

The Joint Committee on Ways and Means Co-Chair Budget provides a framework for development of the 2023-25 legislatively adopted budget, guided by the following principles:

- **Protect Vital Services:** Providing adequate resources to support effective operation of continuing programs and services across all program areas that serve as the foundation of the state budget.
- **Get the Most for Every Dollar:** Ensuring long-term budget sustainability by avoiding the creation of new programs and making targeted reductions that create efficiencies through consolidation of programs, elimination of long-term vacant positions, and other savings.
- **Prioritize Investments in Key Areas:** Focusing on investments that support the most critical issues facing Oregon, including K-12 education, housing and homelessness, and health and behavioral health care.
- **Plan for the Future:** Maintaining healthy reserves to prevent future reductions in the event the budget environment weakens.

Although the March 2023 Oregon Economic and Revenue forecast showed improvement and an increase in available resources over the prior forecast, significant uncertainty still exists. The considerable growth in the current biennium revenues that has contributed to the projected General Fund ending balance of \$4.6 billion has also resulted in an estimated personal income tax kicker of \$3.9 billion, which reduces available 2023-25 revenues. Following two biennia of considerable investments through one-time federal relief funding and strong revenues, the 2023-25 budget will focus on supporting the continued funding of ongoing programs, agencies, and state personnel.

The 2023-25 current service level budget represents a \$27.3 billion total funds, or 25.5%, increase over the 2019-21 current service level and reflects the addition of 4,792 positions. General Funds and Lottery Funds make up \$6.1 billion of this growth. This increase has been driven by significant investments over the past two biennia in early learning, K-12 education, housing, behavioral health, emergency management, and wildfire response, among others. Continued support for these vital programs and services is central to the Co-Chair budget framework.

The 2023-25 Co-Chair framework budget includes the following resource assumptions:

- Revenues are based on the Office of Economic Analysis (OEA) March 2023 Economic and Revenue Forecast.
- Reversions totaling \$208.5 million for General Fund that is not projected to be spent before the end of the current biennium. This includes \$93.5 million that is estimated to be committed to existing projects and programs and supports the reauthorization of corresponding expenditures in 2023-25 program area budgets.
- Resources are assumed based on the amount needed for extension of current tax credits.
- Rebalance actions and other estimated 2021-23 budget adjustments have been factored into available resources for the 2023-25 biennium.

- Transfer of \$90 million from the Public Employees Benefit Board (PEBB) to the General Fund to support general governmental purposes.

Budgeted expenditures in the 2023-25 Co-Chair framework budget include the following:

- \$9.9 billion total funds for the State School Fund. Combined General Fund (including the corporate income tax kicker) and Lottery Funds account for \$9.2 billion, and the remainder includes Corporate Activities Tax (CAT) revenues, marijuana tax revenues, and other sources.
- Program area expenditures start with the 2023-25 current service level, as adjusted for the roll-up cost for items approved at meetings of the Emergency Board and other estimated costs of identified critical needs to ensure effective delivery of programing and services.
- A 2.5% General Fund and Lottery Funds reduction to program area current service level expenditures, net of debt service payments, which cannot be reduced.
- An Emergency Fund of \$50 million General Fund, as well as a \$14 million special purpose appropriation to the Emergency Board for fire severity resources.
- \$450 million General Fund for compensation adjustments to address future collective bargaining agreements, including \$120 million to support state employee workforce retention and recruitment.
- A compensation adjustment of \$65 million General Fund for non-state employees.
- A projected \$50 million General Fund and \$15 million Lottery Funds is included for estimated debt service due to potential bond issuances early in the 2023-25 biennium.
- Expenditures of \$196.7 million in the 2023-25 biennium for early investments in affordable housing and emergency homelessness response (HB 5019 and HB 2001) and semiconductor development (SB 4), pending passage of these measures.
- \$325.6 million has been reserved to support the most critical issues facing the state, including Medicaid eligibility redeterminations due to the end of the public health emergency; bridging healthcare coverage and establishing the Basic Health Plan; Oregon’s Medicaid Waiver; the unrepresented defendant/persons crisis and the delivery of public defense services; as well as literacy, housing, behavioral health, and reproductive health initiatives. It is important to highlight that the current estimate for these investments exceeds total available funds. However, as estimates are refined, any remaining available funds will be used to support additional budget priorities, including climate resilience and justice reinvestment.
- An ending balance of 1% of expenditures for the statutory Rainy Day Fund deposit requirement and a discretionary Lottery Funds balance of approximately \$25 million to mitigate revenue fluctuations.

Available bonding capacity will be focused on providing financing for capital investments and infrastructure that supports budget priorities and addressing cost escalation due to inflation for previously approved projects. Bond financing will also be used to support Oregon’s investment in the replacement of the Interstate 5 Bridge over multiple biennia.

The 2023-25 Co-Chair Budget provides a plan and outlines guiding principles for decisions in the 2023 session to ensure adoption of a balanced budget within available resources, recognizing that the tight budget environment makes balancing statewide priorities challenging. Subcommittees of the Joint Committee on Ways and Means have been tasked with examining agency budgets, identifying critical needs, evaluating reductions and other options that mitigate future costs to meet program area expenditure targets, and prioritizing agency requests by focusing on investments that achieve desired outcomes. The final 2023-25 legislatively adopted budget will be based on the economic and revenue

forecast issued in May 2023 and consider additional revenues that may be available to increase investments or decrease program reductions.

