-21 biennium and added another \$43.8 million for projects funded from lottery revenue bonds in the current biennium. New bond-funded projects include:

- City of Newport for the planning, environmental permitting, and design costs of replacing the Big Creek Dams, \$4 million.
- Wallowa Lake Irrigation District for rehabilitation of the Wallowa Lake Dam, \$14 million.

- Water Supply Development Fund grants and loans, \$15 million.
- Deschutes Basin Board of Control irrigation piping project, \$10 million.

### Transportation

Other funds expenditure limitation for the agencies in the Transportation program area increased by \$410.1 million (or 10.7%) from the 2017-19 legislatively approved budget. Increases include:

- \$187.5 million (7.4% increase) for the Department of Transportation (ODOT) transportation projects and highway operations and maintenance. The increase supports 55 positions (54.50 FTE) for HB 2017 (2018) project delivery.
- \$161.2 million (189% increase) for ODOT public transit programs to increase bus service frequency, expand bus routes, and reduce bus fares.
- \$14.9 million (6.4% increase) for DMV operations, includes 123 positions (63.96 FTE) for DMV field offices to begin issuance of REAL ID driver license and identification cards on July 1, 2020, and to implement HB 2015 (2019) which allows individuals without proof of legal presence to obtain regular – non-REAL ID – driver license and identification cards.
- \$20 million in Capital Construction for the design and land purchases associated with highway maintenance station replacement projects in Lincoln and Coos counties.
- \$9.5 million in Capital Improvement for state radio system hardware replacement.

The Department of Aviation’s 2019-21 budget included an increase of \$9.3 million Other Funds for aviation system grants to assist airports in meeting federal match requirements, as well as to support safety improvements and infrastructure projects at public-use airports.

### Administration

Other Funds limited expenditures for the Department of Administrative Services (DAS) are \$107 million higher than the 2017-19 legislatively approved budget. Significant increases include:

- \$100.5 million for special payments to accommodate grants for various community development projects, including \$27.4 million for payments from bonds issued in previous biennia.
- \$58.1 six-year expenditure limitation for numerous deferred maintenance projects, three major capital renewal projects, and the purchase of a building in Wilsonville.

The budget for the Oregon Liquor Control Commission (OLCC) consists entirely of Other Funds; the 2019-21 legislatively adopted budget for OLCC totals \$247,046,671, a 14.6% increase from the 2017-19 legislatively approved budget. Revenue is derived from the licensing fees for producers and sellers of alcohol and marijuana, privilege tax on beer and wine, and sales of distilled spirits. Expenditure limitation related to liquor store and distiller’s agent compensation comprises 54.8% of total expenditures. Regulatory expenses related to recreational and medical marijuana production and sales total \$25.4 million and 91 direct employees (10.3% of expenditures). In total, the Legislature approved budget enhancements of \$20.4 million above the agency’s current service level, adding 37 positions (37.00 FTE) to promote the following:

- Increased licensing and public safety capacity, reflecting population increases and the number of new alcohol-related licensees, and to bolster marijuana program enforcement.
- Enhanced dispatch capabilities for regulatory personnel, to improve coverage and safety.
- Information services improvements to alcohol and marijuana licensing systems, the distilled spirits supply chain, and procurement and implementation of an on-line privilege tax system.
- Roof repairs for the main distilled spirits warehouse facility.

- Additional administrative support for accounting, communications, bottle bill regulation, and human resources functions, and position reclassifications to maximize the utilization of existing positions and personnel.

Other Funds expenditures for the Public Employees Retirement System total \$263.3 million and are \$161.6 million (or 159%) higher than the 2017-19 legislatively approved budget. Major changes include:

- \$100 million for SB 1049 (2019) to serve as 25% matching funds for eligible employer contributions.
- \$40 million for the implementation of SB 1049 (2019).
- \$11.5 million for School District Unfunded Liability Fund due to a transfer of revenue from the Common School Fund under SB 1566 (2018).
- \$2.3 million for prior Emergency Board actions related to the Oregon Growth Savings Plan; investment accounting; and cybersecurity, business continuity, and disaster recovery.
- \$1.7 million for the agency's relocation to the state's data center.
- \$1.3 million for additional operational and information technology staff.
- \$1.2 million for deferred maintenance.
- \$638,291 for cybersecurity, business continuity, and disaster recovery.
- \$631,523 reduction due to the elimination of vacant positions.

