Summary of Legislative Actions Affecting the Budget

Public Employees Retirement System Reform (SB 1049)
SB 1049 was a legislative initiative to primarily address future Public Employees Retirement System (PERS) employer contribution rate increases.

For the 2021-23 biennium, system-wide employer contribution rates had been expected to increase from 18.31% to 24.07% of eligible payroll, or by 5.76%, which would have been 41% higher than the PERS adopted rates for the 2019-21 biennium. This would have resulted in a projected $1.6 billion increase in employer contributions and been in addition to the $1.1 billion increase in employer contributions for the 2019-21 biennium.

SB 1049 is expected to reduce system-wide collared employer contribution rates by 5.43% and reduce employer contributions by between $1.2 to $1.8 billion a biennium beginning with the 2021-23 biennium and into the future. To achieve these savings, SB 1049 made the following changes:

- Tier 1 and Tier 2 Unfunded Actuarial Labilities are re-amortized, on a one-time basis, from 20-years to 22-years after which point the amortization schedule for these benefit plans reverts to 20-years. This change is for the 2019 actuarial valuation only.
- Redirects a portion of employee contributions from the employee's defined contribution plan, the Individual Account Program (IAP), to partially fund prospectively an employee's defined benefit or pension plan ("Employee Pension Stability Account") if the PERS funded status is less than 90% funded and if an employee's earnings are more than $2,500 per month or approximately $30,000 per year. Redirected funds will lower or offset the employer contribution resulting in employer savings. The redirect for each benefit plan, which begins on July 1, 2020, are as follows: (a) Tier One: 2.5% of eligible salary and wages; (b) Tier Two: 2.5% of eligible salary and wages; and (c) Oregon Public Service Retirement Plan (OPSRP): 0.75% of eligible salary and wages. Employees have the option to voluntarily contribute into their IAP account the amount of redirected funds on an after-tax basis.
- Places a limit on the Final Average Salary, or salary used for pension benefit calculations, of $195,000 for Tier 1, Tier 2, and OPSRP employees retiring under Formula Plus Annuity and Full Formula benefit plans and for service beginning on or after January 1, 2020. The $195,000 cap is indexed to inflation on an annual basis.
- Eliminates restrictions on annual hours of employment for retired workers and the exemption on employers paying contributions on retired member payroll, beginning January 1, 2020. Employer's must continue to make employer contributions with regard to a participating retired member; however, such retirees will accrue no additional PERS retirement benefits. The employer contribution will be credited to an employer account as an additional payment above normal contributions. The return-to-work provision sunsets on January 2, 2025.

SB 1049 makes no change to the 2019-21 employer contribution rates previously adopted by the PERS Board and therefore there are no assumed savings in the 2019-21 biennial budget from the measure. Any savings generated during the 2019-21 biennium due to various operative dates in the bill will be used to offset future employer contribution rates beginning with the 2021-23 biennium.

SB 1049 makes other changes to improve PERS system financing, including:

- Appropriating $100 million of General Fund, on a time-time basis, for expenditure into the Employer Incentive Fund, for the purpose of providing a state 25% match on pre-paid employer contributions, or side accounts, for school districts, community colleges, and public universities, under certain eligibility requirements. The corresponding employer match is up to 75%. The $100 million appropriation is assumed to generate $400 million in matching funds for a total increase in PERS assets of $500 million.
- Adds assets to the system by dedicating all net lottery revenues from sports betting games revenue to the Employer Incentive Fund to fund the state's 25% match on qualifying employer side accounts. The transfer of sports betting proceeds will sunset on December 31, 2041 due to the sunset of the Employer Incentive Fund on July 1, 2042. The corresponding employer match is indeterminate at this time until the amount of sports betting games net lottery revenue deposited into the fund becomes known.
- Allows employers making lump sum or side account payments in excess of $10 million to choose the starting date for the amortization period to begin offsetting employer contributions. This allows the employer the ability to time the use of side accounts with an anticipated spike in employer contribution rate increases. At least one large public entity anticipates making a $10 million side account contribution under this authority (Port of Portland).
- Enhanced review of local government Pension Obligation Bond issuances.

SB 1049 also provides Individual Account members a choice in selecting investment options beginning January 1, 2021; requires the PERS Board to report to the Legislature on changes to actuarial methods and assumptions; and makes technical changes to SB 1566 from the Legislative session in 2018. SB 1049 provides for an expedited review by the Oregon Supreme Court.

Of additional note, and apart from SB 1049 or other legislation, is that the State Accident Insurance Fund (SAIF) anticipates making a $91 million side account deposit to fund SAIF's Unfunded Accrued Liability.

The cost of implementation of SB 1049, as estimated by PERS, totals $40 million. Such costs are funded by revenue transfers from the retirement trust funds.

Student Success Act (HB 3427 and HB 5047)

The Joint Committee on Student Success held multiple public hearings across the state during 2019, gathering input from a variety of interested parties which resulted in HB 3427. This bill established the Fund for Student Success funded with revenue from a new commercial activities tax which is estimated to raise a net $1.175 billion for 2019-21 and $2.111 billion when fully implemented in 2021-23. The Other Funds resources in the Fund for Student Success for 2019-21 are allocated first to the State School Fund as follows: (1) to make up the $423 million in lost General Fund resources due to income tax rate reductions and other tax related changes included in HB 3427; (2) an increase of $20 million in the High Cost Disabilities Account; and (3) $200 million for distribution to districts through the school revenue formula. The remaining amount in the Fund for Student Success is allocated to three accounts: (1) at least 50% to the Student Investment Account; (2) at least 20% to the Early Learning Account; and (3) up to 30% to the Statewide Education Initiatives Account. HB 5047 provided the direction and amount on how the funds in each of these three accounts will be specifically used. Funding will generally be available starting in the second year of the biennium.

The Student Investment Account provides $472.7 million for grants to school districts that must be used for increasing learning time, decreasing class size, offering a well-rounded education, and for student health and safety. Funds are distributed based on the school revenue formula with an enhanced weighting for poverty. HB 3427 includes the requirements and process districts must use to receive these grants as well as the accountability and performance measures districts must meet. Lower performing districts are eligible for enhanced grants funded from the Statewide Education Initiatives Account discussed below. Districts that cannot meet the performance measures will receive coaching and technical assistance from ODE and contractors.

The Early Learning Account funds a number of existing and new programs for 2019-21 as listed in the following table.

Program	Millions	Program	Millions
Early Intervention/Early Childhood Special Education	$37.5	Early Learning Professional Development	$12.5
Relief Nurseries	$2.8	Local Coordination (Hubs)	$2.5
Equity Fund	$10.0	Coaching for Providers	$1.9
Oregon Pre-Kindergarten	$44.4	Needs Assessments	$1.0
Preschool Promise	$30.8	Monitoring	$0.6
Early Head Start	$22.3	Facilities Management	$0.7
Healthy Families	$2.0	Staffing (11 positions/5.60 FTE)	$1.3
Parenting Education	$1.0		

The Statewide Education Initiatives Account is used to fund several K-12 existing and new programs. In addition, the account provides for staffing and technical assistance supporting the Student Investment grants. Detail is provided in the following table.

Program	Millions	Program	Millions
High School Success Grants	$133.2	Student Success Grants	$12.0
Nutrition Program Expansion	$41.6	Coaching and District Capacity Building	$4.5
Summer Learning Grants	$3.0	K-12 Professional Development	$15.0
Student Re-engagement Program	$4.0	Education Service District (ESD) Technical Assistance	$24.0
School Safety and Prevention System	$1.7	Statewide Longitudinal Data System	$4.2
Native American Education Plan	$3.2	Fiscal Transparency	$1.0
Latino Education Plan	$1.0	Early Warning System	$2.8
Black American Education Plan	$3.8	Staffing and Related Costs (61 positions/44.22 FTE)	$19.8

There is $5.5 million General Fund in the two tables above for staffing and other start-up costs prior to when funding becomes available from the Fund for Student Success.

Paid Family Medical Leave (HB 2005)
A major initiative of the 2019 session was to plan for an efficient and integrated approach for providing employees with protected and paid time off from work to bond with a newborn or newly adopted child, care for a family member who is ill, or recover from a serious illness. A legislative workgroup was convened to examine issues concerning family and medical leave with the goal of establishing legislation for a statewide paid family and medical leave program. HB 2005 creates a paid family and medical leave insurance (FAMLI) program to be administered by the Oregon Employment Department (OED), or a third party contracting with OED, to provide employees compensated time off from work to: [1] care for and bond with a child during the first year of the child's birth or arrival through adoption or foster care (family leave); [2] provide care for a family member who has a serious health condition (family leave); [3] recover from their own serious health condition (medical leave); or[4] seek law enforcement or legal assistance or remedies in connection with domestic violence, stalking, sexual assault or harassment (safe leave). The measure stipulates that rules for the program must be established no later than September 1, 2021; contributions to the program will be collected beginning January 1, 2022; and benefits will be payable beginning January 1, 2023.

