

The Swing of the Budget Ax

An Outline of Oregon's Likely Service Cuts Absent Congressional Help

Life just got tougher for many Oregonians, now that the budget ax has swung again. In May the Oregon state economist announced that the recession struck Oregon harder than previously estimated, prompting him to project a General Fund deficit of about \$577 million for the current two-year budget period ending June 30, 2011. In response, the Governor ordered across-the-board cuts to Oregon's General Fund budget — of which more than 90 percent goes to education, health and human services and public safety.

The cuts amount to 4.6 percent of the General Fund budget for 2009-11, which translates into about 9 percent of the budget for the final year of the two-year budget period.¹ This fact sheet provides examples of the cuts that agencies submitted in response to the Governor's order.²

Oregon is not alone in feeling the pain. Nearly all states in the nation face shortfalls, which together could total \$140 billion in the coming year.³ Oregon's cuts would certainly be greater but for voters' approval last January of Measures 66 and 67, which are now generating additional revenue. Without those funds, the cuts required this year would have been much deeper.

There is still a chance Congress will provide additional funding to help states cover their shortfalls. But even if federal help arrives, it won't be enough to cover Oregon's entire revenue shortfall.

Impact on students

Reduced access to early child development programs

- Another 585 children will be cut from Oregon Head Start Prekindergarten (OPK), on top of 670 cut in the 2009 legislative session. The share of eligible children served by OPK services will shrink to 63.5 percent from 75 percent a year ago, nearly wiping out improvements made in the 2007 session. Children not served will miss out on early education and related services that can provide a solid start in school and life.⁴
- The early intervention/early childhood special education program that serves disabled preschool children will reduce services per child. By providing early access to supports such as speech therapy, physical therapy and vision and hearing services, these programs reduce the need for special education later on, help children get ready to enter school and allow them to reach their full potential. These reductions may adversely affect Oregon's eligibility for future federal funds and may increase the likelihood of lawsuits.⁵

Increased unemployment, larger classes and shorter K-12 school years

- K-12 schools, the largest category in the state budget, will lose \$237 million in funding.⁶ The impact of these cuts will depend on how each school district chooses among their various options, which include utilizing reserves, increasing class size by laying off teaching and classified staff, asking staff to take cuts in pay and benefits, reducing the number of days in the school year and cutting programs.⁷ For example, the Portland

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School District has proposed eliminating physical education in elementary and middle schools.⁸

Higher community college tuition, reduced access to programs

- Community colleges will lose \$21 million in funding. The cuts come at a time of record enrollments, as increasing numbers of laid-off workers seek to develop their skills in the absence of job opportunities. While local community college boards will determine how to implement the cuts, tuition will increase an average of 9 percent system wide, and hundreds of classes will be eliminated. Dozens of faculty positions and some ancillary services like child care for students will also be lost. For example, Portland Community College may cut 402 classes.⁹

University students relatively unscathed this time

- The good news for students at Oregon's public universities is that the Oregon University System (OUS) will not raise tuition again this budget period as a result of the budget cuts. OUS banked sufficient reserves not only to absorb the reduction in its direct allocation but also the cut in scholarship funds administered by the Oregon Student Assistance Commission. The 2009 legislature had previously reduced the universities' allocation, requiring them to raise tuition and fees by about 7 percent a year.¹⁰
- Tuition will go up for students in the Oregon Health & Science University's schools of dentistry and medicine by 12.1 percent and 4 percent, respectively. These increases for 2010-11 are on top of increases already implemented for 2009-10.¹¹

Impact on children and families

Fewer supports to ensure babies and children with developmental disabilities are healthy and well cared for at home

- The Oregon Commission on Children and Families (OCCF) will cut over \$2 million from its grants to local commissions. The local commissions will decide which programs are cut. OCCF programs such as Healthy Start and relief nurseries help communities reduce the stress on new parents through education and child care services. OCCF anticipates that many local commissions will need to lay off their staff in addition to staff layoffs resulting from program cuts.¹²

