

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 5052-A

Carrier – House: Rep. Smith

Carrier – Senate: Sen. Girod

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 24 – 0 – 2

House

Yeas: Barker, Buckley, Frederick, Freeman, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc: Hanna

Senate

Yeas: Devlin, Edwards, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc: Bates

Prepared By: Daron Hill, Legislative Fiscal Office

Reviewed By: Legislative Fiscal Office staff

Meeting Date: March 22, 2013

Agency

Various Agencies

Biennium

2011-13

Budget Summary

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
<u>Education Program Area</u>				
<u>Community Colleges and Workforce Development</u>				
Other Funds	\$ 6,869,643	\$ 16,674,093	\$ 835,000	5.01%
<u>Department of Education – State School Fund</u>				
General Fund	\$ 5,155,269,981	\$ 5,160,749,551	\$ 8,096,204	0.16%
Lottery Funds	556,980,287	554,000,717	-8,096,204	-1.46%
<u>Oregon University System</u>				
Lottery Funds	\$ 22,959,136	\$ 22,986,753	\$ -187,232	-0.81%
<u>Human Services Program Area</u>				
<u>Department of Human Services</u>				
General Fund	\$ 2,036,853,446	\$ 2,180,437,090	\$ 5,000,000	0.23%
<u>Oregon Health Authority</u>				
General Fund	\$ 1,721,639,876	1,697,058,124	-5,000,000	-0.29%
Lottery Funds	\$ 10,779,583	\$ 10,338,614	\$ -230,568	-2.23%

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
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Public Safety Program Area

Department of Corrections

General Fund	\$ 1,324,785,417	\$ 1,362,844,564	\$ 0	0.00%
Other Funds	27,563,757	31,298,404	5,616,553	17.95%
Federal Funds	6,908,809	7,816,182	871,678	11.15%

District Attorneys & their Deputies

General Fund	\$ 9,979,285	\$ 10,339,261	\$ 250,000	2.42%
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Oregon Military Department

General Fund	\$ 24,068,435	\$ 28,582,492	\$ -120,265	-0.42%
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Oregon State Police

General Fund	\$ 216,465,576	\$ 221,721,695	\$ 0	0.00%
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	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
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Economic & Community Development Program Area

Oregon Business Development Dept.

Lottery Funds	\$ 136,340,722	\$ 138,677,228	\$ -1,160,310	-0.84%
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Oregon Employment Dept.

Other Funds	\$ 132,896,826	129,170,224	119,108	0.09%
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Federal Funds	\$ 273,883,188	303,447,537	8,214,583	2.71%
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Department of Veterans' Affairs

General Fund	\$ 6,469,659	\$ 6,562,195	\$ 0	0.00%
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Natural Resources Program Area

Department of Agriculture

Lottery Funds	\$ 6,894,457	7,827,343	-400	-0.01%
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Other Funds	\$ 52,099,191	53,081,502	1,084,000	2.04%
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Department of Forestry

General Fund	\$ 47,871,547	\$ 52,842,614	\$ 1,059,636	2.01%
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Land Use Board of Appeals

General Fund	\$ 1,295,278	\$ 1,295,278	\$ 36,631	2.83%
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	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
<u>Oregon Marine Board</u>				
Other Funds	\$ 22,020,102	\$ 21,984,696	\$ 250,000	1.14%
<u>Parks and Recreation Department</u>				
Lottery Funds	\$ 79,815,323	\$ 81,647,819	\$ -1,053,314	-1.29%
Federal Funds	\$ 12,733,936	15,918,146	1,645,011	10.33%
<u>Department of State Lands</u>				
Other Funds	\$ 26,494,275	\$ 27,903,872	\$ 1,350,000	4.84%
<u>Watershed Enhancement Board</u>				
Lottery Funds	\$ 64,796,420	\$ 64,012,066	\$ -832,938	-1.30%
<u>Transportation Program Area</u>				
<u>Department of Aviation</u>				
Other Funds	\$ 5,676,565	\$ 5,676,565	\$ 180,000	3.17%

