

Budget writers unveil rebalancing plan for state

By Peter Wong
Oregon Capital Bureau

The Oregon Legislature's chief budget writers have proposed to shield state aid to schools, but to cut almost \$400 million in other spending and draw down reserves to offset reduced tax collections during the coronavirus pandemic.

Elements of their plan, which legislative leaders released Thursday, July 16, will undergo public hearings next week. Each of the six budget subcommittees has been assigned a target for spending cuts.

Gov. Kate Brown and legislative leaders have said a second special session will be called later this summer — lawmakers already met June 24-26 — to deal with a two-year budget that is projected to fall about \$3 billion short in anticipated tax collections.

The original budget from

the tax-supported general fund and lottery proceeds, which constitute the state's most flexible spending, topped \$23 billion. Lottery proceeds also are projected to be down, largely because the Oregon Lottery's chief moneymakers are video terminals in bars and restaurants, which have curtailed operations during the pandemic.

The rebalancing plan does not take into account new federal aid to states that Congress may or may not include in a new coronavirus recovery effort. The Democratic-led U.S. House already has passed a \$3 trillion plan with aid to states included, but the Republican majority in the Senate has balked at the price tag.

The Legislature leadership's press release says: "The scale of this crisis highlights the critical need for further federal action to support state investments in essential ser-



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The Oregon Legislature's chief budget writers have proposed to shield state aid to schools, but to cut almost \$400 million in other spending and draw down reserves to offset reduced tax collections during the coronavirus pandemic.

vices that provide safety and security for all Oregonians, including the state's most vulnerable populations."

The co-chairs of the Legislature's budget committee are Sens. Betsy Johnson of Scappoose and Elizabeth Steiner Hayward of Beaverton, and Rep. Dan Rayfield of Corvallis. All are Democrats.

Their plan agrees with Brown's stated goal of a \$9 billion state school fund, which

the Legislature set in its original 2019-21 budget it approved last year. (About half that money already has been paid to Oregon's 190 school districts; July 1 marked the start of the second year of the state's two-year budget cycle.)

From the plan: "The fund remains at \$9 billion, sparing students and teachers from devastating program cuts amid the uncertainty of the pandemic and holding critical investments

in public education harmless at a time of great uncertainty."

To do so, the plan proposes to draw \$350 million from the Education Stability Fund, the reserve lawmakers created and voters approved in 2002 from Oregon Lottery proceeds. This amount will reduce the fund by just under half; lawmakers cannot spend the entire fund in a single budget cycle.

The plan also proposes an ending balance of a little over \$200 million, the bare minimum in recent decades. The balance is usually carried over into the next cycle, which starts in mid-2021.

Among other programs listed by the co-chairs as priorities for "preservation" are state aid to community colleges and state universities, Oregon Opportunity Grants for college students, housing stabilization, some health care and child welfare services, state prisons and community corrections, resi-

dential treatment capacity for youths, current Oregon State Police trooper levels and labs and medical examiners.

Their plan also lists specific programs within several agencies: Agriculture, Forestry, Justice, Veterans Affairs and Water Resources, plus tax administration in the Department of Revenue.

But the plan calls for the six budget subcommittees to come up with a total of \$387 million in other spending cuts.

In addition to \$350 million from the Education Stability Fund, the plan proposes to channel back into the general fund a total of \$213 million that the original budget earmarked for lessening the unfunded liability of school districts and other local governments for public pensions. However, the plan proposes to leave untouched the state's general reserve fund, which is estimated at \$949 million.

Lawmakers OK fund for \$500 checks for pending unemployment applicants

By Peter Wong
Oregon Capital Bureau

Oregon lawmakers have cleared the way for some unemployed people to obtain one-time checks of \$500 if they have been waiting for weeks to obtain unemployment benefits.

The Legislative Emergency Board voted July 14 to approve a maximum of \$35 million for an estimated 70,000 claimants, most of whom are newly eligible for benefits as a result of congressional action in March. Self-employed people, independent contractors, gig and temporary workers were ineligible for benefits before the coronavirus relief bill became law.

The checks will not count against future unemployment benefits, and unless fraud is involved, recipients will not have to repay the emergency aid.

More than 500,000 claims have been filed for regular benefits since mid-March, and most of that backlog was eliminated by June 12. But federal law requires states to ensure that newly eligible workers for Pandemic Unemployment Assistance do not qualify for regular benefits.

House Speaker Tina Kotek, D-Portland, and Sen-

ate President Peter Courtney, D-Salem, proposed the \$35 million from the state's \$1.4 billion share of aid from the coronavirus relief bill to offer some relief for applicants who have been waiting for weeks.

"I don't want to blame the Employment Department," Courtney said. "I want to do something."

Kotek said details are still being worked out. But she said banks and other financial institutions are willing to take part, knowing that whatever they pay out will be repaid by the state — and it's not an issue of cash flow for them.

