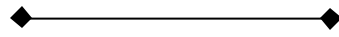


State of Oregon  
2001-03



# Budget in Brief

*Successful Children, Sustainable Communities*



Notes:

This *Budget in Brief* summarizes key portions of the *Governor's Budget* for 2001-03. This budget is presented to the Legislative Assembly for adoption. See the *Governor's Budget* for details.

The cover photo was provided by the Oregon Tourism Commission.

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- *Governor's Budget* 2001-03
- *Tax Expenditure Report* 2001-03
- Economic and Revenue Forecast (Quarterly)
- Oregon Prison Population Forecast (Twice yearly)

For copies of these publications, contact:

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Much state information can be found on-line at State of Oregon websites:

- Oregon On-line Homepage: <http://www.state.or.us/>
- Governor's Homepage: <http://www.governor.state.or.us/>
- Office of Economic Analysis: <http://www.oea.das.state.or.us/>
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# Summary of the Governor's Budget 2001-03



## Governor's Message

### To the Citizens of Oregon:

As we enter a new century, we can look back on a hundred years of progress in making and keeping Oregon the best place in the world to live. As I submit this budget for the fiscal years 2001-03, I do so with this great accomplishment in mind; knowing that we are taking the next steps forward in extending our prosperity and maintaining our quality of life.

This budget reflects the growth in our economy, the growth in our population and the growth in the State's responsibility to finance education, health care and public safety. It is a very tight budget and reflects the need to cover unanticipated revenue losses from lawsuits, a reduction in federal matching dollars and a 60 percent increase in prescription drug costs. It reflects the use of revenues from the national tobacco settlement, which, while scheduled to continue for many years, are not as stable as income tax revenues. This budget reflects the \$159 million income tax cut adopted by voters in Measure 88 and the difficult choices we have had to make in public safety and human services as a consequence.



This budget also reflects the growing discrepancy between the state budget and the revenue that supports it. Part of this discrepancy is due to the revenue losses just mentioned. But this discrepancy also reflects the growth in our human services and public safety budgets that is due, in large part, to our failure to invest in the youngest Oregonians—even before they reach school age.

We know that a growing number of Oregon children are exposed to a set of risks that correlate with school failure, school drop-out and subsequent involvement with the social welfare system and/or the criminal justice system. For example, 36 percent of incarcerated adults, 35 percent of incarcerated youth and 14 percent of those receiving public assistance dropped out of school. In addition, 85 percent of incarcerated youth and 77 percent of incarcerated adults suffer from an untreated drug abuse problem.

Therefore, this budget proposes to fund the Oregon Children's Plan, which represents a significant shift in state priorities. Currently, we invest a substantial and growing part of the General Fund budget to address these problems after they have occurred. The Oregon Children's Plan will target resources toward those children with the highest risk of this tragic future before these problems develop. This investment represents a reprioritization of resources from after-the-fact intervention to front-end prevention and treatment.

This new initiative, in conjunction with a major investment in education, reflects an important commitment to better schools, colleges and universities, and a more focused commitment to helping our children succeed. Let me share the highlights of this joint effort.

**Education**—Last month, the voters approved Ballot Measure 1, which calls on the governor and the Legislature to provide funding adequate to meet the goals of the Education Act for the 21st Century. To implement that charge, I have used the Quality Education Model, a model developed to help determine the resources needed to ensure that our children achieve the high academic standards we have set for them.

### *Governor's Message . . .*

Using this tool as a guide, I have budgeted \$4.994 billion for the K-12 appropriation plus an additional \$220 million targeted to ensuring that 90 percent of 3rd and 5th graders meet or exceed the state reading benchmark within four years (for a total K-12 appropriation of \$5.21 billion). This targeted investment represents the first phase in fully funding the Quality Education Model. For the first time, Oregon will approve a K-12 budget that is built directly around the outcomes expected in the classroom.

In addition to K-12, I have budgeted \$20 million to improve engineering education in Oregon; \$45 million to help cover enrollment growth in our community colleges, and \$7.2 million to expand higher education in Central Oregon and to serve as a model for expanding geographic access to four-year degrees throughout the state. I have also dedicated \$10 million per year from the national tobacco settlement, beginning in 2002-03, to support expanded biotechnology research at the Oregon Health Sciences University. This funding, coupled with private investments, will allow OHSU to become a magnet to attract an estimated \$300 million in out-of-state medical research revenue each year.

**The Oregon Children's Plan**—The significant investment this budget commits to primary and secondary education cannot be justified unless we also take aggressive steps to reduce the number of children who, because of the conditions to which they have been exposed, enter school unable to fully engage in learning. Toward that end, I have budgeted \$66 million to fund the Oregon Children's Plan – a plan that will allow us to screen all first births in Oregon, on a voluntary basis, and offer those children and families at risk, access to community and in-home services.

By working with first-time mothers and their families—and by learning which of those families face either social or medical risks (such as being a single parent, a teen-age parent, having a history of drug addiction or being unemployed), we will be able to accomplish two important objectives. First, we will be able to help children who need it the most with the services to address their particular problems. Second, we will provide the opportunity for new parents to learn important parenting skills and to receive assistance with their first child.