The Racing Commission's 2019-21 legislatively adopted budget represents a \$2.5 million (or 39%) decrease from the 2017-19 legislatively approved budget. The assumed sale of the venue for Oregon's only commercial horse racing meet is likely to result in fewer race days and the need for fewer, full-time staff. The legislatively adopted budget for the Racing Commission of \$3,899,658 is based on approximately one year of operating expenses. The agency is directed to report to the February 2020 Legislative Assembly with a plan for expenditures for the 2020-21 fiscal year, based on workload, resources, and the number of assumed licensees.

Other Funds expenditures for the Department of Revenue total \$126.1 million and are \$3.8 million (or 3%) less than the 2017-19 legislatively approved budget, which is due primarily to the elimination of one-time funding for the Core [tax] Systems Replacement information technology project and capital improvements. Other major changes include:

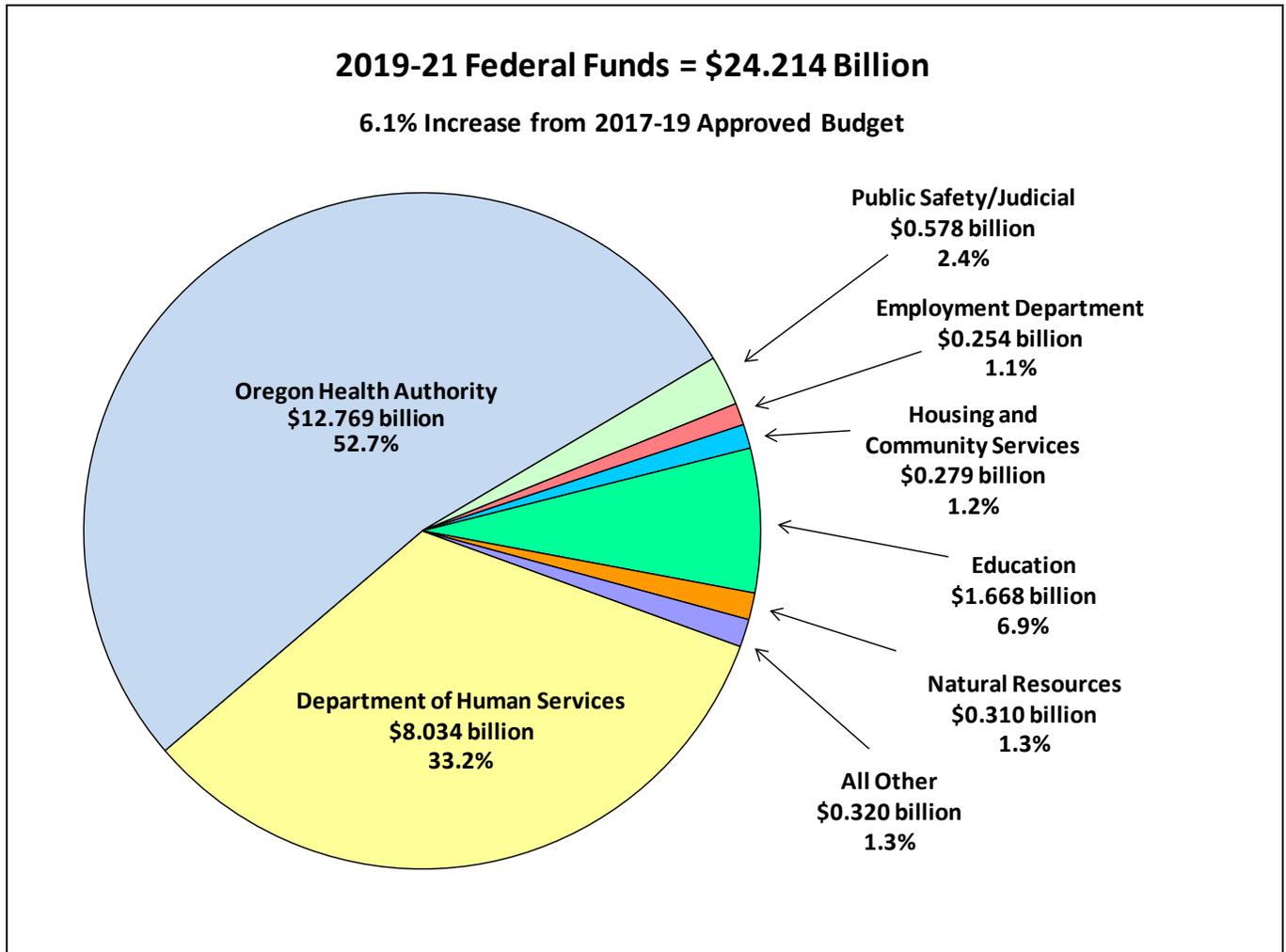
- \$1.5 million for the ongoing implementation of transportation taxes.
- \$876,361 for the for the ongoing implementation of the Heavy Equipment Rental Tax.
- \$808,251 reduction due to the elimination of vacant positions and associated services and supplies.
- \$734,343 for auditing of marijuana and lodging tax filings.
- \$724,252 reduction in the Property Tax Division for a comprehensive reconciliation of position funding and a revenue shortfall.
- \$574,533 to support enhanced state and local lodging tax compliance.
- \$564,254 for increased vendor support of the post-implementation Core [tax] Systems Replacement information technology project.

