Oregon’s Budget Process: Ways and Means

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April 2, 2004
LFO - Agency and Mission

• Created in 1959 as non-partisan, permanent professional support staff office to the Legislature

• Statutory mission (ORS 173.420 – 173.450)
  – Ascertain facts and make recommendations to the Legislative Assembly concerning the Governor’s budget
  – Ascertain facts and makes estimates concerning state expenditures
  – Ascertain facts and make recommendations concerning the fiscal implications of the organization and functions of the state and its state agencies
  – Ascertain facts and make recommendations on such other matters as may be provided for by joint or concurrent resolution
  – Furnish such assistance as is requested by the House Revenue Committee, the Senate Revenue Committee, the Legislative Revenue Officer, and other standing and interim committees and members of the Legislative Assembly
LFO - Responsibilities

• Provides staff support for:
  – Joint Committee on Ways and Means
  – Emergency Board
  – Joint Legislative Audit Committee (ORS 171.580)
  – Joint Legislative Committee on Information Management and Technology (ORS 171.852)
  – Other special committees or task forces on budget as directed by legislative leadership
LFO - Responsibilities

• During session, LFO provides:
  – Analysis and review of Governor’s proposed budget
  – Assistance in development of the Ways and Means Co-Chair budget
  – Assistance in development of the Legislature’s adopted balanced budget
  – Budget reports or fiscal impact statements and staff measure summaries for bills in Ways and Means
  – Review of all measures for fiscal impact
  – Fiscal impact statements for bills scheduled in legislative committees
LFO - Responsibilities

• Following session, LFO provides:
  – Summary report on the legislatively adopted budget
  – Detailed analysis of the legislatively adopted budget by agency and program within agency

• During interim, LFO provides:
  – Analysis and recommendations on agency requests for Emergency Board action
  – Program evaluations and audit reviews for the Joint Legislative Audit Committee
  – Analysis and recommendations on information technology related requests for Joint Legislative Committee on Information Management and Technology
  – Briefs on budget-related topics and issues of interest to the Legislature
  – Review of state agency budget execution and operations
Budget Process: Budget Development begins in February or March of Each Even Numbered Year

Governor’s Budget Instructions to Agencies

Organizational Structure and Program Units Developed by April

Estimate of Current Costs Developed by June

Technical Details Supplied by PICS and ORBITS in July

Agencies Develop Budget Requests
Budget Process: Final Budget Requests Delivered to DAS and Legislative Fiscal Office (LFO) by September 1st

Agency Requests to Department of Administrative Services (DAS) and LFO

Budget Numbers are Audited by DAS

Staff Review by Budget & Management Division (BAM)

LFO Begins Preparation for Budget Analysis
Budget Process: Agency Budget Appeals and Adjustments during Month of October

BAM Staff Make Budget Recommendations to DAS Director

Agencies Appeal to Director

Agencies Appeal to Governor
Budget Process: Governor makes final Decisions during the Month of November

- Governor’s Recommendations Developed
- Agencies Revise Budgets at Governor’s Request
- Governor’s Budget Readied for Printing
Budget Process: Governor Delivers Recommended Budget to Legislature on December 1st

Governor’s Recommended Budget Becomes Public December 1st*

Legislative Fiscal Office (LFO) Analyzes Recommended Budget

LFO Printed Analysis to Legislature First Week of January

*Required by February 1st for Newly Elected Governor
Governor’s Recommended Budget

• Must be balanced to current revenue forecast – start with the question how much money is available under current law?

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

• Allocate remainder based on priorities and evaluation of minimum dollar amount needed to meet expected performance level.

• 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.
Ways and Means Process

- ORS 171.555 requires the Senate and House to establish Committees on Ways and Means. The statute also requires these committees to meet jointly.

