Oregon Education Invesment Board Meeting

June 12, 2012

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Budget Drivers

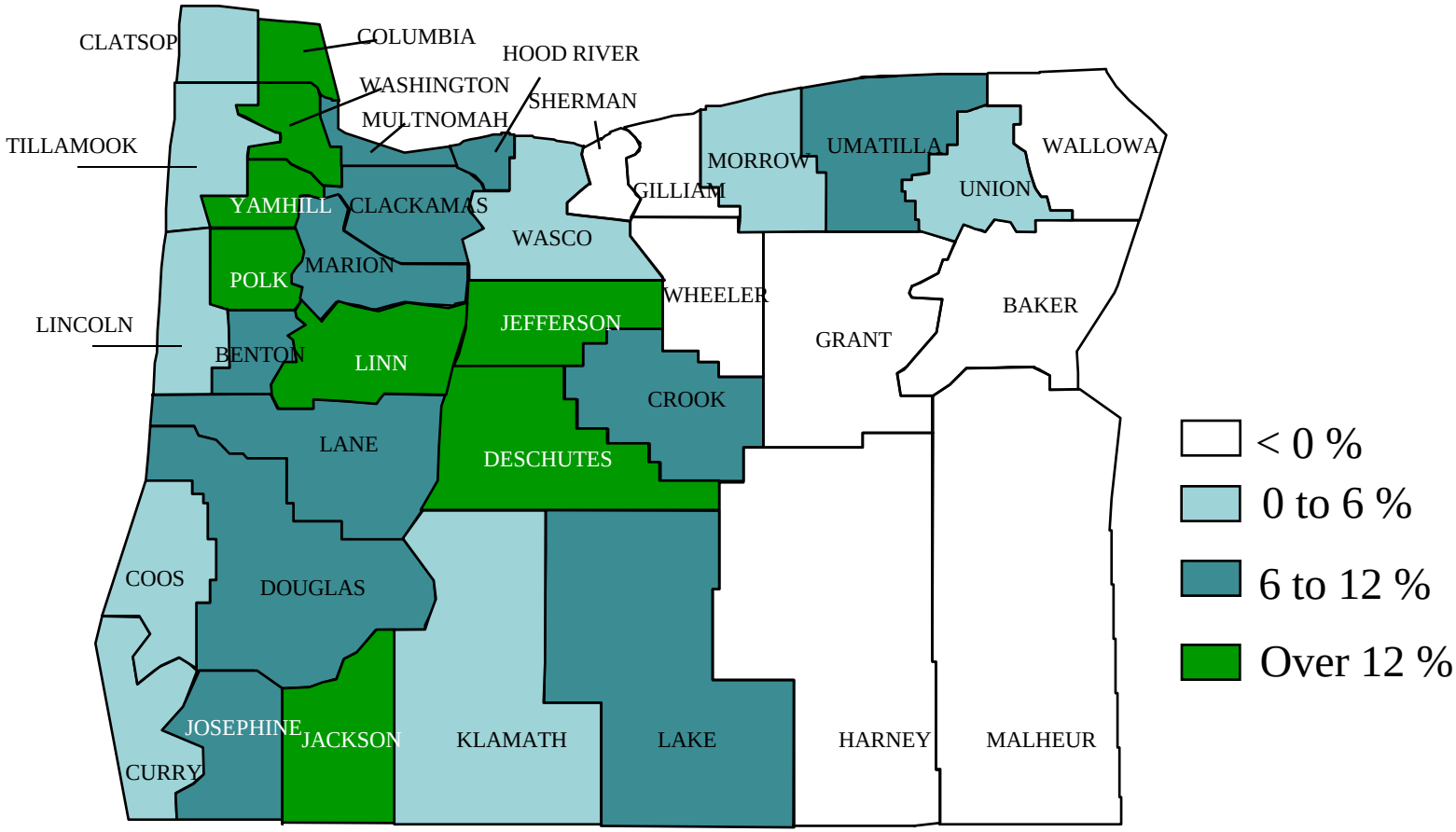
What has caused General Fund expenditure growth?

- **Primary**
  - Population
  - Voter Approved Initiatives
  - Legislative Policy decisions
  - Federal Budget Adjustments

