

## State economists: Oregon budget has a \$3 billion gap

By Peter Wong  
Oregon Capital Bureau

Gov. Kate Brown says federal aid must go hand in hand with spending cuts to offset almost \$3 billion that state tax collections and other sources will be short.

Brown made her statement Wednesday after state economists told lawmakers that the COVID-19 coronavirus pandemic has resulted in an unprecedented economic downturn from shut-downs in business activity and public life.

Oregon's unemployment rate jumped from a modern low of 3.5% in March to a modern high of 14.2% in April. Oregon's state general fund budget draws more than 90% of its money from personal and corporate income taxes. The combined general fund and lottery budget for the 2019-21 cycle is about \$23.7 billion, and virtually all of the potential spending cuts of \$2.7 billion will fall within the second year starting July 1.

"The steepness of this decline is unprecedented," State Economist Mark McMullen said during a video conference of the House and Senate revenue committees.

While he and Senior Economist Josh Lehner said they expected a quick economic recovery when business activity resumes — as early as the second half of 2020, and an "all clear" by mid-2021 — "it takes a full year or more before pain is realized."

They also projected that state coffers will get less than originally forecast in the following two budget cycles. Oregon did get \$1.4 billion as its share of \$150 billion in federal aid from the recent CARES Act, although \$415 million is tentatively earmarked for local and tribal governments other than Portland, Multnomah County and Washington County.

Brown said: "Make no mistake, the budget gap created by this pandemic is too large to bridge without additional congressional action. I am thankful for the work of our congressional delegation to secure federal funding for Oregon in the relief packages Congress has passed so far. But those funds only address a fraction of our current need, especially since we are not permitted to use the funding we have received so far to address state budget shortfalls.

"As a state, we took action to shutter our economy in order to save lives in the middle of a once-in-a-century crisis. Now it's time for Congress and the president to step up and provide



Bulletin file photo

The Oregon Capitol in Salem.

once-in-a-century support for important state services, including schools, health care, and public safety."

### More federal aid uncertain

The Democratic-led U.S. House passed a \$3 trillion aid bill on May 15 with \$500 billion for states and \$375 billion for local governments. But the Republican majority in the U.S. Senate has balked at the price tag, and President Donald Trump has taken a wait-and-see stance, so more aid for states does not appear to be imminent.

Brown has received agency plans she ordered earlier this month for \$3 billion in spending cuts, amounting to 17% of their general fund support starting July 1. But no one expects those cuts to pass the Legislature. Brown has the authority to cut spending across the board, but only lawmakers can approve selected cuts.

Brown also could impose a hiring freeze — although she has said more workers have been needed at the Employment Department and other agencies affected by the pandemic and the downturn — or employee furloughs.

"The latest forecast for state revenue makes it clear that we have tough choices ahead," she said in her statement Wednesday. "We will need to tighten our belts. I am working with legislative leaders to preserve critical state services, find efficiencies, and prepare for potential budget cuts."

But neither she, Senate President Peter Courtney of Salem nor House Speaker Tina Kotek of Portland have

said when a special legislative session might occur. Kotek, in a video conference Tuesday, May 19, sponsored by the Portland Business Alliance, said lawmakers still need to assess other sources of aid stemming from the \$3 trillion CARES Act.

She did say that a session is likely before August, and that lawmakers cannot put off action until their next regular session starts Jan. 11.

### Other sources

Lawmakers were told that the state has \$1.6 billion in its two main reserve funds — one generated by lottery proceeds for education, the other from income taxes for general programs — plus \$1 billion in ending balances that lawmakers could tap. The reserve funds have had a chance to grow since the most recent downturn a decade ago, but lawmakers are barred from using all of the money in a single budget cycle.