Other Funds expenditures for the Office of the State Treasurer total \$92.7 million and are \$10.7 million (or 13%) higher than the 2017-19 legislatively approved budget. Major changes include:

- \$3 million for the Oregon Savings Network.
- \$1.5 million for the expansion of Investment Division staff.
- \$780,691 for one-time costs for cybersecurity.
- \$212,877 reduction due to the elimination of a vacant position.

## Federal Funds Expenditures

The 2019-21 legislatively adopted budget authorizes the expenditure of \$24.214 billion Federal Funds. This is revenue from the federal government that is sent to state agencies to pay for specific programs and activities. Examples include competitive grants, matching funds, block grants, pass-through funds, or special payments. The 2019-21 legislatively adopted Federal Funds budget represents an increase of \$1.59 billion, (or 8%) from the 2017-19 legislatively approved Federal Funds level.



Significant increases in Federal Funds budgeted expenditures are described below.

### Education

Two major Federal Funds-related changes in the Department of Education for the 2019-21 legislatively adopted budget included both increases and decreases of note.

- A continued increase (begun in 2017-19) and expansion of the Child Care Development Block Grant, to fund the following:
  - Baby Promise pilot program (\$8.3 million).
  - Support for childcare providers through the Child Care Resource and Referral programs (CCR&Rs – \$12.9 million).
  - A \$20 million increase for transfer to the Department of Human Services' Employment Related Day Care (ERDC) program.

- Utilizing \$8.9 million of federal block grant funds to continue 35 limited duration positions and seven new positions in the Early Learning Division, primarily related to child care inspection and compliance.
- Decreased or discontinuation of various other grants:
  - For the 2019-21 K-12 Grant-in-Aid budget, \$35 million of the total of \$881.9 million (before reduction) of Federal Funds expenditure limitation was reduced to bring the amount of limitation in line with the estimated federal revenues.
  - A \$325,000 reduction in the Youth Development Grant-in-Aid budget, also to reconcile expenditure limitation with available federal revenue.

### Human Services

In the Oregon Health Authority, Federal Funds expenditure limitation increased by \$921 million (or 7.9%) from 2017-19. This growth is primarily due to the level of federal dollars necessary to pay for Oregon Health Plan caseload changes, particularly related to the Affordable Care Act caseload, which receives a higher federal match rate compared to other caseloads. The budget also includes various other adjustments that increase other Medicaid-reimbursable expenses, such as the planned increase in behavioral health provider rates and changes to provider assessments.

Compared to the 2017-19 legislatively approved budget, Federal Funds expenditure limitation for the Department of Human Services grew by \$244.7 million (or 3.1%). This comparison includes a decrease of \$275 million Federal Funds Nonlimited to account for projected lower benefit payments in the Supplemental Nutrition Assistance Program. If this adjustment is excluded, the growth in federal expenditures is about 6.7% (or \$519.7 million). The budgets for the Aging and People with Disabilities and Intellectual and Developmental Disabilities programs account for \$424.3 million (or 81.6 %) of the increase; costs are driven primarily by caseload forecasts, higher cost per case, and provider rate increases in Medicaid programs.

### Public Safety and Judicial Branch

The Criminal Justice Commission's Federal Funds expenditure budget is 35% less than the agency's 2017-19 legislatively approved budget and reflects the end of several federal grants, including the Federal Justice Reinvestment Initiative and the U.S. Department of Justice Sex Offender Registration and Notification Act. Anticipated reductions to the Edward Byrne Memorial Justice Assistance Grant program were restored by the Legislature in anticipation of prior-year federal awards being received in the 2019-21 biennium.

Federal Funds expenditures for the Department of Justice total \$187 million and are \$14.1 million (or 7%) less than the 2017-19 legislatively approved budget, which is due primarily to the elimination of one-time funding for the Child Support Division's Child Support Enforcement Automated System information technology project. Other major changes include:

- \$30.3 million for Victims of Crime Act grant funding.
- \$11.6 million backfill of a Child Support Division revenue shortfall in Temporary Assistance for Needy Families funding.
- \$11.3 million for the final phase of the Child Support Division's Child Support Enforcement Automated System information technology project.
- \$3.1 million reduction due to the elimination of vacant positions and associated services and supplies.

