

Commission nixes expected release of ODOT review

By **PARIS ACHEN**
Capital Bureau

SALEM — The Oregon Transportation Commission on Thursday nixed a scheduled briefing on draft findings of a management audit of the state Department of Transportation.

The audit is intended to ensure ODOT is prepared to effectively manage a potential transportation package that legislators could approve later this year.

That legislation — one of Gov. Kate Brown's priorities as governor — could hike gas taxes and fees on drivers and

funnel hundreds of millions of dollars in additional funding to the department.

The state in September awarded a nearly \$1 million contract to New York-based McKinsey & Company to conduct the long-awaited review.

The briefing on draft findings had been added to the commission's Thursday meeting agenda after the EO Media Group/Pamplin Media Group Capital Bureau earlier this month requested a copy of the 60-page document.

Bret West, an administrator with the Department of Administrative Services who

oversees the McKinsey's contract, received the draft findings in December, said Matt Shelby, a department spokesman. However, the document contained McKinsey's trade secrets, including strategies the firm uses to conduct management reviews. Trade secrets are exempt from disclosure under state public records law and had to be redacted, Shelby said.

West said after receiving the draft findings he asked McKinsey to expand on two areas in the review related to conflicts of interest and the agency's decision-making authority.

Oregon lawmakers' spending framework includes tax cuts

By **CLAIRE WITHYCOMBE**
Capital Bureau

SALEM — The co-chairs of the state Legislature's joint budget-writing committee Thursday presented a spending plan that includes cuts in services to reflect the state's expected \$1.8 billion shortfall for the next two-year budget cycle.

The \$20.2 billion budget outline presented by state Sen. Richard Devlin, D-Tualatin, and Rep. Nancy Nathanson, D-Eugene, reflects that shortfall and describes potential cuts to general program areas such as health care, education and public safety.

Devlin and Nathanson said the framework makes large cuts to key state services.

"To be clear, to be clear, we do not believe the resources as allocated in this document are sufficient," Devlin said in remarks during a press conference at the state Capitol.

Senate Majority Leader Ginny Burdick, D-Portland, said in a statement that the framework demonstrated a need for revenue reform.

The state's Republicans, meanwhile, presented the framework as an opportunity to cut state spending. Both parties stressed maintaining "critical" services; the framework, if implemented, could mean changes ranging from higher college tuition costs to cuts in dental care for low-income people.

Brown's blueprint

Gov. Kate Brown's \$20.8 billion recommended budget released in December was put together assuming \$897 million in new revenue gathered through new taxes and closing tax loopholes.

By contrast, the framework presented by Devlin and Nathanson does not assume the new revenue Brown proposed.

Under the plan, the Oregon Health Authority spending would be 27.5 percent less than needed to maintain current service levels, while the Department of Human Services would receive 8.7 percent less.

Proposed cuts vary in size between K-12, higher education and other state education programs that don't fall into those two categories, such as career technical education.

The co-chairs were also quick to note that cuts to some state services mean cuts to matching funds from the federal government.

It's also unclear whether any direct cuts to federal funding may be coming down the pike under the new Trump administration.

Shortfall

Much of the \$1.8 billion shortfall comes from the loss of federal subsidies for health care costs for low-income Oregonians, and the mounting costs of the state's public pension system, which faces a \$22 billion unfunded liability.

This year, the state must now also pick up some of the tab for insuring additional Oregonians under the Oregon Health Plan, as a result of the Legislature's decision to expand coverage in 2014 under the Affordable Care Act — a decision Devlin and Nathanson said they stood by Thursday. The federal government covered the initial costs of implementation.

Devlin and Nathanson attributed the deficit to a "fundamental imbalance" caused by these and other policies enacted in the past.

Measure 5 in 1990, for example, reduced property taxes and required local public schools to be funded by the state's general fund rather than by local taxes.

'Call to action'

Burdick called the framework a "call to action."

"The fact that we face such a deficit during a booming economic period in our state demonstrates the need for comprehensive revenue reform," Burdick said.

She said legislators were looking for ways to maximize the state's dollars but reiterated the need "to reform our revenue system to make sure it is fair to all Oregonians."

House Majority Leader Jennifer Williamson, D-Portland, said the state couldn't "afford to move backward."

"We can't afford to move backward in our investments in education, health care and critical services for struggling families," Williamson said in a statement. "We shouldn't short-change our economic future by making it harder for students to get a good education. And I don't believe that any Oregonian wants us to make these painful cuts."

Jim Green, the head of the Oregon School Boards Association, called for both revenue and pension reform in a statement Thursday.

"Our students need leadership on these two issues from the governor and our legislative leaders," Green said.

Republican praise

Republicans, however, generally praised the framework.

In a statement, Sen. Jackie Winters, R-Salem, also called the budget a "starting point."

"Now the work begins," Winters said. "We have our work cut out for us to craft a sound, sustainable budget (that) benefits Oregonians, urban and rural alike."