The summary on the following page provides detail on the resources and expenditures included in the 2023-25 Co-Chair Budget, followed by additional details for each program area.

2023-25 Co-Chair Framework Budget

	2021-23 Legislatively Approved Budget ¹ GF/LF	2023-25 Current Service Level GF/LF	2023-25 Co-Chair Framework GF/LF
March 2023 Forecast (millions \$)			
RESOURCES			
Projected Beginning Balance	4,219.3	4,802.4	4,805.2
Projected Revenues (net of personal kicker)	30,456.8	27,015.0	27,015.0
Projected Reversions	-	-	208.5
ESF Interest	35.8	71.9	71.9
1% Appropriations to Rainy Day Fund	(220.7)	(273.9)	(273.9)
TANS Interest Costs	-	(21.5)	(21.5)
Tax Credit Extensions and Relief	-	(13.1)	(13.1)
Less Dedications (ESF, Counties)	(381.0)	(388.8)	(388.8)
Liquor Savings (Costs) Relative to Forecast	-	-	(6.2)
Net 2021-23 Rebalance Actions	-	477.9	477.9
PEBB Transfer to the General Fund	-	-	90.0
Total Resources	34,110.2	31,670.0	31,965.1
EXPENDITURES			
Education - State School Fund (\$9.9B Total Funds) ²	8,541.1	8,720.9	9,170.8
Education - All Other	4,084.8	4,031.0	4,049.5
Human Services	8,789.1	10,815.6	11,018.2
Public Safety	2,361.0	3,322.6	3,389.9
Economic and Community Development	1,450.8	476.8	517.5
Natural Resources	1,214.8	700.8	801.7
Transportation	201.9	153.1	155.5
Consumer and Business Services	56.1	24.1	30.1
Administration	1,037.8	370.8	379.9
Legislative Branch	417.5	195.8	195.8
Judicial Branch	1,075.8	1,028.9	1,212.2
Program Area Reductions	-	-	(495.3)
Total Program Area Expenditures	29,230.6	29,840.3	30,425.8
Emergency Fund	77.1	50.0	50.0
Salary Adjustment	-	337.8	330.0
State Workforce Retention and Recruitment	-	-	120.0
Non-State Employee Salary Adjustment	-	20.0	65.0
Forestry Fire Severity	-	4.0	14.0
Debt Service	-	-	65.0
Early Investments ³	-	-	196.7
Investments ⁴	-	-	325.6
Total Expenditures	29,307.8	30,252.1	31,592.0
Projected Constitutionally Dedicated LF	-	75.5	47.5
1% RDF Deposit / Discretionary LF Ending Balance	-	317.6	325.6
Net Fiscal Position	4,802.4	1,024.7	0.0

1. Includes Emergency Board and administrative actions through December 2022

2. State School Fund is \$9.9 billion including General Fund, Lottery Funds, Corporate Activity Tax, and Marijuana funds

3. Early investments in affordable housing and emergency homelessness response (HB 5019 and HB 2001) and OR CHIPS (SB 4) totaled \$217.3 million and \$210 million, respectively, in the 2021-23 and 2023-25 biennia. Amounts approved in the 2021-23 biennium are included in Net 2021-23 Rebalance Actions under Resources.

4. Funding available for investments will primarily support Medicaid eligibility redeterminations; bridging health care coverage and establishing the Basic Health Plan; Oregon's Medicaid Waiver; the unrepresented defendant/persons crisis and public defense services; as well as literacy, housing, behavioral health, and reproductive health. The current estimate for these investments exceed total available funds; however, as estimates are refined, any remaining resources will be used to support additional budget priorities.

EDUCATION PROGRAM AREA - STATE SCHOOL FUND (K-12)				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget* (millions)	% Chg from CSL
\$8,720.9	\$9,170.8	\$0.0	\$9,170.8	5.2%

*State School Fund is \$9.9 billion including General Fund, Lottery Funds, Corporate Activity Tax, and Marijuana funds

EDUCATION PROGRAM AREA - ALL OTHER EDUCATION				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$4,031.0	\$4,049.5	(\$89.8)	\$3,959.7	-1.8%

The Co-Chair target budget for the State School Fund totals \$9.9 billion including General Fund, Lottery Funds, Corporate Activity Tax revenues, and marijuana tax distributions. This amount represents a \$382.3 million increase to the 2023-25 current service level budget. The General Fund and Lottery Funds target budget for the remaining programs in the Education program area totals \$3.96 billion, which includes a 2.5% reduction target and an increase of \$18.5 million for the continuation of existing critical programs and services. The Co-Chair budget framework also prioritizes investing any available resources for the Education program area in early literacy education initiatives.

Program Description: The Education Program Area includes educational services for children, youth, and adults from early learning through postsecondary education. The major agencies or programs in this budget include: the State School Fund, Oregon Department of Education (ODE), and Higher Education Coordinating Commission (HECC), which includes funding for community colleges, public universities, the Oregon Health and Science University (OHSU), student financial assistance, and workforce development programs. Effective July 1, 2023, the Department of Early Learning and Care (DELIC) becomes a standalone agency in this program area after being a division of ODE.

