



Gov. proposes dramatic changes to meet shortfall

by Associated Press and KGW.com Staff

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PORTLAND, Ore. -- Gov. Ted Kulongoski pushed to reshape an Oregon state government facing massive budget shortfalls in the next decade during a Friday speech to the Portland City Club.

His "reset" proposals were the topic for the speech, including the idea of adjusting the popular but expensive crime bill, Measure 11, Oregon's mandatory sentencing law.

The Statesman Journal reported the issues are likely to become part of the debate among candidates for the November election. Oregon is already facing a projected \$2 billion deficit in the next two-year budget.

Raw video: [Watch the speech pt. 1](#) | [Pt. 2](#)

Kulongoski said the federal government could not be counted on to help states, since they are not required by law to have a balanced budget and can sometimes run deficits, unlike Oregon.

Read: [Reset committee's report PDF](#)

An interim report from Kulongoski's Reset Cabinet suggest changes in spending on education, health care, human services and public safety.

On Tuesday Kulongoski ordered a 9 percent spending cut to help close a \$577 million gap in the current budget.

He said the state will emerge from the revenue with greater costs and demands for services, possibly facing \$10 billion in shortfalls over the next 10 years.

He said the "government we have is too expensive to maintain" in the Great Recession and too prone to failure once the next recession arrives.

The solution was not to restructure how and when to tax, but to restructure how government spends tax revenue, Kulongoski said.

The reset report aimed to put Oregon on a more stable fiscal path, rather than the ups and downs in reaction to economic activity.

Kulongoski, citing incarceration as the highest public expense, said alternatives to putting people in prison would not jeopardize public safety.

Investing in education was one way to prevent prison rates from increasing, he said, adding that incarceration was not the key reason for lowering crime rates.

Options like increasing drug treatment programs could also help.

The Governor also addressed the role of increasing benefits costs to Oregon's projected deficits from labor and public pension costs.

"I know it is popular to blame public employees for every problem facing government. That is not true – and it is not fair. Public employees are not to blame for our deficits," the Governor said. "The problem is not what has happened in the past – but what lies ahead, with rising costs for retirement and health benefits and not enough money to pay for them."

"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," he said. "We must bring these costs under control."

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