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
<u>Consumer and Business Services Program Area</u>				
<u>Board of Chiropractic Examiners</u>				
Other Funds	\$ 1,261,261	\$ 1,261,261	\$ 69,550	5.51%
<u>Oregon Health Licensing Agency</u>				
Other Funds	\$ 6,612,566	\$ 6,607,687	\$ 397,779	6.02%
<u>Board of Psychologist Examiners</u>				
Other Funds	\$ 965,662	\$ 965,662	\$ 70,000	7.25%
<u>Administration Program Area</u>				
<u>Department of Administrative Services</u>				
General Fund	\$ 8,172,526	\$ 8,961,014	\$ 250,000	2.07%
Lottery Funds	11,740,796	12,073,528	-78,446	-0.65%
<u>Office of the Governor</u>				
Lottery Funds	1,855,731	1,855,731	-40,436	-2.18%

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
<u>Legislative Branch Program Area</u>				
<u>Legislative Administration</u>				
General Fund	\$ 28,438,846	\$ 28,749,433	\$ 250,000	0.87%
<u>Judicial Branch Program Area</u>				
<u>Judicial Department</u>				
General Fund	\$ 359,234,028	\$ 367,952,634	\$ -144,202	-0.04%
Other Funds	\$ 24,966,976	\$ 56,914,830	\$ 0	0.00%
<u>Public Defense Services Commission</u>				
General Fund	\$ 222,524,924	\$ 224,541,855	\$ 1,500,000	0.67%
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General Fund Total	\$	\$	\$ 11,178,004	
Lottery Funds Total			-11,679,848	
Other Funds Total			9,971,990	
Federal Funds Total			10,731,272	
			Total	20,201,418

Position Summary

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Spending Level	2011-13 Committee Recommendations	Percentage Change from Legislatively Approved Spending Level
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Economic & Community Development Program Area

Oregon Employment Dept.

Authorized Positions	1,500	1,549	46	2.97%
Full-time Equivalent (FTE) positions	1,436.90	1,481.21	19.98	1.35%

Summary of Revenue Changes

House Bill 5052 rebalances the State's budget with available resources. Additional General Fund revenues are available from the current ending balance. Lottery funds are reduced in several agencies due to the latest revenue forecast. Other and Federal Funds revenues include available ending balances and grant awards.

Summary of Capital Construction Subcommittee Action

House Bill 5052 is an omnibus budget reconciliation bill implementing actions needed to rebalance, address technical adjustments, and modify appropriations and limitations for some agencies during 2011-13 biennium.

Education Program Area

Department of Community Colleges and Workforce Development

The Subcommittee recommends an increase of \$835,000 Other Funds expenditure limitation for the Department of Community College and Workforce Development (CCWD) for three programs. An estimated \$200,000 is needed for the "Common Core State Standards and Assessments – K-12 Postsecondary Alignment" grant which is for promoting the use of assessments in determining a student's readiness for placement into postsecondary courses. The second program is the "Oregon Credit When It's Due" which supports the expansion of reverse transfer projects in the State. These projects are designed to give associate degrees to former Community College students who have transferred to four-year institutions when they have earned sufficient credits. This is a two year grant where it is estimated that \$300,000 will be spent in 2011-13 with most of the funding being sent to Community Colleges. The final \$335,000 is needed for the "Certified Work Ready Communities" program which is a part of a strategy to enable communities to demonstrate that they have the skilled workforce necessary for a company to locate or expand in the community. Funding for this program is from the Oregon Business Development Department and the Employment Department.

Oregon Department of Education – State School Fund

Lottery Funds expenditures for the State School Fund are reduced by \$8,096,204 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available.

A corresponding increase of \$8,096,204 General Fund is provided in this bill to backfill this loss of Lottery Funds.

Oregon University System

Lottery Funds expenditures are reduced by \$187,232 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available. Lottery Funds are used in the agency budget to support athletic programs, with a small percentage going to scholarships for graduate students.

Human Services Program Area

Department of Human Services

The Subcommittee approved the appropriation of \$5 million General Fund to the Department of Human Services. As part of the agency's 2011-13 rebalance in December 2012, a budget gap was identified in the agency's JOBS program. Budget savings in the Oregon Health Authority are now being moved to the Department of Human Services to address this shortfall. The Subcommittee requested that the Department of Administrative Services unschedule the funds until after the spring caseload forecast is complete and the overall budget situation is known.

