

**HISTORY:** The folks that came over the Oregon Trail, starting in 1843 , were mostly farmers and a hardy lot. It didn't take long for them to organize and form an Oregon territory government. When recognized by Washington, a territorial governor was named, and a petition to Congress to become a state was initiated. A Constitution was drafted and Oregon became a state in 1859. While the territorial group met every year around harvest time in the fall, the new laws called for a biennial session, meeting the first Monday in January of the odd-numbered years. When there were fiscal problems, a special session would be called. As the state grew and the rather regular economic downturns occurred, these extra sessions became necessary. It took six special sessions in 2003 to work through the revenue shortfalls, and as the latest recession worsened, special sessions were held in 2008 and 2010.

Based on the need to review the budget and to address problems with some measures enacted the year before, voters amended the Constitution to provide for annual sessions, setting time limits on both the regular and the shorter ones. Thus the Legislature had from February 1 to March 6 2012, 35 days, to rebalance the budget, tweak 2011 enacted measures, and look at ongoing policy issues. All things considered, this first annual meeting produced some excellent legislation, looked forward particularly in health care and education, rebalanced the 2011-13 biennial budget as required, and reluctantly, but of necessity, compromised and crossed party lines to make it happen.

**SESSION ORGANIZATION:** Planning for and organizing the annual session began shortly after the 2011 regular session adjourned. The Interim policy committees met in September to address unresolved both new and continuing. Items to be seriously were selected for the November meetings. At that time, the committees decided on bills to be drafted by Legislative Counsel, with a December 5 deadline. Committees had a limit on the number of bills which they could request, and members were allowed two. Final decisions on the drafts and filings for the proposals were done at the January committee meeting just prior to the opening of the February 1 Assembly. Some 277 bills were introduced.

**WHAT HAPPENED:** This is a look at some of the major results of those 35 days in four policy areas: Fiscal, Governance, Natural Resources and Social Services.

**FISCAL POLICY:** Since July 1,2011, the start of this biennium, projected revenue for the General Fund has declined more than \$300 million. Oregon, by law, must have a balanced budget so it was necessary to fill the holes. Some cuts and use of reserve funds were effected last September and December after the forecast projections. Another \$35 million loss was announced in February. The Joint Ways and Means Committee and the Governor developed the adopted rebalanced budget through a combination of selected programs and services reductions, the re-appropriation of certain account balances, accessing additional resources provided by unanticipated legal settlements, and engaging the executive department in a governmental reform action to reduce administrative middle management positions and effectuate other business operational changes.

\*The new budget retains a General Fund ending balance of approximately \$118 million; keeps \$46 million in a Rainy Day Fund; includes an Emergency Fund of about 28 million for general purposes, \$60 million for special purposes, including allotment reduction mitigation, foreclosure issues, and human

services actual caseload increases, and \$10 million for any necessary allotment education mitigation for select education programs. During the interim, allocation of those emergency and special funds is done by the Emergency Board, made up of members of the Joint Ways and Means committee. Governmental business operations are assumed to account for another 28 million in savings, primarily through job cuts across state agencies.

Some Highlights TANF (temporary assistance to needy families) was kept at current level; Oregon Health Authority Plan was maintained at current levels with priority list of services and \$16.8 million redirected to ensure access to health care for children; four wards in the new Oregon State Hospital will not be opened until July 1, 2013; \$5.9 million of the \$12 million in the Dammasch Mental Health Housing Trust Fund was allocated to other mental health support programs; no reductions to the State School Fund and the K-12 budget of \$5.75 billion; additional funds went to community colleges (\$9 million) all 59 early Head Start slots were maintained; no prisons were closed nor inmates released early; all 36 county DAs were funded; \$56 million of tobacco settlement dollars put in General Fund; restored Dept. of Forestry fire protection program; added \$1 million General Fund dollars for Employment Relations Board to support local government services. However, most state agencies must cut middle management positions to help reach 3.5% reduction levels.

\*Critical assistance was provided for counties nearing default because of the loss of federal timber payments. Of the three bills which passed, probably the most important gives the Governor the authority to declare a county in danger of default if the county is fiscally distressed and requests that action. The Governor would establish an audit/assistance group made up of four members, including two from recommendations of the Senate President and House Speaker, the county commissions and sheriff. One bill allows counties to request dollars from the County Assessment Functions Fund to continue their essential and mandated assessment and taxation departments. The third would allow the use of road fund money towards law enforcement patrols.

\*The Oregon Investment Act, which establishes the Oregon Growth Board, is heralded as a jobs bill. The Board will consolidate economic development programs that are now spread among about a dozen state agencies thus enabling a more cohesive approach and a better distribution of lottery development dollars, tax credits and other business incentives. Another economic proposal which expands enterprise zones is expected to positively affect development opportunities and eventually tax receipts.