- **Secondary**
  - Inflation
  - Lawsuits

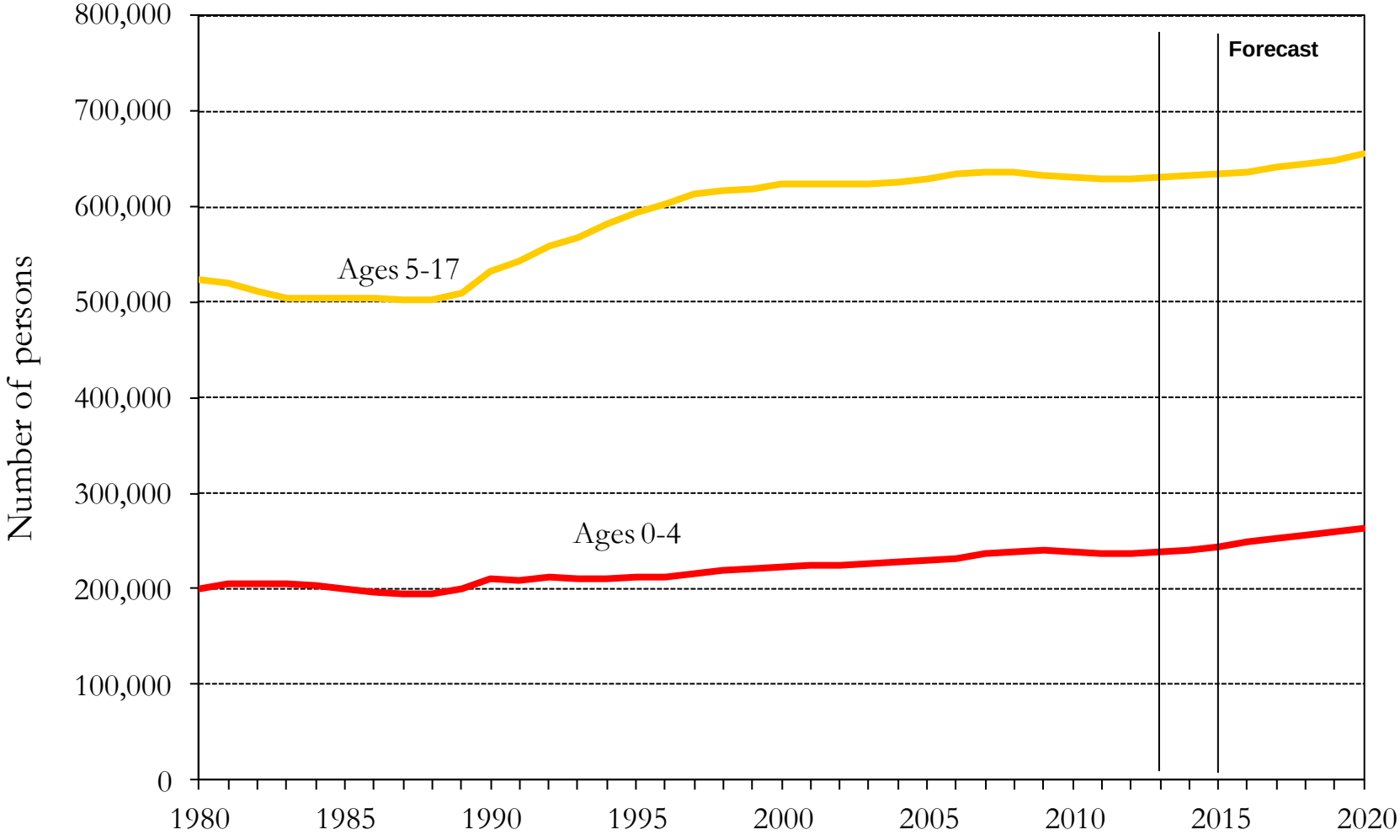
Population Change in Percent, 2000-2010

Oregon: 12.0%



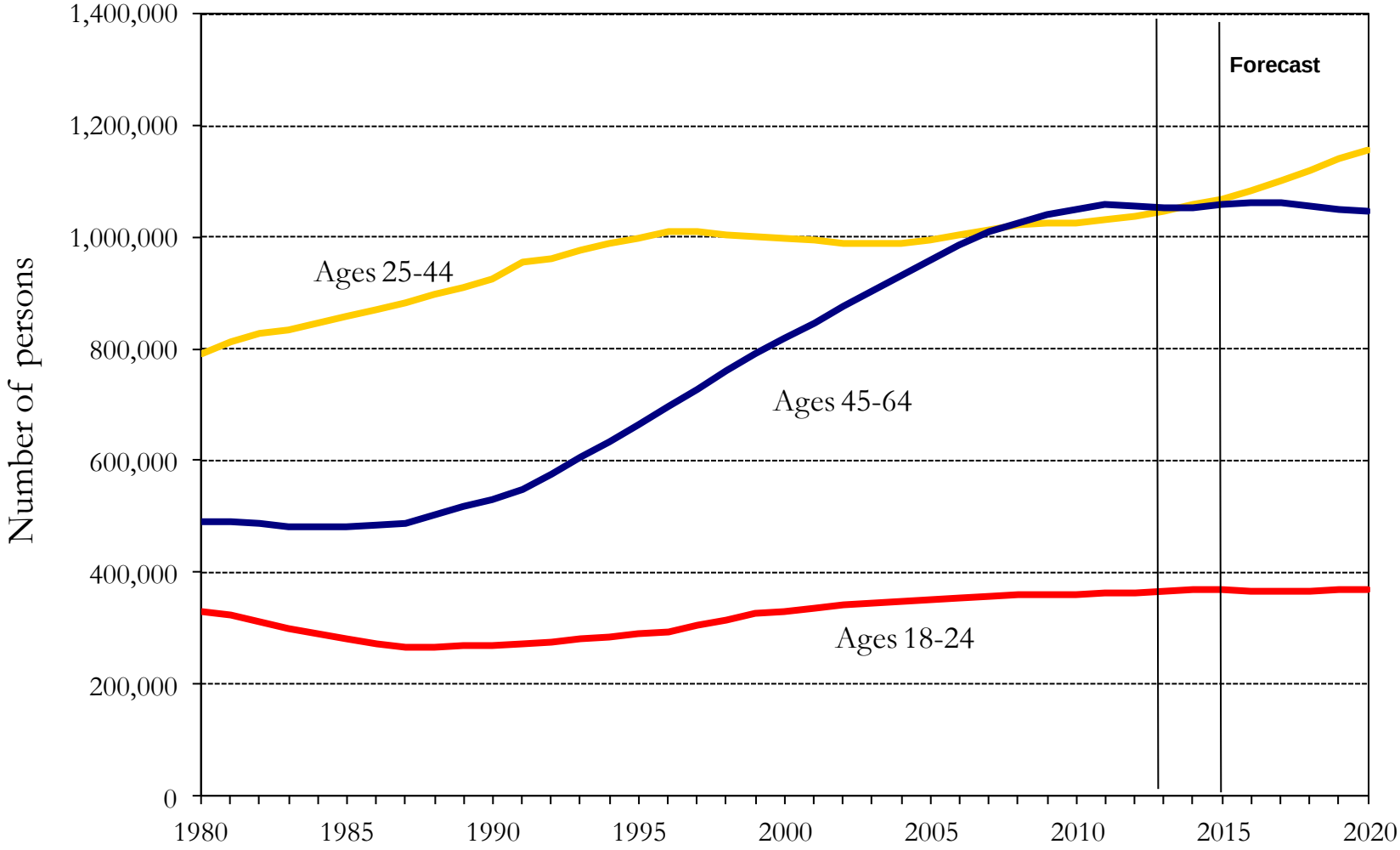
Source: U.S. Census Bureau

Young-age Population: 1980-2020



Sources: U.S. Census Bureau; CPRC/PSU; OEA