Statistics show that 60 percent of first-born children face either some social or medical risk. Being able to identify those children early will help them get a healthy start in life, help them be ready to learn when they get to school and help them avoid the increasing problem of school failure, school dropout and subsequent involvement in the criminal justice system. It is estimated that every dollar invested in this kind of early prevention will reduce later costs by \$4.25.

While the Oregon Children's Plan represents an historic beginning for our state, we must not be blind to the fact that our current budget constraints leave this effort woefully underfunded. While we propose to screen all first births, these represent only 18,000 of the over 44,000 births that take place in Oregon each year. We cannot rest until we are able to offer these important services and protections to all of Oregon's children.

It is also important to recognize that in order to afford the initiatives I have been able to include in this budget, I have been forced to propose real cuts in other important services. For example, we will reduce the number of state police sworn officers; we will close 150 beds in the Oregon Youth Authority; we will end Oregon Project Independence which helps senior citizens stay in their homes.

These are very difficult choices that carry with them very real human consequences. It is my hope that, in the course of the legislative session, many of these services can be restored. In the short term, however—and to the extent that fiscal limits make difficult decisions inevitable—I am willing to defend these choices on the basis that putting an emphasis on prevention reflects a higher priority than paying more to mitigate problems after they have developed.

**The National Tobacco Settlement**—To the greatest extent possible, I wish to see these revenues used for health care-related purposes, including tobacco use prevention. In addition to the \$10 million to support biotechnology research at OHSU, I have recommended two additional expenditures. First, I have proposed using \$22 million to support the Family Health Insurance Assistance Program, which was started with revenue from the tobacco tax increase produced with the passage of Ballot Measure 44 in 1996. Second, I have budgeted \$7 million for tobacco use prevention. I believe that the bulk of the tobacco settlement revenue, however, should be put into a Health Care Trust Fund and I have budgeted \$100 million for that purpose.

In this budget, while I have recommended using \$110 million of the tobacco revenue for primary and secondary schools, I do so with the full knowledge that the settlement should not be viewed as a new long term, stable revenue source. As General Fund revenue grows during the remainder of this biennium, I recommend that a first priority be to replace the tobacco revenue in the K-12 budget with income tax revenue and to move the tobacco revenue into the Health Care Trust Fund. Likewise I recommend that, as income tax revenue becomes available, the \$99.2 million of Tobacco settlement revenue transferred to the General Fund also revert to the trust fund.

I look forward to working with Oregonians and with the Legislative Assembly to debate this budget in the upcoming year and to move forward in the best interest of our state.

Sincerely,

A handwritten signature in black ink, appearing to read "John Kitzhaber". The signature is fluid and cursive, with the first name "John" being larger and more prominent than the last name "Kitzhaber".

John A. Kitzhaber, Governor

## The Budget Environment

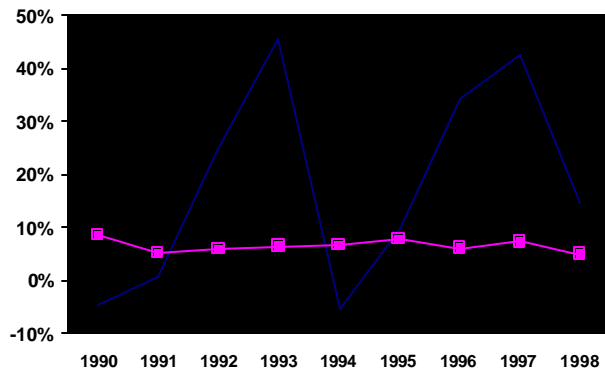
*After a decade of rapid growth and diversification in Oregon's economy, the state has now entered a period of stabilized growth.*

### From Rapid Growth to Modest Gains

During the 1990s, Oregon's economy experienced a period of exceptional growth. After adjusting for inflation, wages grew 18.5 percent and per capita income grew faster than the rest of the nation. The profitability of companies operating in Oregon also rose sharply.

State revenues benefitted directly from this growth. During the last decade, revenues from *personal income taxes* grew an average of nearly 10 percent annually. *Corporate income tax* collection more than doubled from less than \$150 million in 1990 to more than \$400 million in 2000. In addition, *capital gains income*, mostly from the stock market, grew at an incredible rate during the 1990s.

**Growth in Capital Gains vs. Personal Income**



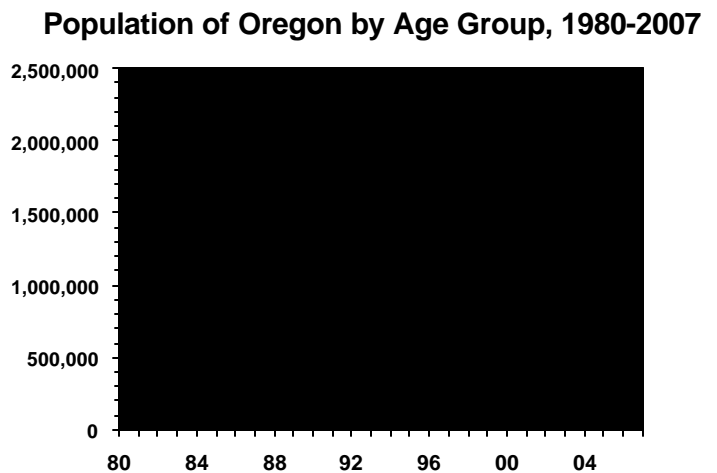
Oregon's economy diversified substantially during this period. High technology companies, particularly those involved in semiconductor production, helped Oregon become increasingly connected to international markets. Asian markets, in particular, made up six of the top 10 destinations for Oregon products in 1999. At the same time, agricultural, lumber, and wood products continued to play a significant role in Oregon's economy.