The measure appropriates $15,688,586 General Fund to the Oregon Employment Department for the 2019-21 biennium to pay for the start-up costs of establishing the program. The appropriation is reimbursable to the General Fund, without interest, when the Department determines that the balance in the FAMLI Fund is sufficient, but no later than January 1, 2023. The measure also increases the Department of Justice General Counsel Division's Other Funds expenditure limitation by $219,016 to support various legal services to agencies related to the implementation of this measure. The General Fund appropriation to the Employment Department includes only those expenditures for the Initial and Expanded Planning Teams for the program. Estimates of revenues, benefits paid, and expenditures for on-going operations beyond 2019-21 will be further evaluated and analyzed by the planning teams.

The measure directs the Employment Department to submit its first report regarding its progress toward implementing this program to the Legislature by February 15, 2020. In addition, the Employment Department is directed in a budget note to conduct a risk assessment of its capacity to plan, manage, and implement this program and report back to the Legislature prior to the 2020 legislative session. The budget note further directs the Employment Department to work closely with, and regularly report information technology system project status to the Office of the State Chief Information Officer (OSCIO) and Legislative Fiscal Office (LFO) throughout the lifecycle of the project, reporting to the Legislature as requested, and follow the Joint State OSCIO/LFO Stage Gate Review Process, utilizing all associated reporting and project management protocols throughout the life of the project. In addition to the quantified planning and start-up costs for the Employment Department and the Department of Justice, on-going administrative costs, the cost of FAMLI benefit payments, the costs of contributions for the state as an employer, and other statewide costs are indeterminate until the Department of Employment establishes rules and operational processes for the program. These statewide costs include:

- Employer Contribution
  The measure authorizes the Employment Department to set the contribution rate that is paid by employees and employers through payroll deduction, and contributions would go into the FAMLI Fund to pay benefits and administrative expenses. The measure stipulates that the contribution rate may not exceed 1% of the employee's wages. The employer would pay up to 40% of that total rate determined by the Director. However, the measure specifies that an employer may elect to pay the required employee contributions in whole or in part, as an employer-offered benefit. Because

contributions will be collected beginning January 1, 2022, state agencies will incur this cost beginning with the 2021-23 biennium. As a frame of reference, based on the 2017-19 approved budget statewide salary expenditures of $5.4 billion total funds, if the rate is set at the 1% maximum and the state pays 40% of the total rate, the 2017-19 employer contribution for state agencies would have been approximately $21.5 million total funds.

- Contribution Collection, Enforcement, and Reporting
  The Department of Revenue (DOR) must ensure that contributions from all employee wages are paid to the FAMLI Fund in addition to issuing a matching employer contribution to the FAMLI Fund. Additionally, any liquidated and delinquent debts that the Employment Department cannot collect will be transferred to DOR's Other Agency Accounts (OAA) unit for additional collections activity. The amount of liquidated and delinquent FAMLI debts transferred may have an impact on OAA's current resources to collect. Although the fiscal impact of this measure to DOR is minimal for the 2019-21 biennium, DOR estimates the fiscal impact for 2021-23 to be $858,254 Other Funds and 7 positions (5.25 FTE). In addition, although the rulemaking authority on contribution payment and related reporting is granted to DOR, the combined payroll reporting process Oregon businesses use to file reports and make payments for several different taxes and programs is shared by DOR, the Department of Consumer and Business Services (DCBS), and the Employment Department, and will require coordination among the agencies to facilitate how reports will be filed and contributions paid.

- Human Resource Management
  Each state agency's human resources department will need to engage in a review and revision of personnel policies and conduct training for supervisors who administer rules and policies.

- Information Technology
  State agencies will incur costs related to human resources, payroll, and other systems modifications. For example, the Oregon Health Authority and the Department of Human Serves information technology systems, including the Client Employed Provider (CEP), eXPRS, and Integrated Eligibility (IE) systems will require modification. Furthermore, state agencies will be required to track certain personnel information and report contribution amounts quarterly to DOR. Assuming the Department of Administrative Services (DAS) will assist agencies with the reporting process and develop payroll deduction codes to account for and track both the employee and employer contribution amounts, DAS will potentially need additional staffing and resources to update the Workday HR management system, make changes to the statewide payroll system, and work with the Employment Department to develop the process to deliver the contributions to the appropriate program in charge of the Paid Family and Medical Leave Insurance Fund. This work will need to be integrated with the Oregon State Payroll System replacement project that will begin July 1, 2019. DAS is directed in a budget note to report to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the 2020 legislative session on the scope, duration, and cost estimates associated with making HB 2005 required changes to the current Oregon State Payroll System. The report should include a comparison of the operational, financial, and schedule impacts associated with making HB 2005 required changes to the current system and how the issues will be addressed within the new Oregon State Payroll System as it is deployed.

- Leave Benefits
  The measure expands the job-protected family leave time periods currently available to state employees under the Family and Medical Leave Act (FMLA) and the Oregon Family Leave Act (OFLA). Under current law, the majority of state employees are entitled to 12 weeks of job-protected family and medical leave. FMLA/OFLA leave is not required to be paid; however, an employee is required to take any accrued vacation and sick leave before commencing unpaid leave. This measure would increase the total leave time available to a maximum of 18 weeks of job-protected leave per year starting in 2023 and every year thereafter. Although it is difficult to predict the total number of employees who would take paid family leave under this measure, it is reasonable to assume that the number of employees who take leave would increase given that benefits would be paid at a high percentage of the employee's average weekly wage. The measure also expands the definition of family members for whom an employee may take leave to care for, which could increase the number of employees who take paid leave.

- Health Benefits
  The measure requires state agencies to maintain health insurance for an employee during the duration of the leave. Under current practice, the state maintains health insurance for employees who take FMLA/OFLA leave; this measure could increase the duration that the state would be required to maintain health insurance for an employee on leave. State agencies may see an increase in health insurance costs for the state, beginning January 1, 2023 when employees become eligible for leave under the measure.

- Coverage for Employees on Leave
  State agencies will incur expenses associated with covering job duties for employees on leave. Although some employee leave could be covered by existing employees through job rotations, job sharing, overtime, or other coverage, the increased duration of the leave may require state agencies to hire temporary employees, especially if multiple employees in one division simultaneously request leave under the measure. These expenses are difficult to calculate given the range in salaries, job duties, and the practicalities of hiring new employees for a limited duration. The additional number of recruitments needed will be dependent on the length of leave taken, the availability of other employees to perform coverage, and other factors that are difficult to predict. It is anticipated the measure will result in some additional recruitments for temporary employees each year, beginning in 2023 when employees become eligible for leave under the measure. Note that this cost could be substantial for school districts that will need to recruit and hire substitutes for teachers on leave and that the measure includes the Department of Humans Services (DHS) Personal Support Workers and Home Care Workers in the class of eligible employees. In addition to increased leave benefits and healthcare costs, DHS anticipates costs associated with recruiting and enrolling additional in-home providers to cover for workers on leave.

- Bureau of Labor and Industries, Judicial Department, Department of Justice, Office of Administrative Hearings Expenses
  Under the measure, job-protected leave is available to all employees who have been employed by the employer for more than 90 days prior to taking leave. Interference with this right or retaliation for applying for leave or invoking any rights under the measure is an unlawful employment practice. The measure allows an employee who alleges a violation of the job protections provided in the measure to bring a civil action or to file a complaint with the Bureau of Labor and Industries

beginning January 1, 2025. The state could potentially be subject to an indeterminate number of claims or allegations under these provisions which would require additional funds to be spent on legal defense of these claims.

Assumptions

In a typical biennium, various assumptions regarding rates and assessments are made while building the budget. The budget is initially built by taking the previous biennium's budget and adding in these new rates, assessment changes, inflation, and personal services cost increases. These elements of the budget are discussed below.

<u>Inflation</u>

Standard inflation applies to most services and supplies, non-PICS personal services, capital outlay, and some special payment accounts. The standard inflation factor for 2019-21 is 3.8%. Non-state personnel costs (contract providers) were allowed a 4.2% inflation rate. During legislative action on the proposed budgets, most standard inflation was eliminated from agency budgets (with some exceptions) as part of the cost containment effort.

