

2019-21 Co-Chair Balanced Budget – A Multi-Biennial Plan

Oregon continues to face a structural deficit for the 2019-21 biennium that is projected to worsen in the 2021-23 and 2023-25 biennia. No matter the cause, these deficits threaten vital services to vulnerable Oregonians, education funding, the Oregon Health Plan, and ensuring our workforce has the tools and supports they need to succeed. We cannot continue to provide the same level of service or meet future critical needs by staying on the same course we have been on for over a decade.

The formation of this budget was guided by the following three core principles:

- Align spending with the desire to meet critical needs and provide long-term budget stability.
- Prioritize K-12 education funding and the Oregon Health Plan. Evaluate all other expenditures based on their short-term and long-term outcomes.
- Maintain a prudent level of resources to guard against program and service reductions in the event of economic downturns in future biennia.

We recognize there are needs that exceed available resources. We also recognize that the state must balance its budget and plan for the future using only the resources available to it. Given these constraints, the following assumptions form the foundation for the state's budget:

- An approximate 5% General Fund reduction to balance the 2019-21 budget and help set the state on a path to sustainable budgets in future biennia. Program area reduction amounts vary depending on factors outlined in this framework.
- Retaining 2% of General Fund expenditures as an ending balance, instead of the required 1%, to inoculate against future revenue declines or pay down the PERS unfunded liability.
- The Oregon Health Plan will be funded without cuts to eligibility or benefits.
- The State School Fund will be held harmless from cuts. In addition, \$100 million will be added above the current service level (CSL). Supplemental funding for the State School Fund may become available from new revenues passed by the Joint Committee on Student Success.
- Costs for tax credits, whether extended, expanded, or new, shall be covered within \$40 million General Fund or via adjustments to other tax credits and policies.
- The total amount of General Obligation Bonds issued will be reduced to lower the amount of debt service costs in future biennia, preserving General Fund for programmatic use.

The 2019-21 budget process will use CSL as the starting reference point for drafting agency budgets. The CSL is an estimate of how much it costs in the next biennium to continue the

current level of services and programs. Subcommittees will evaluate various reductions and additions to each agency's CSL based on the principles set forth in this document.

The 2019-21 budget process is designed to develop a sustainable plan for state government, the public education system, and other governmental and non-profit partners within current law and resource estimates. The goal is a budget plan to spend resources wisely to meet the needs of all Oregonians.

There is still much work to be done and more information to consider, but the overall guiding principles listed throughout the framework will remain and represent a forward-thinking strategy to develop a balanced and sustainable budget.

2019-21 Co-Chair Balanced Budget Plan

March 2019 Forecast

(millions \$)

	2017-19 Leg. Approved GF/LF	2019-21 Current Service Level GF/LF	2019-21 Co- Chair Budget Plan GF/LF	2019-21 Co- Chair Target Reduction (\$\$)
Projected Beginning Balance	1,089.3	1,411.0	1,559.2	
Interest on ESF	22.8	49.7	44.9	
Distributed Oregon Growth Acct. Earnings	5.2	-	-	
1% Appropriations to Rainy Day Fund	(180.1)	(199.3)	(199.3)	
TANS Interest Costs	(21.5)	(21.5)	(21.5)	
HECC Opportunity Grants Beginning Balance	-	7.3	7.3	
Lottery Interest Earnings	6.0	2.0	2.0	
Projected Revenues (net of personal kicker)	21,878.9	22,767.1	22,688.2	
Tax Credit Extensions & Relief	-	(68.2)	(40.0)	
Less Dedications (ESF, County)	(300.3)	(307.7)	(308.3)	
CFA Savings (Costs) Relative to Forecast	-	(0.1)	(0.1)	
Net 2017-19 Rebalance Actions (HB 5047)	-	(16.9)	(16.9)	
Other 2017-19 Expenditure Issues	-	(5.0)	(5.0)	
Total Resources	22,500.4	23,618.4	23,710.5	
Expenditures by Program Area				
Education - State School Fund*	8,122.5	8,686.3	8,768.2	82.0
<i>State School Fund including Marijuana Tax*</i>	8,203.9	8,771.5	8,871.5	100.0
Education - All Other	2,890.9	3,238.6	3,097.2	(141.4)
Human Services **	5,397.6	6,927.9	6,304.7	(103.1)
Public Safety	2,538.8	2,716.6	2,589.5	(127.0)
Judicial Branch	760.3	850.1	809.1	(41.0)
Economic and Community Development	274.2	260.9	259.4	(1.5)
Natural Resources	483.0	485.3	473.8	(11.4)
Transportation	137.1	164.2	163.2	(1.0)
Consumer and Business Services	13.5	14.3	13.6	(0.7)
Administration	286.7	282.4	270.8	(11.5)
Legislative Branch	127.7	127.6	121.8	(5.8)
Total Program Area Expenditures	21,032.1	23,754.1	22,871.5	(362.6)
Emergency Fund	57.3	50.0	50.0	-
Salary Adjustment - State & Nonstate Employees	-	154.1	154.1	-
Forestry Fire SPA	-	6.0	6.0	-
Debt Service Reserve for Early Bond Sales	-	-	60.0	-
Reserve for Required Projects not in CSL	-	-	54.0	-
Total Expenditures	21,089.4	23,964.2	23,195.6	-
Projected Ending Balances				
Projected Constitutionally Dedicated LF	-	56.4	55.7	-
Projected GF and Discretionary LF***	-	479.3	459.2	-
Net Fiscal Position	1,411.0	(881.5)	-	-