In addition, Oregon's population grew at a faster pace than the national average during the 1990s—16.1 percent compared to 9.6 percent respectively. Some of this growth came from in-migrants, particularly for individuals between the ages of 18-64 years. And while Oregon's population continues to be predominately White (93.4 percent of the total population), its population is slowly becoming more diverse. Oregon's Black, Asian, and Hispanic populations all grew at a significantly faster rate than the majority White, Non-Hispanic population.

However, as we enter a new century the rapid growth in Oregon's economy is beginning to stabilize. Growth in jobs, wages, and profits are all slowing down. This slowdown is expected to reduce Oregon's rate of growth in both personal and corporate income taxes. With the Asian financial crisis

behind us, exports in high technology, timber, and agricultural products should improve. However, factors could hinder Oregon's economy: a recession or inflation; a downturn in global economies, particularly in major export markets like Japan or Korea; a dramatic rise in energy prices; or a stock market crash.

Also, changes in demographics could affect Oregon's public services. Children under the age of five and school age populations are growing more slowly than in the 1990s. Their growth will continue to slow as the baby-boomers children exit this age group. Young adults aged 18-24 years, who comprise the "baby-boom echo," will continue to grow. And while Oregon's elderly population has slowed in recent years, those over age 65 have more than tripled since 1950. In particular, growth for those ages 75 years and older is expected to rise. Each of the populations consume a range of state services—from day care, to educational services, to health care.



## Economic Factors Linked to the Budget

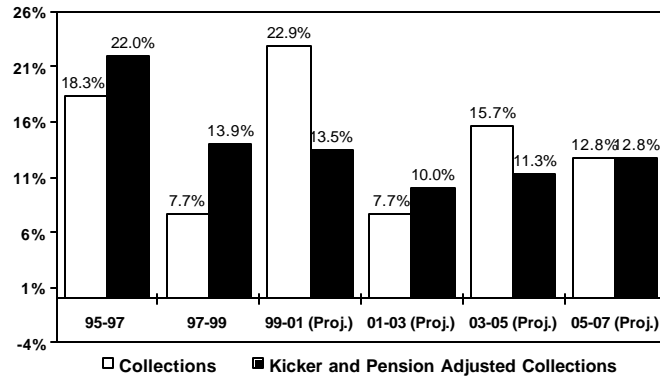
Several factors linked to the economy have the potential to increase or reduce the funds available to the Legislative Assembly for this state budget. Therefore, quarterly economic forecasts made during the legislative session may be especially important to state budgeting. Among the factors in uncertainty are:

- ***Our state economy.*** In the short run, Oregon's economy will grow slowly through 2001, and is projected to gain strength as it reaches the end of the 2001-03 biennium. The long-term outlook for the next five years calls for slow to moderate growth.
- ***Our national economy.*** Like Oregon, the U.S. economy is expected to slow significantly in 2001, and then accelerate in 2002 and 2003. While the stock market correction in April of 1999 did not lead to a market crash, the risk of a further correction still exists. This potential correction, along with rising energy prices, are the largest risks to the national economy.
- ***Asian economies.*** It appears that Asian economies have recovered from the financial crisis of the last decade. Asia's economic well-being is important to Oregon because their economies significantly affect our own. They import a range of products produced in Oregon, including timber, and agricultural, and high technology products.

*The Budget Environment . . .*

- **Special tax refunds.** A special refund could cause some uncertainty. The current revenue forecast anticipates a two percent surplus Kicker refund for personal income taxpayers to be paid out in 2001 on tax year 2000 liability. Corporate Kicker refunds are anticipated and will be credited in the 2001-03 biennium.
- **Ballot Measure impacts.** Ballot Measure 88 raises the maximum deduction of federal income taxes that may be deducted on Oregon income tax returns. It raises the maximum deduction allowed from \$3,000 to \$5,000 effective January 1, 2002. This change is anticipated to reduce revenue collections by \$159.2 million in the 2001-03 biennium.

**Biennial Growth in General Fund Revenue  
1995-97 through 2005-07**

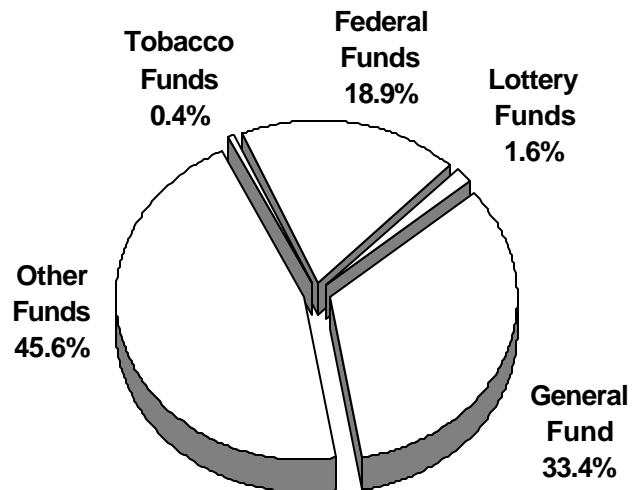


## State Resources

The state uses money from five sources to pay for state services. The sources are grouped as General Fund, Other Funds (including Lottery), and Federal Funds. Property taxes are *not* a source that funds the state budget. They are the main source of funding for cities, counties, and some special districts. They are also the second largest source of local school funding.