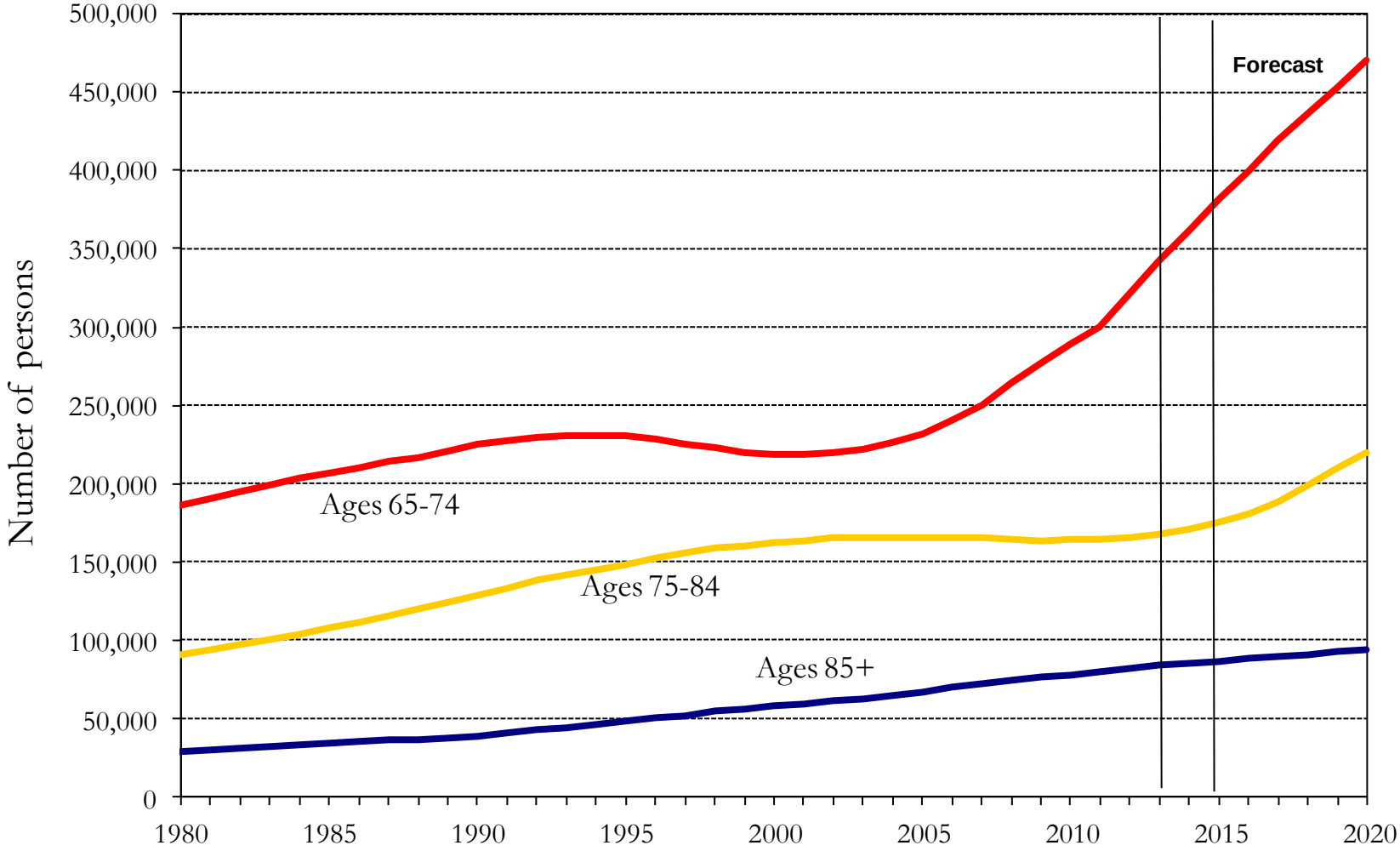
Working-age Population: 1980-2020



Sources: U.S. Census Bureau; OEA

Office of Economic Analysis

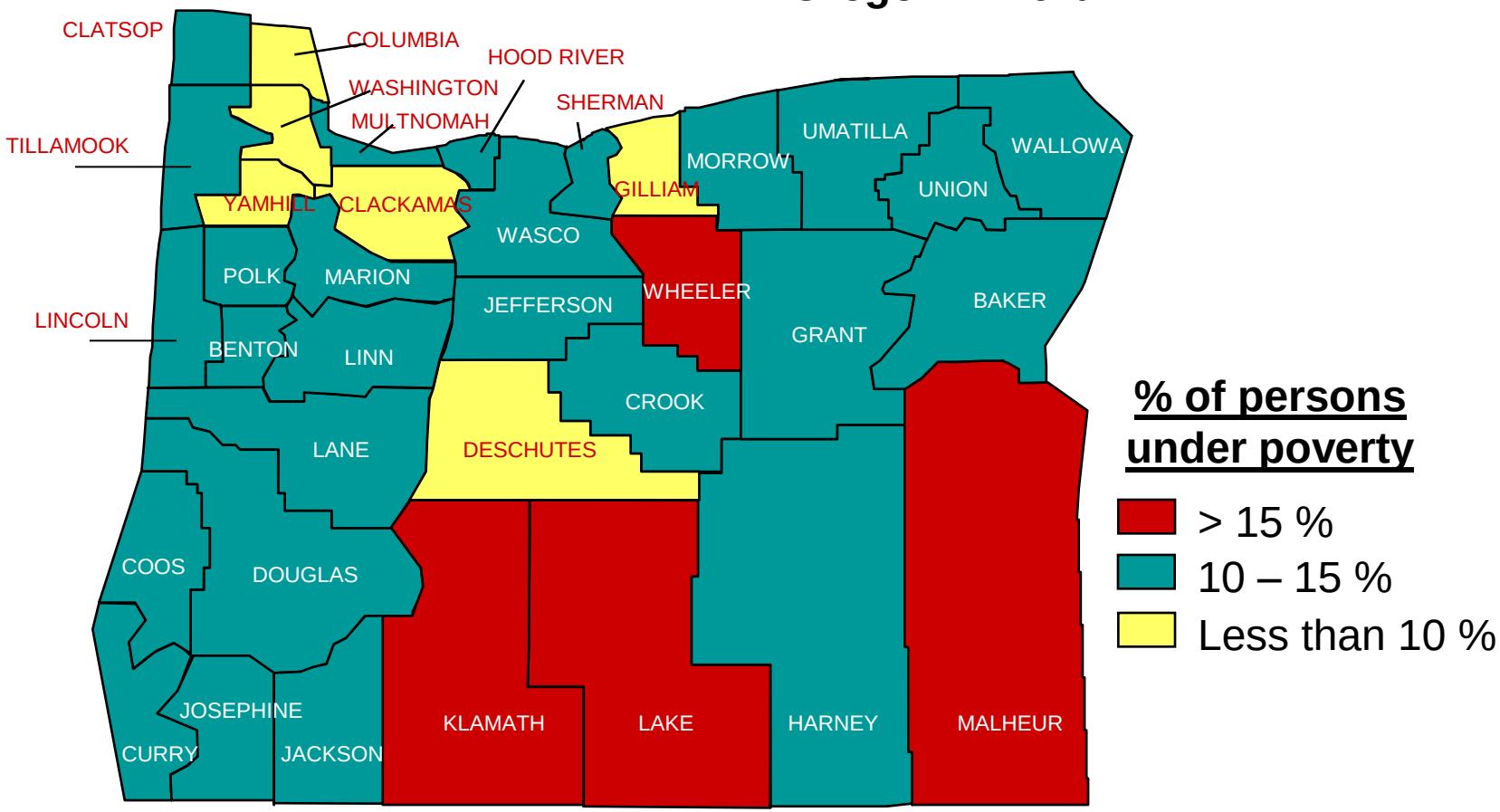
Elderly Population: 1980-2020



Sources: U.S. Census Bureau; Office of Economic Analysis

Poverty Rate, 1999

