Building the 2005-07 Budget:

Presentation to the
Oregon Board of Higher Education
Finance Committee

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Building the 2005-07 Budget

- Background on Oregon’s Budget.
- Budget development.
- Legislative concepts.
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Background on Oregon’s Budget

1990’s: State enjoyed huge economic growth and diversification.
- High-tech industry growth.
- Population growth – 11th fastest growing state.
- Personal income grew at annual rate of 5.6%, exceeding the nation.
- Exports increased by a compound annual rate of 5.8%.
- State General Fund grew:
  - from $4,628.1 million in 1989-91 to $10,121.8 million in 1999-2001
  - dollars primarily went to K-12, Oregon Health Plan, and Public Safety.
- Kicker returned for personal income tax filers 7 times, totaling over $1.5 billion; for corporate tax filers 5 times, totaling over $400 million.
Background on Oregon’s Budget:
General Fund forecast, in millions
Background on Oregon’s budget: Available Lottery Fund resources

Note: Resources do not include Video Lottery proceeds dedicated to the Counties. Beginning balance is included.
2003-09 debt service figures do not reflect any Education Endowment Fund or reserve earnings designated for debt service on education bonds.
Background on Oregon’s budget: Post-secondary education
Background on Oregon’s budget: Post-secondary education
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Budget development: Legal framework for Governor’s budget

- Must be balanced to current revenue forecast – the amount of money that is available under current law.

- Must fulfill all legally required expenditures first – e.g., debt service on outstanding issuances.

- Remainder to be allocated based on priorities and evaluation of minimum dollar amount needed to meet expected performance levels.

- Governor must identify separately from the balanced budget any priorities for increased expenditure and identify the proposed revenue source.

- Governor must identify the lowest priority items that could be reduced if resources go down or the legislature chooses other priorities.
Budget Process Overview

Revenue Forecast March (even)

Budget Instructions Directions for budget preparation sent to agencies by March (even) following close of session

Public Process Agency develops budget with input/review constituents boards/commissions

Agency Request Budget submitted by September 1 (even)

Agency Request Budget

Revenue Forecast September/December (even)

Governor develops recommended budget

Governor submits recommended budget to Legislature December 1 (even)

Public Process

Ballot Measures November (even)

Agency develops budget with input/review constituents boards/commissions

Governor develops recommended budget

Governor submits recommended budget to Legislature December 1 (even)

Legislature reviews Governor’s Recommended Budget

Public Process Ways & Means and substantive legislative committees

Legislatively Adopted Budget issued at close of session

Legislature reviews Governor’s Recommended Budget

Budget Execution, allotments, management studies, response to budget notes

Legislatively Approved Budget and other information incorporated into Agency budgets for next legislative session

Legislatively Adopted Budget

Budget Notes/Legislatively Adopted Budget/Implementation

Emergency Board, Update to Legislatively Adopted Budget

Legislatively Approved Budget

Prepared by: Department of Administrative Services, Budget & Management Division
Budget development: Fund types

- General Fund
- Lottery Funds
  - Sports Action Lottery
  - Debt service on Lottery-backed bonds
- Other Funds
  - Tuition and fees
  - Indirect cost recovery
  - Bond revenues
  - All other revenues funding construction
- Other Funds Non-limited
  - Grants, gifts, and contracts
  - Student aid
  - Revenues from auxiliary services
Budget development: OUS budget structures

- Summary Cross References:
  - Education and General Services.
  - Agriculture Experiment Station.
  - Extension Service.
  - Forest Research Laboratory.
  - Other Services (Non-limited).
  - Services and Clearing Department.
  - Debt Service.
  - Sports Action Lottery.
  - Capital Construction.
Budget development: Stages of development

- Legislatively Approved Budget
  - Base Budget Adjustments
  - Essential Packages

- Essential Budget Level
  - Policy Packages

- Agency Request Budget
  - Governor’s adjustments

- Governor’s recommended budget
  - Ways and Means adjustments

- Legislatively Adopted Budget
  - Emergency Board and Special Session actions

- Legislatively Approved Budget
Budget development: Budget components

- Legislatively Approved Budget through April 2004 Emergency Board.