### The General Fund

The General Fund covers only 33 percent of what is spent in the state budget. However, it is the money that the Legislature can apply anywhere it is needed. The General Fund comes largely from our income taxes—about 85 percent from personal income tax and eight percent from corporate income tax. The rest comes from the insurance premium tax, gift and inheritance tax, cigarette tax, liquor tax, other minor sources, and the Fund's investment earnings. General Fund resources are estimated at \$11.1 billion for 2001-03.



### Other Funds

Other Funds account for about 46 percent of what is spent in the state budget. Other Funds are mostly monies dedicated to certain purposes. They include some taxes, chiefly those related to highway use, employment, and forests. They include state licensing fees. Other Funds also include the state's business-like incomes. Examples include tuition and other fees for services, inmate workforce products, and many funds related to loans or bonds.

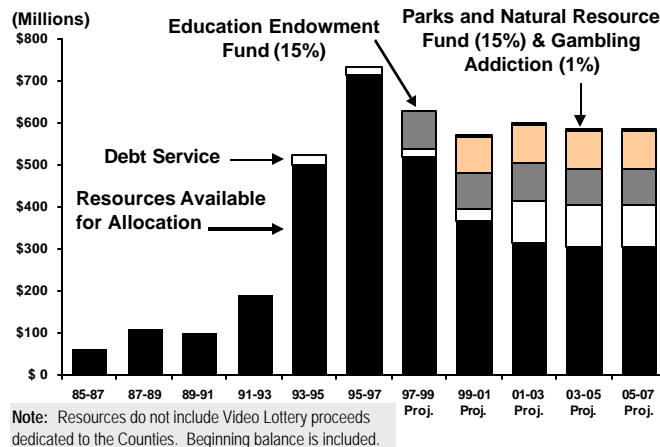
### Federal Funds

Federal Funds cover about 19 percent of what is spent in the state budget. The federal government limits the state's choices about where and how Federal Funds may be used. Most federal funding has specific conditions, such as requiring the state to keep certain service levels, or providing matching funds.

*The Budget Environment . . .*

## Lottery Funds

Lottery Funds account for a little less than two percent of total state spending. The forecast for Lottery Funds in the 2001-03 budget period is slightly higher than that for the previous biennium. Several reasons account for this increase. First, the beginning balance for 2001-03 is forecast to be slightly higher than that available for 1999-2001. Second, the Lottery is retaining gaming revenues above the 1999-2001 Close of Session (COS) forecast in a Lottery



Contingency Fund for the purchase of new video terminals. Total transfers to the Economic Development Fund, therefore, will remain at the COS level of \$580.4 million for the 1999-2001 biennium. No such agreement exists for the 2001-03 budget period. Third, Lottery will transfer \$15 million related to administrative actions during the 2001-03 budget period.

Although the total amount of Lottery Funds will increase slightly, the amount available for allocation will be lower. Increasing amounts of Lottery Funds are spent on dedicated distributions. These dedicated distributions include amounts for Sports Action, county economic development, the Education Endowment Fund, the Parks and Natural Resources Fund, as well as funds dedicated for debt service and gambling addiction allocations.

## Tobacco Funds

In November of 1998 a national settlement agreement was reached between the tobacco industry and 46 states including Oregon. The November 1998 agreement, known as the Master Settlement Agreement (MSA), represented the largest financial recovery in the nation's history. It requires the tobacco industry to make payments to the states in perpetuity. Oregon's share of the payments through the year 2025 are an estimated \$2.2 billion. Oregon has received \$92.7 million in MSA payments as of November 1, 2000.

The Governor's Recommended Budget for 2001-03 proposes the following uses of Oregon tobacco settlement payments expected to be received through 2001-03:

- \$110.0 million—K-12 School Improvement Fund
- \$ 10.0 million—Bio-science Research Facility at Oregon Health Sciences University
- \$ 22.0 million—Family Health Insurance Assistance Program subsidies
- \$ 7.0 million—Department of Human Resources, Health Division programs
- \$100.0 million—Health Care Trust Account
- \$ 99.2 million—General Fund

## *The Oregon Children's Plan*

***"We cannot afford to ignore programs and policies proven to work in reducing juvenile delinquency. The resources for these programs must be found. We must no longer give 'lip service' to making children a priority: we must literally put our money where our mouth is."***

—Citizen's Crime Commission KIDS Report, June 2000

Sixty percent of Oregon children are born with risks that can affect their success in life. By identifying these risks early we can give Oregon children the opportunity to succeed in life and in school, thus avoiding future problems such as drug addiction, school failure, delinquency or incarceration. Early investments in our children will benefit Oregon communities, families, and schools.

My budget allocates \$66 million to the Oregon Children's Plan—\$29 million in new revenue and \$37 million redirected from other programs. The Oregon Children's Plan will screen all first births in Oregon for an identifiable set of risks that can negatively affect a child's life. Children who screen positively for one or more risks will be offered in-home and out-of-home services. Although participation in this program is voluntary, in an early pilot model of the Oregon Children's Plan, 93 percent of families elected to participate.

