

City Club of Portland 2009
Remarks by Governor Ted Kulongoski – *AS PREPARED FOR DELIVERY*
Friday, May 15, 2009

Thank you Jim for your introduction. And thank you to the members of the City Club for giving me this opportunity to talk about Oregon's current employment and budget situation.

This legislative session has been – and will continue to be – the most challenging Oregon has faced in many years.

But I am determined to answer the question that I posed on the opening day of the 75th Legislative Assembly: What do we have to do to make things better?

The first thing we have to do is speak the truth. And the truth is this: We have a jobs emergency in Oregon. Over the last four months, this state has been shedding jobs at an alarming rate.

New unemployment numbers will come out Monday – but our current rate is a very painful 12.1 percent.

It will take a national recovery to bring Oregon's unemployment rate back to the level we saw two years ago

To the people of Oregon – especially the thousands who have lost their jobs – I can report that your state government, in partnership with the private sector, remains committed to creating jobs during this economic crisis.

Whether in new green technology, renewable energy, or our traditional industries tied to natural resources – we are always trying to find new and better ways to market Oregon as a great place to do business.

I am confident that our investments in renewable energy and green technology will grow our state's economy if we use this economic downturn as an opportunity to make the right policy choices.

But there is no escaping the fact that we have lost thousands of manufacturing jobs – and some of these jobs are not coming back.

I don't want to paint too rosy of a picture. We may have reached the end of the beginning of these difficult times. But more pain lies ahead.

We must also acknowledge that some parts of our state are hurting more than other parts. So as far as I'm concerned – this recession will not be over anywhere in Oregon until it is over everywhere in Oregon.

That said, I want you to know: We have not lost control of our destiny. We will not surrender to fear. And we will get through this.

Oregon has always been more than the sum of our economic statistics. We are a resilient people, in a place of beauty, at a time of trial and hope. And I always put my money on hope and optimism.

So I want every Oregonian to know: Optimism is not a word from a bygone era. It is still a guiding principle in my life.

And when this recession ends – and it will end – we will emerge stronger and better prepared for the future than we have ever been.

There truly is opportunity in these troubled times – if we have the courage and self-confidence to seize it.

The place to start is with jobs. President Roosevelt gave hope to millions of unemployed Americans when he created the Civilian Conservation Corps and other jobs programs.

We need to take the same kind of immediate action in Oregon.

When it comes to putting as many Oregonians back to work as quickly as possible, I say to every employer – public, private, and non-profit: We are all First Responders now.

For the state's part – today I'm announcing a new program that will create 12,000 temporary jobs this summer.

This is about more than helping out-of-work Oregonians put bread on the table. This is also about restoring pride and dignity to the human spirit. A job can do that, . . .

. . . especially when the job demands a skill that benefits the places we live – and the neighbors we live near.

I want to bring hope and opportunity to Oregonians who want nothing more than to get back on their feet, put in a hard day's work, bring home a paycheck – and contribute to the state we love.

George Will once wrote a book about baseball called, *Men at Work*. He kept it simple. I'm going to do the same thing. I'm calling our new jobs program: The Emergency Jobs Program.

There are a lot of details about the Emergency Jobs Program – but the one I want you to remember is this: Government will not get bigger: The state will provide funding for the Emergency Jobs Program, but most of the hiring will be done by cities, counties, non-profits, and companies running community service projects.

The Emergency Jobs Program will be more than a lifeline for workers.

These jobs will benefit the cities and towns where we live, the natural resources that define who we are as a people, and our most vulnerable citizens who we have a moral obligation to protect.

The Oregon Food Bank will sponsor up to 1,000 jobs throughout the state. Thousands of other Oregonians will be employed by community groups to clear trails, repair campsites, clean up watersheds, and thin underbrush in our forests. And still more will go to work for human service agencies and organizations.

Do Oregonians want and need these jobs?" The answer is – yes!

Today, 82,000 of our fellow citizens are looking for jobs that require the skills we need – and pay the salary we are able to offer.

But the Emergency Jobs Program – which is designed to start in July because many of the new jobs can only be done in the summer – needs quick action by the Legislature.

I want the Legislature to step up and be my partner. Together, we can put thousands of Oregonians back to work. Delay is not an option!

* * *

As I mentioned, we'll know the new unemployment number Monday. But we have a new revenue forecast today.

We have about 4-billion less today to provide the same level of services we did in June 2007. That means state government cannot provide the same level of services in the new biennium that we are providing in the current biennium.