* For illustration purposes, not included in the Total Program Area Expenditures line.

Marijuana Tax proceeds in the SSF are \$81.4 million in 2017-19; \$85.2 million in 2019-21 CSL; and \$103.3 million in 2019-21 Co-Chair Balanced Budget Plan.

** With provider tax and other resources related to HB 2010 that generated \$379 million Other Funds and use of \$141 million of revenue available through the intergovernmental transfer agreement with OHSU as General Fund offsets, the Oregon Health Plan will be funded without cuts to eligibility or benefits.

*** Total of 2%; 1% for statutorily required deposit to the Rainy Day Fund; 1% as a reserve to protect against revenue declines in an uncertain economy and to assist with protecting from unsustainable CSL growth.

2019-21 Co-Chair Balanced Budget Plan

The Legislature's primary responsibility is to provide a budget for state government and K-12. The 2019-21 budget process is designed to develop a sustainable plan for state government, the public education system, and other governmental and non-profit partners within current law and resource estimates. The goal is a budget plan to spend resources wisely to best meet the needs of all Oregonians. There is still much work to do and more information to consider, but the overall guiding principles will remain and represent a balanced strategy to develop a balanced budget.

Principle 1 (Outcome): Base the budget on values, aligning spending with desire to meet critical needs and provide long-term budget stability

- Prioritize and protect K-12 and the Oregon Health Plan
- Reduce projected long-term budget deficit providing more stability in future biennia to programs serving Oregonians

Principle 2 (Outcome): Balance the budget for 2019-21 and reduce the forecasted budget deficit for future biennia

- Limit growth in cost of new debt in consideration of long-term budget effect and forecasted growth in resources to pay for such debt
- Do not purposefully spend money late in the biennium to balance the budget knowing such costs have a significant roll up in future biennia
- Use one-time resources to pay for one-time investments
- Rely on known, not proposed, resources

Principle 3 (Outcome): Establish priorities and set reasonable and realistic goals

- Set realistic goals for what can be achieved with available funds
- Establish roadmap for how to spend additional resources as well as how best to make reductions when there is a budget deficit in the future
- Consider demonstrated local resource commitment to services and programs

Principle 4 (Outcome): Maintain a prudent level of resources to guard against program and service reductions in the future

- Increase ending balance over past biennia
- Ensure appropriate dedications to the Education Stability Fund and the Rainy Day Fund
- Establish a policy of setting aside a percentage of any new revenue in reserves

Principle 5 (Process): Budget information considered is accurate, clear, comprehensive, and provided in appropriate detail

- Ensure budget information includes relevant detail and is prepared in a clear and understandable manner
- Include stakeholder and public input

2019-21 CO-CHAIR BALANCED BUDGET PLAN

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$21,089.8	\$23,964.5	\$23,195.6	10.0%	-3.2%

*Additional revenue and expenditure detail is provided in the display titled 2019-21 Co-Chair Balanced Budget Plan.

The Co-Chair Balanced Budget Plan targeted an approximate 5% reduction target of General Fund expenditures excluding Debt Service on a statewide basis. Due to the exclusion of Debt Service and the decision to hold the State School Fund and the Oregon Health Plan harmless from reductions, the target percentage reductions for each program area will vary.