The Oregon Children's Plan represents a significant shift in state priorities. Currently, a substantial and growing part of the General Fund budget is invested in addressing problems after they have occurred—children who have failed in school and who have become mired in the social welfare or the criminal justice systems. The Oregon Children's Plan will target resources toward those children with the highest risk of this tragic future. This investment represents a reprioritization of resources from after-the-fact intervention to front-end prevention and treatment.

The Oregon Children's Plan, which will be available in all 36 counties, proposes to replace the current fragmented system with a comprehensive approach for helping children. The Plan will make Oregon the first state in the nation to systematically screen for risks prenatally and at-birth for the earliest possible identification and treatment of potential problems.

This investment will make an enormous difference in the lives of thousands of Oregon's children and their families. Today, 42 percent of Oregon children show up for their first day of kindergarten unable to fully participate or engage in learning. The Oregon Children's Plan will increase the number of children who come to school ready to learn by identifying risks and then providing children and their parents with the services and supports necessary to address them.

***The Oregon Children's Plan . . .***

The following services will be provided to children and parents through the Oregon Children's Plan:

- **Prenatal/At-Birth Screening** (*\$4 million in new funds*)  
Screen all first born Oregon children as early as possible for medical and psychosocial risks. In Oregon, 18,400 out of the 44,300 births were first births. Screenings will take place during prenatal or follow-up visits at medical clinics, hospitals or doctor's offices.
- **Coordinated Services** (*existing funds*)  
Following a positive risk screen, community-based teams (such as doctors, educators and social workers) will match the child's risk with the most appropriate type of support and provider. It is estimated that 60 percent of families will have risks warranting additional support.
- **In-Home Support** (*\$4.1 million in new funds plus \$29.2 million in redirected funds*)  
Each community will provide in-home services for children who have developmental disabilities or who are medically fragile, and families who have other medical or significant social risks. These services will be provided by nurses, social workers and other trained professionals.
- **Substance abuse and mental health treatment** (*\$14 million in new funds*)  
We will provide communities with the ability to access resources for mental health treatment for children and/or substance abuse treatment for their parents. This budget should be sufficient to serve all children and parents who require these types of services.
- **Pre-school** (*\$5.9 million in new funds plus existing funds*)  
We want every child to have the chance to participate in an early learning setting or pre-school, such as Head Start/Oregon Prekindergarten Program. We currently enroll 50 percent of eligible children in these programs. The Oregon Children's Plan will expand the Oregon Prekindergarten Program to serve 60 percent of eligible children in the next biennium. In addition, we will work with the federal Head Start program to identify efficiencies that may lead to a substantially greater enrollment by the end of the next biennium.
- **Community Programs** (*existing funds*)  
The Oregon Children's Plan proposes to redirect the Great Start Program so that each county will have flexible funds to choose from a menu of programs that have been proven by research to be effective, such as relief nurseries and parent training among others. These programs will help serve as the connection between home-based programs and entry into school for the youngest, highest risk children.

The success of the Oregon Children's Plan will be measured by the following outcomes:

- Decreased rate of child abuse and neglect
- Increased percent of children entering school ready to learn
- Decreased infant mortality
- Increased percent of children fully immunized at age 2
- Increased percent of women accessing early prenatal care
- Decreased percent of infants whose mothers used alcohol and/or tobacco during pregnancy

The Oregon Children's Plan will save taxpayers future expenditures by improving school performance, increasing access to health care providers and by reducing the cost of school failure, school drop out and involvement in the criminal justice system. A cost-benefit analysis of the early pilot model of the Oregon Children's Plan found that for every dollar invested, \$4.25 of costs were saved in other, more costly services.

## *Quality Education for Every Oregonian*

*Public education is the cornerstone of a progressive, democratic society. From grade school to graduate school to life-long learning, it is vital that Oregon's education system prepare all of our citizens for the challenges they will face in the 21<sup>st</sup> century economy.*

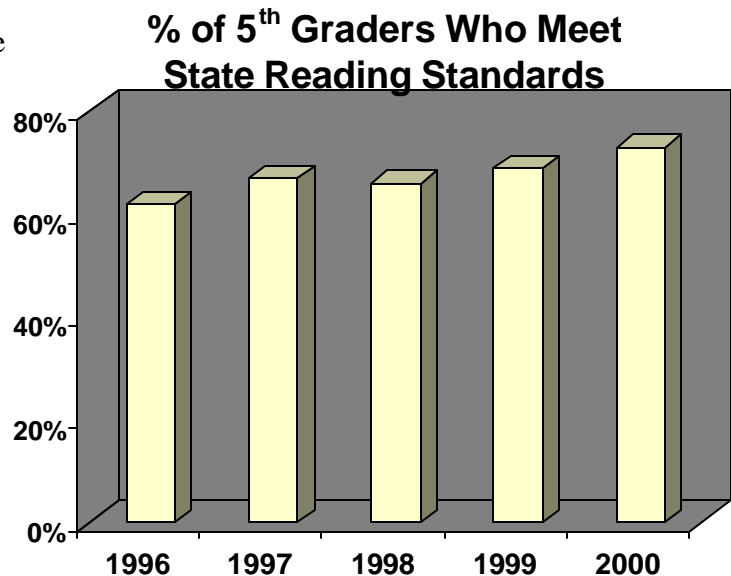
### **Primary and Secondary Education**

No public expenditure is as important or as far-reaching as the dollars we spend on education. Oregonians have set high standards for our students, and our public schools are responding to this challenge. But we must be wise and deliberate about how we budget our education dollars. That is why I put Measure 1 on the ballot this November.