- The President of the Senate and Speaker of the House may establish additional committees to review and approve budgets. During the 2003 Session, both the Senate and House established Special Committees on Budget to facilitate work on the state budget.
Budget Process: Legislative Assembly begins meeting Second Monday of Odd Numbered Year

LFO Briefs Leaders and Caucuses on Governor’s Proposed Budget

Budget Environment

Governor’s Program Choices & Alternatives

Revenue Issues
Budget Process: Legislative Assembly begins meeting on the Second Monday of every odd-numbered year.

LFO Describes Key Budget Issues and Decision Points to Leaders and Co-Chairs.

Leaders and Co-Chairs begin setting priorities and timelines for the session.
Budget Process: Committee Hearings Begin Second Week of Session

Six Ways and Means Subcommittees:

- Human Services
- Education
- Public Safety
- Natural Resources
- Transportation
- General Government

Subcommittees hold Budget Hearings

Subcommittee Recommendations to Full Committee

Joint Ways & Means Committee Meets Weekly
Joint Ways & Means Committee Begins Final Budget Balance Mid- to Late May

Legislature Begins Budget Finalization

Legislatively Approved Budgets Adopted

Legislature Adjourns Sine Die

Budget Process: Special Revenue Forecast May 15th
LFO Budget Role

- Review base budget for accuracy and analyze Essential Budget Level budget
- Examine revenue sources, expenditure limitations, expenditure patterns, staffing levels, proposed law changes
- Review impact of reductions
- Analyze policy packages
- Work with agencies to ensure that budget presentations comply with committee directions
- Facilitate responses to questions and collection of information requested by members
- Make recommendations; draft budget notes
- Facilitate bill amendments, budget report finalization and presentation of subcommittee decisions at full Ways and Means Committee
- Assist bill carriers on House and Senate floors
Bills and Budget Reports

• Appropriations are made by law. The Legislature passes bills that authorize state agencies to spend monies appropriated from other sources (such as General Fund or Lottery Funds), and monies otherwise available to the agency (such as tuition and fee revenues, indirect cost recovery revenue, gifts for capital expenditures).

• The budget bill may also specify revenues that can be spent without limitation (such as auxiliary enterprise activity revenue, gift, grant and contracts (excluding those for capital expenditures), student aid (except fee remissions).
Bills and Budget Reports

• The budget for the Oregon University System is approved in a minimum of two bills: one for the operating budget and another for the capital budget.

• Often the budget is affected by other bills as well, including: bills that make common adjustments to a large number of state agency budgets, bills establishing new programs, and end of session bills that make final budget adjustments.
Bills and Budget Reports

- The **budget report** explains the adjustments the committee made to the Governor’s recommended budget and instructs the agency how funds are to be spent. The budget report describes the activities that are funded in the budget and the committee’s expectations for executing the budget.
Bills and Budget Reports

• The committee may address issues of elevated concern in a **budget note**. A budget note is specific language within the budget report that is approved by subcommittee or full committee vote.

• Agencies are not required, by law, to follow instructions in budget notes or in other portions of the budget report. However, as part of the budget presentation to Ways and Means in the subsequent session, agencies are required to report on how they implemented budget note instructions.
• In the 2003 Session, the committee adopted the following budget notes:
  – Avoid filling vacant positions where plausible
  – Avoid increase in salaries, wages or benefits
  – Develop a plan to integrate accounting and budget systems
  – Assist the Legislative Fiscal Office in a review of administrative functions and coordination of services between the Chancellor’s Office and the campuses
  – Limit tuition and fee increases to no more than the levels presented to the committee (expectation suspended if General Fund is reduced). Limit resource fee revenue to no more than 8.6% of gross tuition revenue.
OUS Budget Notes

• In the 2003 Session, the committee adopted the following budget notes (continued):

  – Limit programmatic fee remission to $65 million and graduate fee remissions to $47 million (unless enrollments exceed projections). Programmatic fee remissions are also limited to 8% of gross tuition revenue.

  – Distribute state General Fund to campuses according to the Resource Allocation Model (RAM) with the adjustments to that model that were presented to the committee. Report to the Emergency Board any changes to the distribution as proposed.