Medical inflation, which includes many human services programs and other programs that utilize trained medical staff, was set at a rate of 4.2%. Inflation rates for certain programs may be higher than the inflation rates listed above. Any exceptions to those rates were approved by the Legislative Fiscal Office analyst assigned to that agency.

<u>Rates</u>

Some of the services and supplies accounts are based on rates charged for services. Inflation is not applied to these accounts. These accounts are adjusted by the rates that will be charged for the services. During budget development, the Department of Administrative Services publishes the Price List of Goods and Services. This document contains all the rates that agencies will be charged by other agencies.

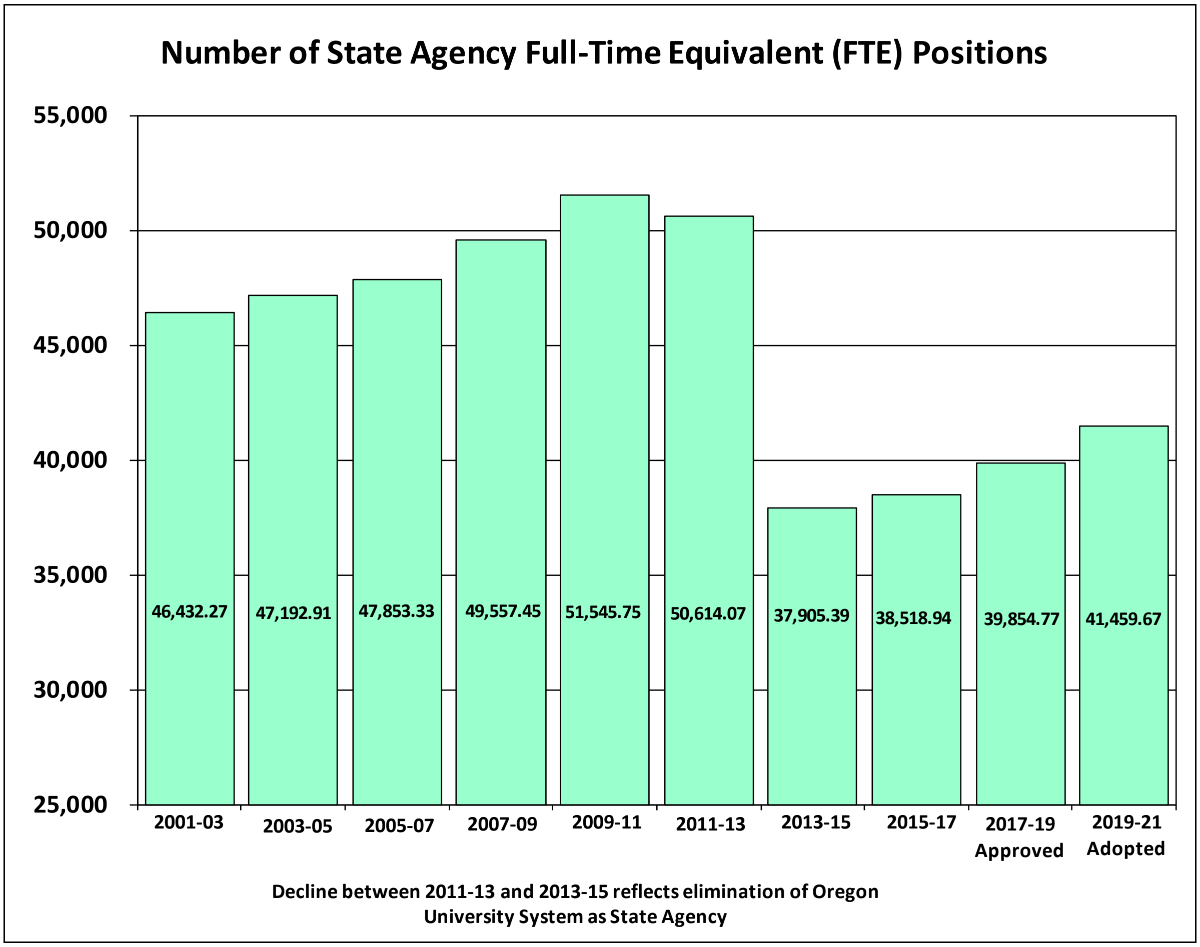
During the 2019 session, decisions were made to lower the rates charged to state agencies from what was anticipated in the Price List; those reductions were included in HB 5050.

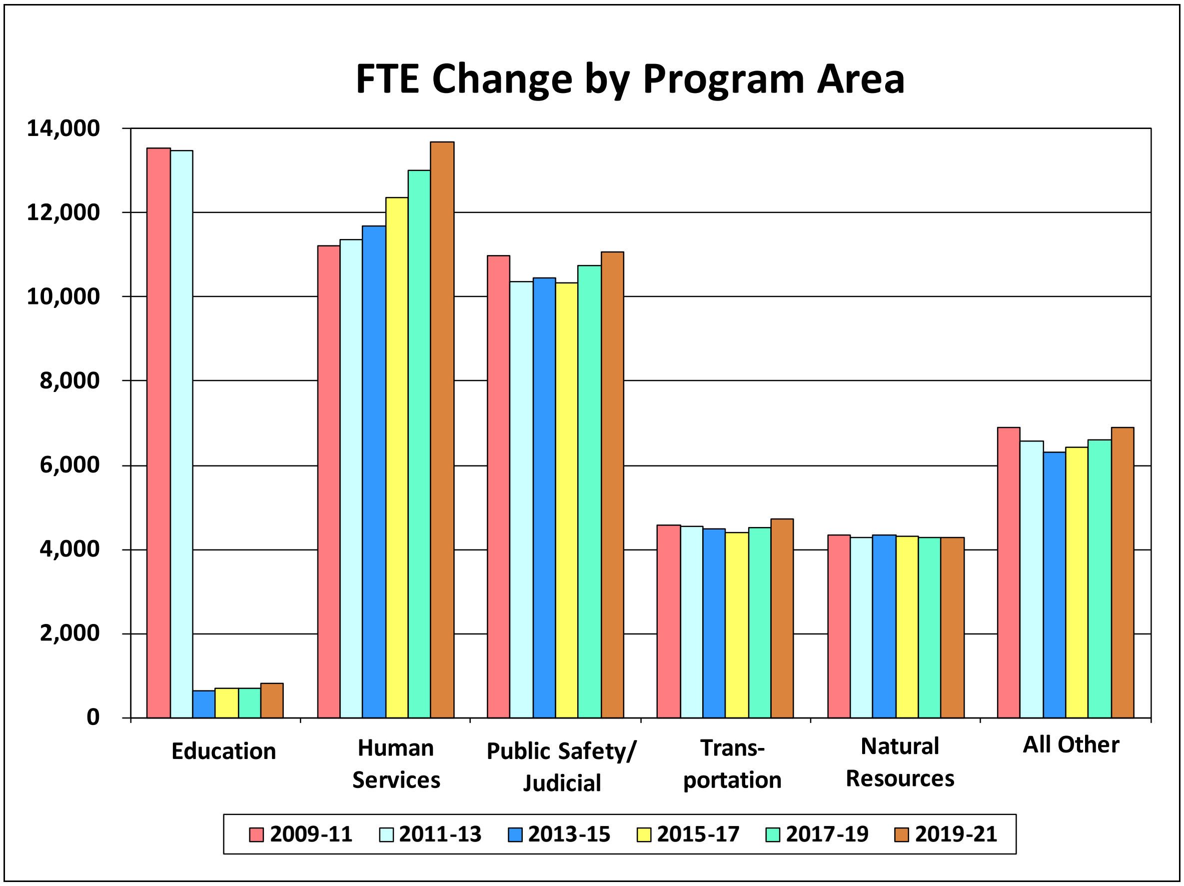
State Employees

<u>Positions and Full-Time Equivalency</u>

The legislatively adopted total funds budget supports 41,459.67 Full-Time Equivalent (FTE) positions. An FTE represents the number of months for which each position is budgeted during the 24-month biennium. State law (ORS 240.185, as amended by SB 1067 in 2017) limits the number of state FTE positions to 1% of the state's population in the previous year. As of July 1, 2018, the state's population was estimated at 4,195,300. The FTE limit at the beginning of the biennium, before exclusions, would be 41,953.30 FTE, slightly higher than the number included in the adopted budget. ORS 240.185 also provides for certain FTE exclusions from the 1% limit, including employees in the legislative and judicial branches, the Offices of the Secretary of State, the Governor, and the State Treasurer, and some positions in the Employment Department. Of the total FTE in the 2019-21 legislatively adopted budget, 55.3% of the approved FTE, or a total of 22,945.50, are in four state agencies (the Oregon Health Authority, and the Departments of Human Services, Corrections, and Transportation).

