



TINA KOTEK  
GOVERNOR

September 16, 2025

Dear Agency Leaders,

Together, we created a 2025-2027 recommended budget poised to build on progress in key areas. From continuing to improve customer service to making headway on entrenched challenges, we have been organizing ourselves to do more with constrained resources. The legislature passed budgets that would help us stay the course on what is working. This is a direct reflection of what your agencies deliver to Oregonians every day. Thank you for your leadership.

Fulfilling our charge to improve the lives of Oregonians cannot be undermined or swayed in times of scarcity. In fact, that calling rings even louder. Budget challenges demand that we, as leaders, have the courage to take our best laid plans and put them back on the drawing board as conditions change – to sharpen our pencils, do more with less, and ground ourselves in what matters most. This moment upon us, following months of chaos and uncertainty driven by the Trump Administration’s economic policies and Congress’ passage of H.R. 1, which will have devastating consequences to the Oregon Health Plan and the Supplemental Nutrition Assistance Program (SNAP), requires all of us to dig deep and get creative.

As you know, the combined impact of national policies reflected in the September Revenue Forecast yields a fiscal environment resulting in the 2025-27 Legislatively Adopted Budget (LAB) no longer being in balance with projected revenues for the biennium. The gap we must collectively overcome is \$372.7 million General Fund dollars, which is approximately one percent of the current LAB.

This estimated deficit does not account for costs required to implement H.R. 1, which is likely to widen that chasm. For Oregon, the cuts to federal programs are projected to reach \$15 billion dollars over the next decade. In the wake of failed leadership from the Republican-led federal government, we must step up to the plate. This is not what we had planned for, but it is what we must do.

I am asking you to leave no stone unturned to save tax-payer dollars. This challenge is not unique to Oregon, but how we respond will be. Our resilience, teamwork, and determination have carried us through hard times before. They will again. We will persevere. This work must begin now and continue to occur as we respond to real-time economic indicators in the December and March revenue forecasts ahead.

As a starting point, I direct all state agencies to carry out the following cost-saving strategies, effective immediately and until further notice:

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- **All agencies should slow operational General and Lottery Fund spending:** The LAB is likely the ceiling for available resources, and it is prudent to scenario plan for future cuts later in the budget cycle. The longer we wait, the harder reductions will be to implement. Examples of slowing operational growth include holding positions vacant longer after turnover, reducing spending on services and supplies, and slowing implementation of new or expanding programs.
- **Oregon's Chief Financial Officer (CFO) will determine reduction targets for all agencies:** These targets will take into account individual agency operating costs, such as service costs for 24/7 operations.
- **The state will reduce out-of-state travel costs:** All non-essential out-of-state travel for trainings and conferences is suspended starting today.

Based on the recent revenue forecast and unknowns around implementing H.R. 1, agencies should plan for these cost savings to be included in their 2025–27 budget adjustments. Please note that these adjustments will not close the projected gap. Agencies should also begin preparing for additional reductions in the 2026 legislative session.

CFO will follow up with you on how best to meet the savings target for operating budgets as well as reduction options for the 2026 legislative session based on Oregon's economic outlook. I will continue to update you on the situation and how to respond in the coming months as needed.

Thank you for your steadfast service to Oregonians. It is your work that gives me confidence we can make sensible reductions while maintaining progress.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Kotek", with a stylized, cursive script.

Governor Tina Kotek