

TINA KOTEK
GOVERNOR



February 10, 2026

Re: Oregon's Budget

Dear Agency Directors and Leaders,

Oregon will rebalance its budget in 2026, followed by a quick turnaround to prepare for the biennium ahead. Thank you for your hard work to support rebalancing the budget for the current biennium. You and your team's responses to requests for reduction options have been critical in navigating this challenging fiscal environment. This month, our primary focus is on the February session and the legislature's work of rebalancing the current budget.

As we look ahead to developing agency budgets for the 2027-29 biennium, we will have a clearer picture of the budget once rebalancing is complete in March and as we assess the continued implementation and fiscal impacts of H.R. 1. Given the pressures of reduced General Fund revenues and increased state costs from H.R. 1, we need to prepare for the likely circumstance that no funding is available for program expansions or new programs in 2027-29.

Our focus must remain on programs core to each agency's mission, and prioritize the Governor's focus on affordability, economic prosperity, implementation of executive orders and protecting Oregonians from federal chaos and overreach. We ask that you review current resources when developing policy package requests, and that policy packages should be budget neutral – meaning the package does not request additional revenue and, for General Fund and Lottery Funds supported requests, an equivalent reduction must be proposed to self-fund any packages put forward.

Given the current landscape, any budget-neutral policy packages for the 2027-29 biennium should prioritize:

- **Economic development:** Prioritize investments that support job creation, spur business growth, and expand the state's revenue base.
- **Implementation of recent Executive Orders:** reducing carbon pollution, accelerating clean energy transition and renewable energy siting, using every tool to respond to aggressive and harmful immigration enforcement, continuing to address housing needs and access to behavioral health care, and preparing for earthquake risk.
- **Affordability:** Prioritize investments that make everyday life more affordable for Oregonians, including strategies to reduce the cost of; housing, health care, childcare, food, transportation, and utilities.

- **Improving customer service and agency program efficiencies:** Modernize service delivery, streamline processes, and eliminate duplicative or low-value activities to improve outcomes within existing budgets.
- **Protecting Oregon values:** Focus resources on upholding civil rights, access to essential services, and state authority.

As noted, policy packages should be **net neutral and not require new revenue**. The same applies to legislative concept development—**concepts should not require additional resources**. We recognize this is a different approach to budget development. Identifying offsets (i.e., reductions in one place to pay for something else) shows difficult choices need to be made to fund priority investments and should not be taken to mean that an agency necessarily recommends those reductions be taken. We also understand this budget development process is not going to reflect overall needs or vision for agency programs. Agencies can consider acknowledging this gap by identifying future investment opportunities tied to the goals and objectives in the agency's strategic plan, however this should not be the focus in the budget development process.

Collaboration with Governor's Office and CFO

As we move through this process, it is essential to work closely with the Governor's Office and the Chief Financial Office. Early engagement and coordination will help ensure alignment with statewide priorities and fiscal constraints. Please reach out proactively to both your CFO analyst and your Governor's Office advisor, as questions arise or as you begin shaping policy packages and legislative concepts.

More detailed instructions for budget and legislative concept development will be provided by the Chief Financial Office in March. For now, we request that your primary focus remain on the budget rebalance during the 2026 session.

Thank you for your continued commitment to serving Oregonians during this challenging fiscal period. As Governor Kotek says: Tackling Oregon's biggest challenges requires persistence. Your partnership helps us move the state forward.

Sincerely,



Chris Warner
Chief of Staff
Office of Governor Tina Kotek

cc: Betsy Imholt, Department of Administrative Services Director
Kate Nass, Chief Financial Officer