Co-Chair Budget Summary: Since the 2017-19 biennium, consistent investment in the State School Fund over and above the current service level has increased the size of the fund by \$1.3 billion, from \$8.2 billion in 2017-19 to \$9.5 billion in the 2023-25 current service level. A main priority of the Co-Chairs’ budget framework is to hold the State School Fund harmless from the reduction target included for state agencies, as well as build upon the recent investments made in K-12 education to provide stable and sufficient funding. The Co-Chair target budget of \$9.9 billion marks a \$382.3 million increase to the State School Fund above the current service level. An additional \$67.6 million General Fund is also added to make up for a projected decrease in the statutory transfer of Corporate Activity Tax revenues from the Fund for Student Success to the State School Fund since the development of the current service level budget.

The budget framework includes a combined \$3.96 billion General Fund and Lottery Funds for ODE, HECC, and DELIC. This amount incorporates a 2.5% reduction target of \$89.8 million to the 2023-25 current service level budget, net of debt service, and adds \$18.5 million General Fund for the continuation of existing critical services and programmatic needs. These include providing tuition and

other support through the Oregon National Guard State Tuition Assistance program; funding the Oregon Child Integrated Dataset and OHSU's Poison Center Sustaining Fund; and addressing current service level shortfalls in youth and juvenile justice education funding, among other issues.

The framework also takes into consideration important investments recently made in early childhood learning, K-12 education, and higher education. From 2019-21 to 2023-25, the current service level budgets for ODE (non-State School Fund) and HECC have grown by a combined \$2.2 billion total funds, even with the transfer of funding from ODE to DELC. The establishment of DELC in the 2023-25 current service level budget adds another \$1.3 billion total funds to this amount. The passage of the Student Success Act during the 2019 regular session has driven much of this growth through the establishment of the Early Learning Account, Statewide Education Initiatives Account, and Student Investment Account, all funded by the Fund for Student Success. The following are just a few examples of investments aimed at closing the persistent gaps in education outcomes and associated milestones from these and other recent initiatives that are continued in current service level:

- **Early Learning Account** - In its first full year of funding (2020), the Early Learning Account provided \$66.7 million for the Oregon Prenatal through Kindergarten program, which added 1,200 Early Head Start slots and up to 3,000 slots for toddlers; and \$30.5 million for Preschool Promise, nearly tripling the number of available slots. The 2023-25 current service level for these and other programs funded by the Early Learning Account is \$512.3 million.
- **Statewide Education Initiatives Account** - In its first full year of funding (2020), the Statewide Education Initiatives Account provided \$232.8 million for both new and existing statewide education programs. The 2023-25 current service level for Statewide Education Initiative Account programs totals \$352.7 million, with \$176.8 million funding the High School Success program, \$36.6 million funding Closing the Achievement Gap grants, \$32 million funding educator professional development grants administered by the Educator Advancement Council, and \$107.2 million funding district capacity and technical assistance grants, and nutrition and youth reengagement programs.
- **Student Investment Account** - In its first year of full funding (2020), the Student Investment Account distributed \$150 million in grants to support students' behavioral health needs, increase academic achievement and reduce academic disparities for students, reduce class sizes, and expand the availability of and participation in well-rounded learning experiences. The 2023-25 current service level for Student Investment Account grants to school districts totals \$929.8 million.
- **Oregon Opportunity Grant** - The 2023-25 current service level includes a \$28.8 million increase initiated in the 2021 session, which is projected to facilitate approximately 11,000 additional awards to assist students in financing education at Oregon-based community colleges, public universities, and private or independent institutions.
- **OHSU 30-30-30** - A \$40 million ongoing General Fund investment initiated in the 2022 session supports OHSU's 30-30-30 plan to increase the number of clinicians graduated by 30% and increase student diversity to 30% by 2030.

To the extent possible, the Co-Chairs' framework will incorporate budget reductions that do not impact services currently being received by students and families. Every effort will be made to avoid limiting services by ensuring programs and operations are funded at the levels required to deliver them efficiently, while taking into account both a post-pandemic student population that is smaller and post-pandemic student needs that are greater.

HUMAN SERVICES PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$10,815.6	\$11,018.2	(\$268.4)	\$10,749.7	-0.6%

The General Fund and Lottery Funds target budget for the Human Services program area totals \$10.7 billion, which includes a 2.5% reduction target and an increase of \$202.6 million for the continuation of existing critical services. The Co-Chair framework budget also prioritizes investing any available resources in Medicaid eligibility redeterminations and bridge health care coverage, establishing the Basic Health Plan, the Medicaid waiver renewal, reproductive health, and behavioral health services.

Program Description: The Human Services program area is comprised of the Department of Human Services, Oregon Health Authority, Long Term Care Ombudsman, Psychiatric Security Review Board, and Commission for the Blind. These agencies work with local governments and communities, private for-profit and non-profit organizations, and individuals to provide vital services like, cash and employment assistance, health care coverage, nutrition assistance, and long-term care to low-income individuals and families, including Oregonians with disabilities. Human Services agencies also intervene in cases of child abuse and neglect; provide services for Oregonians who are blind or visually impaired; offer treatment services to people with behavioral health issues; administer the state’s public health system; and advocate for residents of long-term care facilities.

Co-Chair Budget Summary: The Co-Chair framework budget for the Human Services program area is \$10.7 billion General Fund and Lottery Funds. The budget includes a \$268.4 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also increases General Fund by \$108.9 million for complying with a federal court ruling establishing restoration timelines at the Oregon State Hospital, maintaining support for non-Medicaid caseloads, and addressing potential revenue and facility reimbursement issues. In addition, the budget includes \$93.9 million General Fund to account for the full biennial cost of Emergency Board actions taken in 2021-23, as well as updates to caseload projections based on the Fall 2022 forecast.

