

The rising tide of inflation threatens to swamp Oregon's public budgets

OTHER VIEWS

Tim Nesbitt



As prices and grocery bills have headlined the immediate effects of rising inflation on household budgets. But inflation has downstream effects that will swamp public budgets as well, eroding the capacity of state and local revenues to sustain support for vital services.

In Oregon and neighboring states, consumer prices rose 8.8% year over year in June, according to the U.S. Bureau of Labor Statistics. Gas prices increased a whopping 52%. The price of food at home rose 13%. Those are the volatile components of the consumer price index, which are prone to ups and down over the course of a year.

The cost of other items, like medical care and housing, are harder to reverse. Those were up about 6%, embedding a new and higher trend line of cost increases in sectors of the economy that are heavily dependent on public spending (health care) and public policy interventions (homelessness).

Almost all of the political responses to inflation have focused on short-term mitigations, like gas tax holidays, or mid-term strategies to repair the supply side of the economy. A thoughtful compilation of the best responses was recently posted by Gary Conkling on the Oregon Way website.

But not enough attention has been paid to the consequences for government budgets and public services as we move from a decade of steady growth, low inflation and easy money, to a period in which costs rise faster than revenues, money tightens and demands for government services and responses increase.

This is not a problem unique to Oregon by any means. But the structure of Oregon's government finances creates unique vulnerabilities for our state.

First, we have constrained local property tax revenues with a hard cap of 3% on year-to-year increases, thanks to the combined effects of Measure 5 (1990), Measure 47 (1996) and Measure 50 (1997). As wages rise to keep up with the rising cost of living in the labor-intensive operations of schools, cities and counties, revenues will fail to keep pace, and the purchasing power of local budgets will shrink.

This effect was highlighted as a

major concern by the state's Task Force on Comprehensive Revenue Restructuring in 2009. It's a problem that will first affect schools and local governments in Oregon; but it will also put more pressure on the state to backfill school budgets and come to the aid of cities and counties to maintain public safety and health.

Second, both state and local governments will feel the inflationary effects of higher borrowing costs, higher health care costs and, most tellingly, the costs of the still massively underfunded Public Employees Retirement System.

Legislation enacted in 2019 stemmed the rise of PERS pension costs for government workers in Oregon at an average of roughly 25% of payroll, paid in full by their public employers. But this year's inflation-induced stock market declines have again decimated the fund's reserves to pay future benefits. And if salaries rise above the system's assumed trend line of 3.5%, the cost of benefits, which

are keyed to salaries, will rise in tandem. This is a double whammy that, absent further corrections, will almost certainly force the system's claims on public budgets to 30% of payroll or more by 2025 and beyond.

Oregon has some advantages to deal with the tsunami-like effects of inflation. Its income tax system only partially offsets the effects of inflation on its top brackets. So as wages and incomes rise, even if they lag inflation, state revenues will rise as well.

Also, there are record levels of reserves in state coffers. But the state will need those reserves to help schools maintain their staffing levels, adjust to higher costs for Oregon Health Plan providers, protect service levels for public safety and maintain its own level of services for Oregonians.

Inflation rarely raises boats; more often it swamps the most vulnerable households and stops dead in the water the forward progress of government programs. That's the new challenge for our elected leaders, especially the new generation of legislators who came of age in the kinder fiscal climate of the last dozen years.

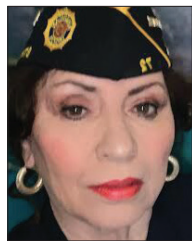
An era of rising revenues and the expansion of public services may be approaching an end, and an era of retrenchment and bailing out budgets may be just beginning.

Tim Nesbitt, a former union leader in Oregon, served as an adviser to Governors Ted Kulongoski and John Kitzhaber and later helped to design Measure 98 in 2016, which provided extra, targeted funding for Oregon's high schools.

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KRUSE POST 72

Maria D. Tye



Greetings from the new commander

My name is Maria D. Tye and I am the commander for Kruse Post 72 in Wallowa. I've been with the American Legion for 26 years.

