

Budgeting Options to Close a \$4.4 Billion Deficit.

“The Co-Chairs have proposed four scenarios for dealing with [the anticipated] \$4.4 billion shortfall. Each results in drastic, across-the-board cuts.

Scenario 1. The first scenario would use \$911 million of Federal Stimulus Funding (the ARRA discussed above), which would lower the \$4.4 deficit to \$3.49 billion. The remaining \$3.49 billion deficit would be shared by state agencies and programs in the form of across-the-board cuts totaling 20.9%.

Scenario 2. The second scenario would add \$393.3 million from the Education Stability Fund’s 2007-09 balance to the \$911 million in federal stimulus money. The remaining \$3.10 billion deficit would be shared by state agencies and programs in the form of across-the-board cuts totaling 18.5%.

Scenario 3. The third scenario would add \$339.8 million from the Rainy Day Fund to the \$911 million and \$393.3 million discussed in scenario 2. The remaining \$2.76 billion deficit in scenario 3 would be shared by state agencies and programs with across-the-board cuts totaling 16.5%.

Scenario 4. The fourth and final scenario proposed by the Ways & Means Co-Chairs adds \$179.3 million from the Education Stability Fund’s 2009-11 deposits to the \$911 million, \$393.3 million and \$339.8 million discussed in scenario 3. The remaining \$2.58 billion deficit in scenario 4 would be shared by state agencies and programs with across-the-board cuts totaling 15.7%.

None of the proposed scenarios avoid massive cuts in state agencies, services and programs. In such situations there are only three alternatives—cut costs, raise additional revenues, or a combination of both.”

[Quotation on Co-Chairs proposals to deal with anticipated \$4.4 billion shortfall from March 20, 2009 Newsletter, “Oregon Economic News: The Good, Bad and the Ugly,” found at: <http://www.dennisrichardson.org/lu032009.htm>]