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Gov. Ted Kulongoski says recession forces Oregon state government to rethink how it operates

Published: Friday, June 25, 2010, 8:56 PM Updated: Saturday, June 26, 2010, 9:28 AM



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Oregon Gov. Ted Kulongoski shares ideas on how to "reset" state government Friday at the City Club of Portland. In what may be his last major speech as Oregon's top executive, Gov. Ted Kulongoski on Friday called for reducing

state worker benefits, shortening some mandatory sentences for criminals and making schools more accountable for the state money they spend.

"The current structure of state government is simply not sustainable anymore," Kulongoski told members of the City Club of Portland.

Friday's speech and an **85-page list of recommendations** released by the governor's office come as Oregon is struggling to emerge from what Kulongoski repeatedly called the "Great Recession." Earlier this week he ordered state agencies to cut spending by 9 percent over the next year to close a \$577 million budget hole. State government is short at least \$2 billion needed to continue services in 2011-2013, and experts warn of budget shortfalls for years to come.

Facing such dire predictions, Kulongoski assembled close advisers last fall and asked them to recommend how the state might restructure government in a way that preserves core functions -- including K-12 schools, higher education, social services and public safety.

The recommendations from this "Reset Cabinet" include many proposals that have been debated --and rejected -- over the years. They drew strong criticism again Friday from union leaders, educators and others, raising questions about how successful Kulongoski will be in pushing these ideas during his last six months in office.

On schools, Kulongoski noted that every legislative session the debate concerning K-12 education centers on the amount of money that goes to public schools.

Rather than focus on a budget number, he urged Oregonians "to turn our attention to outcomes -- and what we are buying with our K through 12 dollars."

The governor said Oregon should make charter schools more a part of the education system, align teacher evaluations with student performance and change the state Constitution to make the superintendent of public instruction a position appointed by the governor rather than elected statewide.

He also called for statewide collective bargaining for teachers and other school employees.

"Doing so will promote equity across school districts, reduce administrative costs and enable districts to redirect funds now spent on extended labor negotiations into the classroom," Kulongoski said.

Gail Rasmussen, president of the Oregon Education Association, said statewide collective bargaining is a "nonstarter" and she didn't like his other recommendations either.

"It looks as if the governor has chosen to exploit the economic challenge we are facing to push an agenda that doesn't make sense for Oregon's students."

Kulongoski and organized labor have had a love-hate relationship. Unions were major donors when he was first elected, but they sat out the primary four years ago because of anger over retirement reforms that he pushed. On

Friday, one union leader declined to say whether history would label him a "friend of labor" -- especially after the governor called for state workers to pick up a portion of their pension and health insurance costs.

Even Kulongoski acknowledged the strain:

"I'm just going to rip the Band-Aid off this one and say it: Increasing labor costs will be a big contributor to future deficits if we do not change the way we budget and provide compensation for public employees.

The costs to the state for the Public Employees Retirement System will increase by more than \$350 million in the next two years and by almost \$1 billion more by 2017, he noted. And health care costs are rising more than 10 percent a year.

"Add health care costs to retirement costs and we will soon be looking at benefit increases for public employees that far exceed the increases in pay and benefits projected for their private sector counterparts," he said.

Not so, countered Leslie Frane, executive director of the biggest state worker union, the Service Employees International Union Local 500.

"It's unfortunate that the governor's comments ignored the state's own study that shows that state employees' total compensation is less than that of private sectors in comparable jobs even when you include retirement and health care," she said.

Union leaders and advocates for tough sentencing laws also criticized recommendations to reduce prison sentences for violent offenders.

Kulongoski said Measure 11, passed by voters in 1994, has helped double the prison population, now at more than 14,000.

"There is a great imbalance between how we invest in incarceration and how we invest in education," the governor said. "And right now children are trapped on the losing end of that imbalance."

But Tara Lawrence, executive director of the Oregon Anti-Crime Alliance, said changing Measure 11 would be "penny wise and pound foolish" because mandatory minimums have made Oregonians safer.

Unlike other City Club speeches, which are interrupted occasionally by applause, the crowd Friday listened quietly and attentively. Ryan Deckert, a former legislator and president of the Oregon Business Association, said it was the best speech he'd heard in a long time.

One advantage of being a lame duck, Deckert said, is it allows a politician to say the hard truths people need to hear.

At the end of his speech, Kulongoski acknowledged that he is near the end of his term but urged his audience to press the candidates running for office for solutions.

Neither major candidate for governor was available for interviews Friday. Both issued statements.

Democrat John Kitzhaber said Kulongoski identified the "scope, depth and urgency of the financial crisis," and indicated he would be willing to look at labor reforms.

"I believe that by bringing (public employees) to the table, we can find ways to lower health care and pension costs," Kitzhaber said.

Republican Chris Dudley said he can't support all the proposals, but he does back change.

"From asking state employees to pay a portion of their health care costs to recognizing the need to refocus the scope of government," he said, "the report and the governor's remarks showed an understanding of the drastic change that is needed to put Oregon on a sustainable course."

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