Oregon Health Authority

The Subcommittee approved the disappropriation of \$5 million General Fund from the Oregon Health Authority. As part of the agency's 2011-13 rebalance in December 2012, slightly over \$5 million savings were identified in Medical Assistance Programs. Five million of these funds are now being removed from the Medical Assistance Programs budget and appropriated to the Department of Human Services to cover a potential budget shortfall in that agency.

Lottery Funds expenditures are reduced by \$230,568 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available. Lottery Funds are used in the agency budget to support gambling addiction treatment programs.

Public Safety Program Area

Department of Corrections

The Subcommittee approved rebalancing General Fund resources to address the Department of Correction's reorganization implemented by the new director effective April 2012, and management actions taken to address unspecified vacancy savings, mid-management and services and supplies reductions previously approved by the legislature. In general, the agency is able to cover the estimated \$57.5 million shortfall by holding positions vacant (\$17.2 million), savings in services and supplies (\$13.3 million), reduction of medical services (\$12.1 million), savings in debt service from refinancing (\$7.2 million), reducing jail bed reimbursements based on most recent claims (\$6.3 million), and closure of a 50-bed treatment program at Powder River (\$1.4 million). The Subcommittee approved establishing a debt service limitation of \$683,992 Other Funds as part of the rebalance.

The Subcommittee approved an increase of \$79,385 Other Funds and \$871,678 Federal Funds expenditure limitation to allow the recording of broadband telecommunication and network assets from the Oregon Health Network.

The Subcommittee also approved an increase of \$1.8 million Other Funds expenditure limitation to allow the agency to expend carryover balances in Community Corrections' grants for the Linn County Domestic Violence Court (\$23,000), American Recovery and Reinvestment Act (\$291,000), and \$1.486 million in supervision fees.

The Subcommittee approved an Other Funds increase of \$3,053,176 for county juvenile and adult corrections programs and facilities and drug and alcohol programs.

District Attorneys & their Deputies

The Subcommittee approved an increase of \$250,000 General Fund for cost of living adjustments in January and December 2012, employee benefits in excess of the statewide composite rate, and a pay scale increase for the Yamhill County District Attorney. The state maintains a two-tier pay scale for District Attorneys based on county population -- \$90,972 when the population is below 100,000, and \$107,952. As of July 1, 2012, the population in Yamhill County exceeded 100,000.

Oregon Military Department

The Subcommittee made the following adjustments to the Military Department's 2011-13 approved budget.

The Subcommittee approved a \$981,021 reduction in General Fund for the Department's Capital Debt Service and Related Costs program. The Department identified savings to certificates of participation (\$132,932), Article XI-Q bonds (\$616,197), and Article XI-M and XI-N Seismic

bonds (\$231,892) in excess of what is needed to meet outstanding 2011-13 debt service obligations. The savings arose from more favorable interest rates on issued debt than was originally budgeted.

The Subcommittee also approved the following one-time actions:

- The Subcommittee increased the General Fund for the Department's Operations program by \$601,756 due to savings from the Capital Debt Service program, which includes Debt Service saving from Seismic Rehabilitation Grant Program bonding, to fund eight armory and one Portland Airbase maintenance and improvement projects. The General Fund will make available \$1.5 million in matching Federal Funds and \$154,030 in Other Funds (U.S. Department of Energy grant to a private contractor). The Department does not require additional Federal or Other Funds expenditure limitation.
- The Subcommittee increased the General Fund for the Department's Emergency Management program by \$41,000. The General Fund will be used to fund the State's Search and Rescue Coordinator position through the remainder of the biennium.
- The Subcommittee increased the General Fund for the Department's Community Support - Oregon Youth Challenge Program by \$218,000 due to savings from the Capital Debt Service from Seismic Rehabilitation Grant Program bonding. The increase in General Fund is to be used only as a contingency against a possible decrease in program funding due to federal government's sequestration. Federal sequestration could reduce federal matching funds for the program from 75% Federal Funds 25% state funds to 70% Federal Funds and 30% state funds. The Committee directed that the Department of Administrative Services un-schedule the \$218,000 appropriation until the Military Department is able to document that federal sequestration will adversely impact program funding this biennium.

Oregon State Police

The Subcommittee approved rebalancing \$1.5 million General Fund to the Patrol, Criminal, and Gaming appropriation from one-time savings in Administration and Criminal Justice Information Systems. The resources will be utilized to cover extraordinary costs within the Gaming Division, and recruitment and equipment purchases in the Patrol Division.