From 2019-21 to 2023-25, the program area’s General Fund and Lottery Funds current service level budget has grown by \$3.9 billion, or 56%. Numerous investments have been made in the Department of Human Services (DHS) and Oregon Health Authority (OHA) that help drive this growth. Examples of important investments that remain in the 2023-25 current service level budget include:

- \$485.2 million General Fund (\$1 billion total funds) for various, critical investments in Oregon’s behavioral health system, including increasing provider rates, supporting community mental health services, expanding capacity at the Oregon State Hospital, and investing in 988 crisis line and mobile crisis services.
- \$204.4 million General Fund (\$599.1 million total funds) for a new provider rate model for developmental disabilities programs, which was funded at 100% of cost. The new model established an average minimum wage of \$17.81 for direct support professionals, an increase of about \$2 per hour.

- \$116.9 million General Fund (\$346 million total funds) for non-state worker collective bargaining agreements, which supported a \$2 per hour wage increase for home care and personal support workers and a 7.3% rate increase for adult foster home providers.
- \$77.2 million General Fund (\$232.4 million total funds) to support rate increases for community-based care and in-home agencies. This included important recruitment and retention efforts, like a 5% cost of living adjustment (COLA) that took effect July 1, 2021, and a 10% COLA that took effect July 1, 2022.
- \$62.5 million General Fund for modernization of the state’s public health system, as well as \$8.1 million for universally offered nurse home visiting services and \$7 million for reproductive health rate increases.

The Co-Chair framework budget calls for prioritizing additional revenue that may become available for further investments to advance Oregon’s goal of ensuring access to quality, affordable care. This includes investing in reproductive health services; supporting Medicaid eligibility redeterminations; bridging health care coverage and establishing the Basic Health Plan; funding Oregon’s new five-year Medicaid waiver; and building on the recent investments in behavioral health services. To meet the program area’s reduction target, the framework budget will focus on maximizing the use of federal revenue and other resources to offset General Fund costs; reducing services and supplies expenses for non-core functions; eliminating long-term vacant positions; and evaluating workload models, caseload forecasts, costs per case, and other growth components built into the current service level budget for possible adjustments to fund other priorities.

PUBLIC SAFETY PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$3,322.6	\$3,389.9	(\$78.9)	\$3,311.0	-0.3%

The General Fund and Lottery Funds target budget for the Public Safety program area totals \$3.3 billion, which includes a 2.5% reduction target and an increase of \$67.3 million General Fund for the continuation of existing critical services.

Program Description: The Public Safety program area is comprised of agencies whose mission is to enforce criminal and civil law, as well as provide for homeland security and emergency management. The program area includes functions such as crime prevention, training, law enforcement, prosecution, defense of criminal convictions, victim assistance, incarceration and detention, post-prison supervision, legal services to state agencies and entities, youth education, and child support enforcement. Agencies in this program area include the Department of Justice, District Attorneys, Department of Corrections, Department of State Police, Department of Public Safety Standards and Training, Military Department, Criminal Justice Commission, Board of Parole and Post-Prison Supervision, Oregon Youth Authority, Department of Emergency Management, and Department of the State Fire Marshal, which becomes operational July 1, 2023.

Co-Chair Budget Summary: The Co-Chair framework budget for the Public Safety program area is \$3.3 billion General Fund and Lottery Funds. The budget includes a \$78.9 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also increases General Fund by \$67.3 million for the continuation of existing critical services and programmatic needs not included in the current service level budget. This increase is largely necessary to sustain current operations at the Department of Corrections (DOC); continue system modernization projects at DOC and the Department of Justice (DOJ); fully implement the new Department of Emergency Management; and establish the Department of the State Fire Marshal (DSFM). The budget also accounts for funding shortfalls and cost increases above the current service level in the Department of State Police, and plans for the department’s role in implementing Ballot Measure 114, as approved by voters in the 2022 general election. Additionally, the budget includes the reauthorization of \$6.4 million General Fund appropriated in 2021-23 for the DSFM engine program to purchase new firefighting equipment, which has been delayed due to supply chain constraints.

The budget framework for the Public Safety program area takes into consideration important investments approved over the past two biennia that continue to be funded in the 2023-25 current service level. Since 2019-21, the program area’s General Fund and Lottery Funds current service level budget has grown by \$606 million, or 22%. Major ongoing investments approved during this time include:

- \$32.7 million General Fund for Community Corrections payments to counties, which modified the Grant-in-Aid calculation to include inflationary factors around personnel costs to provide counties more accurate funding to run their programs.
- \$28.8 million General Fund in DOC for Hepatitis C treatment for approximately 2,000 adults in custody, as well as \$19.1 million General Fund to improve medical care for the aging population.

- \$21.6 million General Fund and 107 positions in DOC to address staffing and overtime issues in operations, security, food service, transportation, laundry, physical plant, and health services.
- An increase of 30 troopers in the Department of State Police, bringing the 2023-25 current service level to 611 trooper positions across the agency; and 20 positions in the State Medical Examiner's Office to address significant backlogs in autopsies.
- 11 positions for a new Police Wellness and Accountability Unit, including diversity, equity, and inclusion, and professional standards positions and implicit bias training.
- Nine DOJ positions for post-conviction relief cases arising from the Watkins v. Ackley court decision on nonunanimous jury convictions.