Impact on low-income Oregonians

Reduced benefits for families with dependent children

- About 25,000 low-income families with dependent children who are participating in the Job Opportunities and Basic Skills (JOBS) program will see their cash assistance reduced because of a \$3.5 million cut in Temporary Assistance for Needy Families (TANF) payments.¹³
- 25,000 TANF families will have to wait longer for a reduced level of employment services because of a \$5 million cut to the JOBS program. This will make it harder for them to find work and get off the TANF cash assistance program.¹⁴

The Oregon Health Plan escapes significant cuts

- Adults on the Oregon Health Plan (OHP) and payments to medical providers serving OHP households will not be cut, due to unanticipated tobacco tax and provider tax revenues and department-wide General Fund savings accounted for just prior to the revised revenue forecast.¹⁵

Reduced access to child care for working families

- About 4,700 low-income working families who were not previously on TANF will lose their Employment-Related Day Care (ERDC) child care subsidy. Without ERDC, some parents will have no choice but to quit their job to care for their children, putting greater economic strain on those families.¹⁶

Fewer services for homeless Oregonians

- An additional 3,158 homeless Oregonians will not receive services related to emergency shelters, such as nutritional assistance and referrals, on top of the 1,235 people already cut from the State Homeless Assistance Program in 2009. Some homeless shelters may close entirely, while others will add to Oregon's unemployment problem with staff layoffs.¹⁷

Reduced reimbursements for care providers

- Some businesses and non-profit agencies that contract with the state to deliver services will see a reduction in their compensation. For example, organizations that care for people living outside their family homes — in arrangements such as supported living facilities, foster care and children's group homes — will see their reimbursement cut by 4 percent on top of a 2 percent reduction taken in the 2010 special legislative session. Other examples include a 7.7 percent reduction in reimbursements to nursing facilities and an average 15 percent rate reduction for 3,400 clients in assisted living facilities.¹⁸ These cuts could increase unemployment through layoffs or to wage cuts for staff at those organizations, many of whom already work for low wages.¹⁹

Impact on seniors and Oregonians with physical or mental disabilities

Fewer supports to help adults with developmental disabilities or mental illness find work and participate in their communities

- The elimination of in-home care and family assistance programs means that services to over 2,600 developmentally disabled Oregonians will be reduced. These cuts will increase the burdens on family caregivers.²⁰
- Cuts to the Community Mental Health program will reduce acute care services to 1,462 Oregonians with mental illness, likely resulting in people becoming more ill, doing poorly in school, experiencing strained family relationships or even becoming homeless or going to jail. There will be increased demands on the crowded state hospital. These reductions could jeopardize Oregon's funding from the federal Mental Health Block Grant.²¹

Cuts to supports that allow seniors and adults with disabilities to stay in their homes

- Elimination of the Home Delivered Meals program will end delivery of meals to 940 homebound seniors and people with disabilities who cannot prepare their own food. This places greater burdens on their caregivers or other social supports they may have. Some of those affected may get meals under an Older Americans Act program.²²
- Oregon Project Independence (OPI) will lose its funding, ending home care services for about 3,000 Oregonians. OPI serves people with Alzheimer's or related dementia disorders and persons 60 years or older who need assistance with mobility or activities of daily living.
- The In-Home Care program will be reduced by 75 percent for 10,500 disabled seniors. This program helps clients live independently at home by providing assistance with tasks such as medication management, meal preparation, laundry, shopping and

transportation. Some of these clients will no longer be able to remain in their own homes, placing greater demands on Medicaid and other resources.²³

Impact on public safety and public safety workers

Backlog and delays in crime lab investigations

- Cuts to the Oregon State Police forensics lab on top of those made in 2009 will increase backlogs and make it difficult for local police — who rely on the state lab for evidence analysis — to pursue crime investigations and reduce repeat offenses.²⁴

Lower quality of supervision and treatment of youth offenders

- A \$6.6 million cut to Oregon Youth Authority (OYA) operations will reduce resources and treatment for youth offenders. Already lacking beds for those arrested, the Oregon Youth Authority anticipates that such cuts will lead to more juveniles being immediately released upon their arrests and subsequently being rearrested — a revolving door phenomenon. Additional cuts of about \$4 million will be implemented later in 2010 or early in 2011, resulting in layoffs and reduced services in OYA facilities.²⁵

Endnotes

¹ The proposed cuts are not truly “across the board” but in fact vary by individual program. Some agencies chose to spare certain programs within a given expenditure limitation while making larger cuts in other programs. Also, the Governor has stated his intention not to close three prisons, as the Department of Corrections proposed, and asked the Emergency Board to provide sufficient reserve funds to keep them open. The Oregon University System had banked sufficient reserves not only to absorb the reduction in its direct allocation but also to make up for the cut in scholarship funds administered by the Oregon Student Assistance Commission.