Senate Minority Leader Ted Ferrioli, R-John Day, said the budget the co-chairs presented was "based in reality."

"It's time Oregonians understood the consequences of explosive growth of government and overspending, coupled with anti-business climate and restrictive anti-land use laws," Ferrioli said. "The only way Oregon will get through the current budget crunch is by setting better spending priorities and demonstrating budget discipline."

Rep. Greg Smith, R-Hepner, who is also House Republican Caucus Budget Chair, also described the framework as an opportunity for "spending reform."

"This Legislature has an opportunity this session to finally address the structural deficits that led us to this position in the first place," Smith said, "and to put Oregon on the path to a more stable financial future."

The co-chairs said Thursday that the Joint Ways and Means Committee plans to release recommendations for the state budget after the next state revenue forecast, which is due to come out Feb. 22.

The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.

Treasury pick defends foreclosure actions

By **MARTIN CRUTSINGER**
Associated Press

WASHINGTON — Steven Mnuchin, President Donald Trump's pick as Treasury secretary, clashed with Democrats during a lengthy confirmation hearing Thursday over his handling of thousands of mortgage foreclosures and his failure to initially disclose to the committee nearly \$100 million in assets and interests in a Cayman Islands corporation.

Mnuchin said the failure to disclose the assets was an oversight that he had corrected when it was brought to his attention by staffers of the Senate Finance Committee. He said he had followed the advice of a lawyer who believed the disclosures were not necessary.

But Democrats seized on the issue as evidence of serious ethics challenges among Trump's Cabinet nominees.

In the hearing, Democrats on the Senate panel — led by U.S. Sen. Ron Wyden, D-Oregon, the ranking member — challenged Mnuchin's explanations, suggesting it was because he did not want to reveal his involvement in a business that could be used as an offshore tax haven. Mnuchin said he had never used the Cayman Islands to avoid paying taxes.

"The Treasury secretary ought to be somebody who works on behalf of all Americans," Wyden said. "When I look at Mr. Mnuchin's background, it is a real stretch to find hard evidence that he would be that kind of Treasury secretary."

Wyden's tone drew a rebuke from Sen. Pat Roberts, R-Kansas, who chided, "I've got a Valium pill here that you might want to take before the second round."

Confirmation likely
After the hearing, Senate Finance Committee Chairman Orrin Hatch,



AP Photo/J. Scott Applewhite
Senate Finance Committee Chairman Sen. Orrin Hatch, R-Utah, listens at right as the committee's ranking member, Sen. Ron Wyden, D-Ore., challenges Treasury Secretary-designate Steven Mnuchin during his confirmation before the committee Thursday.

R-Utah, predicted to reporters that Mnuchin will get confirmed and indicated he hoped to have a committee vote next week. But one Democrat, Sen. Sherrod Brown of Ohio, announced that he planned to vote against Mnuchin.

Not surprisingly, Mnuchin's performance drew praise from Trump. At a luncheon in Washington, D.C., Trump said Mnuchin was "getting grilled" by the committee but "he's doing a fantastic job."

Mnuchin, one of many wealthy business executives Trump has picked for his Cabinet, told the Senate panel that he had turned over 5,000 pages of documents to the committee and that some of the questions were complicated.

According to a memo written by the Democratic staff on the committee, Mnuchin did not initially disclose \$95 million in real estate — a co-op in New York City, a residence in Southampton, New York, a residence in Los Angeles and \$15 million of real estate in Mexico. In addition, Mnuchin initially failed to disclose \$906,556 of art work held by his children, the memo said.

The memo said that following meetings with committee staff, Mnuchin amended his disclosure forms and also dis-

closed his position as director of Dune Capital International in the Cayman Islands, the site of many offshore tax havens.

When pressed by Democrats to explain the omissions, Mnuchin said, "I did not use a Cayman Island entity in any way to avoid taxes for myself. There was no benefit to me."

Democrats also attacked Mnuchin's record when he ran OneWest bank, saying he failed to do enough to keep people from losing their homes. Republicans widely praised Mnuchin's record in business, indicating their support for his nomination.

Defended foreclosures

During the hearing, Mnuchin defended his handling of thousands of foreclosures during the height of the financial crisis, saying he had worked hard to assist homeowners to refinance so they could keep their homes.

"Since I was first nominated to serve as Treasury secretary, I have been maligned as taking advantage of others' hardships in order to earn a buck," he said in testimony. "Nothing could be further from the truth."

Associated Press reporter Jill Colvin and the Los Angeles Times contributed to this report.

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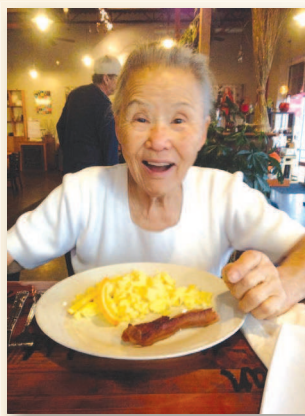
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