

**State of Oregon  
Legislative Fiscal Office**

900 Court St. NE, Rm. H-178  
Salem, OR 97301  
503-986-1828



**State of Oregon  
DAS Chief Financial Office**

155 Cottage St. NE, U10  
Salem, OR 97301  
503-378-3106

## **2021-23 General Fund/Lottery Funds Tentative Budget**

As required by ORS 291.210, the Legislative Fiscal Office (LFO) and the Budget and Management Division (BAM) of the Department of Administrative Services' (DAS) Chief Financial Office (CFO) have worked together to develop a projected tentative General Fund/Lottery Funds budget for the 2021-23 biennium.

The purpose of the tentative budget is to give policymakers an idea of the state's relative fiscal position for the coming two-year budget period if the state continues all currently approved programs at their current law approved funding levels, adjusted for inflation, compensation roll-up costs, program phase-ins and phase-outs, and projected mandated caseload increases. This is commonly referred to as the Current Service Level (CSL). Revenues for the current tentative budget are based on the December 2020 economic and revenue forecast, while the expenditures consider actions taken by the Legislature since the conclusion of the 2019 session; however, due to the continued adjustments to the 2019-21 legislatively approved budget, not all potential ongoing budget needs have been incorporated into the projections. As directed by ORS 291.210, the tentative budget consists of "the estimated revenues under ORS 291.342 for the next biennium and a preliminary estimate of the projected costs of continuing currently authorized programs for the next biennium."

Not only will the tentative budget for the 2021-23 biennium change with each of the remaining quarterly economic and revenue forecasts that will occur before the start of the next biennial budget period, as well as any legislative actions that take place prior to that time, but there are additional uncertainties regarding the budget situation given the current pandemic response and the potential for additional federal support. It should also be emphasized that the tentative budget, as a current service level projection, only represents an estimate of the costs of continuing currently approved programs for the next two-year budget period; it does not represent a guarantee of funding for any agency or program or include costs for any program currently not included in the state's budget.

The current tentative budget for the 2021-23 biennium assumes the following statewide factors:

- Revenue growth is based on the Office of Economic Analysis (OEA) December 2020 economic and revenue forecast.
- State personal services growth is projected at approximately 10% for the biennium, including step increases, roll-up of current collective bargaining agreements and management salary packages, health benefit costs, Pension Obligation bond payments, and an increase in the PERS rate.
- Standard biennial inflation of 4.3% for services and supplies and 5.7% for medical costs and non-state employee personnel costs (contract providers).

- General Fund needed to backfill 2019-21 one-time funds or account for programs that change funding sources between the two biennia is projected to total \$837 million. This net growth is driven primarily by the Human Services and Education program areas. Impacts are partially offset by \$329 million shifting from General Fund to local property tax revenues for the State School Fund and Community College Support Fund as estimated property taxes grow faster than estimated General Fund sources.
- The State School Fund (SSF) current service level budget is estimated to remain close to the 2019-21 legislatively approved level of \$9.0 billion total funds. Combined General Fund and Lottery Funds account for \$8.251 billion and the remainder includes Corporate Activities Tax (CAT) revenues, marijuana tax revenues, and expenditure limitation for the Local Option Equalization Grants. This growth is based on:
  - the preliminary actuarial PERS net rate estimates for school districts of 13.79% of payroll including factoring in school district side accounts, but excluding the pick-up - this is a reduction of 22% from the 2019-21 CSL estimate of 17.79% of payroll;
  - the Legislative Revenue Office current estimate of 2021-23 local revenues;
  - annual payroll growth for school district employees of 2.15%; and
  - increases in health benefits of 3.4% each year as outlined in SB 1067 (2017 session).
- The estimated CSL for Ballot Measure 98 programs totals \$307.3 million total funds (\$170.6 million General Fund and \$136.7 million of CAT revenues) which is based on the statutorily required formula. These funds are distributed to school districts for Career and Technical Education (CTE), college-level education opportunities or accelerated learning, and drop-out prevention.
- The 2021-23 current service level budget for state support of Public Universities, including a \$22.2 million increase in debt service payments, is estimated to grow by a combined \$88.9 million General Fund and Lottery Funds. The Community College Support Fund is estimated to grow by \$27.3 million General Fund to \$673.1 million and debt service payments on behalf of community colleges increases by another \$14.3 million.
- Human services mandated caseload increases for the 2021-23 biennium are based on the Fall 2020 forecasts for the Oregon Health Authority and the Department of Human Services.
- Oregon Health Plan costs are inflated 3.4% per year, consistent with the state's federal waiver agreement over the last several years.
- Existing debt service schedules are built into agency budgets based on current repayment schedules, which increases the tentative budget by a combined \$129.8 million General Fund and Lottery Funds.
- A projected \$50 million General Fund and \$15 million Lottery Funds is included for potential new bond issuance early in the 2021-23 biennium.
- An Emergency Fund of \$50 million General Fund is included; no Special Purpose Appropriations to the Emergency Board are assumed except for \$8 million for forest fire suppression and insurance costs.
- A compensation adjustment of \$210 million General Fund (and a reserve of \$5.3 million Lottery Funds) is included primarily to address future collective bargaining agreements; the General Fund is for state employees (\$190 million) and non-state employees (\$20 million), or home health care workers.
- An ending balance of 1% of expenditures is assumed due to the Rainy Day Fund deposit requirement and for a prudent lottery funds cushion due to volatility.