² Governor Ted Kulongoski, “Governor Orders Allotment Reductions to Balance 2009-2011 Budget,” press release, June 22, 2010, available at governor.oregon.gov/Gov/P2010/press_062210.shtml. Oregon Department of Administrative Services, Budget and Management Division website, www.oregon.gov/DAS/BAM/0610AgencyAllotmentReductions.shtml, contains links to budget allotment reduction spreadsheets submitted by each agency. In the footnotes below, these will be identified by the agency name as listed on that page, the section name on the agency page, and the line item on the spreadsheet.

³ Erica Williams et al., *New Fiscal Year Brings More Grief for State Budgets, Putting Economic Recovery at Risk*, Center on Budget and Policy Priorities, June 29, 2010, available at www.cbpp.org/cms/index.cfm?fa=view&id=3222.

⁴ Department of Education, Prekindergarten, \$5,095,573.

⁵ Department of Education, early intervention program, \$5,152,883.

⁶ Department of Education, state school fund, \$237,973,291.

⁷ Anne Williams, “Tough Times Cut the Calendar,” *Register-Guard* (Eugene, Oregon), June 25, 2010, available at www.registerguard.com/csp/cms/sites/web/news/cityregion/24935976-41/oregon-eugene-cutting-education-instructional.csp.

⁸ Kimberly Melton, “Oregon schools consider eliminating programs and restructuring to cover state funding shortfall,” *The Oregonian*, June 28, 2010. Portland Public Schools is planning to eliminate physical education in elementary and middle schools, while other metropolitan districts are cutting four to 10 days from the school year and 15 to 180 staff positions.

⁹ Community Colleges and Workforce Development, state funding, \$20,852,934.

¹⁰ Oregon University System, education, \$26,689,283 to be taken from reserves.

¹¹ Oregon Health and Science University, education, \$3,121,204.

¹² State Commission on Children and Families, \$2,317,322.

¹³ Department of Human Services (DHS), Children, Adults and Families (CAF), eliminate the TANF Cooperation Incentive Payment and add half to the TANF base grant, \$3,495,580.

¹⁴ DHS, CAF, reduction in JOBS services, \$5 million.

¹⁵ DHS, Division of Medical Assistance Payments, May financial update net savings, \$8.7 million; tobacco tax forecast increase, \$10,056,000; provider insurance forecast increase, \$17,643,652.

¹⁶ DHS, CAF, Employment Related Day Care (ERDC), \$17,346,182.

¹⁷ Housing and Community Services, State Homeless Assistance program, \$382,179.

¹⁸ DHS, Seniors and People with Disabilities (SPD), reduce DD comprehensive service rates, \$4,901,982, nursing facility payment reduction, \$5,509,600, and community facilities payment reduction, \$3,651,105.

¹⁹ SEIU-Home Care Commission collective bargaining agreement for 2009-11, available at www.dhs.state.or.us/spd/tools/cm/homecare/0911_contract.pdf. Home care workers in Oregon earn \$10.20 per hour in 2010. A single wage earner working full-time at that rate would not maintain a family of four above the federal poverty level.

²⁰ DHS, SPD, eliminate Medicaid personal care program, \$762,898, and eliminate DD Family Support Program, \$1.8 million.

²¹ DHS, Addictions and Mental Health, mental health programs, \$4,249,016.

²² DHS, SPD, Medicaid Title XIX home delivered meals, \$739,196.

²³ DHS, SPD, eliminate Oregon Project Independence, \$7,612,665, and in-home care program, \$8,215,534.

²⁴ Oregon State Police, Forensics/Medical Exam, forensics services, \$1,272,864.

²⁵ Oregon Youth Authority, suppression of operational expenditures, \$6.6 million, management actions, \$1.1 million, and emergency reduction actions, \$2,027,900.

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