I hail from the Houston-Galveston area in Texas. I am researching our American Legion post's history in Wallowa County. Please join me twice a month and you will learn with me. History buffs you will enjoy it, and there might be some of ya'lls ancestors in our column.

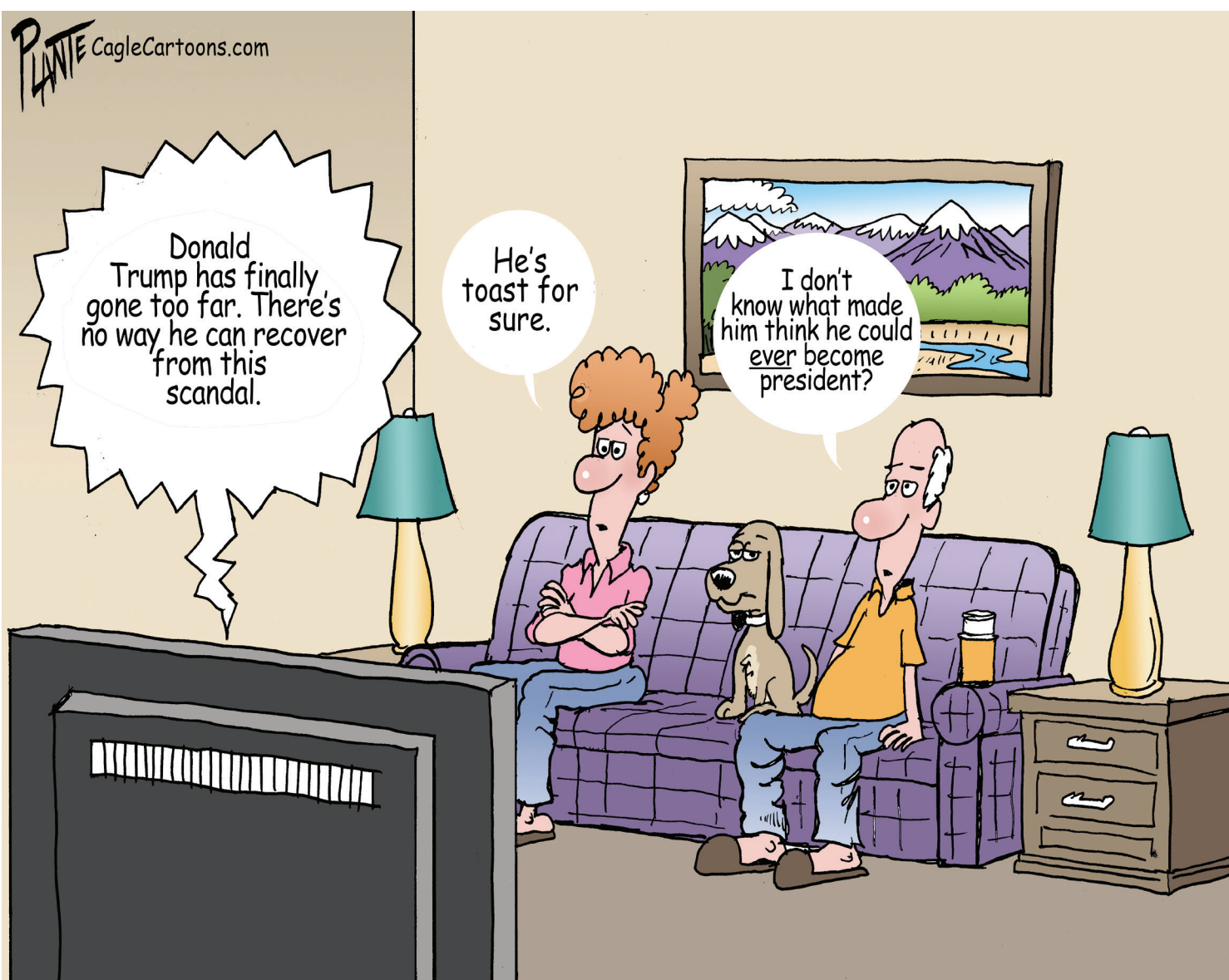
The American Legion held its first meeting on March 15-17, 1919 in Paris, France. This was the year it officially began, and our American Legion held the first caucus in St. Louis on May 8-10, 1919. American Legion posts sprung up all over the United States. The national convention was held in November 1919, and the American Legion Kruse Post 72 held its first meeting on Dec. 1, 1919.

