

Co-Chairs'
Recommended Budget Adjustments
Supplemental Session 2008

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Fiscal Environment

- National economy slowing significantly (weak employment and Gross Domestic Product numbers)
- State economy slowing about as expected so far
- Income tax projections holding through December 2007
- Lottery tracking slightly below forecast
- Odds of recession are growing – very close to 50/50
- Revenue impact of weaker economy will not become fully apparent until tax returns for 2008 are filed next year
- If recession does develop – impact on state revenue likely to be considerably less than 2001-03 decline of 20% compared to close-of-session forecast
- Each 1% decline in the 2007-09 General Fund revenue projection is \$131 million; a 4 to 5% decline is clearly within the forecast error range
- General Fund ending balance currently projected to be \$206.6 million; lottery ending balance projected to be \$36.6 million
- The development of a recession in 2008 is also likely to lower the revenue projection for 2009-11

General Fund / Lottery Fund Priorities

1. ***Preserve basic services during economic down-turns.***
2. ***One-time investments that eliminate otherwise imminent and significant state obligations.***
 - a. Re-structure Energy bonds (used to construct OMSI's state-of-the-art energy-efficient exhibit and education facilities)
 - b. Resolve claims by property owners under Measure 49
3. ***One-time investments of statewide significance that meet a need or exploit an opportunity that will not exist in 2009.***
 - a. Involve people throughout Oregon in robust public debate on how land uses and public infrastructure sustain our economy and livability
 - b. Establish a revolving loan fund to provide interest-free loans for counties' local match to maximize federal disaster relief grants
 - c. Partner with Oregonians from every county and tribe together to celebrate what it has meant– and will mean – to be an Oregonian
 - d. Capitalize a revolving loan fund for small business needs of returning veterans
4. ***Expanded or re-formulated services that mitigate longer-term costs.***
 - a. Preserve least-cost compassionate care for those who rely on the state for basic needs, including seniors, persons with disabilities and children
 - b. Expand preventive health care services to lower lifetime health costs
 - c. Patrol highways statewide at adequate levels to protect safety and deter crime
 - d. Preserve affordable housing and federal rent subsidy that supports it
 - e. Develop water supplies and storage capacity to meet urgent needs
 - f. Re-configure the way state and local mental health services to at-risk children are integrated

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	<u>General Fund</u>	<u>Lottery Funds</u>		
Close-of-Session Ending Balance	\$184,200,000	\$13,200,000		
Dec. 2007 Forecast Ending Balance	206,600,000	36,600,000		
Change from Close of Session	\$22,400,000	\$23,400,000		
Scenario 1				
Feb. 2008 Forecast Down = - > \$25 million and - < \$125 million	GF/LF Priorities at Reduced Level:			Principle
	Rainy Day Fund	\$139,500,000	1% of General Fund 2007-09 expenditures	1
	DHS	6,000,000 *	Case load savings re-invested in SPD services	4
	DHS	3,500,000 *	Case load savings re-invested in Child Welfare	4
	OSP	485,233	Trooper strength for 24/7 coverage beg. 06/09	4
	DLCD	350,000	Big Look statewide engagement	3
	DLCD/DOJ	4,405,534	Measure 49 claims processing	2
	DAS	(480,473)	Land use regulatory review (Measure 37/49)	2
	Energy	1,600,000	Re-structure OMSI debt	2
	Statewide	(30,000,000)	disappropriate 2.5% of GF/LF S/S, add to E-Fund	1
		<u>(23,639,706)</u>		
	OF Actions (highlights):			
	DCBS	210,000	Mortgage Lending Enforcement	4
	ODOT	2,000,000	Local match for OSP comm equip FF grant	4
	DSL	1,500,000	Wetland mitigation	3
	FF Actions (highlights):			
	OMD	17,500,000	Emergency Management	1
	OMD	11,800,000	Disaster Relief	1
	Hold Salary Special Purpose Appropriation for appropriation after June Forecast			
	Hold DHS Special Purpose Appropriation pending June Forecast Trend			
	Review agency programs for possible June reductions			
Scenario 2				
Feb. 2008 Forecast Unchanged = +/- \$25 million	GF/LF Fund Priorities:			Principle
	Rainy Day Fund	\$139,500,000	1% of General Fund 2007-09 expenditures	1
	DHS	9,756,737 *	Srs. and Persons with Disabilities Issues	4
	DHS	4,863,834 *	Child Welfare Issues (child welfare staff)	4
	DHS	3,470,377	Child Welfare Issues (SSA positions)	4
	DHS	1,000,000	OHP/Health Services	4
	OSP	1,276,863	Trooper strength for 24/7 coverage beg. 01/09	4
	HCSD	2,000,000	Preserve affordable housing	4
	WRD	3,000,000	Water storage, quality, conservation	4
	ODVA	250,000	Small business loans for veterans	3
	Energy	1,600,000	Re-structure OMSI debt	2
	DLCD	426,008	Big Look statewide engagement	3
	DLCD/DOJ	6,736,853	Measure 49 claims processing	2
	DAS	(480,473)	Land use regulatory review (Measure 37/49)	2
	OMD/OEM	500,000	One-time disaster relief supplement	2
	DHS	275,000	Kids Wrap-around Services Launch	3
	OPRD/DAS	500,000	Oregon 150, pending local or private match	3
		<u>20,554,628</u>		
	OF Actions (highlights):			
	Same as Scenario 1			
	FF Actions (highlights):			
	Same as Scenario 1			
	Hold portion of Salary Special Purpose Appropriation until June Forecast			
	Hold DHS Special Purpose Appropriation pending June Forecast			
	Review Secondary Priorities for Possible Funding			

* Internal DHS savings not added to scenario total