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CADO LOBBYIST REPORT -- OCTOBER 26, 1998

Since the Oregon Legislature will convene soon I intend to issue Lobbyist Reports more frequently, probably once a month. If you would rather receive you newsletter via E-mail, please let me know.

POLITICAL UPDATE:

In a few days, November 3rd to be exact, Oregon voters will make its political will know. This will close one of the most uninteresting, uninspired campaign seasons in recent memory. When you take a look at the ballot, you can understand why most observers are now predicting a record low voter turnout.

At the top of the ballot, with one exception, there are no real contests. Ron Wyden will easily defeat John Lim for US Senate ... Greg Walden (2nd Cong. District), Earl Blumenauer (3rd Cong. District), Peter DeFazio (4th Cong. District) and Darlene Hooley (5th Cong. District) will all be easy US Representative winners. Thus the only contest is in the 1st Congressional District where Molly Bordonaro and David Wu are pitted in a close contest.

Oregon's statewide races are not very compelling either. John Kitzhaber should be easily returned as Governor, and Stan Bunn seems to have a clear edge over Margaret Carter.

As uninspiring as this electoral season may be, the results, particularly those for the state legislature, are very important. This fall one half of the State Senate (15 of 30) seats, and all 60 State House of Representatives seats will be filled. Which party wins the majority of these races will "be in control" of the Legislature. Because everyone gets tired of hearing "political junkies" constantly chatter on about who will control the legislature, most people tend to trivialize and discount what this really means. Because

of a couple of unusual points in the State Constitution the Presiding Officers (President of the Senate and the Speaker of the House) have an incredible amount of power. Because the Presiding Officers are selected by majority vote of the members, the party that has the most members gets to select them, which in turn allows them to appoint the committee members and chairs and set the political agenda.

The Republicans will again control the Senate. Barring an upset of a Democrat, the Republican margin will range from 16 to 21. 17 is a likely number, but the contest in Districts 3 and 14 will probably determine the margin. If the Democrats hold their favored seats, win in District 14 (possible) and upset Sen. Hartung, District 3 (difficult, but possible) the Democrats can cut the margin to 16. It appears that the Republican majority will be evenly split between the moderates and the conservatives. There is no apparent reason why Brady Adams shouldn't return as President of the Senate.

Barring upsets, the Republican should again control the House. They could have as many as 35 members, but no fewer than 31. Barring upsets the Democrats could have as many as 28 members, and as few as 24. It appears that the Republican majority will be split between the moderates and conservatives. Unlike the Senate, however, a tussle for leadership could occur in the House. Right now Lynn Lundquist is the Speaker and under normal circumstances would be expected to be the Speaker in 1999. However, a number of influential conservatives tried to defeat him in the May Primary and will try to deny him the Speakership. It is not clear if they have the muscle to accomplish their goal.

Usually, if nothing else will, in the past the various ballot measures excited the electorate and got them to the polls. This year no one seems to care very much about the various measures either, which will also contribute to a low turn out.

REVENUE FORECAST UPDATE:

According to the state economist the Asian crisis is having a negative impact on the Oregon state economy. This impact has already shown up as the state economist just issued a more conservative revenue forecast. Accordingly he now expects the total revenues available to the state during the 1999-2001 biennium has decreased by about \$178.4 over the previous forecast. Note. However, this still represents a \$1.1 billion (11.4%) increase over the amount of revenue available during the 1997/2001 Biennium.

Here is what he is projecting:

Estimated Resources (in millions)	
Beginning Balance *	401.1
General Fund Resources	9,908.0
Lottery Resources	<u>502.8</u>
	10,811.9

* GF	\$395.6
LF	<u>5.5</u>
T	\$401.1

There is some good news contained within this forecast. First, this forecast presumes that federal pensioners have been paid the money (\$306.1 million) that the state owes them. Second, if Oregon's economy continues to soften then the 2% kicker will not go into effect. At this point the revenue forecast shows that the corporate kicker will not occur, and the personal kicker is only 2.2% higher than what was projected last May.

What does all of this mean? Not much yet, because the Governor's Recommended Budget will be prepared on what the state economist projects in the November '98 forecast. If he thinks the state economy will be stronger, then the revenue projection will go up, or on the other hand if he thinks it will soften, then the projection will go down.

As matters stand right now, the Governor can fund all state agency programs at their continuing service level, pay the funds due federal pensioners, make an SAIF repayment, provide for the Emergency Fund, have a 2% ending balance and still have some funds left over. The big question however is, will there be enough to fund the Governor's priorities, ie, \$200 million additional funds for education, \$30 million for child violence prevention, etc., and still fund the state agencies. Most observers are betting that he can't.

DHR BUDGET UPDATE:

The DHR Agency Request Budget has been officially submitted to the Governor's budgeteers, IE, the Department of Administrative Services (DAS). In regards to the State General Fund, the DHR base budget has increased by 27.5% (\$501.6 million) over the 1997-2001 budget.

	General Fund (In millions of dollars)
1997-99 Legislatively Approved Budget	\$1,896.5
Base Budget Adjustments	<u>20.9</u>
1999-01 Base Budget	1,917.4
Personal Services Adjustments	2.4
Onetime costs, phase-ins & phase-outs	92.4
Inflation and Price List Adjustments	153.3
Mandated Caseload Adjustments	99.7
Fund Shifts and Revenue Reductions	<u>153.7</u>
Total Adjustments to Base Budget	501.5
General Fund Current Service Level	\$2,418.9

DHR has also proposed a significant number of Policy Packages. If the Governor chooses to add very many of these proposals to the budget, the DHR budget will grow even bigger.

HOUSING BUDGET UPDATE:

The Oregon Department of Housing and Community Services (HCS) has also submitted its budget to DAS. Needless to say its General Fund budget is much, much smaller than is DHR's. Some of the increases they made requested as policy packages, however, are very significant. The highlights of their policy packages are:

- Request for a \$1,286,970 increase in the State Homeless Assistance Program (SHAP) and a \$2,320,500 increase Emergency Housing Account (EHA). If adopted this would bring the SHAP biennial appropriate up to about \$3.8 million and EHA up to about \$7.2 million.

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- Request a \$160 million to be appropriated to the *Housing Trust Fund*. If adopted the corpus of the Housing Trust Fund would rise up to \$175.5 million.

Request a \$2,000,000 increase in funding for food and nutrition programs. If adopted the biennial appropriation for food and nutrition programs would grow to about \$2.7 million.

Now that the agency budgets have been submitted to DAS we will witness a virtual “information blackout” until the Governor releases his budget in December.

Next month, if the votes are counted fast enough, I will report on the results of the election