

Brown proposes cuts, tax hikes in new budget

Plan maintains spending for K-12, tuition assistance

By Paris Achen
Capital Bureau

Gov. Kate Brown Thursday proposed a 2017-19 budget that cuts spending across most areas in state government, while keeping whole K-12 education and programs assisting low-income students with college tuition.

The \$20.8 billion budget plan uses a potpourri of cuts and tax increases to fill in a \$1.7 billion state revenue hole, caused largely by increases in negotiated salaries and benefits and a loss of federal funding for subsidizing health insurance for low-income residents.

"I present this budget as a short-term solution," Brown



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Oregon Gov. Kate Brown released her 2017-18 budget Thursday. Her plan generally cuts government across the board in the wake of a \$1.7 billion shortfall, but spares K-12 education and tuition assistance for low-income college students.

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 budget proposal at an event Dec. 1 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 Affordable Care Act.

Proposed cuts are less severe than the 10 to 15 percent across-the-board reductions Brown had predicted before the Nov. 8 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 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 youth correctional center in Clatsop County, 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 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
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.

Audit: Agencies still face IT security vulnerabilities

By Claire Withycombe
Capital Bureau

Longstanding information technology security weaknesses continue at several state government agencies, according to a state audit released Nov. 30.

The Secretary of State's Office, after spending a year auditing 13 state agencies for information technology security, warned in a report that the failure of the state to implement changes increased the risk of a "security incident."

"Overall, planning efforts were often perfunctory, security staffing was generally insufficient, and critical security functions were not always performed," the audit states. "These weaknesses collectively increase the risk of a security incident at one or more of the agencies."

Citing the "sensitive nature of security," the office sent confidential letters detailing specific security concerns to each agency, according to the audit.

The 13 agencies selected represent a cross-section of state government, according to the audit. They varied in size and type and include several agencies that maintain sensitive personal data, such as the Oregon Health

Authority and the Oregon State Police.

All of the agencies the audit scrutinized fared poorly when it came to managing user accounts to ensure no unauthorized users had access to internal information, and all agencies had issues with "patching," or fixes to remedy the vulnerability of operating systems and software to viruses or hacking. Anti-virus software was missing or outdated at some agencies.

The audit also found weaknesses in security awareness training and network security.

Auditors also found that the state's Chief Information Officer hasn't given agencies adequate standards and oversight, and doesn't have processes in place to ensure compliance with state standards and federal security requirements.

Alex Pettit, the chief information officer, largely agreed with the audit's findings.

Pettit, in a letter released with the audit Nov. 30, identified some ways the office is trying to address the issues. For example, it is continuing to develop by mid-2017 a program to regularly scan most agencies and to provide new training on security issues for state employees.

Pot testing poses regulatory quandaries

By Mateusz Perkowski
Capital Bureau

Marijuana testing is creating several quandaries for Oregon regulators at a time of overall uncertainty for the newly legalized crop, according to a state official.

Testing for pesticides poses one challenge, as the necessary instrumentation is expensive and complicated, said Jeff Rhoades, senior adviser on marijuana policy for Gov. Kate Brown.

While state regulators want to protect public health, testing is a large barrier to entry into the legal recreational marijuana market, he said during the Oregon Board of Agriculture meeting in Wilsonville Nov. 30.

An overly strict testing regime would be a disadvantage to small growers while favoring large out-of-state companies, Rhoades said.

"It's a very delicate balance with testing here," he said.

One pesticide that's commonly used on grapes, for example, breaks down into hydrogen cyanide when set aflame, he said.

Meanwhile, marijuana is sold not just as a flower, but also in the form of various tinctures and extracts that require specific testing methods, Rhoades said.

"It can't be just a one-size-fits-all approach," he said.

There are also no federally approved pesticides that are specific to the psychoactive crop, Rhoades said.

Oregon has 18 laboratories accredited to test marijuana, but just four are able to test for pesticides.

Other marijuana traits that are tested for include microbial contamination, solvents and potency. Potency testing has also encountered problems since it became mandatory on Oct. 1, said Rhoades. Marijuana growers were receiving greatly variable results from different labs, and so were flocking to those providing the highest potency ratings, he said.

"Lab shopping was happening all over the place," he said.

Regulators are now trying to create a standardized testing protocol for potency so growers can expect uniform results, Rhoades said.

Taxes from marijuana sales in Oregon are expected to be a boon to state coffers, but first the Oregon Liquor Control Commission must be repaid for its extensive work in creating a regulatory system for the crop, he said.

The Oregon Department of Agriculture has also been heavily involved in regulations involving pesticides, food safety and accurate scale systems, Rhoades said.

Exactly how the agency will

be repaid for these efforts is currently unclear, though the issue is being discussed and will likely surface during the 2017 legislative session, he said.

Marijuana remains illegal under federal law, which has made banks leery of dealing with marijuana companies — a complication that raises additional issues, Rhoades said.

"It's an all-cash business at this point, which creates public safety concerns and tax collection concerns," he said.

Regulators in Oregon and the seven other states where recreational marijuana is now legal were hoping for clarity from the federal government that would enable more banking involvement, he said.

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