

Essential Benefit Level (EBL) Budget Is Not Reliable.

The Essential Benefit Level (EBL) Budget is determined by starting with the prior biennium's Legislative approved budget, then adding to it various anticipated costs including inflation, increased costs from labor agreements, PERS and other escalating benefit expenses, and other factors relating to government size, services, programs, etc. For the next two years (2009-11), the EBL was set at \$16.749 billion. (Although not included in the normal discussion of the '09-11 EBL, \$277 million was added to provide \$30 million for "salary adjustment," \$75 million for Measure 57 expenses and \$160 million for a 1% ending balance. Thus, Oregon's total "nut" for 2009-11 is stated to be \$17.026 billion, so when an EBL figure of \$17 billion is used, that figure is more than a mere "rounding up" of the publicized EBL figure of \$16.749.)

[EBL information from March 20, 2009 Newsletter, "Oregon Economic News: The Good, Bad and the Ugly," found at: <http://www.dennisrichardson.org/lu032009.htm> }

"The EBL for 2009-11 supposedly represents the amount of funding needed to maintain the current service level of state government for the next two years. It totals \$16.749 billion and represents an 11% spending increase over the current 2007-09 budget. Unfortunately, in some ways, the EBL is no more reliable than the Governor's Recommended Budget. For instance, the Department of Human Services pays Oregon's largest hospitals at a rate that is 80% of [the 1991] cost level, yet in the EBL the figure used is 100% of the [the 1991] cost level. The difference between the actual amount of hospital payments and the rate placed in the EBL inflates the EBL by \$48 million in GF&L [General Funds & Lottery] and \$146.5 million in total funds. These EBL expenditure figures are pulled out of thin air, so when I say they inflate the EBL, you know what I mean."

[Quotation from May 8, 2009 Newsletter, "Oregon Prepares For Final Budget Phase," found at: <http://www.dennisrichardson.org/lu050809.htm>]