

State budget cuts require careful thought

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The holes in Oregon's state budget are huge, almost incomprehensibly so. How they are filled will affect every child, youth and adult in the state.

State government must make up an \$855 million shortfall in the next four months, before the current two-year budget period ends June 30. For 2009-11, the shortfall is more than \$3 billion — nearly one-fifth of the state's planned operating budget.

State Economist Tom Potiowsky made those forecasts Friday. But they're only estimates. No one knows for sure what will happen.

The state's strategy must be the same as any prudent person: hope for the best but prepare for the worst.

The first step is to buy time to make thoughtful decisions. That entails a combination of freezing pay, furloughing employees, dipping into reserves and using federal stimulus money to make it through this budget period. Those are better than conducting widespread layoffs or axing programs without analyzing the consequences.

Historically, government fails at efficiently cutting budgets. The tendency is to slash arbitrarily instead of pruning carefully — eliminating deadwood, such as unneeded positions or ineffective managers, and culling programs that have outlived their usefulness.

Set priorities

It's important for legislators, as well as the schools and local government programs funded by the state, to use the budget crisis as an opportunity to develop longer-term strategies:

-New models of employee compensation must be developed, such as the performance-based pay experiments in the Tillamook and Sherwood school districts.

Gaps between public- and private-sector jobs must be narrowed, such as having public employees share the costs of health-care premiums.

The state must treat employees fairly in whatever it does. It's wrong to expect them to work for free. Unpaid furloughs are more reasonable, providing vacation — albeit without income — while reducing the need for layoffs.

There's no denying that such cutbacks will ripple throughout the economy, especially in the Mid-Valley, which is home to state government. Reduced salaries mean lower income tax collections for the state, increased demand for state services and help from charities, decreased business for local merchants and greater pressure on unemployment insurance.

-The Legislature should adopt the recommendations of the Chalkboard Project. Working with



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Lawmakers listen to State Economist Tom Potiowsky give the March 2009 Oregon Economic and Revenue Forecast in the House chamber Friday Feb. 20, 2009.

educators and everyday Oregonians, the nonpartisan organization developed excellent researched-based recommendations on areas ranging from reducing transportation costs to improving classroom performance.

-A revenue task force chaired by former Rep. Lane Shetterly of Dallas made recommendations for the state's financial structure. Those should not fall by the wayside.

-Oregon's correctional system and sentencing structure need a top-to-bottom review so as to find the money to fulfill the voters' mandate in passage of Ballot Measure 57, which requires drug treatment as well as tougher sentences for property crimes.

-School districts are looking at cutting days off to save money. That should be the last resort, as the instructional year already is too short in Oregon. Those well-educated students — in public schools, community colleges and universities — are critical to helping Oregon rebound.

With its pioneering spirit — and national mystique — Oregon is poised to be a national or global leader in alternative energy and green manufacturing, but that will depend on having a plentiful, well-educated work force.

Act courageously

In tackling the economic crisis, Oregon has two good models: current Gov. Ted Kulongoski and 1980s Gov. Vic Atiyeh.

Kulongoski, a Democrat, set an example last week by cutting his salary, announcing furloughs for state managers and for his staff, and rescinding management raises. His own 5 percent pay cut won't save much money by itself, but it sends a powerful message throughout the state.

Atiyeh, a Republican, led the state during the last deep recession, in the early 1980s. He was pragmatic; he cut budgets before raising taxes; he was courageous, temporarily raising income taxes when the budget couldn't be cut any deeper.

A historical irony is that Atiyeh defeated Kulongoski for governor in 1982.

But maybe each man was the right governor for his times.

Watch the entire forecast presentation