



Dear Friends and Neighbors,

I'll be spending most of this newsletter giving you some of the background to the recently-released revenue forecast, along with the steps that the Legislature is taking to prevent additional cuts to schools and to protect vital services for seniors and people with disabilities.

In this issue:

- [Revenue Forecast Background](#)
- [Overall Forecast Comes In Minus \\$373 million](#)
- [The Plan to Rebalance the Budget](#)
- [The Value of Career/Technical Education](#)
- [Deadline for Bill Submission Approaching – Send Your Ideas](#)
- [“Bike Town Hall” On Sept. 19; No September Constituent Coffee](#)

Revenue Forecast Background

As you've probably heard already, the news is not good. Back in June we had to cut \$577 million from the budget, and now we find ourselves another \$373 million short. Despite the fact that the Legislature has taken important steps to loosen credit and keep people employed, the painful effects of the global recession continue in Oregon, as in other states. What's most important now is that decision-makers remain calm, think long-term, remember the big picture, and try to keep the budget from becoming just another political football.

In that spirit, before I go into the specifics of the budget, I want to mention two recent stories that really drive home for me both the benefits and the challenges of public service. As you know, I've been teaching at Portland Community College for nearly 30 years, and in that time have touched the lives of many people at a critical time in their

lives. I just ran into one of them the other day when I was at the Multnomah County Elections office. The worker helping me had been a student of mine back in the mid-1980s. She let me know that her experience at the college had allowed her to move from a life of poverty and dependency to a life of productive service. She told me that she is able to take advantage, every single day, of the writing skills that she learned back then, and had in fact just published an article in a local newsletter. Hers is a wonderful story about a great return on investment for us as a state.

The second story is also that of a student at a crossroads, but this one is more sobering. I've been thinking about him a lot. He was a student of mine just this past year. He was in college after spending time in prison for a drug-related offense. He had good writing skills, was serious about his return to school, but he lacked self-confidence and seemed to be carrying an emotional weight. I've seen many students just like him able to take the good path, but for whatever reason it wasn't his time. He disappeared from the class, and then I heard his name on the radio as an accomplice to some kind of foolish crime. It was very frustrating, and led me to ask myself the inevitable questions: Could I have done more to keep him engaged and in class? Could the college have done more? Could the community have done a better job of getting him treatment, employment, and supportive housing? Perhaps the answer is yes, perhaps no. I don't know enough about the realities of his life to be able to answer that. But there's no doubt that the path he is now on is a much more costly one for us as a state.

We need to remind ourselves that the budgetary challenges that we face as a state are huge, but they are not new, and they are not our only challenges. We have figured out a way to balance this budget, we will find additional ways to maintain as many vital services as possible, and we will hopefully find new partnerships and new collaborations to get us through these tough times. None of this is easy. All of it is too important to be hijacked by simple slogans and political rhetoric.

Overall Forecast Comes In Minus \$373 million

The forecasted deficit came in right around the middle of the range--\$373 million. Interestingly, Lottery revenues came in a little higher than expected (\$4.6 million more), and the increase in Corporate income is higher than projected--\$22.5 million more than was projected in May and a total of \$46 million more than was projected at the end of the 2009 session.

(This means, by the way, that if this keeps up, the corporate kicker will kick, thereby causing us to lose that amount of revenue as well if we don't do something about that—but that's a discussion for another day.)

Obviously, the big loss is on the personal income tax revenue side, and this is a result mainly of the ongoing high rate of unemployment. Corporate profits are up, but this hasn't translated into hiring back laid off workers or higher wages for workers. According to the State Economist, things will improve in Oregon over the next couple of years, but more slowly than was believed.

For those of you who like details, here's a [link](#) to the full report from the State Economist. It includes his assumptions and projections for all the sectors of our economy.

The Plan to Rebalance the Budget

Ever since it was first known a couple of weeks ago that revenues were declining further, the Governor and Legislative leaders have been working on exigency plans to get us through the remainder of the year. After a lot of give and take, they have come up with a plan that protects education and service to seniors and the disabled from further cuts, and prevents prison closures and cuts to the Oregon Youth Authority.

It is a balanced, responsible approach that will be done through a combination of cuts to other programs, use of the recently approved federal dollars, and judicious use of our reserves. I'll explain each in turn:

Program Cuts: The Governor is ordering an 8% across-the-board cut to state General Fund programs (it's that high because we only have 9 months left in the budget year). Over the next two weeks agency heads will be preparing and submitting lists of cuts to their agencies. I'll make them available to you once they are turned in.

Use of Federal Dollars: The Federal allocation of \$263 million will be used to "buy down" the new deficit, specifically allowing us to restore the potential cuts to education and services to seniors and the disabled (the areas covered by the federal allocation). I can't stress enough how important this will be. I want to thank all of you contacted our congressional delegation and urged them to support this action; it sent a strong message.

