

Revenue and Ending Balance Agreement for the 2011-13 Budget

Co-Chairs, Joint Committee on Ways and Means

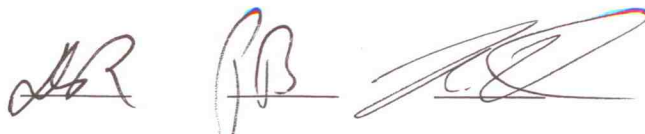
In order to proceed with the important task of formulating the 2011-13 Co-Chairs' Budget, and with due consideration for the recently passed constitutional amendment providing for annual sessions of the Oregon Legislature, the undersigned, as Co-Chairs of the Joint Committee on Ways and Means agree as follows:

General Fund and Lottery Funds Revenue--\$14.650 Billion. The Oregon Constitution requires a balanced state budget with due consideration given to anticipated revenues and approved expenditures. It is agreed that the Oregon 2011-13 state budget shall be balanced to Oregon's March 2011 Quarterly Revenue Forecast of \$14.650 billion, which represents the net revenue forecast after adjustments for mandated lottery fund allotments and estimated costs of Tax Anticipation Notes (TANs) payments (short term borrowing for General Fund cash flow).

General Fund Ending Balance. The March 2011 Quarterly Revenue Forecast predicts an economic recovery that will result in new revenue to Oregon's General Fund totaling \$1.345 billion more than the amount currently forecasted to be received in the 2009-11 biennium. The 2011-13 Revenue Forecast is based on assumptions relating to global, national and statewide economic conditions that are uncertain. If unforeseen economic circumstances occur during the 2011-13 biennium that result in reductions in forecasted revenue, the state budget's Ending Balance serves as a financial reserve to provide stability to the state's programs and services.

To allow for multiple risk factors, any of which could result in reductions of actual revenues received during the 2011-13 biennium, the Co-Chairs of the Joint Committee on Ways and Means agree to include in the state budget a prudent Ending Balance to be calculated as follows:

- 1) During Year 1 of the 2011-13 biennium, the Ending Balance (EB) shall be \$460 million;
- 2) During Year 2 of the 2011-13 biennium:
 - i) The EB shall be reduced by up to \$310 million of the EB remaining at the time of the release of the March 2012



Quarterly Revenue Forecast in February 2012. The amount reduced from the EB shall be allocated to state agency budgets, other than the State School Fund, for the 2012-13 fiscal year.

- ii) In the event the March 2012 Quarterly Revenue Forecast projects 2011-13 revenues to exceed the 2011 Close-of-Session Forecast, additional funds may be allocated to bring the 2011-13 State School Fund (SSF) budget to existing levels of funding (ELF), as of the close of the 2009-11 biennium (currently \$5.756 billion).
- iii) The Legislative Assembly allocates to the State School Fund (SSF) \$5.7 billion, to be divided between each fiscal year in the biennium as follows:
 - (a) \$2.85 billion in fiscal year one (2011-12), including \$100 million from the Education Stability Fund (ESF) and an additional \$23 million from the Common School Fund. The \$100 million from ESF and the \$23 million from the Common School Fund shall be an additional allocation to a 2011-13 biennium \$5.577 billion SSF budget.
 1. The ESF shall be utilized solely for reduction in class sizes and enhancement of learning opportunities, including, but not limited to increasing number of school days in the 2011-12 school year.
 2. Only school districts providing written proposals for expenditures that comply with the above use requirements shall qualify to receive any portion of the ESF allocation enhancement.
 3. The ESF amount shall be distributed excluding Education Service Districts.
 4. Not later than February 15, 2012, school districts receiving ESF enhanced allocations shall provide in writing to the presiding officers of both the House and Senate proof of compliance pursuant to the written proposal required in subsection 2 above.
 5. Failure to comply with the requirements of providing written proposals and the proof of compliance in subsections 2 and 4 above will result in a reduction in the 2012-13 budget allocation for the school district for the 2012-13 school year.

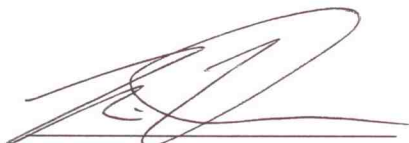


(b) \$2.85 billion in fiscal year two (2012-13), which shall be enhanced to a maximum of \$2.906 billion depending on economic conditions existing at the time of the March 2012 Quarterly Revenue Forecast.

iv) If the June 2011 Quarterly Revenue Forecast (to be released May 12, 2011) projects increases in the 2011-13 state revenues, the Co-Chairs shall consider using all or part of the forecasted increases over the March 2011 Quarterly Revenue Forecast amounts for enhancements to 2011-13 budgets and/or the 2011-13 Ending Balance, Education Stability Fund, or Oregon Rainy Day Fund.

Dated this 22^d of March, 2011.

Senate Co-Chair



Richard Devlin

House Democrat Co-Chair



Peter Buckley

House Republican Co-Chair



Dennis Richardson