

2017-2019 General Fund/Lottery Funds Tentative Budget

Source: Legislative Fiscal Office & DAS Chief Financial Office

Dated: August 10, 2016

The current tentative budget for the 2017-19 biennium assumes the following statewide factors:

- Revenue growth is based on the Office of Economic Analysis (OEA) June 2016 economic and revenue forecast.
- State personal services growth is projected at 9% for the biennium, including step increases, roll-up of current collective bargaining agreements and management salary packages, health benefit costs, Pension Obligation bond payments, and an increase in the PERS rate.
- Standard biennial inflation of 3.7% for services and supplies and 4.1% for medical costs.
- Backfill of 2015-2017 one-time funds with General Fund, or fund shifts, that change funding sources for programs between the two biennia, total a net \$626 million. This is primarily in the Human Services and Education program areas, and includes \$328 million related to an increasing state responsibility for Affordable Care Act costs and other federal match changes.
- ***The State School Fund (SSF) current service level budget is estimated to grow by 8.1% over the 2015-17 legislatively approved level, increasing to \$7.975 billion General Fund and Lottery Funds. This growth is based on:***
 - ***The most recent actuarial PERS rate estimates for school districts (13.07% of payroll including school district side accounts, but excluding the pick-up);***
 - ***The Legislative Revenue Office current estimate of 2017-19 local revenues;***
 - ***Annual payroll growth for school district employees of 2.1%;***
 - ***Increase in health benefits as estimated by the Oregon Educators Benefits Board; and***
 - ***Annual growth in the weighted average daily membership (ADM) of 0.42%.***
 - ***The current projected shortfall between available resources and estimated expenditures (specific to State School Fund @ Current Service Level) for the 2017-19 biennium is currently projected at \$602.2 million.***
- The 2017-19 current service budget for state support of Public Universities, including \$42 million in net debt service payments, is

estimated to grow by a combined \$77.6 million General Fund and Lottery Funds. The Community College Support Fund is estimated to grow by \$13.9 million General Fund and net debt service payments on behalf of community colleges increases by another \$9.9 million.

- Human services mandates caseload increases for the 2017-19 biennium are based on the Spring 2016 forecasts for the Oregon Health Authority and the Department of Human Services.
- Oregon Health Plan costs are inflated 3.4% per year, consistent with the state's federal waiver agreement over the last several years.
- Existing debt service schedules are built into agency budgets based on current repayment schedules, which increases the tentative budget by \$175.6 million.
- A General Purpose Emergency Fund of \$30 million is included; no Special Purpose Appropriations to the Emergency Board are assumed except for \$6 million for forest fire suppression and insurance costs.
- A compensation adjustment of \$145 million is included primarily to address future collective bargaining agreements.
- The Natural Resources program area shows a decline of 14% between the CSL and the 2015-17 legislatively approved budget due to a technicality. Oregon Watershed Enhancement Board (OWEB) dedicated lottery funding for grants of \$65 million is technically not part of the CSL calculation, but is included as part of the tentative budget projection. The Natural Resources program area increases by 2% when the dedicated OWEB grant funding is combined with the programs area's CSL estimate.
- An ending fund balance of 1% of expenditures is assumed due to the Rainy Day Fund deposit requirement and for a prudent lottery funds cushion due to volatility.

Based on these assumptions, the current 2017-19 tentative budget reflects total available revenues of \$19.57 billion General Fund and \$1.05 billion Lottery Funds, for a total of \$20.62 billion of resource. Projected expenditures at current service levels consist of \$20.72 billion General Fund and \$1.04 billion Lottery Funds, for a total of \$21.76 billion of expenditures. With the inclusion of a 1% ending fund balance, the current projected shortfall between available resources and estimated expenditures for the 2017-19 biennium is currently projected at \$1.35 billion.

