

# 2026 Co-Chair Rebalance Principles



Passage of House Resolution 1 (H.R. 1) has impacted the state budget through a projected reduction in General Fund revenues in the current biennium, the loss of an estimated \$15 billion in federal revenues over the next three biennia, and increasing state costs to participate in federal programs, through a shift in costs to the state and new administrative requirements. While immediate actions are needed to rebalance the current budget, impacts associated with the federal Supplemental Nutrition Assistance Program and Medicaid program changes only grow in future biennia. Therefore, the state of Oregon faces a multi-biennial budget deficit heading into the 2026 session and long-term solutions are necessary to address these issues and future budget sustainability.

State agencies have gone through the difficult process of developing 5% reductions and presented those options to the Interim Joint Committee on Ways and Means in November. As these reductions are considered, funding that supports mission-driven, core, mandatory government services must be prioritized. Beyond reductions, judicious use of reserves and evaluation of revenues must also be considered. The Co-Chair's plan for rebalancing the budget in the 2026 session will be based on the following guiding principles as the foundation for consideration of each option to support long-term budget stability:

**Reductions:** Reductions achieved through elimination of long-term vacancies and other efficiencies were already incorporated into the 2025-27 legislatively adopted budget, making further mid-biennium reductions even more difficult. Prioritizing funding requires analysis of all programs and services to determine what may need to be reduced or eliminated to preserve funding for the effective operation of essential programs.

**Reserves:** Reserves are one-time resources and not a long-term solution to address ongoing increases in state expenditures. Prudent use of reserve funds as a bridge to permanent stable funding solutions should be evaluated to mitigate the impacts on programs and services. Additionally, while the state has accumulated healthy balances in the Rainy Day Fund and Education Stability Fund, use of these funds must be balanced with potential needs in future biennia.

**Revenues:** Revenues provide the necessary resources for the state budget. Stimulating Oregon's economy by growing private sector jobs that provide good wages to hardworking Oregonians, improving the efficiency of the state's revenue structure, and aligning the tax code to support business will increase resources to that support education, health care, public safety, and other critical services across the state.