The number of state positions and FTE increased in the 2019-21 adopted budget by 1,053 positions and 1,604.90 FTE (increases of 2.5% and 4%, respectively). Comparisons to earlier biennia are no longer valid because of the Legislature's decision to move the Oregon University System (OUS) to a non-state agency status with the passage of SB 242 during the 2011 session. This resulted in a break in the state positions/FTE data series. In the 2011-13 legislatively approved budget, for example, OUS totaled 18,650 positions and 13,015.02 FTE; these are no longer counted in the totals for 2013-15 and subsequent biennia. A complete list of FTE by agency and program area can be found in Appendix C.





<u>Salary and Benefit Actions</u>
The 2019-21 legislatively adopted budget includes $200 million General Fund for state employee compensation issues and another $20 million General Fund for non-state employee compensation. Both amounts were appropriated to the Emergency Board as special purpose appropriations to be allocated to the affected entities once final collective bargaining decisions are made. For state employees, collective bargaining resulted in new contracts that generally included the following components (not all collective bargaining units have completed negotiations or ratified the proposed contracts)[2]: step increases for eligible employees during both years of the biennium; continuation of the 5% employee contribution to the cost of health insurance premiums (with some options); two cost-of-living adjustment, the first 2.15% increase effective July 2019, with a second 3% increase effective October 2020; and a new top step added to all job classifications July 2020. Final numbers have not yet been generated to determine if the $200 million special purpose appropriation will cover all the General Fund costs of the negotiated contracts for all branches of government; more details will be provided when the Department of Administrative Services makes statutorily required reports on compensation plan changes to the legislative review agency (Joint Committee on Ways and Means or the Emergency Board).

For non-state employees, it is anticipated that the $20 million special purpose appropriation will help pay for compensation changes driven by collective bargaining, including cost of living rate increases for adult foster home providers. Funding is also expected to address child care and home care contract changes not covered in agency budgets.

[2] This description reflects the tentative agreement made by the Service Employees International Union (SEIU) and the Association of Federal, State, County, and Municipal Employees (AFSCME).

Agency Organizational Changes

- Within the Department of Revenue (DOR), a number of organizational changes were made: (1) DOR's budgetary structure was realigned to improve the tracking and transparency of the agency's financial activities; (2) a Corporate Tax Division was established for the newly enacted Corporate Activities Tax (HB 3427 and HB 5047); and (3) during the development of the 2019-21 budget, DOR formally established a Collection Division framework by transferring the Business Division's Other Agency Accounts section and staffing into a new divisional structure. The next steps will be to transfer Personal Income Tax and Compliance and Business Division collections budgets and positions into the newly established division. DOR's proposed plan is to undertake this consolidation over the course of the next two biennia, subject to the review and approval by the Legislature.
- The Chief Education Office sunsetted on June 30, 2019. This office was established in 2015, replacing the Oregon Education Investment Board or OEIB. Staff and responsibilities of the Office relating to the Statewide Longitudinal Data System (SLDS) were transferred to the Higher Education Coordinating Commission (HECC), while the staff relating to the Educator Advancement Council will be part of the Oregon Department of Education. The overall coordination and policy development functions of the Office will be the responsibility of the Education Policy Advisors in the Office of the Governor.
- The Legislature created the Joint Committee on Conduct as a standing legislative committee and the Legislative Equity Office as an independent, nonpartisan office of the Legislative Assembly. The measure specifies the duties of the Committee, including adoption of respectful workplace policies and the provision of policy direction and oversight of the Legislative Equity Office. Responsibilities of the Equity Office are specified, including provision of confidential process counseling, respectful workplace training, and contracting with an independent investigator to receive complaints and conduct investigations. The bill includes an appropriation of $1,393,318 General Fund for the costs of the new legislative office.
- The 2019-21 legislatively adopted budget for the Department of Geology and Mineral Industries totals $8.3 million and includes 39 positions (19.46 FTE), reflecting a one-year budget for the agency due to financial uncertainty caused by the Department having cash flow issues in both of its programs. The budget includes the elimination of 5 positions in the Geologic Survey program that will provide the General Fund savings necessary to fund two new financial support positions within the agency to provide additional grant and contract oversight. The 2019-21 budget also included a budget note directing the Governor's Office and the Department of Administrative Services to report to the Joint Committee on Ways and Means in the 2020 legislative session on a detailed strategic plan for the future of the agency, including evaluating if the Department should continue to exist as an independent agency or recommendations to abolish the Department and move the individual programs to other entities.

Prioritization Process for Agency Programs

Balancing the state budget necessitates resource allocation decisions concerning public services and programs. To facilitate the process, the Executive Branch adopted the review practice of the Joint Committee on Ways and Means by institutionalizing a program prioritization process in agency budget development. A "Prioritized List" worksheet, previously developed by the Legislative Fiscal Office to help agencies provide data in a consistent format, is now required to be included in agency budget documentation. Information required in the worksheet includes summary information for each activity, purpose and statutory authority, activity costs and source of funds, positions, and expected results (performance measures). The initial prioritization was accomplished by asking agencies to prioritize their own divisions or programs and this information was then consolidated to develop an agency-wide priority ranking. Agencies were instructed to document the criteria used to establish their priorities.

Performance Measurement and Management

Oregon has a history of performance measurement use that goes back to the late 1960s. Most of the current legal framework governing performance measures was passed by the 1993 Legislature. The 2013 Legislature established the Task Force on State Budget Process, which was charged with reviewing statutes governing the development of the state budget and identifying provisions that are outdated. The 2016 Legislature passed SB 1596, which implemented the changes recommended by the Task Force, including some modification to provisions related to performance measurement and management and made several changes to the budget development process. Under the measure, state agencies continue to be required to develop key performance measures (KPMs) demonstrating progress made towards achieving specified outcomes. During Oregon's budget development process, the Legislature reviews and approves KPMs and related targets for the next biennium. The Legislature may adjust an agency's KPM targets based on the final legislatively approved budget. In addition to providing KPM data, state agencies are responsible for analyzing, reporting, and addressing any negative changes in performance or shortcomings in reaching anticipated performance levels.

For the 2019-21 budget process, the Legislature again reviewed and approved agency KPMs and targets. The final decisions on KPM are included in each agency's budget report.

Oregon Reserve Funds

Education Stability Fund

The Education Stability Fund (ESF) was established in September 2002, when voters amended the Oregon Constitution to reformulate an existing education endowment fund into a reserve fund. The ESF is funded with 18% of the net proceeds from the state's lottery and is capped at 5% of the amount accrued in General Fund revenues during the prior biennium. Once the cap is reached, 15% of net lottery proceeds are deposited into the ESF's school capital matching subaccount. The Legislature is allowed to spend the principal of the fund for public education if there is an economic downturn and the expenditure is approved by three-fifths of the members in each chamber.

In order to access the ESF principal, the Legislature must make a finding that:

- the last quarterly economic and revenue forecast for a biennium indicates that moneys available to the state's General Fund for the next biennium will be at least 3% less than appropriations from the state's General Fund for the current biennium;
- there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or
- a quarterly economic and revenue forecast projects that revenues in the state's General Fund in the current biennium will be at least 2% below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

If none of these conditions are met, the ESF can be used by the Legislature for public education if the Governor declares an emergency and the expenditure is approved by a three-fifths majority of each chamber.