On the down side, though, when it became clear that the federal money was coming, we were hoping to use it to "buy back" some of the cuts that were made back in June, after the lower May forecast; those earlier cuts will now need to stay in place.

A Note On the Impact On School Districts: Thanks to the federal allocation, we will be able to maintain funding at the June post-cut level of \$5.756 billion. Nearly all school

districts built their 2010-11 budgets on this figure, assuming that there would be no federal help. They made cuts to positions, personnel costs, reserves, and school days accordingly. They surely hoped that additional resources would become available to buy back some of those cuts. For a few days it looked as if they might happen, but with this new revenue shortfall, those potential resources must be used just to keep school districts where they are.

Unfortunately, a few districts, including Portland Public Schools, did build their budgets on the assumption that the federal money would come through. PPS is now trying to figure out how to cut an additional \$6 million from next year's budget. It's going to be tough.

Use of Reserves: Fortunately, for the first time in our history, Oregon does have some reserves to use to meet this ongoing budget crisis. Thanks to a temporary suspension of the corporate kicker in 2007 and prudent action by the 2009 legislature, we do still have some reserves left to help us make it through this budget year. (There's around \$110 million in the Rainy Day and Education Stability funds, and approximately \$50 million in other miscellaneous reserve funds.) When the legislature comes back into session early in 2011, we will be drawing on some of those reserves to help fund this budget-balancing plan. (That's not something the Governor or the Emergency Board can do on its own; it requires action by the entire House and Senate.)

I'm comfortable with this limited use of reserves to help balance the budget. That's what most of you who responded to the district survey recommended that we do—use some but no more than half of the Rainy Day fund at this time—and I agree. We still don't know where the bottom of this global recession is. I believe that it would be irresponsible to spend all the reserves at this time.

The Projected Timetable:

- There will be no special session of the Legislature needed.
- Over the next two weeks the 8% budget cuts will be identified.
- During the September legislative committee days (week of Sept. 20), the Legislature's Emergency Board (E-Board) will make adjustments to the budget to make use of the federal dollars to ameliorate the worst of the cuts.
- At the end of November, the December revenue forecast will be announced.
- During December legislative committee days (week of December 13), the E-Board will take further steps to balance the budget, based on what we learn from the December forecast.
- In February the Legislature begins its 2011 session. If necessary, and with the

approval of the House and Senate, reserves will be tapped and the budget readjusted.

I know that some people would like us to come together in special session and not leave Salem until the budget is rebalanced once and for all. As I've mentioned before, I believe that approach to be a formula for political grandstanding and stalemate. I think that this proposed approach is a much more prudent way to go. It protects critical services and brings an important level of certainty for our school districts, local governments, and service providers, while providing the flexibility to adjust to whatever further events come our way. I support it.

The Value of Career/Technical Education

Given our budgetary realities, it's more important than ever that we find partnerships for public services that enhance funding and create higher levels of success. Along with a few of my colleagues on the Career/Technical Education Collaboration Task Force, I recently presented the State Board of Education with some of the task force's preliminary recommendations on how our K-12 system could do a better job of partnering with community colleges, unions, industry, and non-profits to bring CTE back into our schools.

It's vital that we do so. Not only do CTE programs help prepare students for the workforce, they have success rates far higher than what we see for most students. The pedagogical techniques of CTE—applied, hands-on learning—work much better for many of our students, and they keep students engaged in school. In Oregon and across the nation, students in CTE graduate at a 95%+ rate and go on to success in college and apprenticeship programs at an equally high rate. It's a great investment and needs to be supported. [Here](#) is a one-page summary of the task force's preliminary recommendations. And [here](#) is a strong letter of support from Brad Avakian, Oregon's Commissioner for Labor and Industries.

Deadline for Bill Submission Approaching – Send Your Ideas

We have approximately a month to go before the deadline for individual legislators to submit our ideas for legislation for the 2011 session. I'm working on a number of concepts related to education, health care, human services, and a more collaborative approach to our state forests. Many of them had their genesis in recommendations from constituents like you. It's not too late for you to send me your proposals for new legislation.

“Bike Town Hall” On Sept. 19; No September Constituent Coffee

With my summer teaching at an end, my wife and I are going to get away at last for a brief vacation during the week after Labor Day, so we won't be holding our coffee on Sept. 11 as originally planned. Instead, we'll return to our usual First Saturday of the Month in October.

But for those of you willing and able to get on a bike, I'd love you to join Senator Jackie Dingfelder and me for our SECOND ANNUAL BIKE TOWN HALL!!! This time we'll be joined by Representative Ben Cannon, who represents the other half of Jackie's district, and we'll be touring some great spots in both our House districts. We'll also be letting you know what we're working on, answering your questions, and hearing your suggestions along the way. The Bike Town Hall will be held on Sunday, Sept. 19th with details pending, so stay tuned!

Michael

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