



Briefing Packet

Back to Basics Budget

*Updated
May 26, 2009*

Back To Basics Budget Highlights

- The Back to Basics Budget is a fundamental shift in the way Oregon begins its budget process. Rather than starting with a number based on unsustainable growth the budget starts with what state agencies are spending today. The budget recognizes Oregon is a different place than it was in 2008 when the “Essential Budget Level” was set.
- The Back to Basics Budget does not rely on \$800 million in new taxes.
- The Back to Basics Budget provides \$6.245 billion to K-12 education.
- The Back to Basics Budget makes an additional \$500 million investment in human services for the upcoming budget cycle.
- The Back to Basics Budget funds voter approved Ballot Measure 57 (2008) with savings proposed by groups including the Oregon District Attorneys Association.

Background

The Ways and Means Co-Chairs recently released a budget based on a potential \$4 billion shortfall from Essential Budget Level (EBL). The EBL is based on numbers from May 2008. Much has changed since the number was released and the EBL is clearly unsustainable. In the Back to Basics Budget we are basing our recommendations on the 07-09 Legislatively Adopted Budget (LAB). This is the budget that was approved in 2007. From the 07-09 LAB we are then asking agencies to justify any increases.

The attached spreadsheet is a roadmap to a 2009-11 balanced budget without the need for tax increases. It is based on the 2007-09 LAB, the use of federal stimulus and some state reserve funds along with a hard look at the ending fund balances in agencies that use other fund dollars. The Back to Basics Budget is a bridge through the current economic downturn and does not rely on tax increases from Oregon families. It allows agencies to continue current operations at current levels.

Starting Point

The Back to Basics Budget is based on the 2007-09 Legislatively Adopted Budget. We begin by holding services such as K-12 Education, colleges and universities, public safety agencies and human service providers harmless from cuts. The groups will have the same amount of money for the 2009-11 budget cycle that was approved in 2007.

Additional Funds

The Back to Basics Budget relies on two types of additional funds. The budget uses \$941 million in federal stimulus money and \$436 million in Rainy Day and Education Stability Funds (state reserves). Some of the federal stimulus money comes with state spending requirements, meaning we must spend state moneys on certain programs in order to receive all of the stimulus money. To comply with these requirements and maximize the receipt of federal stimulus money, the Back to Basics Budget places a priority on such programs within Education and Human Services.

Spending

The Back to Basics Budget is based on spending levels from the 2007-09 Legislatively Adopted Budget. The plan holds services like K-12 education harmless from cuts. Targeted increases include \$28 million to fully fund the new Oregon State Police Troopers which were phased in over the 2007-09 budget cycle. The budget also increases spending on human services by more than \$500 million to compensate for increased caseloads based on the economic downturn.

For reference, total program area spending (after budget reductions) for the 2007-09 biennium was \$14.373 billion.

To fund Ballot Measure 57 (2008), in which voters demanded increased prison time for those who commit property crimes, we are implementing cost savings measures proposed by groups including Oregon's District Attorneys. With these cost savings Ballot Measure 57 can be implemented in a cost-neutral manner.

Other Sources of Savings or Enhancements

The Back to Basics Budget contains \$529 million in funds based on an attached list of targeted savings. The budget also uses \$500 million from the ending balances of agencies that receive “Other Funds.” On June 30, 2009 those accounts are projected to have more than \$2.5 billion that was not used during the 2007-09 budget cycle. The Legislative Fiscal Office has confirmed we can use \$500 million to help with the 2009-11 budget.

According to Oregon’s most recent Comprehensive Annual Financial Report (CAFR):

“On June 30, 2008, the State’s government funds reported combined ending fund balances of \$4.9 billion. Of this amount, 71.5 percent is available for spending at the State’s discretion (unreserved, undesignated fund balance).” Page 12.

It is important to note the Back to Basics Budget uses approximately 20% of the ending fund balances available at the end of the 2007-09 biennium.

2009-2011 Budget Proposal Comparisons

	Co-Chairs Proposed Budget	Back to Basics Budget
<i>AVAILABLE RESOURCES</i>		
Expected Revenue (Current Forecast)	13,660	13,660
Dedicated Lottery Funds	(233)	(233)
Available General & Lottery Fund Revenue	13,427	13,427
 Federal Stimulus	 941	 941
Use of Rainy Day Fund & Education Stability Fund	-	436
Total Funds Available	14,368	14,804
<i>PROPOSED SPENDING</i>		
K-12	5,600	6,245
Education-Other	1,826	2,013
Human Services	4,210	4,000
Public Safety/Judicial Branch	2,458	2,462
Economic & Community Development	135	182
Natural Resources	324	400
Administration	195	194
All Other	216	179
Program Area Subtotals	14,964	15,675
 Supplemental Appropriation for Health Benefits	 32	 -
Projected New 09-11 Debt Service	70	70
Measure 57 Implementation	75	75
Program savings to offset M57 Implementation	-	(75)
Total Miscellaneous Spending	177	70
Total Proposed 2009-11 Spending	15,066	15,745
Initial Surplus (Deficit)	(698)	(941)
<i>OTHER SOURCES OF FUNDS</i>		
Tax Increases	800	-
Program Area Savings & Co Chairs "Add'l Resources"	127	526
Ending Fund Balance Reserves	-	500
	927	1,026
Net Fiscal Position	229	85
<i>REMAINING SAVINGS</i>		
Remaining Education Stability & Rainy Day Funds*	157	131
Final Fiscal Position	386	216

* Co-Chair number assumes the use of \$400 million set aside for K-12

Other savings or offsets include (\$526 million in total):

- **\$250 Million** – Eliminate the pay raises granted by the Governor without legislative input.
- **\$78.7 Million** – Redirect the ending fund balance from the Public Employees Benefit Board to the General Fund. The money is currently being held in case PEBB decides to self-insure state workers (based on email from PEBB).
- **\$50 Million** – Other Fund savings resulting from Senator Jackie Winters’ work on the Department of Administrative Services Budget. This Other Fund savings would be realized through DAS rate reductions to General Fund agencies.
- **\$50.0 Million** – Redirect half of the money currently in the Risk Assessment Account. This account is used to cover lawsuits against the state and we are not aware of any large pending suits (based on money currently in account).
- **\$50 Million** – Money identified by the Co-Chairs that includes a decrease in attorney general rates and service and supply reductions based on inflation that is lower than expected.
- **\$27 Million** – Savings and/or revenue identified by the Co-Chairs at the Department of Revenue, OLCC and miscellaneous General Fund savings.
- **\$20 Million** – 10% cut to administration, not programs, at the Department of Human Services. In 2007-9 this budget was more than \$200 million.