The ESF has been used several times to balance or rebalance a biennial budget. Although the ESF must be used for expenditures on public education, since education comprises a significant portion of the state's budget (K-12 through higher education), expenditure of ESF resources for public education allows the General Fund dollars designated for education to be redirected to other parts of the budget. Information regarding the use of the ESD is outlined below:

- The constitutional amendment renaming the endowment fund as the Education Stability Fund (HJR 80) authorized a transfer of $150 million from the ESF to the State School Fund (SSF) on May 1, 2003; this occurred during the 3rd special session of 2002 and offset an equivalent General Fund disappropriation to the SSF as part of the 2001-03 budget rebalance plan.
- During the 2003 session, the Legislature transferred an additional $112 million from the ESF to the SSF in May 2003 as part of the final rebalance for the 2001-03 biennium.
- Also during the 2003 session, the Legislature prospectively transferred 90% of the lottery deposits to be made to the ESF between July 2003 and May 2005 to the SSF on May 1, 2005, as part of the balanced budget plan for the 2003-05 biennium.
- During the 2009 session, the Legislature transferred the balance of the ESF to the SSF, projected at $394 million, as part of the rebalance of the 2007-09 budget.
- To guarantee a commitment made to provide a $6 billion State School Fund for the 2009-11 biennium, the Legislature, during the February 2010 special session, made a prospective transfer of $84.274 million from the ESF to the SSF to occur in May 2011.[3]
- In order to balance the 2009-11 budget and to address federal post-secondary education maintenance of effort requirements, $96.425 million was transferred from the ESF to the SSF during the 2011 session.
- Also during the 2011 session, the Legislature transferred $100 million from the ESF to the SSF as part of the 2011-13 budget and provided for an additional transfer of $82.239 million from the ESF to the SSF to occur in May 2013 to be used for several education-related programs, including an enhancement to the SSF initial funding level.
- The Legislature took no action during the 2013, 2015, or 2017 sessions to access resources in the ESF. The balance in the ESF at the end of the 2017-19 biennium was $619.7 million.

As in the previous three sessions, the Legislature took no action during the 2019 session to access resources in the ESF. As of the May 2019 economic and revenue forecast, the ending balance for the fund at the end of the 2019-21 biennium is projected to be $854.4 million.

Oregon Rainy Day Fund

The Oregon Rainy Day Fund (ORDF)[4] was established by the 2007 Legislative Assembly as a general purpose reserve fund. The ORDF was originally capitalized with a deposit of approximately $319 million from the retention of the majority of the corporate income tax "kicker" that was due to be restored to corporate taxpayers in the fall of 2007. Future deposits into the ORDF are to be from the state's General Fund ending balance in an amount of up to 1% of the General Fund appropriations for the biennium. If the biennium's ending balance is greater than 1% of the General Fund appropriations for that biennium, then an amount equal to 1% is transferred to the ORDF and the remaining amounts are retained by the General Fund. If the biennium's ending balance is less than 1% of the General Fund appropriations for that biennium, then the full amount of the ending balance is to be transferred to the ORDF. Due to the amount of time necessary to make final determinations on biennial expenditures, this transfer from the

[3] The amount of the transfer was determined by the June 2010 economic and revenue forecast and was equal to the difference between $200 million and the combination of the balance in the Rainy Day Fund plus the projected General Fund ending balance for the 2009-11 biennium.
[4] See ORS 293.144 - 293.148.

ending balance would normally occur at the time of the March economic and revenue forecast in the year following the conclusion of the biennial budget period.

In addition to the ending balance transfer, HB 2073 (2009) provided for the deposit of all revenue collected from corporate income and excise taxes above the 6.6% tax rate into the ORDF. These deposits began with the 2013 corporate tax year with revenues collected during the 2013-15 biennium. These transfers are to occur on or before June 30th of each odd-numbered year.

If the balance in the ORDF at the time of the ending balance transfer is greater than 7.2% of the General Fund revenues collected during the prior biennium, then the ending balance transfer is made to the General Fund instead of the ORDF. The full amount of the transfer is made to the ORDF if the fund balance does not equal at least 7.2% of the General Fund revenues collected during the prior biennium even if the transfer increases the amount in the ORDF over the cap. Based on the May 2019 forecast, an average of roughly $70 million per biennia is estimated to be deposited into the ORDF.

Like the Education Stability Fund, the ORDF also requires a three-fifths majority of both chambers of the Legislature to authorize an expenditure of funds from the reserve fund. The ORDF uses the same trigger mechanisms that are used for the ESF, with two exceptions. First, there is no allowance for a declaration of an emergency by the Governor. Second, unlike the ESF, the ORDF is a statutory, not constitutional, creation so the Legislature can change the existing triggers by passing a new law.

The Legislative Assembly is also limited to appropriating for any one biennium only up to two-thirds of the amount in the ORDF at the beginning of that biennium; if the appropriation is for a biennium that has not yet started, the Legislative Assembly can use the most recent official projection of the beginning balance of the ORDF for the biennium for which the appropriation is to be made. The ORDF retains all interest, which is calculated and transferred to the ORDF once a month by the Department of Administrative Services.

The ORDF has been used three times to balance or rebalance a biennial budget:

- During the 2009 session, the Legislative Assembly transferred two-thirds of the balance of the ORDF on July 1, 2009, estimated at $225 million, to the General Fund for general governmental purposes as part of the final 2009-11 biennial balanced budget plan.
- In order to provide a $6 billion State School Fund for the 2009-11 biennium, the Legislative Assembly provided a $200 million trigger in the budget bill for the SSF during the 2009 session. The trigger amount was to come from a combination of the state's projected General Fund ending balance and the ORDF with amounts to be determined at the time of the June 2010 economic and revenue forecast; the amount eventually transferred was $115.726 million.[5]
- As part of the 2009-11 budget rebalance plan crafted during the February 2010 special session, the Legislature transferred $10 million from the ORDF to the General Fund for general governmental purposes.

The May 2019 economic and revenue forecast shows a projected balance of $595.3 million in the ORDF at the end of the 2017-19 biennium. The projected balance in the ORDF at the end of the 2019-21 biennium is currently estimated at $918.9 million.

[5] The language creating the transfer mechanism was included in SB 5520 (2009) and then subsequently modified during the February 2010 special session in SB 5565.

Major Revenue Bills

This section summarizes five major revenue bills: HB 3427, referred to as the Student Success Act, creates a Corporate Activity Tax (CAT) dedicated to school funding; HB 2164 contains policy modifications and clarifications to the CAT as well as serving as the 2019 tax expenditure omnibus bill; HB 2010 contains the revenue elements of the health care funding plan; HB 2005 establishes a Paid Family Medical Leave policy; and HB 2270 represents a significant change to the taxation of tobacco and related products and is scheduled to go to voters in November of 2020. Further detail of these revenue bills is as follows:

- HB 3427 is referred to as the Student Success Act. This core revenue policy is the creation of the Corporate Activity Tax (CAT). It is a 0.57% tax on commercial activity in Oregon above one million dollars. The calculation of the tax includes a 35% deduction for the larger of cost of goods sold or employee labor costs. Certain items and entities are exempt, such as the wholesale or retail sale of groceries and entities subject to the Medical Provider Taxes. The bill also contains a reduction of 0.25 percentage points for the bottom three personal income tax rates – from 5%, 7%, and 9% to 4.75%, 6.75%, and 8.75%. The net revenue impact for 2019-21 is projected to be $1,175 million. The Fund for Student Success (FSS) is estimated to receive $1,598 million while the General Fund is estimated to have a revenue loss of $423 million. The General Fund loss due to the income tax rate reductions is to be offset by a transfer from the FSS.

- HB 2164 consists of two policy themes. First, it contains certain technical and policy modifications or clarifications to the CAT created in HB 3427. Examples include the clarification of how insurance companies are taxed and how 'cost inputs' is defined. Second, it serves as the 2019 biennial omnibus tax expenditure bill. It extends all nine tax credits under review for the biennium, the most notable of which may be the extension and expansion of the earned income tax credit, which was increased by one percentage point. A tax credit for short-line railroads was created and the tax credit for IDA contributions was enhanced by increasing its value from 70 % of donations to 90%. Other tax expenditure policies included in the bill pertain to property taxation of low-income housing, historic property, and food processing equipment. For 2019-21, the bill generates a revenue loss of just under $71 million to the General Fund, $2 million to the FSS, and just over one million dollars to the property tax system.

- HB 2010 is the product of the latest health care funding effort. Through the extension of existing assessments and some expansions, Oregon's health care system is projected to receive an additional $335 million in 2019-21. The assessment on insurers, PEBB, and managed care organizations is increased from 1.5% to 2%. The bill also extends the assessment to Stop-Loss coverage. In addition, these assessments are extended through 2026. In 2021-23, the total amount raised is $1,811 million due to these changes plus the extension of the hospital assessment, which accounts for $1,232 million of that total. Under current law, the hospital assessment sunsets in September 2021; the bill moves the sunset date to September 2025.

