

## 2021-23 Ways and Means Co-Chair Principles

The year 2020 brought significant, unprecedented events, many of which are ongoing, resulting in more uncertainty than we typically face at the beginning of the session during which we must determine the budget for the next two years. While we cannot provide definitive direction about budget decisions, we commit to communicating often, starting with this document that will discuss:

- What we know
- What we don't know
- What the process will look like
- The Guiding Principles that will drive how we make decisions

### Knowns

- **The pandemic and the 2020 wildfires, as well as other issues, have resulted in significant economic and programmatic challenges.** While many Oregonians have not been economically impacted by the effects of the pandemic, many other Oregonians and Oregon businesses have suffered huge economic losses with business closures and the inability to pay for basic needs including food and housing. Many others have lost their homes and, in some cases, their communities.
- **We are starting budget discussions \$1.7 billion short in General Fund to continue current programs and services.** In addition, because of many uncertainties regarding the economy, it is anticipated there will be more volatility/uncertainty in the economic and revenue forecast that must be used to balance the budget.
- **There are more “unknowns” than typically exist at the beginning of a session.** And these “unknowns” are likely to have a major effect on the budget, as discussed below. We commit to communicating and sharing information as we know it. At this point in the process, it is important that we listen, learn, and prepare ourselves so that as we have more certainty regarding available resources, as well as program and service needs, we can make the best budget decisions possible.
- **Oregon has taken steps to be prepared for financial shortfalls.** Oregon is one of the states best prepared for times of fiscal difficulty. Between the Rainy Day Fund and the Education Stability Fund we currently hold \$1.37 billion in state reserves. While these reserves provide a healthy cushion that can help provide stability for critical programs and services, it is important to remember that there are conditions that must be met to access reserve funds. In addition, we need to determine whether the spending of the reserves is a bridge to stability in the future or just putting off dealing with an imbalance between the amount of money we will have to spend and the costs of continuing programs and services into the future.

### Unknowns

- **We do not know how quickly the COVID-19 vaccine will become available to most Oregonians.** This is critical to when we will see the elimination of pandemic-related restrictions.
- **We do not know when the state, national, and global economies will reopen, and economic recovery will truly begin.** There is significant uncertainty about how much state tax and lottery revenues that K-12, human service, public safety, and other programs rely upon will be available for the 2021-23 biennium.
- **We expect significant changes in federal support and program requirements accompanying a new administration.** Specific federal support, including FEMA reimbursement for pandemic and wildfire costs, is as yet unknown. Additional federal support related to the pandemic is also unknown and could help us balance the budget or create a larger gap between resources and costs.
- **We do not yet fully know the financial effects of new programs.** This includes the implementation of Ballot Measure 110, as well as other new programs and services that have been created to address emergencies including effects of the pandemic and wildfires.

- **We cannot address what has not yet happened.** There are unknowns that the state always faces that could put additional pressure on the budget.

## Process

- While there may be some changes to the process, there will still be Subcommittee hearings on each agency budget bill, including sufficient time for public testimony. Unlike 2019, there will not be an immediate Co-Chair budget framework; that will come at a later date. More than ever, it is critical to ensure there is a clear understanding of issues and options.
- It should be noted that significant time and consideration will be needed to continue to make adjustments to the current budget (2019-21) to address immediate issues facing Oregon.
- Subcommittees of the Joint Committee on Ways and Means will proceed with reviewing agency budgets and identifying issues that need to be addressed this session, including reviewing potential reduction options.
- We will provide a more detailed budget framework in March after the next economic and revenue forecast.
- There is no such thing as overcommunication during this budget process. We do not like to be surprised or receive important information when it is late in the process and difficult to appropriately consider and we recognize no one else likes this either. We commit to sharing information that is helpful to others in understanding budget issues. We also commit to finding ways to receive information from stakeholders and interested parties in a manner and time that ensures it can be given serious consideration as decisions are being made. In addition, we intend to meet with Chairs of policy committees to ensure we understand the work of those committees and the potential effect on agency budgets.

## Guiding Principles

In general, these principles are the same as those we used to develop the budget for the 2019-21 biennium. However, as we all know, the unprecedented nature of events that have occurred in 2020 both globally and, specifically, in Oregon have created significant challenges for Oregonians as individuals and as a community. As a result, we want to provide additional context for the 2021 session budget process as outlined below.

- Address the projected 2021-23 budget deficit (currently \$1.7 billion) to allow continuation of critical programs and services, with a focus on mitigating the current recession, addressing wildfire recovery and prevention, and other ways to help Oregonians recover from the events of 2020.
- Ensure the budget prioritizes and equitably provides for the highest needs in our education, health care, and public safety programs and services, with a focus on the needs of Oregon's children.
- Address persistent issues in areas including behavioral health, housing, education, racial inequity and injustice, and rural economic development.
- Evaluate programs and services to determine if they are performing as expected and, if not, eliminate programs or modify them to better serve Oregonians.
- Continue to focus on addressing long-term issues and problems; prepare the budget with a 10-year rather than 2-year framework to provide more certainty to Oregonians about programs and services.
- Evaluate new or enhanced programs and services that can be funded within forecasted revenues both in 2021-23 and into the future, again with a focus on long-term budget stability and sustainability.
- Continue and enhance a disciplined approach to evaluate and address long-term investments in infrastructure needs.

We must remember that we are all in this together; it is a time for partnership and listening to each other, as well as leadership and action. For many reasons, this budget development process is, and will continue to be,

challenging, but we remain committed to the guiding principles and to continue to make progress on systemic issues facing Oregonians and their communities.

<b>General Fund/Lottery Funds Budget Position As of January 8, 2021</b>						
	<b>Legislatively Approved Budget</b>			<b>Current Service Level</b>		
	<b><u>2019-21</u></b>			<b><u>2021-23</u></b>		
	<b>GF</b>	<b>LF</b>	<b>Total</b>	<b>GF</b>	<b>LF</b>	<b>Total</b>
Projected Beginning Balance	2,709.4	144.1	2,853.4	994.0	140.7	1,134.7
Projected Net Revenues	20,947.9	1,447.8	22,395.7	21,917.9	1,177.2	23,095.1
<b>Total Revenues/Resources</b>	<b>23,657.3</b>	<b>1,591.8</b>	<b>25,249.1</b>	<b>22,911.8</b>	<b>1,317.9</b>	<b>24,229.8</b>
<b>Total Expenditures</b>	<b>22,663.3</b>	<b>1,451.1</b>	<b>24,114.4</b>	<b>24,091.3</b>	<b>1,138.4</b>	<b>25,229.7</b>
Ending Balance/Contingency*				562.1	31.9	594.0
<b>Net Fiscal Position</b>	<b>994.0</b>	<b>140.7</b>	<b>1,134.7</b>	<b>(1,741.5)</b>	<b>147.6</b>	<b>(1,593.9)</b>

\*Ending Balance of 1% of expenditures, debt service, and Emergency Fund needs