To meet the program area reduction target, the Co-Chair framework budget will prioritize options that avoid reducing frontline personnel, such as troopers, or otherwise jeopardize the safety of the public or agency staff. Consideration will first be given to options that shift costs being paid with General Fund to another revenue source, achieve savings by eliminating long-term vacancies, and reduce pharmaceutical and other health care costs in correctional facilities while still providing the medically appropriate level of treatment.

ECONOMIC DEVELOPMENT PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$476.8	\$517.5	(\$4.8)	\$512.7	7.5%

The General Fund and Lottery Funds target budget for the Economic Development program area totals \$512.7 million, which includes a 2.5% reduction target and an increase of \$40.7 million for the continuation of existing critical programs and services. The Co-Chair budget framework also commits resources to support early investments in affordable housing and emergency homelessness response and prioritizes any available resources for the Economic Development program area in further housing investments.

Program Description: The Economic Development program area budget supports economic opportunity by facilitating business growth and employment, helping Oregonians access and retain stable, affordable housing and home ownership opportunities, and supporting veterans’ services. Agencies included in this program area include the Department of Veterans’ Affairs, Employment Department, Housing and Community Services Department, and Oregon Business Development Department. The program area’s General Fund and discretionary Lottery Funds budgets largely reside in the Housing and Community Services Department and Oregon Business Development Department. Additional lottery revenues are budgeted in the Oregon Department of Veterans’ Affairs from the 1.5% constitutional dedication of net lottery proceeds for veterans’ services. The Employment Department’s budget is comprised entirely of Other Funds and Federal Funds resources.

Co-Chair Budget Summary: The Co-Chair framework budget for the Economic Development program area is \$512.7 million General Fund and Lottery Funds. The budget includes a \$4.8 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also increases General Fund by \$40.7 million for the continuation of existing critical services and programmatic needs not included in the current service level budget. Most of this increase (\$37.3 million) is for the reauthorization of one-time General Fund appropriations for the Oregon Business Development Department (OBDD) to continue local infrastructure projects that will not be completed before the end of the 2021-23 biennium. The remaining \$3.4 million is included for costs associated with the Housing and Community Services Department’s (HCSD) implementation of legislation adopted early in the 2023 session to increase affordable housing production and respond to and prevent homelessness.

The Economic Development program area’s General Fund budget has grown significantly in recent years. From the 2019-21 to 2023-25 current service level budget, General Fund has grown by nearly \$192 million, an increase of 182%. Most of this growth is for satisfying debt service payments on bonds issued for seismic rehabilitation of schools and emergency services buildings and affordable housing development projects across the state. The program area’s non-General Fund resources have also increased significantly due to investments made through the federal American Rescue Plan Act and Infrastructure Investment and Jobs Act, particularly for OBDD. While this funding is generally one-time in nature, it supports activities spanning multiple years and will continue to be an important focus in the 2023-25 biennium. Examples of key investments recently made in this program area outside of bond issuances that continue in 2023-25 include:

- \$264.1 million provided by the American Rescue Plan Act (ARPA) for water and wastewater infrastructure projects administered by OBDD.
- \$107 million in available ARPA funds for OBDD to support broadband infrastructure projects across the state.
- \$29.9 million General Fund support for the Emergency Housing Assistance Program in HCSD for housing retention services provided to over 26,000 individuals.
- \$26.5 million from federal grant awards for OBDD to support a variety of capital access programs and investment opportunities under the State Small Business Credit Initiative.
- \$22.4 million General Fund in HCSD for rental assistance and tenancy support services for 560 permanent supporting housing units.

The Co-Chair budget also dedicates \$210 million of General Fund resources for semiconductor development and manufacturing investments in SB 4 to leverage CHIPS and Science Act federal revenues. This investment supports Oregon's economy and the creation of living wage jobs across the state. In addition to these and many other recent investments that remain in the program area's current service level budget, HCSD's 2023-25 budget is expected to receive an increase of \$150.7 million General Fund for housing production and homelessness services, pending the final passage of HB 2001 and HB 5019. The Co-Chair framework budget acknowledges the importance of even more investments needed to address Oregon's housing crisis. The Co-Chairs will therefore prioritize additional revenues that may become available for this purpose, while also pursuing options to achieve the program area's target reduction without negatively impacting these services.

NATURAL RESOURCES PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$700.8	\$801.7	(\$16.0)	\$785.6	12.1%

The General Fund and Lottery Funds target budget for the Natural Resources program area totals \$785.6 million, which includes a 2.5% reduction target and an increase of \$100.9 million for the continuation of existing critical programs and services. The Co-Chair budget framework also prioritizes investing any available resources for the Natural Resources program area in climate resilience, including wildfire and drought.

Program Description: The Natural Resources program area is comprised of fourteen agencies: the Columbia River Gorge Commission, Department of Agriculture, 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, Department of Parks and Recreation, Department of State Lands, Land Use Board of Appeals, Marine Board, Water Resources Department, and Oregon Watershed Enhancement Board.