In addition to information provided in the Co-Chairs’ principles document used in developing this plan, the following are guidelines to be used by the Co-Chairs, Subcommittees, and members of the Joint Committee on Ways and Means:

- Provide resources for Oregon’s most critical needs in the next biennium within current law and revenue projections.
- Look for permanent changes that reset the budget at a lower level, providing more balance between the growth of revenue and the growth of expenditures - “bend the cost curve.”
- Evaluate the potential effect of dollars spent in 2019-21 - look for both short and long term positive returns for the well-being of Oregon communities and the economy.
- Ensure “savings” identified in one agency do not create costs for another agency or partner.
- Look for opportunities to leverage resources of entities outside of state government to meet common goals.
- Ensure expectations are clear about what state government can responsibly provide and accomplish within available resources.
- Use the knowledge, expertise, and experience of stakeholders, both within and outside of state government, to make informed recommendations and decisions.
- Reductions greater than 5% may be needed in some areas for ongoing critical investments that were not included in the CSL.
- Examine agency use of budgeted positions and recommend appropriate reductions or eliminations due to long-term vacancies and underutilization.
- Rely on the Subcommittees of the Joint Committee on Ways and Means to identify program and service priorities and to evaluate agency performance.
- Include some funding for the extension of critical tax credits due to expire and rely on the Revenue Committees to prioritize and make recommendations on other changes to tax credits to stay within that funding level.

EDUCATION PROGRAM AREA - STATE SCHOOL FUND K-12

2017-19 Total GF/LF/ Marijuana Tax Approved Budget (millions)	2019-21 GF/LF/ Marijuana Tax Budget Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF/ Marijuana Tax Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$8,203.9	\$8,771.5	\$8,871.5	8.1%	1.1%

EDUCATION PROGRAM AREA - ALL OTHER EDUCATION

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$2,890.9	\$3,238.6	\$3,097.2	7.1%	-4.4%

The Co-Chair target budget includes an enhancement above CSL to the State School Fund as shown in the top table above. Note that the amount included in the table for the State School Fund includes marijuana tax funds; the General Fund/Lottery Funds amount included in the Co-Chair Budget Plan for the State School Fund is \$8,768.2 million. To achieve the Co-Chair target budget total of \$3,097.2 million for all other education agencies, the budget reduction target is \$141.4 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: This program area includes educational services for children, youth, and adults from early learning through post-secondary education. Major programs/agencies include: the State School Fund; the Oregon Department of Education (ODE) including funding for early learning, K-12, and youth development; and the Higher Education Coordinating Commission (HECC) including funding for community colleges, public universities, Oregon Health and Science University (OHSU), student financial assistance, and workforce development programs.

Areas of Special Interest: Grant-in-aid, Tuition affordability, Early childhood programs, Career and Technical Education, Behavioral Health and Disruptive Learning

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Provide sufficient funding for the State School Fund to exceed the current service level of \$8.77 billion by \$100 million through a combination of General Fund, Lottery Funds, and marijuana tax revenue. Further funding consideration will be made based on the actions of the Joint Committee on Student Success and available funding.
- Maintain current service level funding for the Community College Support Fund, Oregon Health & Science University (OHSU) support, Public University Support Fund, Agricultural Experiment Station, Extension Service (other than Outdoor School), and the Forest Research Laboratory.
- Review appropriate funding levels for the Sports Lottery and the Outdoor School programs.
- Evaluate the effectiveness of the individual Public University State Programs and consider eliminating or reducing funding where appropriate.
- Reduce the Oregon Promise program to \$30 million General Fund based on the overall estimated demand for the program.
- Review the numerous K-12 grant-in-aid programs to see if any should be combined, reduced, or eliminated based on their effectiveness and similarity to other programs.
- Fund the High School Success Fund (Ballot Measure 98) at the 2017-19 levels, with the expectation that the Joint Committee on Student Success will include any gaps in funding in their overall funding package.
- Examine the early learning programs and the existing delivery system to determine if they are provided in the most effective and efficient way.
- Review the operations of the Oregon Department of Education (ODE) and the Higher Education Coordinating Commission (HECC) to determine if streamlining existing systems could identify resources which could be redirected to programs.