2017-2019 Tentative Budget Projections

May 2016 Emergency Board w/June 2016 Forecast

	2015-2017 Legislative Approved as of June 2016			Current Service Level 2017-2019			% Change
	General Fund	Lottery Fund	Combined (GF/LF)	General Fund	Lottery Fund	Combined (GF/LF)	
REVENUES							
Projected Beginning Fund Balance	528.80	20.50	549.30	261.80	39.90	301.70	
Carryforward	0.00	12.30	12.30		31.40	31.40	
1% Appropriations to Rainy Day Fund	(158.30)	0.00	(158.30)	(180.70)		(180.70)	
TAN's (Tax Anticipation Notes)	(14.00)	0.00	(14.00)	(20.20)		(20.20)	
Projected Revenue	18,209.60	1,231.20	19,440.80	19,570.90	1,247.70	20,818.60	7%
Tax Credit Extensions & Relief	0.00	0.00	0.00	(40.80)		(40.80)	
Less Dedications (ESF, County)	0.00	(259.00)	(259.00)	0.00	(267.20)	(267.20)	3%
One Time Resources							
"Kicker"	(362.60)	0.00	(362.60)	(19.70)		(19.70)	
RDF/ESF: K-12	0.00	0.00	0.00	0.00	0.00	0.00	
Other	133.00	11.00	144.00	0.00	0.00	0.00	
Total Resources	18,336.50	1,016.00	19,352.50	19,571.30	1,051.80	20,623.10	6%
EXPENDITURES							
Education - State School Fund	6,925.30	447.70	7,373.0	7,527.50	447.70	7,975.2	8%
Education - All Other	2,383.20	63.80	2,447.00	2,552.20	82.70	2,634.90	7%
Human Services	4,921.30	11.30	4,932.60	6,398.10	12.50	6,410.60	23%
Public Safety	2,368.20	8.00	2,376.20	2,568.50	8.30	2,576.80	8%
Economic Development	64.30	125.00	189.30	85.80	135.50	221.30	14%
Natural Resources	237.50	174.00	411.50	219.40	134.60	354.00	-16%
Transportation	22.60	107.50	130.10	54.30	120.60	174.90	26%
Consumer & Business Services	14.70	0.00	14.70	13.70	0.00	13.70	-7%
Administration	242.70	20.90	263.60	244.80	26.70	271.50	3%
Legislative Branch	104.30	0.00	104.30	111.60	0.00	111.60	7%
Judicial	709.40	0.00	709.40	764.40	0.00	764.40	7%
Total Expenditures	17,993.50	958.20	11,578.70	20,540.30	968.60	13,533.70	14%
Emergency Fund	29.40	0.00	29.40	30.00	0.00	30.00	
Compensation Adjustment	0.00	0.00	0.00	141.50	3.50	145.00	
Forestry Fire SPA	1.80	0.00	1.80	6.00	0.00	6.00	
Other SPA's	50.00	0.00	50.00	0.00	0.00	0.00	
Standard OWEB Grants				0.00	65.00	65.00	
Ending Balance CSL = 1% by formula	261.80	57.70	319.50	207.20	9.70	216.90	
Net Fiscal Position				(1,353.70)	5.00	6,626.50	

Combined GF/LF Expenditures

2015-17 Legislatively Approved Budget

11,659.90

2017-19 Current Service Level Budget

13,779.70

Projected CSL Growth

(2,119.80) 18.2%

Estimated Components of 2017-2019 Expenditure Growth (Combined GF/LF in million of dollars)

Increase in Debt Service	175.60	0.9%
Caseload Growth	308.00	1.6%
PERS employer rate increase (state government agencies and State School Fund)*	316.20	1.7%
Personal services growth (phase-ins, COLA's, etc.)	355.20	1.9%
Backfill of one-time funds/fund shifts (includes \$65 million OWEB grants)	626.10	3.3%
Other inflationary increases (services and supplies, phase-ins, etc.)	941.20	4.9%
Total increase 2015-2017 to 2017-2019:	2,722.30	14.3%

*does not include state universities, Oregon State Lottery, SAIF

Quality Education Fund Model Requirements

*Combined General Funds and Lottery Funds (millions)

10/24/16

	Legislative Adopted Budget (ODE)	Current Service Level (LFO)	Quality Education Model	Shortfall from QEM	% shortfall from QEM
2013-15	6,650.0	-	8,755.0	(2,105.0)	31.7%
2015-17	7,373.0	-	9,158.4	(1,785.4)	24.2%
2017-19	-	7,975.2	9,960.2	(1,985.0)	24.9%