The forecast by state economists also projects a 23% decline (\$364 million) in Oregon Lottery proceeds, the lion's share of which is generated by video machines — which are mostly in restaurants, bars and taverns that have been shuttered since March 16. Lottery proceeds go to economic development and education, but voters have earmarked shares for an education stability fund, parks and watersheds, veterans' programs and outdoor schools. Lawmakers also have used lottery proceeds to repay bonds.

A new corporate activity tax, proceeds from which are earmarked for school improvement and other programs, is projected to generate 25% less (\$414 million) than originally forecast. The tax took effect at the start of this year. Business coalitions have urged Brown and lawmakers to suspend the tax, which essentially is on gross Oregon receipts for all but the smallest businesses. Brown directed the Oregon Department of Revenue to waive penalties for late filings for businesses making good-faith efforts to pay, and allow the smallest businesses to pay in 2021.

McMullen said the pandemic-induced downturn has resulted in \$9 million more than projected in marijuana taxes — but even they will decline slightly over the next few years. Most of that money is earmarked, so it does not go into general state services.

"We're trending high in marijuana sales," he said. "But even those taxes are not immune to the downturn."

## Bentz wins GOP primary for Congress; Spenser leading Democrats

By Gary A. Warner  
Oregon Capital Bureau



Cliff Bentz

Former Sen. Cliff Bentz of Ontario won the Republican nomination for the 2nd Congressional District in Oregon on Tuesday.

Former Rep. Knute Buehler of Bend called Bentz just before 9:30 p.m. to concede the race. Former Sen. Jason Atkinson of Central Point was running third. Jimmy Crumpacker, a recent transplant to Deschutes County who spent over \$600,000 and was endorsed by anti-abortion and gun rights groups, was running fourth. None of the other seven candidates on the Republican ballot had more than 10% of the vote.

Alex Spenser of Klamath Falls and Nick Heurtz of Central Point were ahead in the field of five Democrats vying for the seat.

In Grant County, Bentz received 55% of the votes, followed by Buehler with 20% and Crumpacker with 15%.

Bentz thanked the voters of the district, who he said looked past the large amounts of advertising by Buehler and Crumpacker to give him the win.

"I think people in this congressional district are smart, and they study the candidates before they vote," Bentz said. "Jimmy is a nice guy, but he doesn't really live in the district. He's a Portland guy with a ski cabin in Bend. Good on him for trying, but he has to know the district before running for Congress.

"Knute ran as a moderate two years ago when he was running for governor, then tried to run as a conservative for Congress. People remember. Knute is a good physician, but politically, he just doesn't fit this district."

The race drew 11 Republicans to replace Rep. Greg Walden, R-Hood River, who announced last fall that he

would retire after 22 years in Congress. The district is the only one of five in Oregon represented in Congress by a Republican. It

covers all of Eastern and Central Oregon, along with a large slice of the southwestern part of the state.

Bentz announced early for the race, with much of the geography of his state senate district overlapping Walden's.

Buehler entered the race, bringing his statewide name recognition and fundraising ability into the contest. The physician served two terms in the state House sandwiched between unsuccessful bids for secretary of state in 2012 and governor in 2018.

Buehler praised Bentz, and said he would support his campaign to win the seat in November.

"Cliff is a good man and a strong legislator," Buehler said in a statement. "His deep roots in CD2 will serve us all well in Congress."

A late entry that stirred the campaign was Crumpacker, an asset manager, who registered to vote in Deschutes County on Nov. 20, three weeks after Walden announced he would retire, according to Oregon Public Broadcasting.

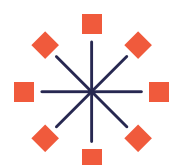
The district has proved reliably Republican for the past two decades, with Walden sometimes receiving more than 70% of the vote during his re-election campaigns. His closest race came in 2018, when Jamie McLeod-Skinner of Terrebonne held him to 56% of the vote.

Spenser began the race as campaign manager for Democrat Raz Mason of The Dalles, who eventually withdrew her candidacy. Spenser then filed to run for the office herself. Heurtz described himself as an independent businessman.

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