Natural resource agencies are largely funded with Other Funds revenues generated primarily through fees and assessments. The program area also relies on federal funding, which makes up approximately 13% of its budget. General Fund and Lottery Funds supplement these sources and comprise almost 28% of the budget, including debt service on previously issued bonds. Constitutionally dedicated Lottery Funds represent approximately 10% of all spending for the program area apart from debt service. Non-constitutionally dedicated Lottery Funds are limited to debt service. The General Fund budget accounts for approximately 15% of all non-debt service spending in the program area.

Co-Chair Budget Summary: The Co-Chair framework budget for the Natural Resource program area is \$785.6 General Fund and Lottery Funds. The budget includes a \$16 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also includes an increase of \$100.9 million for the continuation of existing critical services and programmatic needs not included in the current service level budget. Consistent with the March 2023 state revenue forecast, \$43.6 million of this amount represents an increase in the percentage of net lottery revenues constitutionally dedicated to the Parks and Natural Resources Fund that must be distributed for local grants. Another \$41.4 million represents the reauthorization of one-time General Fund appropriations to continue funding commitments for wildfire and drought response and mitigation activities, as well as Private Forest Accord projects. The remaining \$15.9 million is primarily to support 2023 fire insurance premium costs; costs for the Department of Agriculture to move into and rent laboratory space in the North Valley Complex; required state match for a legislatively approved electrical grid resiliency federal grant; and water equity and tribal energy resiliency initiatives.

From 2019-21 to 2023-25, the Natural Resources current service level General Fund and Lottery Funds budget grew by approximately 44%. Important investments made during this time that remain funded in the 2023-25 current service level budget include:

- \$33.3 million for the Department of Forestry to increase overall wildfire response capacity consistent with the adoption of SB 762 (2021), as well as \$6.8 million for the department to enhance its fire protection and prevention capacity.
- \$12.8 million for staffing and other expenses for the Private Forest Accord to support significant updates to the Forest Practices Act regulating the standards for commercial activities involving establishment, management or harvesting of trees in Oregon’s forestland.
- \$3.5 million for the Department of Environmental Quality for activities aimed at reducing greenhouse gas emissions across all emission sources.

The Co-Chair framework budget also accounts for investments made in 2023-25 through the expected adoption of HB 2001 in the 2023 session for increasing housing production in Oregon. This includes \$6.2 million General Fund for the Department of Land Conservation and Development to provide grants and technical assistance to local governments, as well as support the Oregon Housing Needs Analysis, and \$5.5 million General Fund for the Department of Agriculture to implement the Agricultural Workforce Housing grant program. To meet the program area reduction target, the Co-Chair framework budget will prioritize options that shift costs currently being paid with General Fund to other revenue sources, reducing long-term vacancies and services and supplies budgets, and implementing operational efficiencies without having an impact on core program functions.

TRANSPORTATION PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$153.1	\$155.5	\$0.0	\$155.5	1.6%

The General Fund and Lottery Funds target budget for the Transportation program area totals \$155.5 million, which includes an increase of \$2.4 million for the continuation of existing critical services. The budget does not include a target reduction because all General Fund and Lottery Funds in the program area’s current service level budget supports debt service, which the state is obligated to pay and cannot be reduced.

Program Description: The Transportation program area includes the Oregon Department of Transportation (ODOT) and Department of Aviation. All General Fund and Lottery Fund resources supporting the program area’s 2023-25 current service level support debt service payments in ODOT’s budget and represent a relatively small share of the agency’s total spending.

Co-Chair Budget Summary: The Co-Chair framework budget for the Transportation program area is \$155.5 million General Fund and Lottery Funds. The budget includes a \$2.4 million General Fund increase for the Department of Aviation, which is from the reauthorization of funding approved in the 2021-23 biennium for runway and electrical rehabilitation at the Cape Blanco State Airport. This one-time funding was appropriated in the 2022 session, but the project is taking longer than expected to complete and will continue into the 2023-25 biennium.

Although the program area does not have any General Fund or Lottery Funds in the 2023-25 current service level outside of debt service, the Co-Chair framework budget recognizes that significant investments in major transportation infrastructure projects will be required over the next several years. Oregon’s transportation infrastructure is getting older and more expensive to maintain while maintenance and operations revenue, funded primarily from motor fuels taxes, taxes on heavy trucks, and driver and vehicle fees, declines relative to inflationary pressures and vehicle fuel efficiency. Highway pavement conditions are also projected to significantly deteriorate over the next decade. Most of the approximately 2,700 bridges on the state highway system are over 50 years old. The majority of the state’s largest bridges cross either the Columbia or Willamette Rivers. These bridges are extremely expensive to maintain.

An important factor in addressing the state’s aging transportation infrastructure will be the revenue received from the federal Infrastructure Investment and Jobs Act (IIJA) adopted in November 2021. This law reauthorized and provided funding increases to existing federal highway, transit, safety, and rail programs, and established new programs, for the five-year period of 2022-2026. IIJA is expected to deliver over \$4.6 billion to Oregon state and local governments and other programs through competitive and non-competitive grants for highway, bridge, public transit, and other transportation improvements. Another \$235.4 million is expected to be available for airport infrastructure and terminal projects across the state, most of which will flow directly to airports.

The Co-Chairs are considering the availability of these funds, in combination with forecasted state transportation revenues and bond capacity, in the evaluation of major transportation project proposals before the state, including the Interstate 5 Bridge Replacement Project. In addition to how such projects are financed, the Co-Chair framework will ensure equity is central to budgetary decisions.

