

Education, health care top agenda

By Peter Wong

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PORTLAND — Gov. John Kitzhaber said Friday that lawmakers in their February session should take the next steps toward his sweeping overhauls of public education and health care.

Kitzhaber outlined his new proposals in his second state of the state address at a luncheon of the Portland City Club.

"Our success to date has been in setting the stage for change; now comes the hard work of implementation," Kitzhaber said. "Our ongoing success depends on working together in the upcoming session on the legislative tools needed to build the momentum to date and begin implementation."

Lawmakers will open their 2012 session Feb. 1, the first time they will meet under a law voters approved in 2010 requiring annual sessions of the Legislature.

Their biggest task, and Kitzhaber's, is rebalancing a two-year state budget that is forecast at \$300 million less than assumed in tax collections, although there is still a projected ending balance of \$150 million. Kitzhaber said that it will be difficult to avoid more spending cuts.

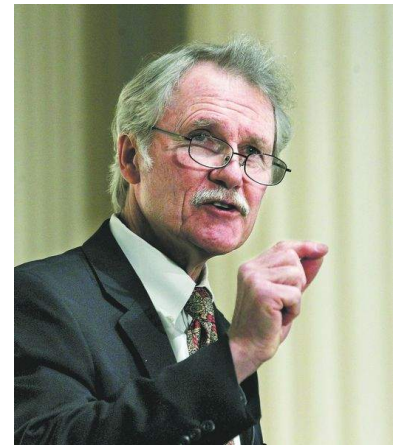
Kitzhaber also said there is more to do on other issues, ranging from revamping state finances that rely largely on income taxes to redesigning the state budget and reducing the cost of prisons and public safety. He also acknowledged that Oregon is still struggling economically, although he was upbeat about long-term prospects.

"But the point I want to make to you today is this: All of our job creation and economic development strategies will be futile in the long run unless we are successful in transforming our system of public education and our health-care system," he said.

Education at all levels accounts for half the spending from the tax-supported general fund and lottery proceeds. The state's share of health care is another \$1 billion.

Last year, in the first year of his third term as governor, the Democratic chief executive won legislative approval for his initial changes.

"It's been refreshing to partner with a Legislature that has put problem-solving ahead of partisanship," said Kitzhaber, who often fought with Republican legislative majorities during his



Gov. John Kitzhaber speaks Friday at the City Club of Portland. The governor asked for support from civic leaders and legislators.

previous tenure from 1995 to 2003.

As a result, the governor now leads a superboard overseeing all education spending, with the goal of focusing on students instead of institutions. He also has taken initial steps toward overhauling how health care is delivered to more than 500,000 low-income patients relying on state-supported care under the Oregon Health Plan.

He acknowledged that there is resistance developing from interest groups on both issues.

"Some are suggesting we have come too far, too fast," he said. "What I hear from Oregonians is that we have not come far enough. We cannot lose our nerve at this critical moment, and we must forge ahead together."

Education

For education, Kitzhaber asked lawmakers to consolidate a multitude of early-childhood programs, as recommended by his Early Learning Council created last year.

"You hear these changes are happening too fast. For whom?" he asked. "Certainly not the 18,000 at-risk kids born every year. For them, change can't happen fast enough."

He also wants to set up achievement compacts between the superboard, officially the Oregon Education Investment Board, and Oregon's 197 school districts. The compacts are based on student progress toward goals such as third-grade reading proficiency and high-school graduation, rather than linked to results of standardized tests.

He said the compacts are a key part of Oregon's bid for a waiver from the federal No Child Left Behind Act, which withholds money from schools deemed to be falling short of student achievement standards. Under the proposal, successful schools would be rewarded and struggling schools would get support without being labeled as failures.

"The compacts express a common commitment to improving outcomes, but tailor outcomes to unique circumstances of individual districts," he said.

"They allow for the comparison of results and progress between districts with comparable populations. The achievement compacts will begin to connect funding to outcomes so the state can become, over time, a smarter investor in education."

Health care

Kitzhaber asked lawmakers to continue to move toward coordinated-care organizations, which will focus on prevention of illnesses and better integration of physical and mental health services under the Oregon Health Plan.

Although a consultant's report earlier this week said that such a shift would net big savings toward the end of the decade, it also will not come close to producing the \$239 million in savings that lawmakers assumed in putting together the current two-year state budget.

Kitzhaber said Obama administration officials offered the prospect of "hundreds of millions over several years" in extra federal aid to support Oregon's effort and help close the gap. Kitzhaber was at the White House earlier this week to meet with President Obama on another issue.

There is also disagreement about the shape of such organizations, which would replace the managed-care organizations that oversee services for more than 80 percent of Oregon Health Plan patients.

Kitzhaber said lawmakers and the public should take a long view.

"Consider a shortfall in the billions, which is what we are surely looking at if we continue to cling to the status quo," he said.

Although the overhaul will directly affect only those covered by the health plan, Kitzhaber said it could be a national model for reining in overall health-care costs.

He also said lawmakers should take the next steps toward creating an electronic marketplace, known as an exchange, to let individuals and small businesses to shop for health insurance offering yet-to-be defined "essential benefits." Estimates are that 300,000 Oregonians now without coverage would be able to obtain it.

Legislative committees are scheduled next week to hear progress reports on both proposals.

Doing both, he said, "is our chance to put into place a system that is economically sustainable."

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