

Financial Services

Update

MARCH 2007
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GREETINGS FROM FINANCIAL SERVICES:

This update is a general overview of the legislative budget process. We will follow this update with actual 2007-2009 budget numbers after the Legislative session.

As always, we welcome your comments and suggestions on these and other issues of financial importance to the Department. Please email me at:

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Financial Services is a branch of ODOT's Central Services Division

Financial Services provides centralized accounting, financial reporting, payroll and benefits, budget development, economic and financial analysis, business planning, debt administration, cash management, the Oregon Transportation Infrastructure Bank, tax collection and auditing, revenue forecasting, tax policy analysis and cost allocation services.



<http://intranet.odot.state.or.us/fsb/>

FAQs about the Legislative Budget Process

What is a budget?

In general terms, a budget can be viewed as an organization's strategic and performance measurement plans expressed in financial terms. The strategic plan outlines an agency's mission, goals, and strategies for achieving those goals. The budget provides a fiscal roadmap and benchmarks for efficiently and cost-effectively implementing that plan by putting a dollar amount to the goals expressed in the strategic plan and outlining areas of program expansion, reduction or deletion. It is a tool for evaluating, planning, allocating and monitoring available resources to ensure responsible and sustainable use of these resources.

What is a legislative budget?

The legislative budget is the budget approved by the Legislature for all state agencies. Oregon operates on a biennial budget cycle, meaning that once every two years the Legislature is required to enact a new budget that will fund the state for the next two fiscal years. For Oregon, these two fiscal years (a biennium) run from July 1 of an odd-numbered year to June 30 of the next odd-numbered year; for example, July 1, 2007 to June 30, 2009.

Why build a legislative budget?

Building the budget can be tedious and difficult. From gathering information to support our agency's request to presenting and defending the budget to the Legislature; the process takes tremendous time and effort from many groups and individuals, including: the Oregon Transportation Commission, Executive Staff, Budget Services, Division Budget Con-

tacts, DAS Budget and Management Division (BAM), and the Legislative Fiscal Office (LFO).

So why do it? First, it is a policy and communication document. It outlines the Governor's goals for the next two years and the funding needed to realize those goals. Second, building the budget promotes accountability and sound decision making. It forces an organization to look closely at its operating environment and plan ahead in accordance with the Governor's goals. The budget process is a forum where public priorities are articulated, debated and ultimately, where important choices are made by public officials as required by law.

The legislative budget building blocks include the Essential Budget Levels:

- *Base Budget* – previous biennium's Legislatively Adopted Budget adjusted for Emergency Board, special session, and administrative actions, as well as projected personal services and scheduled debt service.
- *Essential Packages* – inflation, phase-in/out, fund shifts, technical adjustments.
- *Policy Packages* (Program Enhancements) – all other changes to Essential Budget Level such as new or expanding program, increase fees, etc.

What are the phases of the legislative budget?

Agency Requested Budget (ARB)
(January through October, even-numbered years)

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Financial Services

Vision

To be recognized by customers and stakeholders as the most accountable, responsive and innovative finance organization in Oregon state government

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1. Budget Services works closely with ODOT divisions and the Director's Office to develop and submit the Agency Requested Budget.
 2. The Agency Requested Budget is audited and analyzed by DAS BAM.
- Governor's Recommended Budget (GRB)** (*November through December, even-numbered years*)
3. Review and decision by Governor.
 4. Governor's Recommended Budget produced.
 5. Prepare and file appropriation bills with Legislature.

Legislatively Adopted Budget (LAB) (*January through July, odd-numbered years*)

6. Legislature reviews and adopts budget:
 - ◇ Agency presents and justifies Governor's Recommended Budget.
 - ◇ Joint Committee on Ways and Means acts; full Legislature approves.
 - ◇ Legislatively Adopted Budget produced.

Legislatively Approved Budget – the Legislatively Adopted Budget and the interim adjustments to it (i.e., Emergency Board items).

6. Budget execution
 - ◇ Funds are allotted. Operating budget loaded.
 - ◇ Track expenditures to budget.
 - ◇ Interim adjustments.

What happens after the Legislature adopts the budget?

Agencies carry out, or execute, the budget over the two-year budget period. At ODOT, each division loads their operating budgets by program, projects and/or unit.

The [Emergency Board](#) can make some changes to the budget between legislative sessions. Special legislative sessions may also be called to deal with budget issues. Limited changes may be approved administratively by DAS that deal with permanently financed reallocations such as reclassifications, reductions in months or abolishment of existing positions.

Major components of the Legislative Budget

Revenue – Oregon uses money from four sources, or fund types, to pay for services:

General Fund – funded largely from corporate and personal income taxes. The rest comes from the insurance premium tax, cigarette tax, liquor tax, other minor sources, and the Fund's investment earnings.

Other Funds – include state licensing fees and some taxes, chiefly those related to highway use, employment, and forests. Other Funds also include the state's business-like incomes including tuition, charges for services, inmate workforce products, and many funds related to loans or bonds.

Federal Funds – from the federal government to reimburse state funds used on specific projects approved by the federal government. With few exceptions, the amount of federal funds Oregon receives is less than the full cost of projects. Federal funds must be matched with local and state funds. **Federal as Other** – federal funds in the Highway Division recorded as Other Funds for accounting purposes.

Lottery Funds – 18% of lottery proceeds go to the Education Stability Fund and 15% of the proceeds fund parks and salmon restoration activities. The remaining proceeds are designated for education and economic development.

Expenditure Categories:

Personal Services – employee gross compensation including wages, benefits, temporary state staff, unemployment assessments, pay differentials, vacancy savings and other personnel costs.

Services & Supplies – non-personnel expenditures for agency operation and maintenance including office supplies, professional services, rent, telephones, personal computers, software, routine building repairs, etc.

Capital Outlay – expenditures for items not consumed in routine operations with a useful life of more than two years and an initial value of \$5,000 or more.

Special Payments – pass-through transfers and payments where goods and services are not received in return (distributions to governments and other entities; distributions of contributions, loans, deposits or collections).

Debt Service – includes expenditures for principal, interest, discounts and premiums related to payment of debt.