CONSUMER AND BUSINESS SERVICES PROGRAM AREA

2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$24.1	\$30.1	(\$0.6)	\$29.5	22.4%

The General Fund and Lottery Funds target budget for the Consumer and Business Services program area totals \$29.5 million, which includes a 2.5% reduction target and an increase of \$6 million for the continuation of existing critical programs.

Program Description: The Consumer and Business Services program area supports programs with a worker or consumer protection mission. The agencies in the program area include the Bureau of Labor and Industries, Department of Consumer and Business Services, Public Utility Commission, and 17 professional and health licensing boards. These agencies rely heavily on Other Funds revenue, particularly from licensing fees and assessments. Almost all General Fund in the program area’s budget is for supporting operations and services in the Bureau of Labor and Industries. The program area’s 2023-25 current service level budget is not supported with Lottery Funds.

Co-Chair Budget Summary: The Co-Chair framework budget for the Consumer and Business Services program area is \$29.5 million General Fund. The budget includes a \$0.6 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also increases General Fund by \$6 million to reflect the reauthorization of unspent funding appropriated to the Bureau of Labor and Industries (BOLI) in 2021-23. This action will allow BOLI to complete the awarding of grants through its Apprenticeship Grants Program as part of Future Ready Oregon.

From 2019-21 to 2023-25, the program area’s current service level budget has grown by \$9.8 million General Fund, or 68%. This growth has occurred in BOLI’s budget and largely reflects the following investments that remain funded in the agency’s 2023-25 current service level budget:

- \$2.5 million and eight positions to improve the agency’s ability to address fair housing complaints in a timely manner.
- \$1.5 million to accelerate the processing of complaints regarding civil rights in the workforce.
- \$0.7 million to expand the agency’s capacity to address employment-related age discrimination.
- \$0.6 million to improve the agency’s technical assistance services available to employers.
- \$0.5 million for BOLI’s role in enforcing the wage and hour provisions of new state agriculture overtime laws.

To achieve the program area reduction target of \$0.6 million, the Co-Chair framework budget will avoid making adjustments that impact BOLI’s ability carry out its critical role of enforcing Oregon’s wage and employment-based civil rights laws. The budget will prioritize reductions that shift expenses currently paid with General Fund to other sources, reduce long-term vacancies and services and supplies costs not associated with direct services, and, if necessary, scaling back services that are not statutorily required.

ADMINISTRATION PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$370.8	\$379.9	(\$7.9)	\$372.0	0.3%

The General Fund and Lottery Funds target budget for the Administration program area totals \$372 million, which includes a 2.5% reduction target and an increase of \$9.1 million for the continuation of existing critical services.

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, Department of Revenue, Public Employees Retirement System, Office of the Governor, Secretary of State, State Treasurer, Employment Relations Board, Government Ethics Commission, State Library, Oregon Advocacy Commissions Office, Oregon Liquor and Cannabis Commission, Oregon Racing Commission, and the newly established Office of the Public Records Advocate. State pass-through funding is included for public broadcasting, state and county fairs, the Historical Society, and the Court Appointed Special Advocates program.

Co-Chair Budget Summary: The Co-Chair framework budget for the Administration program area is \$372 million General Fund and Lottery Funds. The budget includes a \$7.9 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. The budget also includes a \$9.1 million increase to address existing programmatic needs not included in the current service level budget. This increase supports the Department of Revenue’s recently created Internal Controls Office and implementation of agriculture worker overtime requirements established in HB 4002 (2022); the continuation of limited duration positions in the Oregon Advocacy Commissions Office to facilitate task force recommendations regarding the needs of populations with histories of poor health or social outcomes, as required by HB 4052 (2022); and recognizing sports betting revenue (Lottery Funds) available for the Employer Incentive Fund (EIF) in the Public Employees Retirement System budget. Included in the EIF increase is a \$341,000 balance carried forward from the 2021-23 biennium.

The General Fund and Lottery Funds budget in this program area has grown by \$88.4 million, or 31%, since 2019-21. Most of the program area’s General Fund and Lottery Fund resources are in the Department of Revenue, Office of the Governor, Secretary of State, Department of Administrative Services, and Public Employees Retirement System budgets. Recent investments in ongoing services and support of state government operations delivered through the Administration program have included:

- \$7.8 million General Fund for ongoing contracted maintenance and support of GenTax, the Department of Revenue’s tax administration system.
- Creation of the new Internal Controls Office, including establishment of seven permanent positions, in the Department of Revenue to monitor and mitigate operation and cybersecurity risks.
- \$1.8 million General Fund for the Secretary of State to pay postage costs for ballots returned by mail in all Oregon elections.

- Establishment of an American Rescue Plan Act (ARPA) team in the Department of Administrative Services to track ARPA expenditures and comply with federal reporting and audit requirements.
- Addition of positions in the Governor's Office to support the work of the Racial Justice Council, as well as establishment of a State Wildfire Program Director and Corrections Ombudsman.

To achieve the target budget, the Co-Chairs will prioritize options that shift costs currently paid with General Fund or discretionary Lottery Funds to another revenue source, examine cost allocation expenses and assessments on other agencies, and reduce long-term vacancies.

LEGISLATIVE BRANCH PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$195.8	\$195.8	(\$4.3)	\$191.5	-2.2%

The General Fund and Lottery Funds target budget for the Legislative Branch program area totals \$191.5 million, which includes a 2.5% reduction target.

