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CADO LOBBYIST REPORT -- DECEMBER 7, 1998

POLITICAL UPDATE:

Oregon votes surprised no one as they cast their votes for candidates and ballot measures last November.

As you know from the media, all of the favorites for statewide races prevailed. Further, the results of the state legislative contest were about as expected. In the State Senate Republicans lost three seats and their margin shrunk to 17 Republican senators versus 13 Democratic senators (note, Sen. Thomas Wilde has returned to the Democratic caucus).

Though the remaining Republican members are generally speaking more conservative than before, the overall makeup of the State Senate is more moderate than it was in 1997. On the Republican side of the aisle the leadership remains the same with Sen. Brady Adams (R- Grants Pass) returning as the Senate president and Sen. Gene Derfler (R- Salem) returning as the Majority Leader. On the Democratic side, Sen. Kate Brown (D- Portland) is the new Minority Leader.

The elections have resulted in a more volatile situation. The Republicans picked up three seats and now hold a 34 to 25 majority over the Democrats. The numbers do not add, because Rep. Bob Jensen was elected as an Independent. The scheduled replacement of Rep. Lynn Lundquist (R- Powell Butte) by Rep. Lynn Snodgrass (R- Boring) signal that the House has made a sharp turn to the right and is much more conservative than it was in 1997. How successful Speaker Snodgrass will be in balancing the agendas of House Republican conservative wing with the Republican moderate delegation will be the overriding story of the 1999 Legislative Session.

Attached is a listing of all of the members of the 1999 Oregon Legislature, with in-district addresses, phone numbers, E-Mail addresses, fax numbers, etc.

The Senate President has named the members who will chair the committees in 1999, they are:

Agriculture and Natural Resources	Gary George
Business and Consumer Affairs	Dave Nelson
Education	Tom Hartung
General Government.....	Verne Duncan
Health and Human Services.....	Bill Fisher
Information, Management and Technology.....	Verne Duncan
Judiciary.....	Neil Bryant
Revenue.....	Randy Miller
Rules and Elections.....	Charles Starr
Transportation.....	Marylin Shannon
Trade and Economic Development.....	John Lim
Water and Land Use.....	Veral Tarno
Ways and Means.....	Gene Timms
* Subcommittee on Human Resources.....	Eileen Qutub
* Subcommittee on Transportation/Econ Dev.....	Lenn Hannon
* Subcommittee on Natural Resources	Ted Ferrioli

The Speaker, probably because she is still trying to balance the desires of her caucus members, has not yet announced any committee positions.

GOVERNOR ANNOUNCES BUDGET PROPOSAL -- DETAILS NOT GOOD FOR HUMAN SERVICES OR HOUSING:

On December 1st, Governor John Kitzhaber unveiled his 1999-2001 *Governor's Recommend Budget*. The contents of his budget recommendation were good news for providers of human services or housing advocates.

Overall the Department of Human Resources' (DHR) General Fund budget was reduced by about \$135 million from its 1999-2001 *Current Service Level (CSL)*. CSL is defined as the cost of continuing current programs into the future. The CSL usually accounts for caseload adjustments, the cost of phased-in programs, subtraction of one-time expenditures and the effect of inflation on the budget. Attached is a DHR recap of the major changes to its budget.

Headlining new policy initiatives are a statewide alcohol and drug abuse prevention, treatment and aftercare services program with a cost of \$20.0 million, and computer upgrades with a cost of \$11.8 million.

When you examine the list of reductions, you will note that the Oregon Health Plan took the hardest hits, with reductions totaling nearly \$55 million. The Governor suggests that if the Legislature were to extend a 10-cent tobacco tax due to expire in 1999, \$30.7 million of the OHP reductions could be prevented. So far the Legislature has not committed itself to do so, and in fact in its budget considerations the Senate has included the extension of the tobacco tax as unspecified general funds.

The other significant cut identified by DHR is the transfer of Temporary Assistance to Needy Families (TANF) funds throughout the Department of backfill other possible reductions. In short this means that not all of the savings accrued by reducing the welfare caseload are being spent on programs for the poor, but rather on other DHR priorities.

The DHR budget picture for 1999 - 2001 is precarious. DHR's biggest budget adjustment isn't identified in its paper. In order to make the budget balance DHR projected its caseload at the lowest possible level. Any significant changes in long-term care for seniors, TANF, the Health Plan, Foster Care or children's programs will throw the DHR budget seriously out of balance.

Also take note of the fact that despite these reductions in DHR's general fund CSL, their budget is still projected to grow by more than \$365 million. Many legislators who think government is already too big are not likely to look at the \$135 million reduction from CSL, but rather at the growth in the budget from 1997 to 1999.

The budget picture in the Oregon Department of Housing and Community Services (HCS) is not as grim, but it still is not very encouraging. Though HCS's general fund budget was not reduced (in fact it grew by \$5 million), the Governor virtually ignored Oregon's housing crisis. Both the State Homeless Assistance Program (SHAP) and the Emergency Housing Account (EHA) are still frozen at level below their 1991 funding level. No additional funds were allocated to either the Housing Trust Fund or the state's food and nutrition programs

As you examine the various media accounts of the budget process you could easily deduce that the Oregon economy took a serious downturn and because of a weak economy reductions in the budget were needed. That assumption however, is not the full story. The Oregon economy did not turn down, it just stopped growing at the level the economists initially projected. During the period of the "rosy" economic projections the Governor decided upon additional funding for a number of expansions and new initiatives, including more funding for education and higher education, a juvenile crime prevention program and a quality of life initiatives. All of these are worthy endeavors, however, when the Oregon economy stopped growing at a high rate revenues were no longer sufficient to continue to provide services at the current

level and take on the new initiatives. Something had to give and the Governors choose to fund his new initiatives rather than maintain continuing services. In short, comparatively speaking human services are a not a high priority with this Governor.

The challenge for human service providers and advocates is to try to work with a fiscally conservative legislature to ward off any further reductions, to renew the 10-cent tax to preserve the heart of the Oregon Health Plan, to try to "buy back" some of the more odious reductions in the human services budget and to seek additional funding, especially in the area of housing, for critically under-funded state programs. Truly a daunting task, but one we have faced before. More than ever local contact with individual legislators will be telling. Legislators need to hear from their local agencies about the importance of their services and the harm that their communities will encounter if human services are allowed to continue to deteriorate.