\*The 2011 Legislature made several important changes to the state's senior property tax deferral program. The payback fund was in deficit because recipients of the system were not making repayments on their loans. The program was based on the state paying property taxes on the homes of qualifying seniors with the caveat that the loans would be paid back or the state reimbursed when the house was sold. The drop in home values and the increased use of reverse mortgages, along with little follow-up as to continuing eligibility put the whole program in jeopardy. The state borrowed 19 million from the Common School Fund to finance the tax payments along with requiring stricter household income levels, residency, two year reporting and prohibiting the use of reverse mortgages. Because more than 50% of the program recipients has reverse mortgages and received tax bills in November, along with the

new time limits, the law was amended this session to give three year reporting deadlines and a two year grace period for those home owners having reverse mortgages.

\*Another important assistance for home owners came with the foreclosure statute passed just as the session closed, after intense debate. Lenders will be required to meet with borrowers in mediation to end the so called dual track practice of foreclosing while negotiating loan modifications. This is expected to help stabilize the housing market and reduce the number of foreclosures.

\*The biggest disappointment for many proponents of revenue stability came with the denial of a proposal to establish an emergency reserve fund and to provide for its funding source. Unlike its predecessors in the past three biennia, the bill would require that surplus revenue, based on the percentage of personal income growth averaged, over three biennia, would go into the reserve fund until it reached 12% of the General Fund. It would replace the current 2% surplus threshold for returning excess revenues and require a return to tax payers after the cap level was reached. There were restrictions as to when the Legislature could use the fund and limits on how much could be used.

#### GOVERNANCE:

Most of the legislation in the governance area dealt with election laws.

\*When the statute allowing candidates to be endorsed by more than one political party was enacted, it failed to recognize a problem with ballot size. County election offices which print and mail the ballots in our vote by mail system pointed out that the current law states that party affiliations will be placed beside the name of the candidate. The size of the ballot would have to be increased to accommodate such additions and would increase both the cost of mailing out but also increase the postage for voters. The law was amended to provide that the party names can be printed underneath.

\*There had to be an adjustment to the timing statute regarding certification of presidential candidates. Because of the lateness of the political party conventions, the date for giving notice to the county election offices of the official presidential candidates had to be changed. They print the November election ballots.

\*Two other election laws were drafted but did not move forward. One was to implement the Help America Vote Act compliance commission which was authorized in 2011. Its purpose is to review election offices and operations across the state to ensure compliance with the regulations of HAVA. Oregon could lose its federal dollars if it is not moving forward in the areas of voter access for minorities and the disabled. Large print ballots, easy to read ballots, ballots in Spanish and various new technologies for the blind are being used. The other measure proved to be too complicated and controversial for the short session. It dealt with how to destroy or secure unused or spoiled ballots beyond the current practices. **Both of these issues will be brought up in 2013.**

**\*Campaign finance reform was considered in the form of both reducing the time to report contributions and expenditures and lengthening the time in the 30 days prior to elections. While the bill did not move out of the Rules committee after the public hearing, it is likely to be introduced**

again. Currently, contributions and expenditures must be reported every 30 days by candidates and qualified initiative campaigns. However, reporting is required every seven days in the month before an election. The proposal would have called for reporting of contributions of \$1000 or more every two days during the 30 days, but only requiring other contribution and expenditure reports every 14 days, or twice, prior to an election. There were strong pros and cons which probably led to the bill's demise. The League opposed this bill as limiting the public's right to know.

## NATURAL RESOURCES

**\*Toxic contamination in the form of mercury exposure in light bulbs was reduced with the passage of a bill changing the content standard for commonly used lighting. Specifically, the bill will help to reduce mercury contamination and exposure by lowering the mercury content of fluorescent light bulbs, while also establishing state procurement guidelines that favor lower mercury content bulbs. Mercury is used in many types of light bulbs because it contributes to the bulbs' energy efficiency and life expectancy. No mercury is released while the bulb is being used, but if a mercury lamp is dropped or handled improperly, the glass tubing may break and release mercury, posing a major public health risk.**

\*Three marine reserves were established which will assist in restoring the depleted fish species. This should help both the fishing industry and the coastal communities dependent upon it. The reserves are located off Cape Falcon, Cascade Head and Cape Perpetua. The addition of these to the reserves established in 2009 is an essential step in the decade long process to conserve habitats and marine life for generations to come.

\*Local governments and industry developers have been seeking better ways to mitigate wetlands issues in attempts to create space for useable land. The permitting process and environmental site reviews take too much time and resources, sometimes years, resulting in lost opportunities. New legislation creates a process by which persons may request independent review of determinations made by the Oregon Department of State Lands that are related to wetlands delineation.

\*Several bills affecting jobs and the environment were hotly contested, creating a hostile partisan engagement. They were defeated, but are expected to come up in 2013. Included were efforts to change Oregon's land use system, remove water from the Columbia for agriculture development, open up state forests to increased logging, and take away the public's right to appeal land use decisions, allowing only those who own the land to participate. Arguments for and against the changes both have merit.