Program Description: The Legislative Branch program area includes the Legislative Assembly, the costs of six statutory committees or offices, and the Commission on Indian Services. The professional non-partisan staff offices, which provide either administrative and operations support or specialized analysis, include Legislative Administration, Legislative Counsel, the Legislative Fiscal Office, the Legislative Revenue Office, the Legislative Policy and Research Office, and the Legislative Equity Office. 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.

Co-Chair Budget Summary: The Co-Chair framework budget for the Legislative Branch program area is \$191.5 million General Fund. The budget includes a \$4.3 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service. From 2019-21 to 2023-25, this program area’s current service level budget has grown by \$68.2 million General Fund, or 53%. The largest budgetary changes have been for capital construction and debt service costs approved for the Oregon State Capitol Accessibility, Maintenance and Safety (CAMS) project. While the project remains ongoing, additional project costs in 2023-25 are expected to be paid through the issuance of bonds. Other recent General Fund investments for ongoing services in the Legislative Branch program area include:

- Two permanent positions to provide language access services and Spanish interpretation to the public.
- One position and approximately \$1 million General Fund for contractual services to improve access for the deaf and hard of hearing.
- Establishment of the state’s first Physical Anthropologist position in the Commission on Indian Services to enhance tribal relations, work with state agency and tribal representatives, and support the Oregon Tribal Cultural Items Task Force.
- Adoption of a new branch-wide classification and compensation structure for legislative employees, including adjustments for pay equity.

Expenses associated with these adjustments were supported by leveraging existing budgeted resources available from General Fund reversions that the Legislative Branch is statutorily allowed to retain. The Co-Chair framework budget assumes the existing Legislative Branch budget will likewise fund any critical budget needs identified for the 2023-25 biennium. Since expenditures of this program area are primarily driven by staffing costs, any reductions would likely require the elimination of positions.

JUDICIAL BRANCH PROGRAM AREA				
2023-25 GF/LF Current Service Level Budget (millions)	2023-25 GF/LF Program Area Expenditures (millions)	2023-25 GF/LF Program Area Reductions (millions)	2023-25 Co-Chair GF/LF Target Budget (millions)	% Chg from CSL
\$1,028.9	\$1,212.2	(\$24.5)	\$1,187.7	15.4%

The General Fund and Lottery Funds target budget for the Judicial Branch program area totals \$1.2 billion, which includes a 2.5% reduction target, an increase of \$67.2 million General Fund for the continuation of existing critical services, and an increase of \$116.2 million to support the 2023-25 impact of actions approved by the Emergency Board in 2021-23. The Co-Chair budget framework also prioritizes investing any available resources for the Judicial program area toward alleviating the public defense crisis to ensure financially eligible people receive their constitutional right to representation.

Program Description: The Judicial Branch program area funds civil and criminal state courts, public defense, the processing of complaints of judicial misconduct or disability, and the collection of court-generated revenues that are primarily distributed to the General Fund, Criminal Fines Account, and local government. The agencies that comprise the program area include the Oregon Judicial Department (OJD), Public Defense Services Commission (PDSC), and Commission on Judicial Fitness and Disability. Outside of debt service payments, approximately 62% of the program area’s 2023-25 current service level General Fund is budgeted in OJD and 38% in PDSC. Less than 1% of the General Fund budget supports the Commission on Judicial Fitness and Disability. The program area’s current service level budget receives no Lottery Fund distributions.

Co-Chair Budget Summary: The Co-Chair framework budget for the Judicial Branch program area is \$1.2 billion General Fund. The budget includes a \$24.5 million reduction target based on 2.5% of the program area’s 2023-25 current service level budget, excluding debt service payments. The budget also captures the 2023-25 biennial costs associated with increases approved for PDSC and OJD by the Emergency Board at its June 2022 and September 2022 meetings. These include \$113.7 million for the release of the holdback a portion of PDSC’s budget approved in the 2021 session and \$2.1 million to expand family treatment court programs in OJD. Additionally, the budget increases General Fund by \$67.2 million for the continuation of existing critical services and programmatic needs not included in the current service level budget. This increase provides resources for the unrepresented defendant/persons crisis and delivery of public defense services, cases related to nonunanimous court decisions, and continued investment in a financial and case management system in PDSC. The increase also covers the costs of classification and compensation plan changes made by OJD, potential cost increases associated with mandated payments for jurors and interpreters, the collection of court imposed monetary obligations, and the backfill of an Other Funds revenue shortfall in OJD’s Technology Fund.

In addition to these increases in the framework budget, the program area’s current service level budget has increased by \$178.8 million General Fund, or 21%, since 2019-21. The following are just a few of the key General Fund investments recently made that continue to be funded in the current service level budget:

- \$34.7 million in PDSC to resolve deficits for the public defense costs of adult, juvenile, parent, and child representation and appellate cases.
- \$6.1 million and 53 positions in OJD for expansion of the pretrial release program.

- \$3.8 million and 15 positions in OJD for the reorganization of the Office of the State Court Administrator.
- \$1.9 million to address cases related to the U.S. Supreme Court’s decision on nonunanimous jury convictions in Ramos v. Louisiana for persons currently in custody.

The Co-Chair framework budget 2.5% reduction target will be achieved through operational efficiencies, reductions in long-term vacancies and services and supplies expenditures, and other savings that do not further exacerbate issues within the public defense system.