That is the starting point for much of the rest of my remarks.

A budget of 13-billion dollars – down from over 17-billion – isn't just about a new number: It is a new reality that will require changing a lot of what we want to do – in order to protect what we absolutely must do.

GM is going to have to live without Pontiac – even though there are probably millions of loyal Pontiac owners. Well, every state agency, board and commission has its loyal supporters too.

I get that. But the money simply isn't there anymore. Some government functions have to go – at least for the foreseeable future. Oregon state government can no longer be all things to all people.

That's why I am asking the Legislature to suspend a wide variety of agencies, boards and commissions.

These include: The Board of Occupational Therapy, the Board of Massage Therapists, the Consumer Advisory Council, the Commission for the Blind, the Board of Licensed Dietitians, and the Advocacy Commissions – among others.

I am also preparing for possible consolidation – among others – the Aviation Department, and all of the health-related agencies, boards and commissions.

Furthermore, I am asking Eastern Oregon University, OSU's Cascade Campus, and the Chancellor's Office to work with our community colleges to better integrate our delivery system for post-secondary education in Eastern Oregon.

And I'm reviewing consolidating the Oregon Student Assistance Commission into the Oregon University System.

This critical program is a longstanding priority of mine. But nothing state government does gets special treatment if there is a better, more strategic, and less expensive way to provide the same service.

* * *

But I must tell you, suspending and consolidating agencies, boards and commissions is easier than cutting the budgets of departments, agencies and programs that provide services the people of Oregon cannot do without.

I'm in ongoing discussions with legislative leaders every day.

We are working hard to find the right mix of budget cuts, governmental consolidations, and suspensions that will produce a balanced budget for the 2009-2011 biennium.

My priorities are practical and immediate – and I know that the Legislature shares them. At the top of my list is education. It has been since my first day in office – and remains so today.

I believe that education is the pathway to success – in our individual lives, and in the life of the state of Oregon.

I originally proposed 6.3-billion for K through 12. That number was based on last November's revenue forecast.

I want the 2009 – 2011 budget to get as close to my original number as possible – and I will work with the Legislature to achieve that objective.

But I also know that my priorities are not absolute.

When the state has the necessary revenues to fund the essential programs of education, human services and public safety – and the debate is where to spend additional revenue once those core programs have been taken care of – I have always put the additional revenue where it belongs, . . .

. . . in the education enterprise – which means from pre-school to graduate school.

But in times like this – when we don't have the revenue state government needs to fully fund our core programs – then we have to make painful adjustments, . . .

. . . and that unfortunately includes education.

The reality is: Education is not the only responsibility of state government.

The state must also look out for our most vulnerable citizens, keep the public safe and secure in their homes and communities, and protect our pristine environment.

And that is just a partial list.

In a perfect world – I would be the first in line to give our schools every dollar they need. But as Governor – I have to work on a much larger canvas.

And as everyone in this room knows - the facts have changed. The state's General Fund has changed. And our hope for an early economic recovery has certainly changed.

* * *

My other three priorities are: Transportation, health care for all Oregon children, and progress toward a green energy future.

The question is: How do we pay for these priorities?

Unlike many other states, we still have money in reserve. There is 900-million in federal stimulus funds. And another 900-million in the Rainy Day Fund and Education Stabilization Fund.

We will build the federal stimulus dollars into the 09-11 budget in this legislative session. But it will be a mistake to do a “smash and grab” of our state reserve funds.

I used to serve in the Legislature. I am sympathetic to the pressure legislators are under. The understandable impulse is to take it all now.

But immediate gratification is rarely a good thing.

Let me illustrate my point with a simple comparison. Suppose a two-income family has 5,000-dollars in the bank. They know that one of them will lose their job in the next 2 to 3 months.

Would you recommend they spend all of their family reserves now? The answer is obvious. Well, the state is in the same position.

The end of this legislative session is a long way from the end of the biennium.

The economy has not stopped its decline – and we do not know what a recovery will look like when the current economic decline ends.

If we don't hold onto the reserves, we're setting ourselves up for hundreds of millions of dollars – if not more – in additional cuts early next year, . . .

. . . and no money put away to cover the losses.

We've seen this movie before: It's called five special sessions in 2002. We do not want to go there again.

With 90-percent of the budget allocated to education, human services and public safety – and the state responsible for balancing all three of these core functions – it would be irresponsible to take the savings now when we will have more accurate information next year about where best to allocate our reserves.