Economic & Community Development Program Area

Oregon Business Development Department

Lottery Funds expenditures are reduced by a total of \$1,160,310 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now

forecast to be available. The reductions to the agency consist of a \$990,130 reduction to Business, Innovation and Trade, a \$145,632 reduction to Shared Services, and a \$24,548 reduction to the Oregon Film and Video Office.

Oregon Employment Department

The Subcommittee recommends additional Federal Funds expenditure limitation of \$8,214,583, additional Other Funds expenditure limitation of \$119,108, and 46 positions (19.98 FTE) are approved for the Employment Department, for the following purposes:

- Trainings provided to child-care providers, funded through the federal Child Care Development and Development Block Grant: \$550,000;
- Efforts to improve unemployment insurance program integrity, funded through receipt of a federal grant: \$1.4 million, 17 positions (3.6 FTE);
- Expenses associated with administering federal extensions of Emergency Unemployment Compensation: \$6.3 million, 27 positions (15.75 FTE);
- Contracted positions for employment services to eligible individuals under the Workforce Investment Act: \$69,108 Other Funds, 2 positions (0.42 FTE);
- Additional caseload in the Office of Administrative Hearings: \$50,000 Other Funds (0.21 FTE).

Oregon Department of Veterans' Affairs

The Subcommittee recommends a technical correction to properly allocate \$113,331 of the General Fund appropriation to partner agencies of the Oregon Department of Veterans' Affairs.

Natural Resources Program Area

Department of Agriculture

The Subcommittee increased the Other Funds expenditure limitation for the Commodity Inspection program at the Department of Agriculture by \$1,084,000 to accommodate increased demand for specialized commodity certifications and produce inspections.

Lottery Funds expenditures are reduced by \$400 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available. Lottery Funds are used in the agency budget to support the operations of the County Fair Commission.

Department of Forestry

The Subcommittee approved an appropriation of \$1,059,636 General Fund to the Department of Forestry for costs associated with the extended 2012 fire season, unbudgeted district emergency fire cost deductibles, changes in forest land classification, and increases in initial attack resources and the fire insurance premium.

Land Use Board of Appeals

The Subcommittee approved an appropriation of \$36,631 General Fund to avoid personal services shortfall and the agency's ability to meet statutory case review deadlines forcing land development projects to be delayed or withdrawn.

Oregon Marine Board

The Subcommittee approved an increase of \$250,000 Other Funds in the Facilities Grant Program for a facility grant to Metro to complete work on a multi-phased boating access improvement project. The grant is funded by a repayment of grant funds from the city of Portland for a grant project that is no longer eligible for the grant.

Oregon Parks & Recreation Department

The Subcommittee approved a Federal Funds expenditure limitation increase of \$1,645,011 to expend three federal grants awarded in 2012. The first two grants are from the US Department of the Interior, Fish and Wildlife Services. \$1,259,000 is passed through to Benton County to implement the county's Habitat Conservation Plan and associated Prairie Conservation Strategy. \$292,611 is passed through to Yamhill Soil and Water Conservation District for a grant awarded in October 2012. The funds will support continued outreach and education associated with Yamhill County's Habitat Conservation Plan completion.

In September 2012, the federal Institute of Museum and Library Services awarded a Connecting to Collections Statewide Planning grant to the Department. The purpose is training and mentoring for heritage organizations in the state. The total award was \$241,810, of which the Department plans to use \$93,400 in 2011-13.

The Subcommittee reduced constitutionally dedicated Lottery Funds expenditure limitation for the Parks and Recreation Department to align the Department's budget with the March 2013 Lottery revenue forecast. The total expenditure limitation reduction is \$1,053,314. The reductions are spread among several divisions: Director's Office (\$96,542), Central Services (\$50,000), Park Development (\$360,000), Community support and grants (\$296,772), and Oregon State Fair and Exposition Center (\$250,000).

Department of State Lands

The Subcommittee approved an increase in Other Funds expenditure limitation of \$1,200,000 for Portland Harbor Superfund site. Costs are for evaluating ownership of contaminated areas. An insurance settlement provides the funding.

In addition, the Subcommittee approved an Other Funds expenditure limitation increase of \$150,000. This limitation covers the 2011-13 portion of a grant awarded to the South Slough National Estuarine Research Reserve. The grant's purpose is assisting community partners and technical advisors in developing a common understanding of the estuary to support its future health. The grant is from the University of New Hampshire, National Estuarine Research Reserve System Science Collaborative. The total is \$549,846, to be used from September 2012 through August 2014.