Oregon: 11.6%

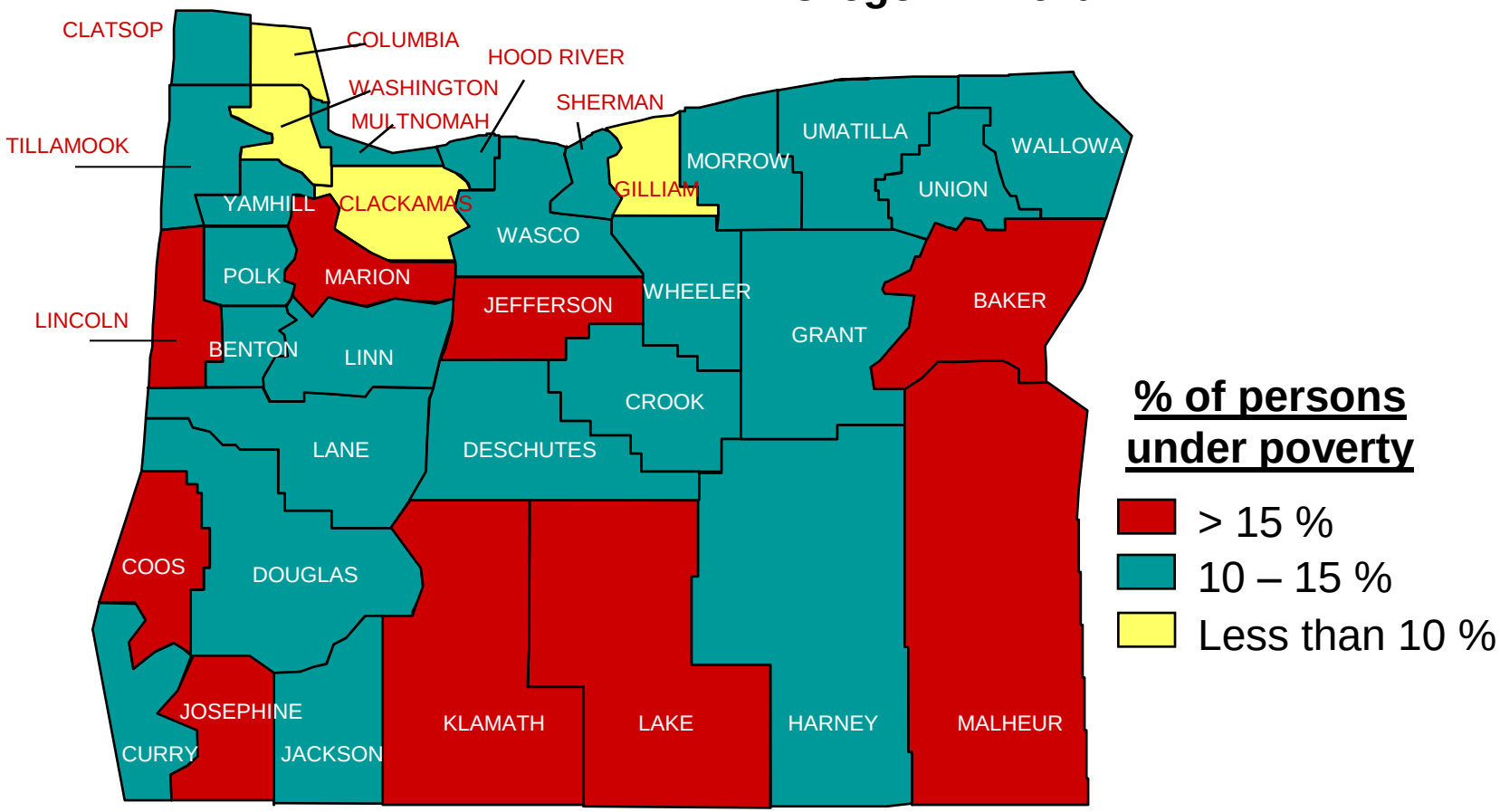


Source: U.S. Census Bureau, Census 2000

Office of Economic Analysis

Poverty Rate, 2004

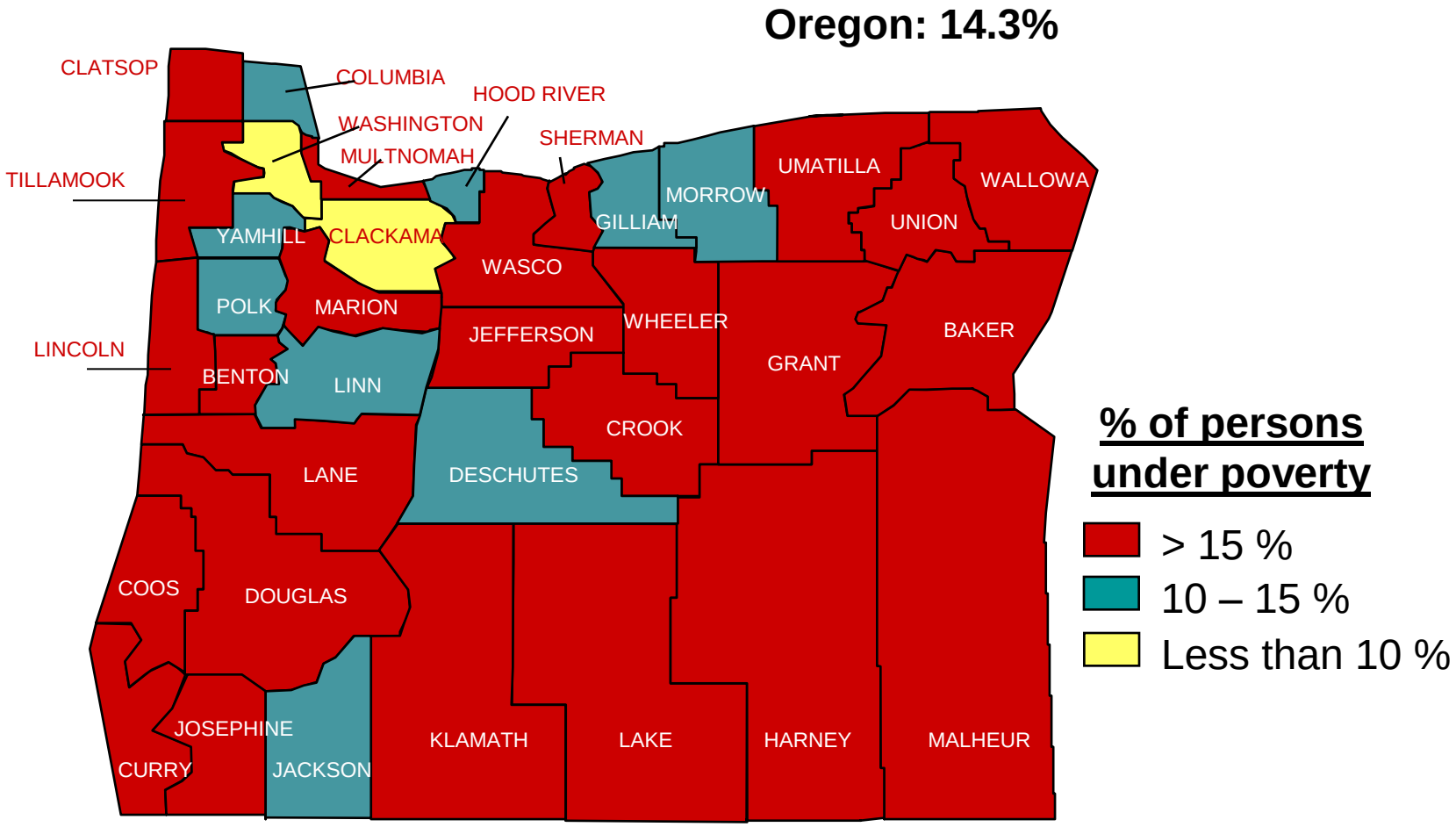
Oregon: 12.9%



Source: U.S. Census Bureau, Data Integration Division, Small Area Estimates Branch