And speaking of revenue – let me review what I said last December. I proposed four new sources of revenue in my December budget. I remain committed to all four.

1. A provider tax – to provide health care for all Oregon children up to age 19, and which allow us to access 1-billion in federal health care funds for Oregonians.
2. A gas tax – to invest in a modern transportation system – which is the circulatory system of our economy.
3. An increase in the corporate minimum tax – which has been 10-dollars for more than 7-decades, and
4. A cigarette tax increase – to provide more alcohol and drug treatment.

Here's one more thing to keep in mind about new revenue: . . .

. . . The gas tax– and increase in vehicle registration fees – are dedicated to highways and other transportation needs.

The provider tax is dedicated to health insurance for 80,000 children and another 50-thousand or more adults in the Oregon Health Plan.

So neither of these two new sources of revenue provides any relief to the General Fund, including education. That can only come from raising the corporate minimum – and/or an increase in the income tax rates for incomes above a quarter of a million dollars.

I will work with legislative leadership to develop an increase in the income tax rate for – as I said – incomes higher than a quarter of a million dollars.

Reasonable people can disagree – and I expect a lively debate on the income tax issue between now and June.

Will any of the taxes targeted to help the General Fund make it through the Legislature? We'll know the answer in the next few weeks.

But I can tell you with absolute certainty that any tax package that is both politically feasible and won't damage an already weak economy – will not be enough to dig our way out of the current budget hole.

We are probably facing a slow growth recovery. The time has come to ask ourselves: Do we want to apply a tourniquet to temporarily stop the bleeding of jobs, incomes, and school days – or do we want to find a cure?

We are a great state. We continue to draw people from around the country who want to share in Oregon's beauty and unique quality of life.

How did we get into a situation where – at a time when we need flexibility and creativity and the ability to make difficult but wise choices – government is handcuffed and unable to respond to this crisis?

The answer is – we did it to ourselves.

Today, the 90-percent of the budget I mentioned – for education, human services and public safety – are caught in a budgetary vise.

They're squeezed between unfunded mandates on one end – primarily Measures 5 and 50 regarding local governments and the property tax; and Measure 11 and Measure 57 for prisons – and dedicated funding on the other end, including Measure 66 for parks, the gas tax for highways, and the corporate and individual kicker.

This vise leaves government with a shrinking General Fund and very little flexibility when economic conditions change – as they did suddenly at the end of 2007.

The time has come to have a discussion with the public about the reality of our budgetary vise. It won't be an easy conversation. But if there was ever an appropriate time – it is after we manage through this legislative session and chart our path forward.

If we want to preserve quality education in Oregon; if we want to save family wage jobs; if we want to stop having to make wrenching choices between protecting children and protecting seniors; and if we want to end the insanity of waking up every few years trying to dig our way out of a deep budget hole – we must do something different.

Our current situation is an opportunity for state government to look at new and different ways to provide services to the people of our state.

For state government – economic recovery must not be an excuse to go back to business as usual in the way we raise, spend, and fail to save revenue. Change must be our objective.

That means putting our financial house on a sound footing going forward.

To accomplish the change I have in mind – after the legislative session is over, I will assemble a “cabinet” of experts from education, human services and public safety.

The cabinet – which will be under my direct supervision – will address issues that help us break the vise I mentioned – and end the budgetary insanity.

I'll have a lot more to say about this in July. But for now, I just want you to know that I will expect my cabinet to fully vet some critical issues.

The bottom line is: I want the cabinet that I am going appoint in July to take a comprehensive and strategic look at all of the mandates – state and federal – that control budget and revenue decisions.

The cabinet will report back to me by December 1st .

I will then determine whether to recommend to the Legislature constitutional changes in the critical ballot measures I mentioned, including the kicker.

Because at the end of the day – it is the citizens of Oregon who will decide. They must be masters of their own fate, and builders of their own future.

* * *

If I could, I would lift the dark veil of this economic downturn immediately. I can't do that. As I said, there are more difficult days ahead.

But even during these very tough economic times – Oregon is still a place that attracts newcomers, new businesses, new thinking – and, yes, new jobs.

Today our minds are focused on putting our citizens back to work – and protecting the core services state government must provide.

But around the corner is a different future – with Oregon creating thousands of green energy jobs, investing millions in green energy technology, and leading America's green energy revolution.

I promise you – there is a better day coming for Oregon. Because this is still the place where hope begins and the trail to America's promised land ends.

Thank you.

- End -