

Budget proposals call for more spending

The Associated Press

PORTLAND — Gov. John Kitzhaber is expected to release a 1999-2001 budget proposal on Tuesday that boosts spending by about 14 percent over the current two-year period.

But he's not the only one thinking big.

Under orders from Senate President Brady Adams, R-Grants Pass, Senate Republican leaders — who repeatedly have bashed Kitzhaber as a big spender — have developed a budget proposal that calls for a 13.5 percent increase.

Kitzhaber has talked of spending about \$10.7 billion, and Adams countered with \$10.6 billion.

The current budget is about \$9.35 billion.

In each case, the increase is well above the 11.6 percent growth rate needed to maintain current service levels, according to a September forecast by the state Budget and Management Division.

The similarities are due in part to increases in the two fastest-growing parts of the budget: the Oregon Health Plan and the state prison system.

Kitzhaber and Adams fought two years ago about whether to expand the health plan to include the working poor. Adams now says it would be politically impossible to yank coverage now that the state has granted it.

And, although Kitzhaber has been critical of the 1994 measure that expanded prison terms, he has grudgingly supported the additional prisons and staff necessary to carry out the voters' mandate.

"There's going to be something in this budget for everybody to dislike," Adams said.

Senate Majority Leader Gene Derfler, R-Salem, who came into the Legislature a decade ago looking for big reductions in government, emerged from the Republican budget exercise with a more sober opinion.

"It really is tough to cut spending," Derfler said.

The Legislature will convene Jan. 11. Budget decisions, made by the Joint Ways and Means Committee, generally come down to the wire, and the revenue picture might be very different by May's revenue forecast.

Even if Kitzhaber and the Legislature sought no new spending for 1999-2001, the budget probably would balloon under the weight of existing programs.

Consider, for instance, the cost of human resources, which the Budget Division estimates will grow by a whopping 28.4 percent in 1999-2001.

The chief culprit is the Oregon

Health Plan. The state's version of Medicaid will cost much more in 1999-2001 because of a big expansion in coverage is slowly being phased in.

Previously, the health plan focused on people at or slightly above the poverty line. The 1997 Legislature and Kitzhaber extended coverage to pregnant women, newborns and uninsured children in families with incomes 70 percent higher than the poverty level.

But because many of the changes occurred midway through the current budget cycle, the full cost won't hit until 1999-2001.

The state's other big expenditure is public safety, primarily due to 1994's Measure 11. The measure set minimum sentences for violent crimes, driving up the state's prison population.

The latest prison growth projections, to be released Tuesday, probably won't be as high as September's. The number of state prisoners held in local jails, for which counties must be reimbursed, is lower than expected. Still, corrections is expected to remain a large part of the budget.

The budget proposals were based on a rosier picture of the state's economy. By June, estimates showed that the state could finance all programs at their current levels and still have \$455 million left.

That surplus evaporated as the economy began to slow, and the state Supreme Court ruled the state no longer could tax the pensions of federal retirees.

State economist Paul Warner today gave a new quarterly revenue forecast to a House panel, projecting a \$103 million decline in estimated revenue for the 1999-2001 budget.

That's less than a 1 percent change from the last forecast, in September. The general fund-lottery state budget for 1999-2001 is expected to total \$10.8 billion.

Warner said he sees little chance Oregon taxpayers can expect a so-called kicker income tax refund in late 1999.

State law requires that surplus revenue be refunded to taxpayers when it exceeds 2 percent of forecast. Warner said the current revenue outlook is 1.9 percent more than the appropriate forecast, in mid-1997.

At the same time, Warner told the House Revenue Committee that Oregon's economy is growing very little and is expected to remain weak through 1999.

But the state economist's office "believes Oregon's economic growth rate will move back above the national average in 2000."

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