- HB 2005 creates an Oregon Paid Family Medical Leave (PFML) program, modelled after the state's Unemployment Insurance program. The program will provide eligible employees with compensated time away from work for specified purposes. The funding source is a payroll tax with a rate of up to 1% of gross wages. The Oregon Employment Department is required to specify the rate, which is split between employers (60%) and employees (40%). Employers with fewer than 25 employees are exempt from the program. The tax becomes effective on January 1, 2022, so there is no revenue impact in 2019-21. For 2021-23, the PFML Insurance Fund is projected to receive $1,572 million from the payroll tax.

- HB 2270 refers to the voters the option of increasing tobacco taxes to help fund the states medical assistance program, including mental health services and programs addressing tobacco and nicotine use related health issues. If approved by voters, a total of $115 million is estimated to be raised in 2019-21 via three changes. First, the cigarette tax would increase from $1.33 to $3.33 for a pack of 20 cigarettes. The higher tax would take effect on January 1, 2021 and is projected to raise just under $109 million during the 2019-21 biennium. Second, the measure would create a tax on inhalant delivery systems and make them subject to the other tobacco products tax, which is 65% of the wholesale price. Lastly, the cap on the cigar tax would be increased from 50 cents to one dollar per cigar. The tax on inhalant delivery system is projected to raise $6 million in 2019-21 while the higher cigar tax cap would bring in roughly $0.3 million during the biennium. Full implementation of the changes would occur in 2021-23, when $350 million is projected to be raised.

Other Revenue Sources

Tobacco Master Settlement Agreement Funds

On November 23, 1998, 46 states and the four largest United States tobacco manufacturers entered into an agreement known as the Master Settlement Agreement (MSA). For release from past and present smoking-related claims by the states and for a continuing release of future smoking-related claims, the manufacturers agreed to make annual payments to the states in perpetuity. The state receives payments by April 15th of each year.

The State of Oregon revenues are deposited to the Tobacco Settlement Funds Account administered by the Department of Administrative Services. During the 2019 session, the Legislature allocated the funds available from the account in HB 5038. The amounts included in this bill are based on resources in the amount of $132.4 million projected to be available for the 2019-21 biennium.

The Legislature approved the following allocations from the Tobacco Settlement Funds Account:
- $30,914,500 to the Oregon Health and Science University Bond Fund to pay debt service and administrative fees on the Oregon Opportunity Bonds.
- $86,282,400 to the Oregon Health Authority for the Oregon Health Plan.
- $12,101,500 to the Oregon Health Authority for community mental health programs.
- $3,116,100 to the Department of Education for physical education-related grants.
- $1 to the Department of Justice as a placeholder for supplemental enforcement activities.

ORS 293.537 authorizes DAS to transfer sufficient funds from the Tobacco Settlement Funds Account for the enforcement of ORS 180.400 to 180.455, which had been done outside of the allocation bill prior to 2019-21. The Department of Justice's 2019-21 budget includes $1.7 million in Other Funds expenditure limitation for this enforcement of the Non-Participating Manufacturer requirements under the MSA and the Department has enough settlement funds carried over from prior biennia to cover enforcement expenditures and transfer of funds from the 2019-21 allocation was not necessary. The $1 placeholder is provided in the event the agency needs to request from the Legislature supplemental resources for enforcement activities.

Oregon Marijuana Account

Revenues from the state marijuana taxes are deposited into the Oregon Marijuana Account. The Department of Revenue transfers 10% of Account funds to cities and 10% to counties, by formulas established in statute. The remaining 80% of moneys forecasted to be received was allocated by the Legislature to state programs in HB 5029.

The revenue forecast for the Oregon Marijuana Account for the 2019-21 biennium totals $252.2 million. The Department of Revenue will distribute $44.7 million to cities and counties. The remaining $207.5 million are allocated as directed under statute:

- $103.7 million to the State School Fund (40%).
- $51.9 million to the Oregon Health Authority for mental health treatment or for purposes related to alcohol and drug abuse prevention, early intervention and treatment services (20%).
- $38.9 million to the State Police Account (15%).
- $13 million to alcohol and drug abuse prevention, early intervention and treatment services (5%).

Criminal Fine Account

The Criminal Fine Account (CFA) includes criminal fines and other financial penalties imposed on conviction for felonies, misdemeanors, and violations other than parking infractions. Revenues are collected by the courts, including by the Judicial Department for the circuit courts, and by individual municipal (city) and justice (county) courts, and remitted to the Department of Revenue. During the 2019 session, the Legislature allocated resources from the Criminal Fine Account in HB 5029.

ORS 137.300 establishes the CFA and identifies program priorities but does not specify a funding level for the programs. Expenditure limitations for programs receiving CFA allocations are established in the separate appropriation bills for the various receiving agencies. Once the specific program allocations have been made, any remaining CFA revenues are deposited into the General Fund.

The May 2019 revenue forecast projects that CFA revenues in the 2019-21 biennium will total $128.6 million. The passage of SB 980 during the 2019 session, which allows for inmate's trust account monies to be applied to court-ordered financial obligations, increased CFA revenues by $1.2 million. In total, this represents a 10.7% decrease from the prior biennium level. The Legislature approved CFA allocations to agencies totaling $76.8 million (a 0.4% increase over the prior biennium), which leaves a balance of $51.7 million to be deposited into the General Fund (a 23.3% decrease from the 2017-19 biennium). The specific allocations authorized are outlined in the following table.

CRIMINAL FINE ACCOUNT ALLOCATIONS

Criminal Fine Account Revenues	**$**	**128,566,192**
Criminal Fine Account Allocations:		
Department of Public Safety Standards and Training		
Operations	$	31,999,031
Public Safety Memorial Fund		279,495
Subtotal:	$	32,278,526
Department of Justice		
Child Abuse Multidisciplinary Intervention (CAMI)	$	9,824,565
Regional Assessment Centers		846,968
Criminal Injuries Compensation Account (CICA)		8,755,862
Child Abuse Medical Assessments		716,912
Subtotal:	$	20,144,307
Department of Human Services		
Domestic Violence Fund	$	2,224,675
Sexual Assault Victims Fund		533,332
Subtotal:	$	2,758,007
Oregon Health Authority		
Emergency Medical Services & Trauma Services	$	331,824
Alcohol & Drug Abuse Prevention		42,884
Law Enforcement Medical Liability Account (LEMLA)		1,300,000
Intoxicated Driver Program		4,323,000
Subtotal:	$	5,997,708
Oregon Judicial Department		
State court security and emergency preparedness	$	3,784,490
County court facilities security		2,931,528
Capital improvements for courthouses and other state court facilities		
State Court Technology Fund		3,887,500
Subtotal:	$	10,603,518
Oregon State Police		
Driving Under the Influence Enforcement	$	351,572
Department of Corrections		
County correction programs, facilities, and alcohol & drug programs	$	4,585,442
Department of Revenue		
Administrative expenses	$	100,000
Total Allocations:	**$**	**76,819,080**
Transfer to the General Fund:	**$**	**51,747,112**

Fees and Fee Changes

The Legislature considered several pieces of legislation that contemplated the establishment or modification of fees charged by state agencies. For the purposes of this document, only those fee changes that were approved by the Legislature, or that were provided by the Department of Administrative Services as part of the report of fees to the Legislative Assembly under ORS 291.060 prior to the beginning of the session, are included in this section. Although not included in this section, additional fee changes were considered in a number of bills that were not adopted by the Legislature and some bills that were adopted may have contained language allowing for the establishment of fees by administrative rule, but the exact amount of the fee was neither explicitly established or included in the legislatively adopted budget and will need to be ratified following the adoption of the fee by administrative rule.

Fees are defined in statute "as an amount imposed and collected by a state agency to defray or recover the costs of administering the law involved in providing a service to the public and used by the state agency to carry out or enforce a law under its jurisdiction," but does not include fines, civil penalties, or court judgments; proceeds from the sale of products or charges for rent, leases, or other real estate transactions; interest and other charges for bonding and loan transactions; assessments between agencies; copying charges for public records; or charges for attendance at informational seminars.

As noted above, there is a process established in statute for the ratification of fees by the Legislature when those fees are not directly established in statute. In cases where an agency is granted the authority to establish or increase fees by administrative rule, any new fees or fee increases adopted through these means:

- Are not effective until approved in writing by the Director of the Department of Administrative Services for executive branch agencies (President and Speaker for legislative branch agencies; Chief Justice for judicial branch agencies).
- Must be reported by the state agency to the Director of the Department of Administrative Services within 10 days of their adoption.
- Are rescinded upon adjournment of the next regular session of the Legislature, unless otherwise authorized by enabling legislation (fee ratification bill) setting forth the approved fees.

