

**STATE OF OREGON
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DATE: September 15, 2011
TO: Agency Directors
FROM: Ken Rocco, Legislative Fiscal Officer
SUBJECT: Reduction Options

As a result of the ongoing economic weakness facing the state and the potential for additional projected revenue declines in future forecasts, the Legislative Fiscal Office (LFO) is requesting the submission of reduction options from state agencies receiving General Fund appropriations and Lottery Funds allocations (and some selected Other Funds).

In order to provide options and flexibility for legislative leadership and the Joint Committee on Ways and Means during their deliberations on the legislatively approved budgets for state agencies during the February 2012 session, LFO is requesting the development of a total of 10.5% in reduction options in 3.5% increments. These reductions are to be from the 2011-13 legislatively adopted budget level, plus the 3.5% supplemental ending balance adjustment amount.

This base is being used since the supplemental ending balance adjustment amount was reduced from agency budgets to generate the amount actually provided as an agency's adopted budget; the hold back was then subject to restoration in February or at some point during the interim based on economic conditions. No plans were requested of agencies during the 2011 session to identify the effects on programs if the supplemental ending balance hold back amount was not restored to agencies. We are now asking for such reduction plans for this 3.5% amount plus an additional 7% for more options.

In order to begin preparing for the February 2012 session, these reduction options need to be submitted to your LFO analyst by November 14, 2011. Please submit the reduction options for 2011-13 using the attached form. Include any savings from vacancies or other administrative actions that can be implemented. The reduction options should be listed in prioritized order starting with the items or services that should be used first, if reductions are necessary. Please include a brief description of the impacts on services and outcomes and any other issues regarding unfunded costs in your budget. The forms should focus on General Fund and Lottery Funds; include Other and Federal Funds amounts if directly associated with reductions in either General Fund or Lottery Funds. LFO analysts will contact some Other Fund agencies directly for the inclusion of Other Funds reductions that would impact General Fund budgets.

If you have any questions, please contact your LFO analyst.