"If we set up an application process and eligibility criteria quickly, individuals could apply very soon ... and they could get paid," she said.

Sen. Betsy Johnson, D-Scappoose, said she knows of people who have resorted to selling their cars and other possessions to stay afloat financially. But she said she is concerned about the lack of a distribution process.

"These people have lost hope. They are absolutely frantic and desperate," she said. "But if we say we have a finite amount of money and it's first-come, first-served, I do not know what that is going to look like in the bank lobbies."

Merkley isn't sanguine that Senate will come to our rescue

By Peter Wong
Oregon Capital Bureau

As he heads back to Washington, D.C., U.S. Sen. Jeff Merkley is pessimistic about how much the Senate's Republican majority is committed to extending higher unemployment benefits or providing more aid to states and communities in the next federal coronavirus pandemic plan.

The Senate reconvenes Monday after a two-week recess. Unlike the Democratic-led House, which passed a \$3 trillion follow-up aid plan back on May 15, Senate Republicans will unveil their plans next week — as the extra \$600-per-week unemployment benefit in the CARES Act is set to expire.

Merkley, an Oregon Democrat, said it's a different process than the bipartisan agreement that resulted in the \$2.2 trillion CARES Act just four months ago.

"This is Mitch McConnell's strategy," Merkley said. "Instead of having a bipartisan working group trying to produce a bill, it's been about putting out a Republican plan and making it as partisan as they can. That is not helpful at all."

Merkley spoke in an interview Thursday, July 16, before a virtual town hall meeting — his 11th so far this year — with Multnomah County residents. He now has conducted in-person or virtual meetings in 34 of Oregon's 36 counties this year, for a total of 430 in almost 12 years in the Senate.

The extra \$600-per-week



U.S. Sen. Jeff Merkley

benefit ends July 31 unless Congress extends it. The House plan, known as the HEROES Act, proposes to extend the extra benefit through January. Sen. Ron Wyden, Merkley's colleague, has proposed to tie the extra benefit to unemployment rates in each state so that the amount declines when the rates drop.

"It has been a lifeline for so many Americans who have lost their jobs, and we are talking about tens of millions of people who lost jobs in a short period during an unprecedented collapse of our economy," Merkley said. "We are not anywhere near through this pandemic. We are going to have to have some extension. That is going to be a key piece of the bill that we hope to produce in the next two weeks."

Though Oregon's unemployment rate has fallen from a peak of 14.9% in April — after a record low 3.5% in March — the decline was to 14.2% in May and 11.2% in June. Oregon's peak during the 2007-10 recession was 11.9%; the highest was 12% during the 1980-82 recession.

More than 30 million workers nationally are still unemployed.

A lifeline for states
Meanwhile, Oregon's per-

sonal and corporate income tax collections — which account for more than 90% of the state's general fund — are projected to drop by almost \$3 billion for the rest of the state's current two-year budget cycle. The Legislature's chief budget writers have proposed an outline for spending cuts and fund shifts, including drawing down reserves, but say federal aid is needed as a cushion against further spending cuts.

"All states need federal assistance right now. I am glad we have a state rainy-day fund, but it's not going to be sufficient for the challenge we face this year and next," Merkley said. "We may not get it done at the level the House has passed. But the idea that we are going to back our cities, counties and states is fundamental to getting us through this crisis together as a nation."

The House plan proposes \$915 billion, nearly a third of the total, for aid to state and local governments in installments through May 2021. Merkley said Oregon would get \$5 billion, and local governments just under \$4 billion, under that plan.

McConnell once suggested that states consider bankruptcy as an alternative — though Congress would have to pass a law to allow it, since unlike local governments, states cannot go bankrupt. He has since eased off that stance, but Republicans still resist aid.

The CARES Act gave states \$150 billion — Oregon got

\$1.4 billion and Portland, Multnomah County and Washington County just under \$280 million — but requires all the money to be spent on expenses related to the pandemic. None of it can go to offset budget shortfalls.

Merkley also said McConnell has been key in blocking Senate action on policing reform, unlike the House, which passed a plan on June 25. The Senate's majority Republicans failed on a procedural vote the previous day to advance their plan because Democrats said they were shut out of any involvement in writing it.

"This is another situation where McConnell, instead of having a bipartisan group work out a plan, said he was going to do a Republicans-only bill," Merkley said.

The bill developed by Sen. Tim Scott of North Carolina, the Senate's only Black Republican, proposed what Merkley called "studies and incentives, but little else."

"There was nothing that constituted real reform," Merkley said. "Democrats refused to participate in a process that was rigged without any commitment to amendments to be debated and voted on the floor."

"I think McConnell is happy with saying we tried, we put forward a bill that provides enough political protection for us — and we failed. I am not optimistic that, under his control, there will be a bill of any substance addressing the systemic racism in a public safety setting."





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