We have been reading a lot of Kruse Post 72's history through the meeting minutes books. The nominations for temporary officers were as follows: W.D. Butler for commander, John E. Schaut for vice commander and John H. Bratton for adjutant. These were temporary positions until the charter was received. The annual dues were \$1.50, and the post was to keep \$1.50 from each of the dues.

This is a tiny bit of insight on Kruse Post 72 in Wallowa. We have had three posts in Wallowa County. I will let ya'll know more so keep reading this column and you will learn more of our American Legion history in relation to our county and our veterans as well. Wallowa County is a highly patriotic place.

Maria D. Tye is the new commander for Kruse Post 72 in Wallowa.

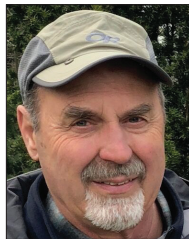
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Sounds of the rude world

OTHER VIEWS

Roger Hockett



In 1862, American songwriter Stephen Foster wrote "Beautiful Dreamer," the first two lines are: "Beautiful dreamer, wake unto me, Starlight and dewdrops are waiting for thee; Sounds of the rude world, heard in the day, Lull'd by the moonlight have all passed away!"

Sounds of the rude world? In 1862? How utterly shocked Foster would be to hear the sounds of the 21st century. We are way beyond rude in 2022. Recently I biked over a small bridge at Mercer Slough (near Seattle), an abundant, beautiful green wetland sparkling with fluorescent green water plants. As I paused on the arched bridge to take in the beauty of the slough, the angry, deafening roar of the freeway behind me made me think about the stress of modern living compared to the pas-

toral rural life of 18th century North America.

Generally, mankind lived quietly with nature before the Industrial Revolution of the 19th century. Now, as Neil Young has written, "Mother Nature is on the run" from the assault by human industrial development. All the shootings and conflict in the news today leads me to speculate that the stress of living in a hyper developed and connected world is not good for human happiness. I suspect we are losing it, going bonkers.

As a comparative life experience to my now city life, I had the luck of growing up on a ranch along Tenderfoot Valley Road in the '50s and '60s which was certainly part of the unfolding industrial revolution (John Deere tractors, etc.), and yet it was not oppressive.

After lunch, around 2 p.m., I always got sleepy so I would stop the tractor, turn it off, put my feet up on the engine cowl, pull my beat-up cowboy hat over by eyes and nod off for 15 minutes. No noise, quiet, peaceful, another world. Rounding up the cattle on The Divide was even better, no noise for as far as the ear can hear. Just spacing out and pretending a Nez Perce hunting party is traversing the top of the butte.

Spending a summer in the Upper Imnaha basin on horseback for the Forest Service was the same, just the clip-clop sound of pet and the pack horse. Again, a quiet nap after lunch in the shade of a tree below Hawkins Pass while the hobbled horses had lunch.

When Jefferson, Adams and Franklin lived in Europe, they all remarked on the woeful state of their cities. Europe's cities were filthy, smelly, noisy and crowded. However, most folks lived in the country, which was generally quiet. Humans have spent many thousands of years living at a modest, low-pressure pace and not under the oppressive, relentless, hour-by-hour assault of modern technological living.

Perhaps humans evolved to need a slower pace of life with quiet respites easily at hand. Perhaps our ancient DNA is rebelling and unwilling to change to accept the modern industrial world. Well, at least my DNA is rebelling.

Roger Hockett grew up in Wallowa County and is retired in Newcastle, Washington. He is a Navy veteran, a graduate of both the University of Oregon and Oregon State University, and spent a life designing and manufacturing commercial furniture.