Office of Economic Analysis

Estimated Poverty Rate, 2009



Source: U.S. Census Bureau, Small Area Estimates Branch

Office of Economic Analysis

Future Revenue and Expenditure Projections

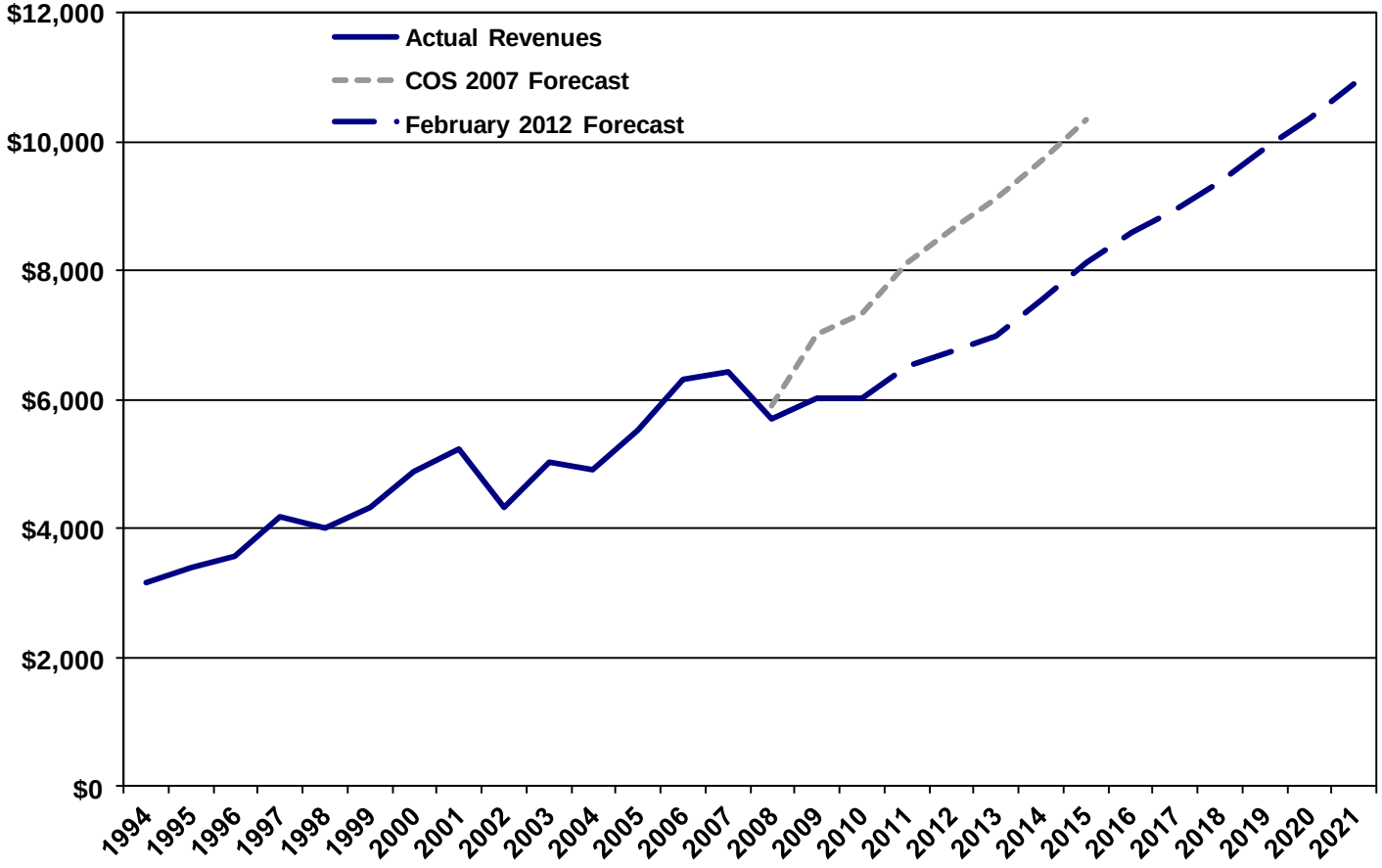
Revenue Methodology

- Revenues are modeled and projected based on relationships between taxable incomes and key economic variables (e.g., capital gains as a function of past and predicted stock market performance).
- Outer-year forecasts are based on long-run historical growth rates.
- OEA consults with the Council of Revenue Forecast Advisors quarterly to discuss recent trends and anticipated issues.

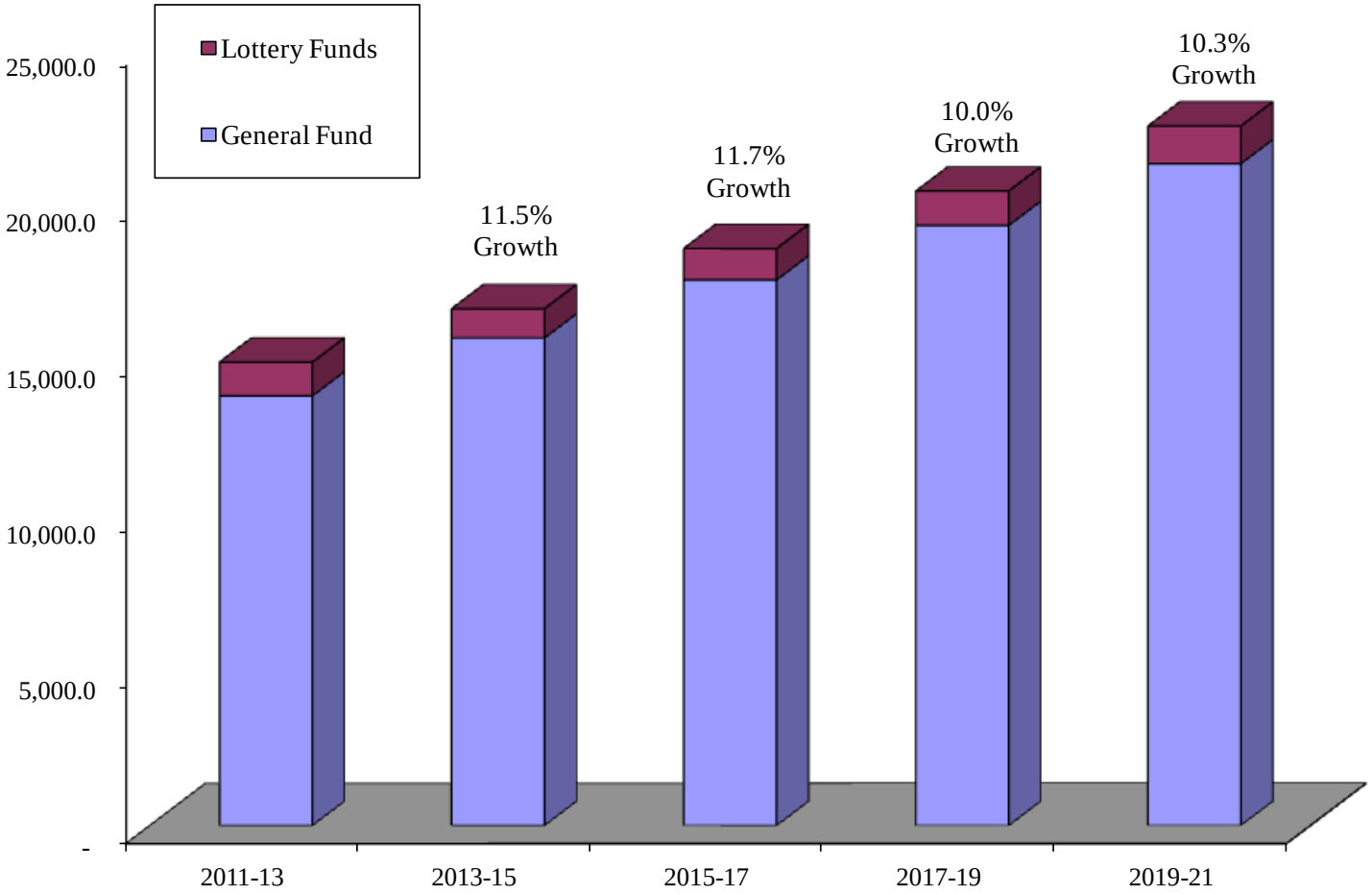
Revenue Drivers

- Revenue Growth Factors
  - Employment
  - Wage Rates
  - Investment Returns
  - Profit Levels
- Long term risks
  - Burgeoning retirement income erodes taxable income base.