HUMAN SERVICES PROGRAM AREA

2017-19 Total GF/LF/Provider Tax Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF/Provider Tax/IGT Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$5,996.6	\$6,927.9	\$6,824.7	13.8%	-1.5%

To achieve the Co-Chair target budget total of \$6,824.7 million, the budget reduction target for the Human Services program area is \$103.1 million General Fund/Lottery Funds. For purposes of calculating the target, the Oregon Health Plan will be funded without cuts to eligibility or benefits. However, \$379 million General Fund is reduced from the Health Plan and replaced with \$379 million Other Funds from the provider tax, and \$141 million General Fund is reduced and replaced with funds from the Intergovernmental Transfer Agreement (IGT) with the Oregon Health and Science University. In addition to the provider tax, the 2017-19 budget included \$977.1 million in General Fund/Lottery Funds. The Co-Chair Budget Plan includes an additional \$450.2 million General Fund over the 2017-19 legislatively approved level to bring the total General Fund/Lottery Funds for the Oregon Health Plan for 2019-21 to \$1,427.3 million. For purposes of calculating the target, debt service is removed as the state is legally bound to pay for it.

Program Description: This program area is comprised of the Oregon Health Authority, the Department of Human Services, the Psychiatric Security Review Board, the Long Term Care Ombudsman, and the Commission for the Blind. These agencies work with local governments, private for-profit and non-profit organizations, communities, and individuals to provide cash and employment assistance, nutrition assistance, medical coverage, long-term care, and other support to low-income individuals and families, including Oregonians with disabilities; intervene in cases of child abuse and neglect; offer treatment services to people with mental disorders, and alcohol or drug addictions; regulate the state’s public health system; supervise placements for those with mental illness who have been found guilty of committing a crime; and advocate for residents of long-term care facilities.

Areas of Special Interest: Behavioral health, Services to children and families, Workforce stability, Public health

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Minimize disruptions in the continuum of care in core programs that support Oregon’s most vulnerable citizens.
- Help fund the Oregon Health Plan by leveraging available revenue through the intergovernmental transfer agreement (IGT) between the Oregon Health Authority and Oregon Health & Science University.
- Look for reductions that save General Fund while still maximizing the state’s ability to match and draw down federal funds.
- Ensure the program area budget plan is flexible enough to reprioritize spending and modify reductions based on updated caseloads or statewide budget variances.

- Review agency budgets for administrative savings, program efficiencies, and untapped or underutilized funds that could be used to maintain programs over a short-term period.
- Evaluate workload models, caseload forecasts, inflation, and other growth components built into current service level for possible adjustment to fund other priorities.
- Seek to protect prevention programs that require ongoing, sustained investment to improve the health of Oregonians in the future.
- Examine impacts of reductions on agency partners and providers, particularly if reductions affect payment rates or service delivery.

PUBLIC SAFETY PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$2,538.8	\$2,716.6	\$2,589.5	2.0%	-4.7%

To achieve the Co-Chair target budget total of \$2,589.5 million, the budget reduction target for the Public Safety program area is \$127 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The agencies in the Public Safety program area provide services to ensure the safety of Oregonians with regard to criminal activities, civil disputes, highway safety, natural disasters, and homeland security. Agencies in the Public Safety program area include the Department of Justice, District Attorneys and their Deputies, the Department of Corrections, the Oregon State Police, the Oregon Military Department, the Department of Public Safety Standards and Training, the Criminal Justice Commission, the Board of Parole and Post-Prison Supervision, and the Oregon Youth Authority.

Areas of Special Interest: Criminal Fines Account, Community treatment services, Emergency preparedness, Programs to reduce recidivism, Workforce stability

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Identify options to shift costs being paid for with General Fund to another revenue source, including establishing or raising fees.
- Review programs and services for potential savings, including the rates charged by the Department of Justice to state agencies for legal services.
- Examine issues including pharmaceutical costs in correctional facilities, services provided to geriatric prison inmates, compassionate release from prison for terminally ill or permanently disabled inmates, options for increasing highway patrol services, levels of deferred maintenance in various public safety program area facilities, court filing fees, and the financial management, functions, and responsibilities of the Office of Emergency Management.

JUDICIAL BRANCH PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$760.3	\$850.1	\$809.1	6.4%	-4.8%

To achieve the Co-Chair target budget total of \$809.1 million, the budget reduction target for the Judicial Branch program area is \$41 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The Judicial Branch Program Area includes the Oregon Judicial Department (OJD), the Public Defense Services Commission (PDSC), and the Commission on Judicial Fitness and Disability (CJFD). Of note, OJD is the only budget in the Judicial Branch Program Area that has debt service and CJFD receives General Fund only.