There are a small number of specific fees, charges, and assessments that are exempt from the fee ratification process. Additionally, a general exemption to the fee ratification process is applied to new or increased fees anticipated in the budgeting process for an agency, revenues from which are included in the legislatively adopted budget for the agency. There are three general methods for the approval of the establishment or modification of fees: (1) direct statutory establishment or modification of the fee; (2) ratification of a fee established or modified by administrative rule; and (3) adoption of an agency budget that includes anticipated revenues from fee changes.

The following table provides the number of requested fee actions that were either approved or denied, by agency, separated into each of the enabling categories. Although the table attempts to reflect the number of individual fee changes, some individually counted fees may, in fact, be changes to fee schedules containing multiple individual fees, or are single fees broken into multiple components.

	Statutory Change	Fee Ratification Bill	Agency Budget Bill	Total Fee Changes
Approved				
Department of Consumer and Business Services			3	3
Department of Environmental Quality	1	27	21	49
Department of Human Services	1			1
Department of Justice			1	1
Higher Education Coordinating Commission		23		23
Oregon Board of Pharmacy	18			18
Oregon Board of Tax Practitioners		4		4
Oregon Department of Agriculture	183	176	22	381
Oregon Department of Transportation		5		5
Oregon Health Authority	43		2	45
Oregon Liquor Control Commission	19	1		20
Oregon Racing Commission			1	1
Oregon State Marine Board	12			12
Oregon State Police			3	3
Parks and Recreation Department			13	13
Public Utility Commission	2			2
Total Approved	**279**	**236**	**66**	**581**
Denied				
Department of Environmental Quality			2	2
Department of Geology and Mineral Industries	23			23
Oregon Department of Fish & Wildlife	2			2
Total Denied	**25**		**2**	**27**
Total	**304**	**236**	**68**	**608**

There were 27 proposed fee increases that were not approved by the Legislature. Two fee increases that were included in the Governor's proposed budget for the Department of Environmental Quality related to vehicle inspections were considered, but not approved, by the Legislature. Changes to another twenty-three individual fees for permits for mineral exploration, mining operations, exclusion certificates, gas and oil drilling and exploration, and geothermal well drilling operations charged by the Department of Geology and Mineral Industries were considered in SB 45, but the bill was not approved. In addition, HB 2066, that included two changes that would have reduced one-day angling and shellfish license fees from $32.50 to $23.00, effective January 1, 2020, and from $23.00 to $22.50, effective January 1, 2027 was also not approved by the Legislature.

Change actions for fees fall into four general categories: increases, decreases, establishment, and abolishment. The following table lists the number of fee changes and anticipated revenue impact for the 2019-21 biennium for each agency, by fee change category, for the 581 fee changes approved during the 2019 session.

Agency	Establish		Increase		Decrease		Abolish		Total	
	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact
Department of Environmental Quality	21	$ 6,502,619	28	$ 4,571,035					49	$ 11,073,654
Oregon Liquor Control Commission	2	$ 204,000	18	$ 9,054,450					20	$ 9,258,450
Public Utility Commission			2	$ 8,756,962					2	$ 8,756,962
Oregon State Marine Board	8	$ 1,149,544	4	$ 4,431,587					12	$ 5,581,131
Oregon State Police	2	$ 2,336,400	1	$ 840,000					3	$ 3,176,400
Oregon Department of Agriculture	18	$ 2,577,420	361	$ 2,037,591	1	$ (2,100,000)	1	$ -	381	$ 2,515,011
Oregon Board of Pharmacy			18	$ 1,959,075					18	$ 1,959,075
Oregon Health Authority	4	$ 1,974,808	39	$ 48,250			2	$ (136,350)	45	$ 1,886,708
Department of Consumer and Business Services	2	$ 636,240	1	$ 42,000					3	$ 678,240
Higher Education Coordinating Commission			23	$ 200,729					23	$ 200,729
Oregon Department of Transportation	1	$ 50,400	4	$ 75,334					5	$ 125,734
Department of Justice			1	$ 69,800					1	$ 69,800
Department of Human Services	1	$ 27,400							1	$ 27,400
Oregon Racing Commission	1	$ -							1	$ -
Parks and Recreation Department			13	$ -					13	$ -
Oregon Board of Tax Practitioners			2	$ 13,750	2	$ (17,500)			4	$ (3,750)
Total	**60**	**$ 15,458,831**	**515**	**$ 32,100,563**	**3**	**$ (2,117,500)**	**3**	**$ (136,350)**	**581**	**$ 45,305,543**

Department of Environmental Quality

The Department of Environmental Quality (DEQ) fee increases support programs within the Air Quality Division, Water Quality Division, and Land Quality Division. In the Air Quality Division, the budget bill (HB 5017) assumes fee increases to the state Air Contaminant Discharge Permit that will generate around $3.1 million in revenue in 2019-21 and would be enough to support the program for two biennia. These fee increases will fund the current program and the addition of 6 positions specifically to address the air quality permit backlog. Additionally, fees for the Cleaner Air Oregon program, established in SB 1541 (2018), were administratively adopted by the Department and ratified in HB 5018. These fees were set at the statutory cap, which is in place until 2024, and includes an annual base fee and a one-time activity fee expected to generate $4,847,282 Other Funds revenue to support the program.

The Department's budget recognizes fee increases to the wastewater permit program to fund the current program and the addition of 9 positions to address the water quality permit backlog. The exact amount of the fees will be determined by rule but are expected to generate $1,170,185 Other Funds revenue in 2019-21. Finally, a 7% increase to the underground injection control fees were ratified in HB 5018 and will generate about $25,000.

For the Land Quality Division, fees were increased for the existing Heating Oil Tank program (SB 40) and Oil Spill Prevention program (SB 41), and new fees were established for two new programs, the High Hazard Rail program (HB 2209) which will charge railroads an annual fee of 0.05% of gross operating revenue to fund planning, preparedness, and response to spills along high hazard rail corridors

Oregon Liquor Control Commission

SB 248 doubled existing alcohol-related licensing fees, with the exception of alcohol service permits. Prior to passage of the bill, many of the fifteen subject license types had been in place since at least 1953. The subject fees include those paid by restaurants, bars, package stores, distillers, distributors, wineries, and temporary/special event permits to sell and serve alcohol. The fee amounts charged vary by license type, and under the new fee structure, range from a low of $200 per year for an off premises license, to $1,000 for a brewery public license. SB 248 is anticipated to raise $9,172,400 during the 2019-21 biennium.

An increase in the fee related to issuance of a Hemp Certificate (which grants the ability to sell hemp related products in OLCC-licensed retail cannabis stores) was imposed by the OLCC in March of 2019 and ratified by the Legislature through the passage of OLCC's budget (SB 5519). The fee increased from $500 to $1,000 and is expected to cover 650 licensees.

Public Utility Commission
SB 68 established a new upper limit for fees imposed on investor-owned utilities. The actual fees are set in rule. The bill will allow the Public Utility Commission to meet growing demands placed on the agency by policymakers and the rapidly changing energy marketplace. The 2019-21 legislatively adopted budget for the PUC assumes $9 million in new revenues from passage of the bill.

Marine Board
The 2019-21 legislatively adopted budget reflects raising Vessel fees, Boat Certificate of Title fees, and Mandatory Boater Education Card fees, which will total $3.1 million in additional revenue. SB 47 established the nonmotorized boat Waterway Access Fund within the agency for the purpose of awarding grants for acquisition, construction, and maintenance of boating facilities that serve nonmotorized boaters. When fully enacted, the Waterway Access Fund will generate approximately $1 million Other Funds revenue per biennium. HB 2532 established the Towed Watersports Program within to support the costs of administering and implementing the program and assist with paying the costs of law enforcement activities related to towed watersports in the Newberg Pool Congested Zone. The fees will generate approximately $124,000 Other Funds revenue per biennium.

Department of State Police
The Petroleum Load Fee (ORS 465.104) was increased from $8 to $9 per load as of July 1, 2019, and from $9 to $10 per load as of July 1, 2020. This fee supports the state's oil, hazardous material, and hazardous substance emergency response program (the Regional Hazardous Materials Emergency Response Team (RHMERT) Program) in the Office of the State Fire Marshal. The fee increases are estimated to raise an additional $840,000 in the 2019-21 biennium. Petroleum Load Fee revenues are used to purchase emergency response vehicles, threat detection tools, and technical safety equipment used by thirteen emergency response teams located throughout the state.