General Fund Forecast Comparison
Fiscal Years, in Millions



Long Term Revenues



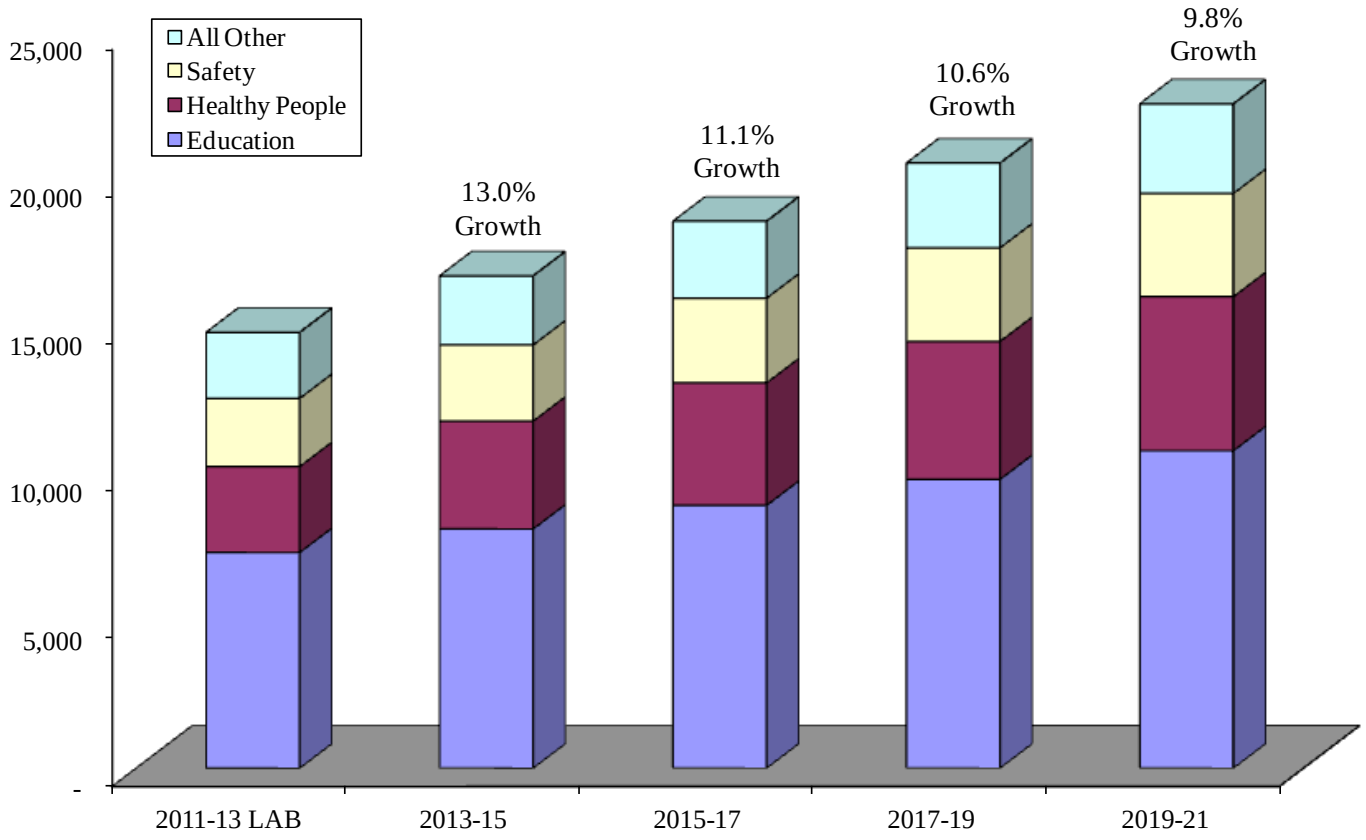
Expenditure Methodology

Current Service Level (CSL) Approach

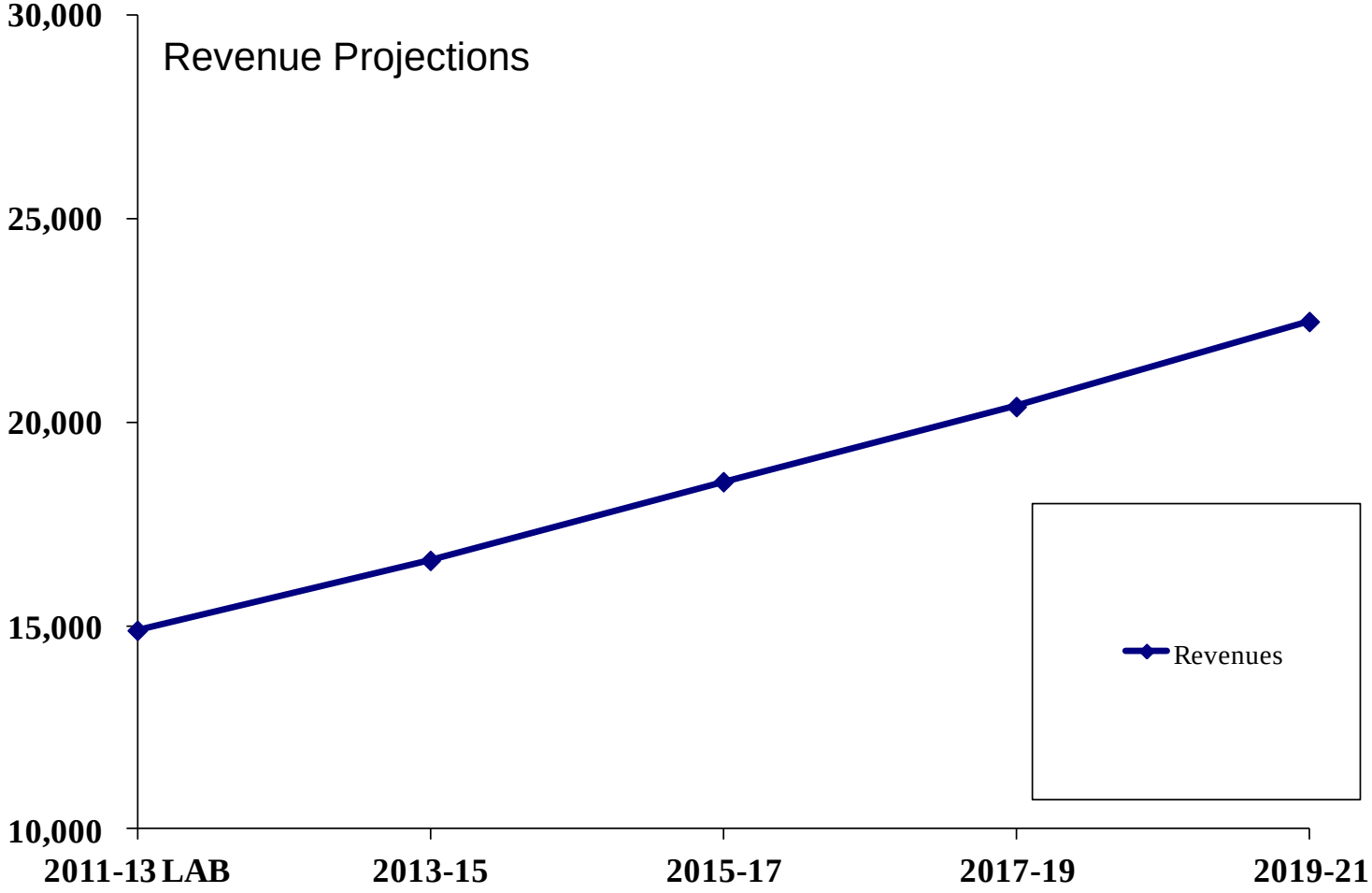
- Phased in/out Legislatively Approved Programs that were starting or ending in 2011-13
- Added Projected Inflationary Increases (general and medical)
- Adjusted Mandated Caseload programs for population changes
- Includes debt service to state bond capacity
- Includes an assumption that Health Care Reform bends the cost curve down over the coming decade