- \$2.7 million for a data center contract with a private vendor for the Child Support Division's Child Support Enforcement Automated System information technology project.
- \$1.9 million in permanent staff support for the Child Support Enforcement Automated System.
- \$1.5 million to reconcile the intra-agency line item for charges for administrative expenses.
- \$1.4 million for child support enforcement legal services.

Federal Funds expenditure limitation is increased in the Military Department's Capital Construction program to reflect the following:

- \$6.2 million to support Salem Armory and Anderson Readiness Center renovations.
- \$12 million for construction of a tactical unmanned aerial vehicle facility at the Naval Weapons Station Training Facility in Boardman.
- \$6 million for a wastewater treatment system and new main water supply line at Camp Umatilla in Umatilla.
- \$4.3 million for an Armory Service Life Extension Project at the Grants Pass armory.

#### Economic and Community Development

Employment Department Federal Funds expenditure limitation decreased by \$5.3 million (or 3.3%) compared to the 2017-19 legislatively approved budget. Federal administrative grant funding is based on workload projections, which are assumed to decrease due to the healthy state of the economy. The Legislature provided Federal Funds expenditure limitation to expand job retraining and employment services associated with the Federal Trade Act, and to meet to demand for foreign labor certification efforts. These efforts totaled \$1.5 million and 8 additional positions (8.00 FTE). Federal Funds Nonlimited expenditures, which consist of projected unemployment insurance benefits paid to federal employees and trade impacted workers, increased by \$30 million to better reflect expected payments.

The Housing and Community Services Department 2019-21 legislatively adopted budget resulted in an increase in Federal Funds limitation of 3.1%. Federal Funds Nonlimited expenditures increased by 14.2% (or \$18.9 million), primarily due to updated projections for Housing and Urban Development (HUD) project-based housing vouchers. While the total volume of vouchers is not increasing, the value of the payments escalated to keep pace with rising rents.

Federal Funds for the Department of Veterans' Affairs are 79.2% less than the 2017-19 legislatively approved budget. The decrease is primarily due to the phase-out of capital construction limitation (\$6.3 million) provided in the 2017-19 biennium for U.S. Department of Veterans Affairs State Home Construction Grants to upgrade the Veterans' Homes in The Dalles and Lebanon.

#### Consumer and Business Services

Federal Fund expenditures for the Public Utility Commission increased by \$0.3 million, mostly due to an adjustment in state and federal costs for the Pipeline and Hazardous Materials Safety Program.

The Department of Consumer and Business Services Federal Funds budget for the 2019-21 biennium increased by \$83.9 million, a five-fold increase from the 2017-19 biennium due to the addition of \$84,482,113 Federal Funds to allow the Department to make payments to insurers under the Oregon Reinsurance Program established by HB 2391 (2017). That addition was offset somewhat by Federal Funds budget reductions in the Oregon Occupational Safety and Health Administration program of

\$721,468 and the Senior Health Insurance Benefit Assistance Program of \$636,059 due to federal revenues not keeping pace with program costs.

### Natural Resources

Federal Funds expenditure limitation for the Department of Fish and Wildlife was increased by \$8.5 million (or 6.7%) due to an increase in the Pittman-Robertson apportionment that comes from the sale of sporting arms and ammunition, increases for grants through the Volunteer Public Access and Habitat Incentive Program, and limitation and positions to assist landowners in implementation of conservation projects outlined in the Federal Farm Bill.

The Department of Land Conservation and Development budget includes an additional \$515,074 Federal Funds in conjunction with \$846,294 Other Funds expenditure limitation and the authority to establish five limited duration positions (5.00 FTE) for updates to Oregon's Climate Change Adaptation Framework, natural hazard mitigation planning, and to assist local communities in working with the National Flood Insurance Program. This increase is partially offset by a Federal Funds reduction of \$227,796 and elimination of a vacant position (1.00 FTE) designed to act as a coordinator for local governments adopting new natural hazard maps under the federal RiskMAP program.

The 2019-21 legislatively adopted budget for the Marine Board includes Federal Funds expenditure limitation of \$6,317,622, a decrease of \$315,691 (or 4.8%) from the 2017-19 legislatively approved budget.

### Transportation

There were no significant Federal Funds expenditure changes of note for agencies in the Transportation program area.

### Administration

There were no significant Federal Funds expenditure changes of note for agencies in the Administration program area.