Areas of Special Interest: Public defense services, Court operations

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- The subcommittee should consider opportunities to reduce state administrative costs through operational efficiencies, shift costs from General Fund to Other Funds, and increase user fees.
- Judicial salaries are set by statute and are constitutionally protected from reductions. These salaries were not excluded for purposes of calculating the Co-Chair’s target. General Fund reductions for all other OJD programs must be reduced by 6.1% to achieve a General Fund savings sufficient to cover OJD’s prorated share of the program area reduction amount.
- To achieve savings equivalent to a prorated share of the program area total reduction amount, PDSC’s General Fund would need to be reduced by \$17.2 million. In addition to looking for administrative savings, there will also need to be an examination of the Professional Services Account Program which supports indigent defense services and appellate level indigent defense spending.

ECONOMIC DEVELOPMENT PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$274.2	\$260.9	\$259.4	-5.4%	-0.6%

To achieve the Co-Chair target budget total of \$259.4 million, the budget reduction target for the Economic Development program area is \$1.5 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: Agencies in the Economic Development program area provide economic opportunity by facilitating business growth and employment, and by helping Oregonians access and retain stable housing and home ownership opportunities. Agencies included in this program area are the Oregon Business Development Department, the Housing and Community Services Department, the Oregon Department of Veterans’ Affairs, and the Employment Department. The program area is funded with both General Fund (approximately 40%) and Lottery Funds (approximately 60%). The Lottery Funds include constitutionally dedicated funds of approximately \$15 million for programs and services for veterans.

Areas of Special Interest: Distribution of economic development opportunities, Affordable housing

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Identify opportunities to reduce General Fund by shifting expenditures to another revenue source, including Lottery Funds, fee revenue, or federal funds.
- Reduce program payments to local service providers and economic development entities and consolidate or eliminate smaller programs with limited support.
- Find additional savings beyond the target by utilizing Lottery Funds dedicated to veterans in additional agencies that provide services to the veteran population, such as veterans’ behavioral health services in the Oregon Health Authority.
- Examine return on investment on state expenditures and state investment accounts.

NATURAL RESOURCES PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$483.0	\$485.3	\$473.8	-1.9%	-2.4%

To achieve the Co-Chair target budget total of \$473.8 million, the budget reduction target for the Natural Resources program area is \$11.5 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The Natural Resources Program Area is comprised of fourteen agencies: Department of Agriculture, Columbia River Gorge Commission, Department of Energy, Department of Environmental Quality, Department of Fish and Wildlife, Department of Forestry, Department of Geology and Mineral Industries, Department of Land Conservation and Development, Land Use Board of Appeals, Department of State Lands, Marine Board, Department of Parks and Recreation, Water Resources Department, and Oregon Watershed Enhancement Board.

Natural resource agencies are largely funded with Other Funds, (approximately 60%), generated primarily through fees and assessments. The program area also relies on federal funds (approximately 15%), and General Fund and Lottery Funds supplement these other sources and fund constitutionally dedicated programs. Constitutionally dedicated Lottery Funds account for just under half of the total non-debt-service General Fund/Lottery Funds budget for the program area. Non-constitutionally dedicated Lottery Funds are limited to debt service. General Fund, exclusive of debt service, provides almost 12% of the program area total funding. While the target budget represents an overall 2.4% reduction from the current service level, the impact on the General Fund, excluding debt service, and discretionary Lottery Funds is a reduction of 5.0%.

Areas of Special Interest: Water quantity and quality, Air quality, Invasive species, Climate change, Predator management

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Identify options to shift costs currently being paid for with General Fund or discretionary lottery funds to another revenue source, including establishing or raising fees.
- Look at community financial support for programs and whether statutory financial requirements are being met as General Fund subsidies for these programs are considered.
- Examine issues including agency core functions and programs to see if there are non-core activities that can be eliminated or reduced, or operational and administrative efficiencies that will reduce expenditures.

TRANSPORTATION PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$137.1	\$164.2	\$163.2	19.1%	-0.6%

To achieve the Co-Chair target budget total of \$163.2 million, the budget reduction target for the Transportation program area is \$1.0 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The Transportation Program Area includes the Oregon Department of Transportation (ODOT) and the Oregon Department of Aviation. All the General Fund and Lottery Funds in this program area are in ODOT’s budget and represent a small share of the agency’s total spending. Of the \$164.2 million General Fund and Lottery Funds in the 2019-21 current service level budget, \$144.1 million is for debt service.