Does not Include Policy Adjustments

Long Term Expenditures



Long Term Projections



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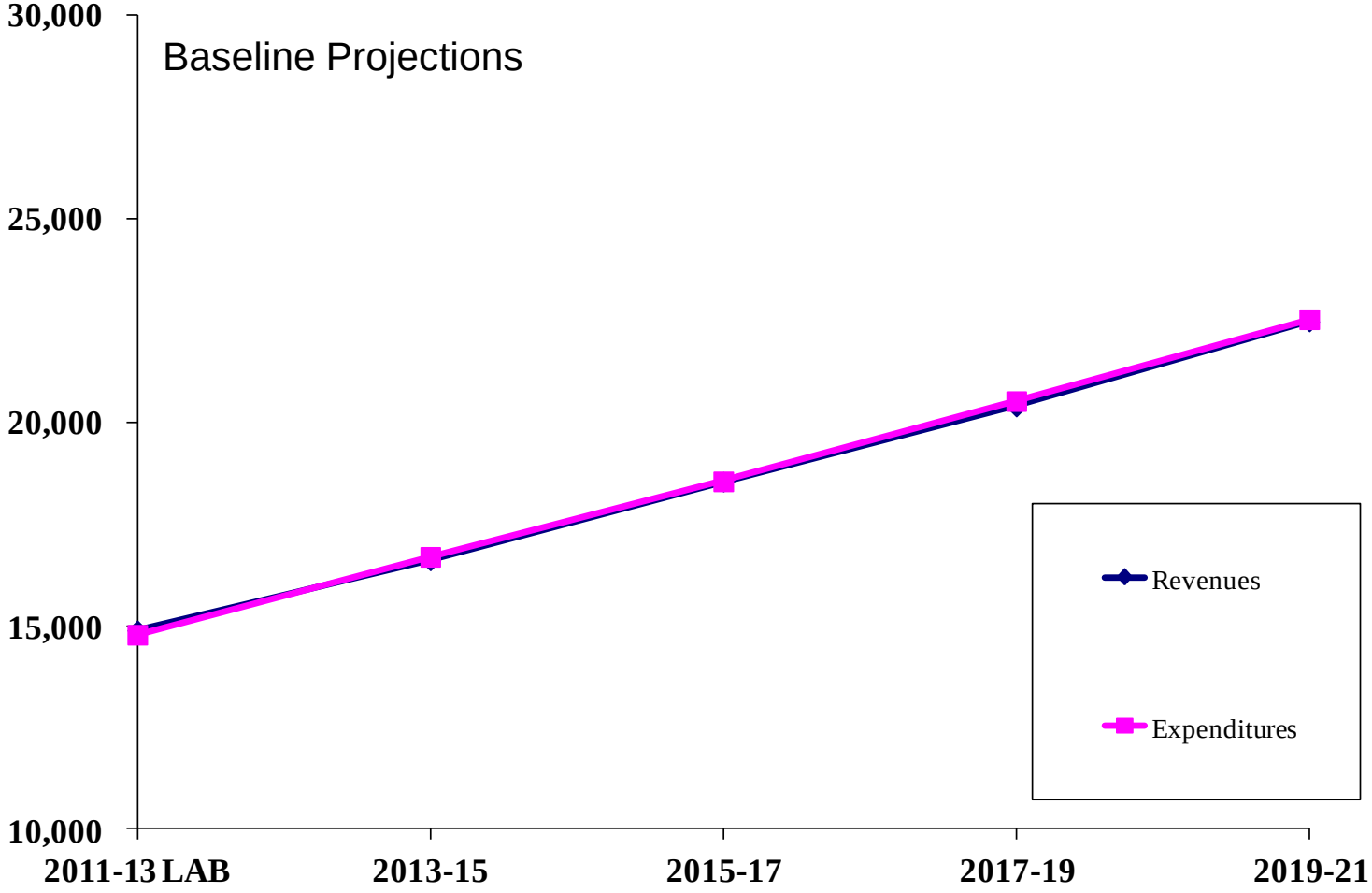