On Election Day, Oregonians approved Ballot Measure 1. The measure directs the Legislature to fund schools sufficiently for students to meet the standards set forth in the Education Act for the 21<sup>st</sup> century. If legislators decide they are unable to sufficiently fund schools at that level, they must explain why and what impact this will have on student ability of students to meet the standards.

To help determine how much revenue is necessary to meet these standards I established the Quality Education Commission. This Commission created a model for school budgeting known as the Quality Education Model. I have used this model as the basis for my recommended budget. In compliance with the constitutional provisions of Ballot Measure 1, this budget is accompanied by a report that describes the impact of this K-12 appropriation on the ability of Oregon students to meet the standards.

By using the Quality Education Model to formulate this budget we have, for the first time in Oregon, a budget number based on what it actually costs to educate our children. This number, which is based on data that has been collected and tested, gives us the ability to create expectations for performance, based on clear outcomes. By passing Ballot Measure 1, and utilizing the tools of the Quality Education Model, I hope to reduce the contentious school funding debate that has characterized legislative sessions in the past. This budget lays the groundwork for a thoughtful debate based on real numbers—numbers that are grounded in solid research and which have been demonstrated to improve student performance.



For the coming biennium, my budget appropriates \$4.994 billion for our kindergarten through high school public schools, plus an additional \$220 million targeted to ensure that 90 percent of 3<sup>rd</sup> and 5<sup>th</sup> graders meet or exceed the state reading benchmark within four years (for a total K-12 appropriation of \$5.21 billion). This allocation is in line with the Quality Education Commission's recommendations—to increase the literacy levels of our elementary students. Providing our youngest children with a solid foundation in reading will lead to long-term success in school.

This amount of money, which includes no bonding or other deficit financing, is sufficient for our public schools to both continue their existing level of service and to take the first step in implementing the Quality Education Model. Since there are not sufficient resources available to fund the entire cost of this first investment, I will ask our state's 198 school districts to reallocate approximately \$110 million in spending from the middle and high school levels (about 1.5 percent of their district budgets) to match \$110 million in new funding, for a total of \$220 million to reach this goal.

No other agency in state government, with the exception of community colleges, has received funding that exceeds its current service level. This funding level reflects the importance placed by Oregonians on the value of a quality education and, in particular, on the value of our youngest Oregonians succeeding.

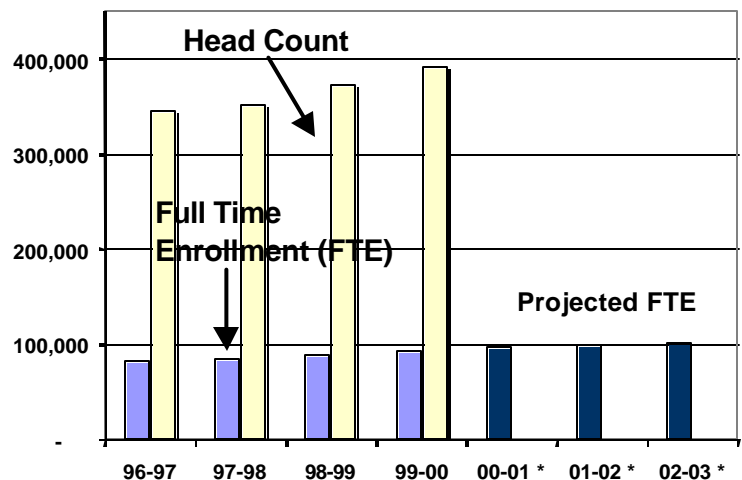
This budget contains other important investments to support our primary and secondary schools. For example, we have included \$8.4 million in the Department of Education to assist low-performing schools, to reduce the student dropout rate and to support new teachers.

But public investments in education cannot end with high school. The success of Oregon's citizens and the expansion of our economy depends, in large part, on the quality of our post-secondary schools. It is critical that Oregon continue to have exemplary universities and community colleges that meet the needs of the 21<sup>st</sup> century employer and which offer opportunities for life long learning.

## Community Colleges

Forty-five million dollars is targeted toward meeting enrollment growth at Oregon's community colleges. For many Oregonians, community colleges are the front door to better jobs and better futures. Last legislative session provided no increase in funding to cover the dramatic enrollment growth faced by our community colleges. As a consequence, community colleges were forced to limit enrollment, turning students away or creating waiting lists.

## Community College Enrollment Growth



*Quality Education for Every Oregonian . . .*

This investment will enable our community colleges to provide accessible, affordable, and comprehensive educational opportunities to more Oregonians.

## **Higher Education**

This budget expands access to four-year degrees in the fastest growing region of our state, central Oregon. \$7.2 million will be provided to the institution selected by the Oregon Board of Higher Education to offer four-year degrees in Bend. By the end of the 2001-03 biennium, it is expected that 400-700 full time students will be served through this branch campus. We expect that this investment will provide a model for increasing geographic access to four-year degrees throughout Oregon.