After excluding debt service, the remaining \$20.1 million General Fund subject to the Co-Chair Target supports two programs: Rail (\$10 million GF), and Public Transit (\$10.1 million GF). Specifically, the General Fund in the Rail Program supports *Amtrak Cascades* rail service between Eugene and Portland, including the maintenance of two state-owned train sets. The General Fund in Public Transit supports formula and competitive grants to transit agencies, counties, and federally recognized Indian tribes for senior and disabled transit services. These programs are also supported by various Other Fund revenue sources.

Areas of Special Interest: Implementation of HB 2017

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Consider opportunities to reduce state administrative costs through operational efficiencies, shift costs from General Fund to Other Funds, and increase user fees.
- Consider the fiscal and programmatic impact of HB 2017 and related opportunities to mitigate the effect of program reductions.
- Examine the use of federal funds in ODOT.

CONSUMER AND BUSINESS SERVICES PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$13.5	\$14.3	\$13.6	1.2%	-5.0%

To achieve the Co-Chair target budget total of \$13.6 million, the budget reduction target for the Consumer and Business Services program area is \$0.7 million General Fund/Lottery Funds.

Program Description: Agencies included in this program area are primarily funded with fee and assessment revenue, with many not receiving any General Fund or Lottery Funds. These include 17 professional and health licensing boards, the Public Utility Commission, the Bureau of Labor and Industries, and the Department of Consumer and Business Services. The primary funding source for the licensing boards are fees paid by licensees. The other agencies in the program area also rely heavily on Other Funds and receive federal funds as well. The Bureau of Labor and Industries (BOLI) is the only agency in this program area to also receive General Fund for agency operations and services.

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount.
- Identify options to shift costs currently being paid for with General Fund to another revenue source, including establishing or raising fees.
- Examine issues related to reducing support for services that are not statutorily required, like the Technical Assistance for Employers program at BOLI.
- Evaluate the extent to which workload can be redistributed among fewer employees within BOLI.

ADMINISTRATION PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$286.7	\$282.4	\$270.8	-5.5%	-4.1%

To achieve the Co-Chair target budget total of \$270.8 million, the budget reduction target for the Administration program area is \$11.5 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The Administration program area provides services to state agencies and local governments. The program area is comprised of the Department of Administrative Services, the Department of Revenue, the Public Employees Retirement System, the Governor’s Office, the Secretary of State, the State Treasurer, the Employment Relations Board, Government Ethics Commission, State Library, Advocacy Commissions, Oregon Liquor Control Commission, and the Racing Commission. State pass-through funding is included for public broadcasting, state and county fairs, the Historical Society, and the Court Appointed Special Advocates program.

Areas of Special Interest: Audit functions, PERS financing, Information technology

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- Identify options to shift costs currently being paid for with General Fund or discretionary lottery funds to another revenue source, including establishing or raising fees.
- Examine options for stabilizing the funding of the Department of Revenue’s Property Tax Division.
- Evaluate the effectiveness of subsidies to non-state agencies and potential reductions to such subsidies.
- Reduce the level of Department of Administrative Services assessments and rates on state agencies.
- Examine Secretary of State assessments on state agencies.

LEGISLATIVE BRANCH PROGRAM AREA

2017-19 Total GF/LF Approved Budget (millions)	2019-21 GF/LF Current Service Level Budget (millions)	2019-21 Co-Chair Total GF/LF Target Budget (millions)	Percent Change between Co-Chair Target and 2017-19 Approved	Percent Change between Co-Chair Target and 2019-21 CSL
\$127.7	\$127.6	\$121.8	-4.6%	-4.6%

To achieve the Co-Chair target budget total of \$121.8 million, the budget reduction target for the Legislative Branch program area is \$5.8 million General Fund/Lottery Funds. For purposes of calculating the target amount, debt service is removed as the state is legally bound to pay for it.

Program Description: The Legislative Branch program area consists of the Legislative Assembly and six other professional, non-partisan staff offices (Legislative Administration, Legislative Counsel, Legislative Fiscal, Legislative Revenue, Legislative Policy and Research, and the Commission on Indian Services). These independent state agencies are primarily funded by the General Fund and receive no lottery funds. The Legislative Fiscal Office and, to a lesser extent, Legislative Counsel and Legislative Administration, rely on Other Fund revenues for portions of their budgets.

Subcommittee Responsibilities:

- Identify options that meet the Co-Chair target amount after accommodating debt service, which cannot be reduced.
- As the expenditures of the Legislative Branch are primarily driven by staffing costs, it would be necessary to eliminate positions in the various offices to achieve the target reduction amount.