

June 26, 2010

Kulongoski reveals 'Reset' cabinet's proposals

By Peter Wong
Statesman Journal

Gov. Ted Kulongoski unveiled an array of recommendations Friday for reshaping state government in ways guaranteed to anger nearly every group. But in his long-awaited "reset" speech to the Portland City Club, Kulongoski said state government can no longer do business as usual, given projections of lagging tax collections in the next few years.

Video: <http://www.statesmanjournal.com/live>">Watch a replay of Gov. Kulongoski's speech at the Portland City Club

Read the report: <http://www.statesmanjournal.com/assets/pdf/J0160072625.PDF>">Reset Cabinet's recommendations

Speech: <http://www.statesmanjournal.com/assets/pdf/J0160074625.PDF>"> Read Gov. Kulongoski's speech as prepared for delivery

Website: http://governor.oregon.gov/Gov/governor_reset_cabinet/reset_state_govt.shtml">Governor Kulongoski's Reset Cabinet website

"Since a traditional economic rebound is not in the cards, Oregon will have to create the next decade's opportunities through hard work and tough choices," Kulongoski said. "That means changing the way we think — our mindset — as well as changing the way government does business, because the current structure of government is simply not sustainable anymore."

State government pays 70 percent of the operating costs of public schools, provides health care and other services to thousands of needy Oregonians, and houses 14,000 prison inmates, more than 40 percent of whom are serving mandatory minimum sentences for violent crimes.

Kulongoski's proposals would affect all those services — which account for more than 90 percent of the state's discretionary spending from the tax-supported general fund and lottery proceeds — and employee pay and benefits.

The 38 proposals were developed by a "reset" cabinet of seven members he appointed last fall.

Income taxes and lottery proceeds are projected to be about \$16 billion for the next two-year budget cycle, which begins a year from now. That total is more than the \$14 billion in the current cycle. But the Legislature's budget analysts say it's still \$2.5 billion short of providing the same levels of state services and aid to schools, even if school aid were held to its current dollar amount.

The governor was applauded before and after the speech, his eighth before the city club, which consists of 1,500 leaders from business, government, social services and other professions. But he was not interrupted by applause once, and he omitted any opening banter.

Among other things, Kulongoski called for consolidation of school services and education service districts, restraining health care costs, developing less costly alternatives to foster care for children and nursing home care for older people, and developing sentencing guidelines to manage mandatory minimum prison terms within the system's 14,000-bed capacity.

Kulongoski also renewed his call for a diversion of excess income-tax collections, now rebated to

taxpayers in the form of "kicker" checks when collections exceed projections by more than 2 percent. The diversion would build up the state reserve fund, which was created in 2007 but has been drained by the economic downturn.

"We must stop the self-defeating policy of increasing taxes or slashing services as the answer to every economic downturn," he said.

Lawmakers cut \$2 billion from services, tapped more than \$1 billion from federal funds and state reserves, and raised \$727 million in taxes on businesses and higher-end earners. Voters upheld the tax increases Jan. 26. But poor 2009 tax collections led to a projected shortfall of \$577 million, which Kulongoski dealt with by invoking his authority to cut general-fund spending across the board.

All 38 "reset" proposals are detailed in an 85-page report.

In a short interview afterward, Kulongoski said his proposals were intended to spur a public discussion of alternatives for state government during the general-election campaign this fall.

"As much as it was about the ideas in the speech, it was an attempt to get the candidates for governor and the Legislature to respond when people ask them about these ideas," he said. "If the candidates don't like what I presented, they should tell people how they are going to resolve this deficit in this next legislative session."

The Democratic chief executive leaves office Jan. 10, when his second term ends. Oregon law bars him from seeking re-election.

Both Democrat John Kitzhaber and Republican Chris Dudley have talked about aspects of the "reset," though not as comprehensively as the governor.

"It would be easy for me to leave the stage quietly and hand the next governor this problem without offering any solutions," Kulongoski said in his speech. "That would be unfair to the citizens I have been proud to represent for the last 40 years in public office. So let me start this debate."

Kitzhaber issued a statement in support of the governor's effort.

"First and foremost we have to help recover the economy and get Oregonians back to work," he said. "We also have to get our arms around the cost of delivering essential state services."

Dudley said: "While I do not endorse all of these proposals, I do believe that the tenor of the debate on the campaign needs to be about who will be able to enact the big ideas and reforms necessary to get Oregon on a track toward a more prosperous and brighter future."

The report projects that if all the recommendations were followed, \$1.5 billion would be saved over the next two cycles from mid-2011 to mid-2015.

Kulongoski last fall named seven members to a "reset Cabinet" to come up with proposals for change in state government.

Three members are agency directors, two others are former officials in his administration, and two others are from the private sector. Among them was Lane Shetterly of Dallas, a former Republican state representative and former director of the state land-use agency, who returned to private law practice in 2007.

Additional Facts

Service proposals

Here are some key proposals Gov. Ted Kulongoski offered Friday to reshape services of state

government.

PUBLIC SCHOOLS

Develop a model of "shared services" across school districts.

Replace education service districts with fewer regional service providers.

Create a statewide virtual learning system for all public-school students.

Expand offerings of dual-credit courses to allow high school students to earn college credits while they meet graduation requirements.

HIGHER EDUCATION

Implement an initiative for student success to improve college attendance and completion.

Design a new compact between the Oregon University System and the state to allow more flexibility by campuses.

Cut the state's general-fund contribution to universities by 15 percent from current service levels.

Build on Oregon's model of shared responsibility for student aid based on need.

PUBLIC SAFETY

Continue the suspension of a 2008 ballot measure requiring prison terms for repeat property and drug offenders.

Create a modern sentencing-guidelines system that incorporates mandatory minimum terms with the state's current capacity of 14,000 beds.

Adopt the federal earned-time system of 15 percent.

Selectively adjust sentences under a 1994 ballot initiative (Measure 11) requiring minimum terms for violent offenders.

Set performance goals and create incentives for counties to increase system efficiency and reinforce use of evidence-based practices.

Develop a proposal to consolidate county public-safety functions by regions.

HEALTH CARE

Reduce the growth of health-care expenditures to no more than 5 percent annually.

Reduce the number of individuals in the Oregon State Hospital.

Improve Oregon's system to prevent abuse of alcohol and drugs, and promote recovery from addiction.

Share public health services regionally.

Direct money to prevention-based services that benefit the entire population.

HUMAN SERVICES

Reduce the number of children entering the foster-care system.

Provide transition services to people ages 15-25 as they move from high school to post-secondary education or employment so they become self-sufficient.

Implement statewide a "wraparound" initiative that provides coordinated services for children with complex emotional and behavioral needs.

Decrease the percentage of Oregon's long-term care spent on nursing-home care.

Develop services that will keep older people safe and independent at home.

Reduce the need for publicly paid long-term care.