This budget targets \$20 million to support investments in engineering education in Oregon. In the previous century, Oregon invested heavily in its schools of agriculture and forestry—our economic mainstays. Today, we must make a similar commitment to the economic mainstay of the 21<sup>st</sup> century—technology. These funds will be distributed to the Board of Higher Education to support the two engineering proposals under consideration: a tier-one engineering school, and the expansion of the number of engineering graduates in Oregon. Additional private sector funding will be dedicated to these proposals.

The budget also includes \$10 million per year, beginning in 2002-03, to support expanded biotechnology research capacity at the Oregon Health Sciences University. This funding, coupled with private investments, will allow OHSU to become a magnet to attract an estimated \$300 million in out-of-state medical research revenues every year.

## ***Sustainable Rural Oregon***

***We must equally share the benefits of prosperity by ensuring that our great economy is not just an urban phenomenon, but is an Oregon phenomenon.***

—Governor John Kitzhaber, Pendleton, Oregon, August 3, 2000

The prosperity of the last six years has not been shared evenly across Oregon. While urban areas have added tens of thousands of well-paying jobs in technology, many parts of rural Oregon have continued to experience low wages, high unemployment, the loss of business opportunities, and the migration of their youth to other communities that offer more career choices. My budget proposal attempts to provide the foundation for a sustainable rural economy.

I want to make it clear that the investments in this budget for rural Oregon in no way diminish or disregard the challenges faced in our urban areas. The resources budgeted for improving engineering education and expanding research in biotechnology, for example, will certainly benefit urban Oregon. The resources budgeted for watershed assessments and for the Willamette Restoration Initiative will help improve water quality in the Willamette River Basin, including the urban components of this important watershed. In addition, many of the resources this budget contains for infrastructure investment can be accessed by urban as well as rural communities. In short, this budget reflects a commitment to preserve a high quality of life in both urban and rural Oregon.

There are three main components to this rural initiative: 1) infrastructure investment; 2) strengthening rural communities; and, 3) stabilizing our natural resource-based industries.

### **Infrastructure Investment**

The last legislative session saw the passage of the Oregon Livability Initiative, which addressed challenges faced by both urban and rural communities. The four goals of the Livability Initiative are:

- to reinvest in rural and distressed urban economies,
- to revitalize downtowns and main streets,
- to reduce sprawl, and
- to provide affordable housing.

The centerpiece of this initiative is the 21<sup>st</sup> Century Community Fund, which is currently capitalized with \$140 million in lottery-backed and transportation revenue bonds. This budget proposes to build on the Livability Initiative with the following new investments.

***Sustainable Rural Oregon . . .***

**Sewer and Water System Infrastructure**—The proposed budget contains \$196 million in lottery-backed bonds issued over a three-year period, which is expected to stimulate more than \$1 billion in state and local investments in community infrastructure.

Because these funds are only in part need-based—and are also backed by charges to pay for infrastructure—our state revolving fund will accumulate a powerful base of capital for future investments in community infrastructure. At the end of a 10-year period, Oregon will be able to make infrastructure investments of \$75 million a biennium on a sustainable basis. This infrastructure investment is expected to generate thousands of new jobs in Oregon's smaller communities, increasing personal income and General Fund revenue by many millions of dollars; more than offsetting the \$20 million in annual debt service on these bonds.

**Internet and Advanced Telecommunications**—This budget reinforces our commitment to ensure that no Oregonian is left behind in the information age. It continues to support the \$120 million investment to bring broadband voice, data, and video services to rural and disadvantaged communities and businesses across Oregon through Senate Bill 622, which the 1999 Legislature passed. To date, hundreds of schools have gained high speed Internet connections. More than 40 communities are slated to receive high speed Internet service in the next 18 months. The Oregon Economic and Community Development Department (OECDD) will provide hands-on technical assistance and training to rural communities and businesses to encourage the use of this technology.

The State of Oregon will continue to leverage state investments through the Enterprise to bring this technology to even more communities. In addition, the State will encourage competition in local services to stimulate the use of technology. The OECDD will aggressively pursue the location (and relocation) to rural Oregon of businesses that need high speed Internet access but are not location-dependent.

Lastly, we look forward to a thorough discussion of the recommendations of the Oregon Internet Commission report (which will be issued this month) and its implications for rural Oregon.

**The Community Solutions Network**—This budget provides \$3.5 million to take full advantage of the infrastructure investments mentioned above through the Community Solutions Network. This network has three components. The first component is comprised of nine Regional Community Solutions Teams, each of which includes a representative from the five agencies that affect how communities develop physically: Transportation, Housing, Economic Development, Land Use and Environmental Quality. The second component is comprised of five Regional Coordinators, who will work with the Regional Teams. The final component is the continuation of the Community Development Office. This office, in conjunction with the regional teams and their coordinators, will continue its efforts to encourage state agencies to work collaboratively in a problem-solving mode, and will provide technical support and on-the-ground assistance to local communities throughout Oregon.

## **Strengthening Rural Communities**

This budget maintains and enhances resources available to improve the quality of life in rural communities.

**The Community Incentive Fund**—This fund is a \$35 million sub-account in the 21<sup>st</sup> Century Community Fund. It will provide communities throughout Oregon with incentives to rehabilitate downtown buildings, enhance sidewalks along main streets, encourage mixed-use development and take full advantage of important historical assets. Investments of this nature can restore a sense of pride in the community, increase tourism, and ultimately assist in the recruitment of new businesses.

