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## **2011-13 General Fund/Lottery Funds Tentative Budget**

The Legislative Fiscal Office (LFO) and the Budget and Management Division (BAM) of the Department of Administrative Services (DAS) have worked together to develop a projected tentative General Fund/Lottery Funds budget for the 2011-13 biennium.

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. The current tentative budget is based on the March 2010 economic and revenue forecast and incorporates actions taken by the Legislature during the February 2010 special session. The tentative budget also assumes that for purposes of budget projections that the State School Fund receives a total of \$6 billion in the 2009-11 biennium, including the full amount of the second school year trigger of \$200 million.

It should be pointed out that the tentative budget for the 2011-13 biennium will change with each of the remaining five quarterly economic and revenue forecasts that will occur before the start of the next biennial budget period. It should also 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.

The current tentative budget for the 2011-13 biennium assumes the following statewide factors:

- Revenue growth is based on the Office of Economic Analysis (OEA) March 2010 economic and revenue forecast.
- State personal services growth is projected at 13.4% for the biennium, including furlough and benefit roll ups, step increases, Pension Obligation bond payments, and a 6 percentage point increase in the PERS rate.
- Compensation and benefit increases are assumed to be a 2.5% cost-of-living adjustment (COLA) in the first year of the biennium, a 2.0% COLA in the second year of the biennium, and increases of 9% per calendar year for flexible, health benefits.
- Standard biennial inflation factors of 2.4% for services and supplies and 3.9% for medical costs.

- One-time funding used in the 2009-11 biennium of approximately \$1.6 billion (federal economic stimulus, state reserve funds, and other one-time revenue sources) are backfilled with General Fund for the 2011-13 biennium (primarily in the calculations for the State School Fund, Other Education, Human Services, and Public Safety).
- Human services mandated caseload increases are based on the Fall 2009 Department of Human Services' forecast for 2009-11.
- Oregon Health Plan costs are inflated at 13% for the 2011-13 biennium; this is a conservative estimate and could fluctuate significantly depending on national health care changes.
- Existing debt service schedules are built into agency budgets; costs for several planned, phased projects are also included (for example, the Oregon State Hospital, the Junction City prison, and the Oregon Wireless Interoperability Network [now in the Transportation program area]).
- An ending balance of 1% of expenditures is assumed.

Based on these assumptions, the current 2011-13 tentative budget reflects total available revenues of \$15.1 billion General Fund and \$0.9 billion Lottery Funds, for a total of \$16 billion of resources. Projected expenditures at current service levels consist of \$17.25 billion General Fund and \$1.05 billion Lottery Funds, for a total of \$18.3 billion of expenditures. With the inclusion of a 1% ending balance, the projected gap between resources and expenditures for the 2011-13 biennium is currently projected at \$2.45 billion.

Additional details are included on the attached display.



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