Oregon Watershed Enhancement Board

Lottery Funds expenditures from the constitutionally dedicated Watershed Improvement Grant Fund are reduced by \$832,938 to rebalance the state's lottery budget to the March 2013 revenue forecast. Constitutionally dedicated Lottery Funds allocations are currently anticipated to be 4.54% below the level assumed in the May 2011 Lottery Forecast for the 2011-13 biennium. Use of unallocated balances in the Watershed Improvement Grant Fund offset some of the reduction caused by declining Lottery revenue forecasts, reducing the impact of the revenue declines. Use of unallocated balances in the Watershed Improvement Operating Fund are projected to completely offset declining Lottery revenue forecasts, averting the need for expenditure limitations reductions to agencies receiving Lottery Funds from the Operating Fund at this time. Lottery Funds expenditure limitation for monies in the Grant Fund are used in the agency budget to make local grants.

Transportation Program Area

Department of Aviation

The Subcommittee approved an Other Funds expenditure limitation increase of \$180,000 for the Department of Aviation. The Department had several unexpected operations expenses such as:

- an overlap in transferring contracted support services from the Department of Administrative Services to the Department of Transportation (ODOT),
- training and equipment to meet ODOT's accounting standards,
- payment of two mediated settlements,
- wholesale fuel purchases for the three airports that sell fuel to pilots, and
- an unscheduled pavement improvement project at Crescent Lake.

Consumer and Business Services Program Area

Board of Chiropractic Examiners

The Subcommittee approved an Other Funds limitation increase for the Oregon Board of Chiropractic Examiners in the amount of \$69,550 for the purpose of paying Attorney General fees resulting from litigation of contested cases.

Oregon Health Licensing Agency

The Subcommittee approved an increase in Other Funds limitation of \$397,779 for the following purposes:

- \$174,455 for DAS Risk Management
- \$92,630 for Attorney General fees
- \$130,694 for Policy Analyst position

Board of Psychologist Examiners

The Subcommittee approved an increase of \$70,000 Other Funds limitation for the Board of Psychologist Examiners to cover contractor services and attorney general fees associated with contested case hearings.

Administration Program Area

Department of Administrative Services

The Subcommittee approved an appropriation of \$250,000 General Fund to for a World War II Memorial. The funds are intended to be used as matching funds for private donations.

Lottery Funds expenditures are reduced by \$78,446 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available. Lottery Funds are passed through this budget on to counties to support the staging of county fairs across the state.

Office of the Governor

Lottery Funds expenditures are reduced by \$40,436 to rebalance the state's lottery budget to the March 2013 revenue forecast. HB 2837 reduces the allocation of Lottery Funds to the agency by the same amount. All statutory Lottery Funds allocations, excluding allocations to pay debt service, are reduced by 2.18% in the 2011-13 biennium budget rebalance, to reduce total allocations of Lottery Funds to the amount now forecast to be available. Lottery Funds in the Governor's Office fund the Economic Revitalization Team, also known as the Office of Intergovernmental and Regional Solutions.

Legislative Branch Program Area

Legislative Administration

The Subcommittee approved an appropriation of \$250,000 General Fund for the initial planning of the Oregon Capitol Master Plan.

Judicial Branch Program Area

Oregon Judicial Department

The Subcommittee approved a decrease of \$144,202 General Fund for debt service. The agency's appropriation exceeded the amount needed to pay its debt service costs by this amount. Other Funds expenditure limitation in the amount of \$134,116 is transferred from the expenditure limitation for eCourt bond proceeds to the agency's general Other Funds expenditure limitation. This amount of expenditure limitation, approved for grant proceeds unrelated to eCourt, had been added to the eCourt bond proceeds Other Funds expenditure limitation instead of to the agency's general Other Funds expenditure limitation in error.

Public Defense Services Commission

The Subcommittee approved an increase of \$1,500,000 General Fund appropriation to the agency for trial-level public defense services. The increase is to address costs incurred and projected for the current biennium. It is currently forecast that the Commission will need additional funds to cover the full costs incurred this biennium, including costs that will not be paid until the after the 2013-15 biennium begins.