

Budget: Lawmakers have yet to propose other forms of revenue

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"I present this budget as a short-term solution," Brown said. "It is the starting place for a broader conversation about how best to align our resources with our shared values and vision to move Oregon forward."

She unveiled her two-year budget proposal at an event in her ceremonial office at the Capitol.

Brown proposed funding to maintain existing services at the K-12 level, while boosting allocations for two college tuition assistance programs — the Oregon Opportunity Grant and Oregon Promise.

Despite Brown's claim that the plan would maintain K-12 funding, the Oregon School Boards Association issued a statement saying the proposal falls short by about \$500 million "of what schools are telling us they need just to maintain current services."

The budget for higher education will remain flat despite increases in costs for existing services, which could mean colleges and universities will have to consider program cuts or tuition hikes. Brown's budget plan also preserves the number of clients who receive subsidies for health insurance under the federal Affordable Care Act.

Proposed cuts are less severe than the 10 to 15 percent across-the-board reductions Brown had predicted before the November election. State agencies face cuts averaging 4.2 percent, but the cuts vary according to the agency.

Education at the K-12 level faces no cuts, while health care could sustain 16 to 25 percent reductions in general fund revenue, said George Naughton, chief financial officer at the state Department of Administrative Services.

Agencies are charged with finding specific reductions, such as attrition of nonessential positions and reduction in travel, Brown said.

Other cost-cutting measures call for closing the state psychiatric hospital in Junction City and the North Coast Youth Correctional Facility in Warrenton, slashing funding to a program that helps people with developmental disabilities and eliminating a program for families with children who have special needs.

Brown moderated the cuts by proposing several increases in targeted taxes and assessments and closing two tax loopholes. Those measures would bring in about \$897 million in new revenue.

The tobacco tax would increase by 85 cents per pack under her plan, and a liquor surcharge would climb from 50 cents to \$1 a bottle. The plan also involves increasing assessments on hospitals and insurers to the tune of \$530 million.

Not enough tax revenue

State Republican House Leader Mike McLane of Powell Butte said the state continues on "an unsustainable fiscal path."

"Despite record revenues and despite what has been described as a roaring state economy, we are being told we don't have enough tax revenue to cover the tab," McLane said.

He said lawmakers need to reduce spending before asking for more taxes.

Much of the state's shortfall stems from reductions in federal funds for the Affordable Care Act and the unfunded liability of the Public Employees Retirement System.

And the business community has signaled it wants PERS reforms before accepting any new business taxes.

An Oregon Supreme Court ruling in 2015 scuttled many of the pension reforms lawmakers had sought to make in the past, and lawmakers will be curtailed by that ruling in any future attempts at reform.

The governor had endorsed a corporate sales tax measure in November that would have boosted state revenue by \$6 billion every two years. With Measure 97's defeat, Brown has backed away and taken a hands-off approach to revenue reform and proposing any additional taxes on business. Lawmakers on the Legislature's revenue committees are discussing potential revenue packages.

Brown's proposal "will definitely prompt debate," said Senate President Peter Courtney, D-Salem, in a statement. "Oregon faces enormous budget challenges for the next two years. Meeting those challenges will require us all to work together. The process doesn't end today. It is just beginning."

The next step is for the Legislature's Joint Ways and Means Committee to propose a budget early next year. Committee members will seek public input on those proposals.

Lawmakers have yet to make any concrete proposals for other forms of revenue. Sen. Mark Hass, D-Beaverton, chairman of the Senate revenue committee, said lawmakers are discussing reviving a proposal for a commercial activity tax that he and Rep. Mark Johnson, R-Hood River, tried to pass this year as an alternative to Measure 97. The tax would have less of an impact on corporations but also would raise significantly less revenue than Measure 97.

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Joshua Bessex/The Daily Astorian

The sleeping quarters in one of the living units of the North Coast Youth Correctional Facility.

Youth prison: Potential closure tied to the failure of Measure 97

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treatment, gang prevention and parole violators.

"We met with North Coast staff, including school staff, earlier this week, and we are committed to doing all we can to support them," Oregon Youth Authority Director Fariborz Pakseresht said in a statement. "It is too soon to tell all of the impacts this proposal could have, but given the current budget climate, it is hard to imagine a scenario where we could avoid closing North Coast."

"We are working with our labor partners to help every affected employee at North Coast who wants to stay with OYA find a job. We also are connecting with other agencies to identify employment options in the Warrenton area for OYA staff who are unable to relocate."

The Youth Authority provides the equivalent of 45 full-time positions at the facility, with an annual payroll of about \$2.5 million. The Northwest Regional Education Service District employs two teachers and five educational assistants at the facility's South Jetty High School, an option for the incarcerated to earn diplomas, take the General Educational Development exam and learn trades.

Heartbreaking

Sapper, the superintendent of the North Coast facility since last year, helped open it at Camp Rilea in 1997, and at the current location near the Clatsop County Animal Shelter in 1998.

He said up to half the population at any given time is gang-affiliated. The facility helps wean inmates off drugs and out of the gang lifestyle.

South Jetty High School has been lauded as a success, with one of the highest graduation rates of any youth correctional facility in the state. Sapper said 30 incarcerated students earned their diplomas last year, with another 15 completed so far this year. The Warrenton-Hammond School District had operated the school throughout most of the North Coast facility's history, but ended the contract earlier this year.

Brown's proposed budget would increase the Youth Authority's funding over the next biennium from \$398 million to nearly \$416 million. The North Coast facility had a budget of \$9.7 million over the past two-year cycle.

The governor's budget calls for an increase in the agency's staff from 1,022 to 1,041. But the expansion would largely be among part time workers, with a proposed decrease in

the overall number of budgeted staff hours equivalent to nearly 20 full-time positions.

First closure

The budget cuts, and the potential closure of the North Coast correctional facility, are tied to the failure of Measure 97, a controversial corporate tax that voters rejected in November. State economists estimated the tax would have created \$3 billion a year in new revenue.

The facility previously closed amid budget cuts in 2003 after the failure of Measure 28, which would have created a 1 percent increase in the state income tax to help bridge the state's shortfalls.

At the time, the facility housed 75 youth offenders from surrounding counties, incarcerated on charges from sexual harassment to homicide. The closure cost 100 positions and \$3.5 million in local payroll. Many of the youth offenders were transferred to MacLaren Youth Correctional Facility in Woodburn, with some sent to smaller facilities or released.

The North Coast facility reopened one housing unit in 2003 and a second in 2004, albeit with a smaller population and a specialization on serving offenders with substance-abuse problems.

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