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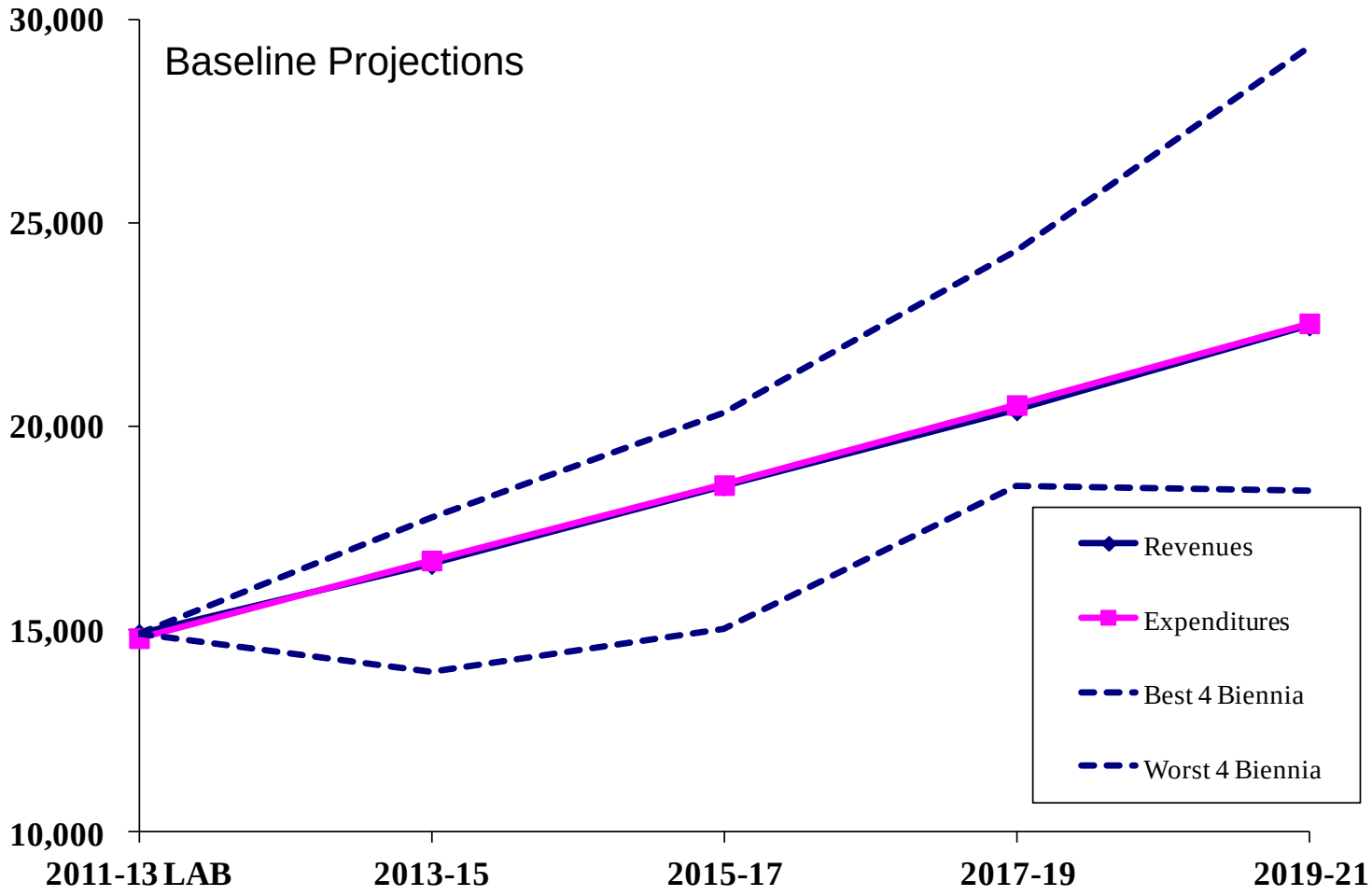

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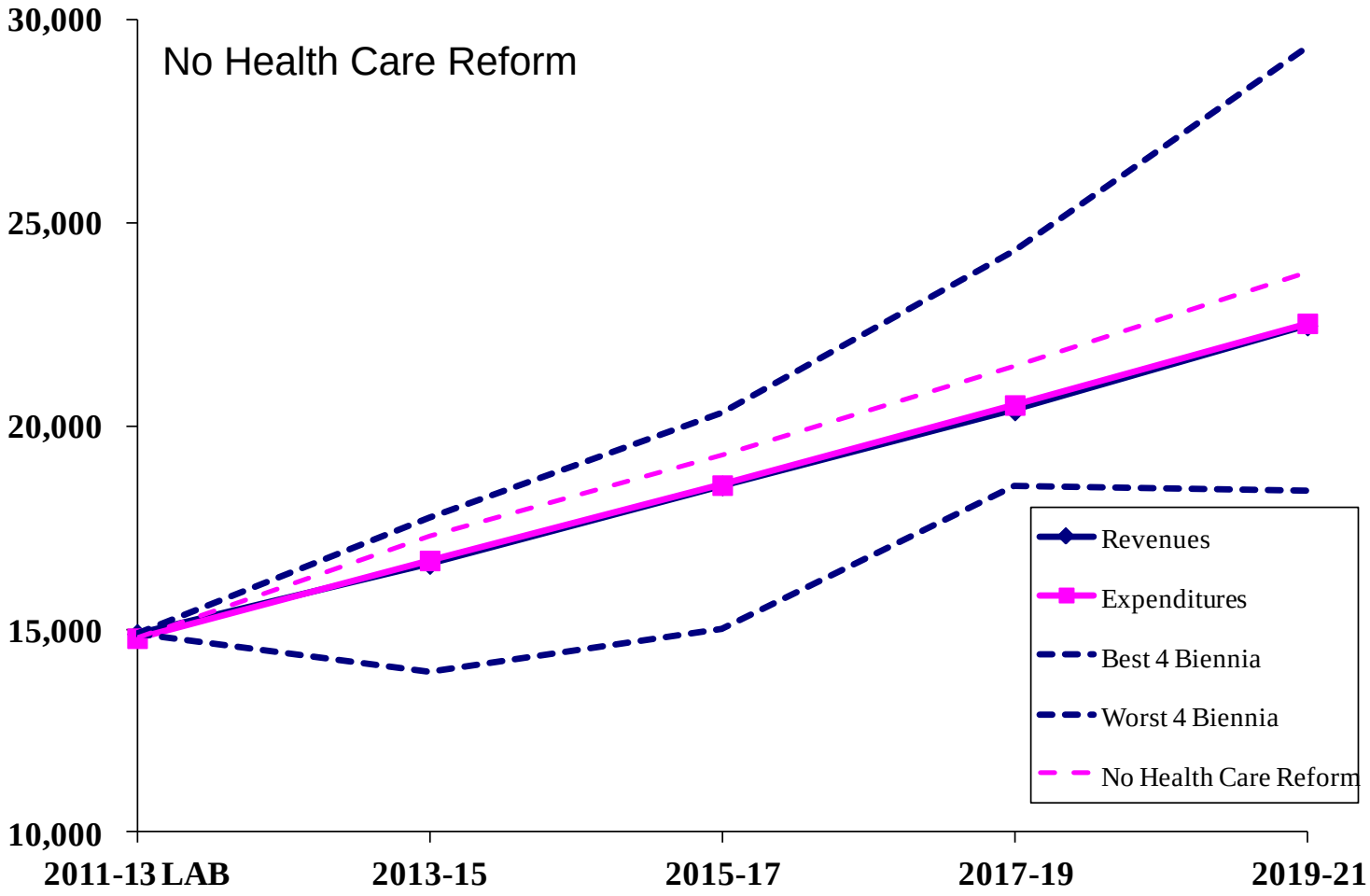

Summary

Roughly Balanced Going Forward

- Assumes Health Care Transformation can contain costs over the long term
- Setting aside a minimal ending balance will require roughly a 1 percent cut to agency budgets.
- Maintains the same level of program we have today, which in many cases is too low

Where do we go from here?

- Maintain the programs we have today at their current levels.
- If we want to improve from where we are today, we need to make some different decisions.

Budget Process will be different this time to focus on outcomes