Department of Agriculture
The Department of Agriculture (ODA) budget recognizes fee increases in several programs, including Food Safety, Weights and Measures, Certifications, Confined Animal Feeding Operations, and Hemp. Some of these fees, including Food Safety, Weights and Measures, and Certifications were modified through the fee ratification process and are reflected in HB 5003.

The fees that support the Confined Animal Feeding Operations (CAFO) Program were increased through HB 2061. Fee changes for the Hemp Program are assumed in the Department's budget (HB 5002), as the program would be officially adopting the fee changes through rule prior to the end of the 2019 session.

The fee increases in HB 5003 for the Food Safety and the Weights and Measures programs would place the fees at the current statutory maximum. As a result, the Legislature also approved increases to the statutory caps for Food Safety (HB 2059) and Weights and Measures (HB 2057), which will allow the Department the option of increasing those fees at 3% annually. Any increases adopted by the Department would then be included in a future fee ratification bill.

Finally, SB 883 created a new program for ODA to regulate animal rescue shelters, including establishing a fee to fund the costs of regulation. The Department anticipates an annual fee of $584, which would generate revenue of $131,400 Other Funds in 2019-21 based on current estimates of 225 facilities. This fee may need to be reevaluated in the future as the program becomes operational.

Board of Pharmacy

The Board of Pharmacy updated its fee schedule, increasing licensing fees for pharmacists, certified pharmacy technicians, pharmacy technicians, and interns, as well as inspection fees for outlets. The last time the Board raised fees was in 2001. A proposed fee increase during the 2011-13 biennium was rolled back to 2001 rates. In 2015, the Board instituted biennial licensure without a fee adjustment. Pharmacists, certified pharmacy technicians, and pharmacy technicians have been receiving two years of licenses for the price of one year. This updated fee schedule will adjust for biennial licensure, as well as address the increased costs of operations driven by changes in the focus of pharmacy practice and technological advances being incorporated into systems of drug distribution.

Oregon Health Authority

Several new fees and fee increases were included in the Oregon Health Authority (OHA) budget. These fees impact the Public Health Division and are expected to generate $2 million in additional Other Funds revenue during the 2019-21 biennium. Of this amount, $1.8 million represents restructured Drinking Water Services fees authorized by SB 27 (2019). Previously, this program had authority to periodically charge sanitary survey fees. With the revised fee authority, the sanitary survey fees are replaced with annual regulatory fees established through the administrative rules process to broaden the program's regulatory support and improve its ability to monitor the safety of Oregon's drinking water and respond to detection of contaminants.

With the passage of SB 28 (2019), the budget also incorporates increases to the statutorily-defined licensing and inspection fees for tourist facilities, public spas and pools, bed and breakfasts, restaurants and vending machines, and for plan reviews for restaurant construction or remodeling. These fees support related regulatory costs and were last increased in 2003. As authorized in statute, the Public Health Division delegates most of this work to local public health authorities, which collect the fees to support their related program costs. Given that OHA directly performs only a fraction of this work, particularly in cases when a county returns its public health authority to the state, the overall impact on OHA's 2019-21 budget due to these fee increases is expected to be only $64,450.

Also included in the budget is $111,511 Other Funds to reflect a new fee in the Toxic Free Kids program. State law requires manufacturers of children's products to remove certain chemicals from their products or seek a waiver. The Public Health Division will establish a one-time application fee and a consulting fee through the administrative rules process to support the cost of the waiver process.

Department of Consumer and Business Services

The budget for the Department of Consumer and Business Services recognizes $636,240 in anticipated revenue from the establishment of fees authorized by HB 4005 (2017) related to the Oregon Prescription Drug Price Transparency program, as well as additional General Fund revenues from the increase in fees for annual licensure renewal of securities broker dealers as adopted by rule.

Higher Education Coordinating Commission

The Private Career School program in the Higher Education Coordinating Commission (HECC) increased fees in 2017 and 2019 to provide sufficient funding for the program. There are approximately 180 private career schools including those for cosmetology, truck driving, tattoos, real estate, and some health-related occupations. The fees were supported by the Private Career School Advisory Committee. Committee membership includes representatives of the schools that are charged the fees. The fee increases are expected to raise $117,703 annually in 2019-21, reflecting a 30% increase in 2017 and another 30% fee increase in 2019. These increases replace General Fund resources for the program that were no longer available after the 2015-107 biennium.

Department of Transportation

HB 5040 (2019) ratified fees adopted by the Department of Transportation and approved by the Department of Administrative Services. The specific fees affected by the measure relate to annual permits for outdoor advertising signs, vehicle registration plates, and ignition interlock device service center applications.

Department of Justice

The Legislature approved a federally mandated fee increase to the family for each new Temporary Assistance for Needy Families child support case. This is a one-time fee increase of $10 to the family, increasing the fee from $25 to $35. Of the total revenue collected, 66% is passed on to the federal government as program income and the remaining 34% is split between County Child Support programs (24%) and the Division of Child Support (10%). The Division does not get an administrative allowance for processing this collected fee.

Department of Human Services

Effective January 1, 2021, HB 2600 (2019) requires the Department of Human Services to annually inspect kitchens and other food preparation areas in long term care facilities to help prevent the spread of communicable diseases. The bill authorizes the agency to charge an inspection fee of up to $200 to help cover the cost of conducting inspections that are not part of a legally required facility survey.

Racing Commission

SB 76 (2019) permits Oregon Racing Commission licensees to conduct exchange wagering, a type of bet involving opposing wagers in a given market on the outcome of a race. The Racing Commission may charge a fee of up to 2% of the revenue resulting from the wager. This a relatively new kind of wager, and its popularity will ultimately determine the amount of additional revenue collection. Since the Racing Commission already audits and monitors licensees on existing wagers, collection and oversight costs are anticipated to be minimal.

Parks and Recreation Department

The budget bill for the Parks and Recreation Department recognizes fee revenues from a flexible fee schedule adopted by rule by the Parks Commission for the upcoming biennium as authorized by HB 2318 (2017). 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.

Board of Tax Practitioners

Fees assessed by the Oregon Board of Tax Practitioners were authorized to be modified by HB 5037 (2019) for both the Licensed Tax Preparer (LTP) and the Licensed Tax Consultant (LTC) examinations. Under the new fee structure, LTPs and LTCs both pay a $60 Exam Application Fee for review of their credentials by the Board. Once approved to take a licensing exam by the Board, the applicant pays an Exam Proctoring Fee directly to the test proctoring company; this fee will be $50 for LTPs and $85 for

LTCs. Revenues that fund Board operations are anticipated to decrease by $3,750 per biennium under this new fee structure.

Additional information on fee changes and their associated revenues can be found in fiscal impact statements, revenue impact statements, or budget reports for the various pieces of enabling legislation. The following table presents the number of approved fee changes and estimated revenue, by agency and bill number.

Agency	Number	Anticipated Revenue Impact
Department of Consumer and Business Services		
HB 5011	3	$ 678,240
Department of Environmental Quality		
HB 2209	1	$ 550,737
HB 5017	15	$ 3,100,000
HB 5018	27	$ 5,979,182
SB 40	5	$ 368,754
SB 41	1	$ 1,074,981
Department of Human Services		
SB 2600	1	$ 27,400
Department of Justice		
SB 5515	1	$ 69,800
Higher Education Coordinating Commission		
HB 5025	23	$ 200,729
Oregon Board of Pharmacy		
SB 5529	18	$ 1,959,075
Oregon Board of Tax Practitioners		
HB 5037	4	$ (3,750)
Oregon Department of Agriculture		
HB 5002	6	$ 725,500
HB 5003	192	$ 1,370,263
HB 2057	16	$ 102,649
HB 2059	154	$ 107,233
HB 2061	12	$ 77,966
SB 883	1	$ 131,400
Oregon Department of Transportation		
HB 5040	5	$ 125,734
Oregon Health Authority		
SB 27	3	$ 1,716,947
SB 28	38	$ 8,250
SB 29	2	$ 50,000
SB 5525	2	$ 111,511
Oregon Liquor Control Commission		
SB 247	1	$ 204,000
SB 248	18	$ 8,729,450
SB 5519	1	$ 325,000
Oregon Racing Commission		
SB 76	1	$ -
Oregon State Marine Board		
HB 2080	5	$ 4,465,651
HB 2352	1	$ 124,000
SB 47	6	$ 991,480
Oregon State Police		
HB 3005	2	$ 2,336,400
SB 5530	1	$ 840,000
Parks and Recreation Department		
SB 5527	13	$ -
Public Utility Commission		
SB 68	2	$ 8,756,962
Total	**581**	**$ 45,305,543**