Based on these assumptions, the current 2021-23 tentative budget reflects total available revenues of \$23.708 billion General Fund and \$1.323 billion Lottery Funds, for a total of \$25.031 billion of General Fund and Lottery Funds resources. Projected expenditures at current service levels consist of \$24.409 billion General Fund and \$1.159 billion Lottery Funds, for a total of \$25.568 billion of expenditures. With the inclusion of a 1% ending balance, the current projected gap between available resources and estimated expenditures for the 2021-23 biennium is \$792.7 million.

This information will continue to be revised as economic and revenue projections and estimated costs are updated.

Additional details are included in the following table.

<b>Tentative Budget Projections</b>							
December 2020 Forecast							
	Legislatively Approved Budget			Projected Tentative Budget			% chg.
	2019-21		Total	2021-23		Total	
Revenues	GF	LF		GF	LF		Total
Projected Beginning Balance*	2,709.4	144.1	2,853.4	1,794.0	146.1	1,940.1	
Interest on ESF	-	19.6	19.6	-	5.9	5.9	
Distributed Oregon Growth Acct. Earnings	-	22.8	22.8	-	-	-	
1% Appropriations to Rainy Day Fund	(198.3)	-	(198.3)	(218.6)	-	(218.6)	
TANs	(21.5)	-	(21.5)	(21.5)	-	(21.5)	
Projected Revenues (net of personal kicker)	21,167.7	1,289.4	22,457.1	22,208.6	1,514.3	23,722.9	6%
Tax Credit Extensions & Relief	-	-	-	(54.9)	-	(54.9)	
Less Dedications (ESF, County, PERS EIF )	-	(284.1)	(284.1)	-	(343.0)	(343.0)	
One-time Resources (ESF Withdrawal)	-	400.0	400.0	-	-	-	
<b>Total Resources</b>	<b>23,657.3</b>	<b>1,591.8</b>	<b>25,249.1</b>	<b>23,707.5</b>	<b>1,323.4</b>	<b>25,030.9</b>	<b>-1%</b>
<b>Expenditures</b>							
Education - State School Fund**	7,568.5	730.5	8,299.0	7,880.6	370.5	8,251.1	-1%
Education - All Other	3,026.6	142.9	3,169.4	3,274.6	154.4	3,429.0	8%
Human Services	6,259.3	17.9	6,277.2	8,104.6	17.3	8,121.9	29%
Public Safety	2,713.5	10.6	2,724.1	2,902.2	11.6	2,913.8	7%
Economic Development	232.7	158.3	391.0	172.7	181.9	354.6	-9%
Natural Resources	283.8	243.9	527.7	288.4	238.7	527.1	0%
Transportation	75.2	115.2	190.3	18.4	126.0	144.4	-24%
Consumer & Business Services	15.3	0.3	15.5	15.7	-	15.7	1%
Administration	417.3	26.3	443.6	265.8	38.0	303.8	-32%
Legislative Branch	159.9	-	159.9	180.4	-	180.4	13%
Judicial	844.2	-	844.2	987.8	-	987.8	17%
<b>Total Expenditures</b>	<b>21,596.2</b>	<b>1,445.7</b>	<b>23,041.9</b>	<b>24,091.3</b>	<b>1,138.4</b>	<b>25,229.7</b>	<b>10%</b>
Add'l Debt Service	-	-	-	50.0	15.0	65.0	
EFund	64.0	-	64.0	50.0	-	50.0	
Salary Adjustment	200.0	-	200.0	190.0	5.3	195.3	
Forestry Fire SPA	2.0	-	2.0	8.0	-	8.0	
Other SPAs	1.1	-	1.1	20.0	-	20.0	
<b>Total Expenditures</b>	<b>21,863.3</b>	<b>1,445.7</b>	<b>23,309.0</b>	<b>24,409.3</b>	<b>1,158.7</b>	<b>25,568.0</b>	<b>10%</b>
Outlook Ending Balance = 1% Exp. by formula)				244.1	11.6	255.7	
<b>Net Fiscal Position</b>	<b>1,794.0</b>	<b>146.1</b>	<b>1,940.1</b>	<b>(945.8)</b>	<b>153.1</b>	<b>(792.7)</b>	

\* As of the December 2020 forecast.  
\*\* Total State School Fund for 2019-21 also includes approximately \$701 million in Other Funds from Marijuana Tax proceeds, the CAT, and other sources for a total of \$9.0 billion. 2021-23 CSL includes \$746 million Other Funds for a \$9 billion total.