- Base Budget adjustments:
  - Salary and benefit increases and position phase-ins and phase-outs.
  - Changes in debt service on bonds and certificates of participation sold in 2003-05.
  - Changes in Non-limited expenditure authority.
  - Elimination of 2003-05 one-time capital construction expenditure authority.
Budget development: Budget components

- Essential packages:
  - Vacancy adjustment and increases in some Personal Services accounts (overtime, temporary appointments, unemployment compensation).
  - Phase-ins/phase-outs/one-time expenditures, generally for Services and Supplies, Capital Outlay, and Special Payments.
  - Inflation increases and changes in State Government Service Charges.
  - Mandated caseload adjustments for some programs.
  - Fund shifts and technical adjustments.
Budget development: Budget components

- Policy packages:
  - Other Funds and Federal Funds expenditure reductions required by declining revenues.
  - Adjustments due to legislative action after April 2004.
  - Policy and program changes:
    - New or expanded programs.
    - Increased funding for existing programs.
    - Funding to support legislative concepts.
    - New capital construction and information technology projects.
    - Debt service on new projects.
Budget development: Timeline

  - Changes to Summary Cross References.
    - New or modified cross references.
    - Require BAM and LFO approval.
  - Revenue Forecast Memo.
    - Changes in Other Funds and Federal Funds revenue estimates and methodologies.
    - Not required if no changes are expected.
Budget development: Timeline

- By April 15, 2004.
  - Base budget exceptions and Essential Package Issues.
    - Vacancy factor calculation.
    - Preliminary detail on Essential Budget Level issues:
      - Inflation factor application.
      - Extraordinary cost changes.
      - Fund shifts or revenue reductions.
      - Phase-ins and phase-outs.
      - Other technical adjustments.
Budget development: Timeline

- Between April through August, 2004.
  - Develop Policy Packages and reduction options
    - Legislative concepts with fiscal impacts require policy packages.
    - 10% reduction options for all fund types required by HB 3182 in agency request narrative.
    - Agencies should prepare additional 10% General Fund reductions for submission to DAS.
    - Reduction options will be entered in ORBITS only if recommended or adopted by the Governor.
Budget development:
Timeline

- Between April and August, 2004.
  - Agency Request Budget data entry and audits:
    - 2001-03 actual expenditures.
    - 2005-07 requested budget.
Budget development: Timeline

- By September 1, 2004
  - Agency Request Budget Document Due.
    - Complete narrative.
    - Capital construction plan.
    - Information technology management plan.
    - Performance measures report.
    - Sustainability plan.
    - Other forms and schedules.
    - ORBITS support documents.
Budget development: Timeline

- Between September and December, 2004.
  - Governor’s Recommended Budget preparation.
    - Analyst recommendations.
    - Agency budget appeals and adjustments.
    - Preparation of “special” budgets (if necessary).
    - Final Governor’s decisions.
    - Printed budget document delivered to the legislature.
    - Agency appropriations bills filed.
    - Agency budget documents updated in December and January.
Budget development: Timeline

- Between January and July, 2005.
  - Approval of Legislatively Adopted Budget.
    - Presentation of Governor's Recommended Budget to Ways and Means.
    - Legislative approval of appropriation bills and other legislation with a fiscal impact.
    - Agency budget documents updated to reflect legislative action.
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**Legislative concepts: Process**

- The Governor files all Executive Branch bills.
- Legislative concepts should be developed along with budgets:
  - Concepts with fiscal impacts must have associated policy packages.
  - Policy packages that require statutory changes must have associated legislative concepts.
- Legislative concepts should be developed with stakeholders.
Legislative concepts: Timeline

- April 15, 2004: Late date for concepts to be filed with DAS.
- April-May 2004: Concepts reviewed by BAM and Governor’s Office and approved or not approved for drafting.
- May 31, 2004: Last date for DAS to submit approved concepts to Legislative Counsel for drafting.
- July 15, 2004: Late date for completion of placeholder concepts without approval from DAS.
- July 15, 2004: Last date for agencies to submit additional detail to Legislative Counsel.
Legislative concepts: Timeline

- July-November 2004: Agencies work with Legislative Counsel to finish bill drafting. Legislative Counsel will allow only one revision after its first draft is returned to agencies.

- November-December 2004: Concepts reviewed again by BAM and Governor’s Office and approved or not approved for filing.

- December 1, 2004: Legislative Counsel stops all agency bill drafting. Completed bill drafts and fiscal impacts statements due to DAS for final review.

- December 15, 2004: Late date for Governor to pre-session file bills.