## SOCIAL ISSUES

\*Close to home, the Legislature did not abandon the construction of the planned mental health facility just south of Junction City. It is now scheduled for 2015. It will replace two smaller mental health programs in the Portland area. In cost savings, some wards in the new State Hospital in Salem will not be opened this biennia. The new rebalanced budget also contains \$5.7 million taken from the \$12 million mental health housing trust fund. While the interest from that fund which is used to build residential

services for the mentally ill will no longer generate enough dollars for new housing, the reserves will be used to keep needed local mental health services from severe cuts.

\*Continuing and moving ahead with plans to improve Oregon's health care system, which began in 2009, was a major priority for the Governor. The bills received extensive discussion, but did not get approval until the almost the last hour. The Oregon Health Plan transformation creates the CCOs, coordinated care organizations that will coordinate the delivery of physical and mental health services for Medicaid and Oregon Health Plan patients. CCOs will be locally organized and governed according to the unique health care delivery system in each of Oregon's communities. The goal is to prevent expensive emergency and hospital visits, unnecessary procedures, duplications, and other inefficiencies caused by the lack of care coordination among various providers for the high risk population. A CCO is a new legal entity and can be either non or for profit. Coordination of health care would be expected across the spectrum of providers from primary care physicians and hospitals to dentists and behavioral health professionals.

\*The Oregon Health Insurance Exchange creates an online marketplace for individuals and small businesses to purchase health insurance. It would allow customers to compare plans and chose the one that is best for themselves, their families or their employees. The legislation makes purchasing health care easier for individuals and small businesses. Insurance companies are required to compete on cost and quality. This particular statute ties in with the federal health care mandates. Both of these pieces of legislation are being either enacted or considered by several other states.

\*The Governor's other two legislative priorities involved moving his agenda for a seamless public educational system – from pre-school through graduate work. Again, the 2011 Assembly enacted the beginnings of his education plans with the approval for a position of chief education officer , the Early Learning Council and the Higher Education Coordinating Commission. One of the bills outlines the duties and responsibilities of the Chief Education Officer, and they are extensive, covering all phases and levels of publics schools. It includes requiring schools to set specific achievement "compacts" for students. The other statute deals with the responsibilities and supervising of the Higher Education Coordinating Commission and reorganizes the early childhood programs to achieve greater efficiency and accountability. Some legislators were critical of the scope of the changes as well as future costs.

\*Higher education institutions seeking more autonomy applaud the establishment of the Special Committee on University Governance. It is charged with creating a structure for Oregon's public universities to have independent local boards. The committee will begin its work immediately to meet its deadline of November 1 for recommendations to the Governor.

\*Oregon's justice system is suffering from budget cuts and overworked judges. The Ways and Means committee agreed to allow appointment of three additional judges to the Appeals Court, but the positions will not be funded until the 2013 session.

\*The Women's Health and Wellness Alliance was active in the discussion of several bills. Those enacted include expunging any record of prostitution by an underage female since it is likely to be related child trafficking; banning employer from advertising job vacancies that exclude unemployed persons from

applying; and a requirement for providers to begin consolidation of pre-kindergarten programs with health care. Having kids in a learning atmosphere is enhanced by good nutrition, a safe family environment and access to healthcare. A proposal that did not pass would have granted family leave for funerals of close family members.

#### WHAT WAS LEARNED

There were probably too many bills drafted for consideration in a period of 35 days. Each committee was allotted some, and members could request two. The Governor proposed four, each of significance, and agencies or departments could make requests. Even though the issues had been identified early, some were too complicated and/or complex and were either not heard or had a courtesy hearing. The problems with a "paperless" Legislature continued. Testimony had to be emailed 24 hours prior to the hearing,, but we also handed in written copies to ensure our remarks were part of the record. Amendments were mostly available only at the hearings so quick adjustments were needed if the changes affected our position in any way. Compromise and accommodation only surfaced in the waning hours when major issues and decisions were a stake, as well as the perceptions of potential voters in an election year. Obviously, because of the time frame, decisions were brokered behind the scenes. Because the pre-planning was obviously very helpful, there are already three Interim committees sessions set up for the 2013 session, starting in May.

#### CONCLUSIONS

Accomplishments outweighed negatives. Despite the even party split in the House and a slim majority party membership in the Senate, important and significant legislation was enacted. Not every member was satisfied, but a majority of the 90 Assembly members agreed that the session was necessary and productive. The budget rebalance was achieved with difficult cuts, but with the preservation of K-12 funding and protection of much of the social services network, including keeping a corrections center open. The question mark as to bi-partisanship in passing the education and health care bills, literally an hour before adjournment, arise from whether each political party was figuring talking points for the primaries. Now the work begins for 2013.