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2011-13 General Fund/Lottery Funds Tentative Budget
Revised - June 2010 Economic Forecast

In March 2010, the Legislative Fiscal Office (LFO) and the Budget and Management Division (BAM) of the Department of Administrative Services (DAS) worked together to develop a projected tentative General Fund/Lottery Funds budget for the 2011-13 biennium. At the time that this material was made public, it was noted that the tentative budget is often updated after quarterly economic and revenue forecasts if there are significant changes to either revenue or expenditure projections.

The purpose of the tentative budget is to give policymakers an idea of the state's relative fiscal position for the coming two-year budget period if the state was to continue all currently approved programs and their currently approved funding levels, adjusted for inflation, salary roll-up costs, program phase-ins and phase-outs, and projected mandated caseload increases. This revised tentative budget is based on the June 2010 economic and revenue forecast that reduced projected revenues for both the current 2009-11 biennium and for the coming 2011-13 biennium.

Once again, it needs to be emphasized that the tentative budget, as a current service level projection, only represents an estimate of the costs of continuing currently approved programs for the next two year budget period; it does not represent a guarantee of funding for any agency or program.

Instead of repeating all of the assumptions of statewide factors used in developing the 2011-13 tentative budget, the following are the primary changes between the initial tentative budget issued in March and the current revised tentative budget:

- Current biennium General Fund revenue changes resulted in a projected \$577.1 million deficit; the Executive Branch implemented an across-the-board allotment reduction to prevent the projected deficit from the June 2010 quarterly forecast. While this does not affect the 2011-13 tentative budget immediately, 2011-13 expenditures could be reduced depending on whether the allotment reductions are determined to be one-time or permanent.
- General Fund resources declined by a net \$341.3 million for the 2011-13 biennium, dropping from \$15.1 billion in the March 2010 tentative budget to \$14.75 billion for the June 2010 tentative budget. Along with a slight decline in the Lottery Funds forecast, the combined General Fund and Lottery Funds

- resources available for the 2011-13 biennium are now projected at \$15.7 billion, a decline of \$352.2 million from the previous forecast and tentative budget.
- The State School Fund (SSF) estimated current service level budget was revised from \$6.955 billion to \$6.715 billion, primarily as a result of refined estimates by the School Revenue Forecast Committee. The current estimate used updated PERS costs and revised assumptions regarding teacher salary increases projected for 2011-13, resulting in a lower total personal services calculation for the SSF.
 - The Human Services program area's estimated current service level budget increased from \$5.212 billion to \$5.3 billion, a gain of about 1.7%. This revision was primarily due to the inclusion of updated caseload projections from the spring 2010 forecast.
 - Various components of the 2011-13 expenditure increase were also revised due to updated information as current service level budgets continue to be developed and modified. These changes include the following:
 - The increase associated with PERS costs was revised from \$430 million in the original tentative budget to \$368 million in the current tentative budget primarily due to changes in the calculation of the State School Fund tentative budget which was modified by the School Revenue Forecast Committee after assuming a lower rate of increase in the PERS rate and teacher compensation. It should be noted that the PERS rate may be modified again this fall after the PERS Board takes final action on rates for the 2011-13 biennium.
 - Estimates of the increase in expenditures due to caseload growth rose from \$350 million to \$487 million, while the expenditure increase due to phase-ins dropped from \$370 million to \$247 million. The majority of these fluctuations result from refined numbers regarding caseload and phase-ins as additional information is gathered during the budget development process. The combination of caseload growth and phase-ins was initially estimated at \$720 million and increased only slightly to \$734 million in the current tentative budget.

Based on these changes, the revised 2011-13 tentative budget reflects total available revenues of \$14.8 billion General Fund and \$0.9 billion Lottery Funds, for a total of \$15.7 billion of resources. Projected expenditures at current service levels consist of \$17.2 billion General Fund and \$0.96 billion Lottery Funds, for a total of \$18.2 billion of expenditures. With the inclusion of a 1% ending balance, the projected gap between resources and expenditures for the 2011-13 biennium is now projected at \$2.67 billion.

Additional details are included on the attached display.

Tentative 2011-13 Budget Projections - Including All 2010 Legislative Actions

(June 2010 Forecast)

	Legislatively Approved 2009-11			Tentative Budget - Current Service Level 2011-13			Percent Change
	GF	LF	Total	GF	LF	Total	
Revenues							
Projected Beginning Balance	-	1.4	1.4	-	4.0	4.0	
Carryforward		52.0	52.0			-	
1% Appropriations to Rainy Day Fund/Beginning Balance			-			-	
Half Lottery 09-11 Ending Balance to K-12 Capital Acct			-		(2.0)	(2.0)	
Projected Revenues	12,733.3	1,078.1	13,811.4	14,750.8	1,161.2	15,912.1	
Less Dedications (ESF, County)		(223.5)	(223.5)		(247.1)	(247.1)	
One-time Resources							
Federal ARRA							
ESF/RDF: K-12	115.7	84.3					
Other							
Total Resources	12,849.0	992.3	13,841.3	14,750.8	916.2	15,667.0	13%
Expenditures							
Education - State School Fund	5,258.2	494.1	5,752.3	6,304.6	409.8	6,714.5	17%
Education - All Other	1,726.9	96.2	1,823.1	1,994.5	97.4	2,091.9	15%
Human Services	3,523.7	10.9	3,534.6	5,288.3	11.3	5,299.6	50%
Public Safety	1,855.0	7.2	1,862.2	2,212.6	7.7	2,220.3	19%
Economic & Community Development	29.2	119.9	149.0	27.1	135.4	162.5	9%
Natural Resources	146.9	182.0	328.9	160.0	189.6	349.6	6%
Transportation	23.1	85.4	108.6	81.8	85.2	167.0	54%
Consumer & Business Services	12.9	-	12.9	14.6	-	14.6	13%
Administration	194.4	11.6	206.0	205.3	16.5	221.9	8%
Legislative	75.2	-	75.2	90.5	-	90.5	20%
Judicial	507.2	-	507.2	609.9	-	609.9	20%
Program Subtotal	13,352.7	1,007.4	14,360.1	16,989.3	953.0	17,942.3	25%
EFund	20.0	-	20.0	40.0	-	40.0	
Supplemental State Agency Funding	-	-	-	172.0	4.0	176.0	
Other Special Purpose Appropriations	53.5	-	53.5			-	
Total Expenditures	13,426.1	1,007.4	14,433.5	17,201.3	957.0	18,158.3	26%
Ending Balance	(577.1)	(15.1)	(592.3)	172.0	9.6	181.6	
Net Fiscal Position				(2,622.5)	(50.4)	(2,672.9)	

Notes: Both revenues and expenditures include anticipated K-12 trigger of \$200 million in 2009-11.

Lottery Funds negative ending balance results from a reduction in dedicated BM 66 revenues.

Supplemental State Agency Funding for costs associated with salaries, benefits, and other unanticipated and unknown expenses.

Millions of Dollars.

Components of 2011-13 Expenditure Increases

Millions of Dollars

PERS	367.9	Statewide
Backfill of one-time funds	1,469.0	ARRA, K-12 Trigger, etc
Caseload Growth	486.9	
Increase in Debt Service	246.5	
Phase-ins	247.3	Includes State Hospital
	<u>2,817.7</u>	
Standard position and inflation increases, including salary pot	<u>907.1</u>	
Total Increase 2009-11 to 2011-13	3,724.8	