**The Regional and Rural Investment Funds**—This fund provides \$20 million in lottery funds to help counties with community development. Many rural communities do not have the local staff capacity or the resources to write grants or make loan applications. The rural component of this fund can be used to enhance local capacity as well as to provide the final piece of financing for important local projects.

**Sustainability**—This budget provides \$300,000 to help sustain rural economies through the Oregon Sustainability Initiative. This effort has three components. First, to develop a partnership between Portland area businesses and rural communities to explore opportunities to expand Oregon-based businesses where jobs are most needed. Second, to examine state purchasing policies to give rural and distressed urban communities better opportunities to provide goods and services. Third, to explore options for transferring more state agency operations into rural communities.

## **Stabilizing our Natural Resource-Based Industries**

**Brand Oregon Marketing Campaign**—This \$3 million General Fund investment will be used to establish a joint effort between the Oregon Department of Agriculture and Tourism Division of the OECD. This effort is aimed at increasing the sale of value-added Oregon natural resource products in select markets and to increase visitor expenditures from those markets. By leveraging a common marketing message between agriculture and tourism, we can significantly increase the potential for new domestic and foreign export markets for Oregon's natural resource products.

While the agriculture and the wood product industries will continue to be a cornerstone of the rural economy, their future stability depends on their willingness to examine and modify their practices including marketing, production, and their land management practices.

***Sustainable Rural Oregon . . .***

At the same time, we all—especially the conservation community—must recognize that rural communities need and deserve economic stability. In short, Oregonians need to separate people from practices. We must acknowledge the legitimacy of those in the natural resource industries to earn a living and of their contribution to our state, even as we work to help them modify their practices.

First, the practice of producing unprocessed bulk commodities for export into the world market must be replaced by the realization that the future of Oregon's natural resource industries lies in value-added processing and marketing efforts that differentiates our commodities from those of our competitors. This is exactly what the Brand Oregon Marketing Campaign was created for.

Second, land management practices must be examined and modified to reduce the impact of those activities on our natural environment. The key to success here is our ability to recast the environmental debate in a way that recognizes and balances a broad range of interests and values. Toward that end, my administration has put in place a variety of tools which have helped reduce polarization and increase collaboration, including the Oregon Plan for Salmon and Watersheds, the Healthy Streams Partnership, and the Eastside Forest Health demonstration project. While not directly related to the budget for a "Sustainable Rural Oregon," these initiatives are integral to our success.

## *The Oregon Health Plan*

***The Oregon Health Plan must meet significant new challenges in the coming years but is well-positioned to continue to provide health care and thousands of Oregonians who would otherwise have no care.***

My recommended budget maintains the Oregon Health Plan (OHP) near its current service and eligibility levels, thus fulfilling our commitment to children, low-income adults, and seniors. In conjunction with this budget, I will seek legislation to address the major problems facing the OHP and to remove the obstacles which keep us from moving toward universal coverage.

Since 1994, more than one million Oregonians have received health care through the Oregon Health Plan. The OHP has been a major factor in increasing the number of Oregon newborns who have received proper prenatal care, thus decreasing the number of low birth-weight babies born in our state.

The OHP has helped ensure that Oregon children are properly immunized and it has reduced the number of children who attend school suffering from dental problems. The OHP has been responsible for higher levels of mammography and other preventive services among low-income Oregon adults. In short, the Oregon Health Plan has become a central element in the State's effort to provide the health care necessary for Oregonians to become self-sufficient.

Nonetheless, the OHP continues to face a number of budgetary and regulatory challenges that must be addressed if this important program is to be sustained for future generations.

### **The Shift to a Community-Based Delivery System**

The initial emphasis on using commercial managed care companies for delivering OHP services has begun to shift to one that uses smaller community-based organizations which specialize in serving OHP patients. This approach, pioneered by providers in central Oregon, Linn and Benton Counties, Douglas County and elsewhere, is now being adapted in larger communities including Portland, Salem, and Eugene.

The approach is built around the concept of distributing the responsibility and resources for the OHP equitably among providers in a given community. In the best tradition of community support, doctors, hospitals, and commercial insurers have been working together to create transitions to community-based services that fit the particular needs of each area.

To support this important transition, my budget will couple a substantial increase in capitation rates with a concerted effort to reduce the cost of administrative requirements and an examination of how the State can assume more risk. Legislation will be introduced to seek standardization of the reporting requirements of health plans that contract with the OHP.

*The Oregon Health Plan . . .*

### Medical Inflation

Double-digit medical cost inflation is putting pressure on both the private and the public health care systems. The OHP is not immune to this problem. The greatest pressure comes from the unprecedented increase in the cost of prescription drugs. To keep pace, the OHP budget for pharmaceuticals will increase 60 percent over the next two years. This accounts for over half of the budget increase in the OHP and comes to slightly over \$126 million in General Fund dollars. Clearly, this trend is not sustainable.

Efforts to control these increases have been hampered by Oregon's statutory prohibition against the use of formularies and by resistance to methods of controlling inappropriate utilization of drugs. Legislation will be needed to manage this cost increase. We need to allow the use of a formulary as well as a renewed commitment from physicians to utilize medications demonstrated to be the most cost-effective in their class.

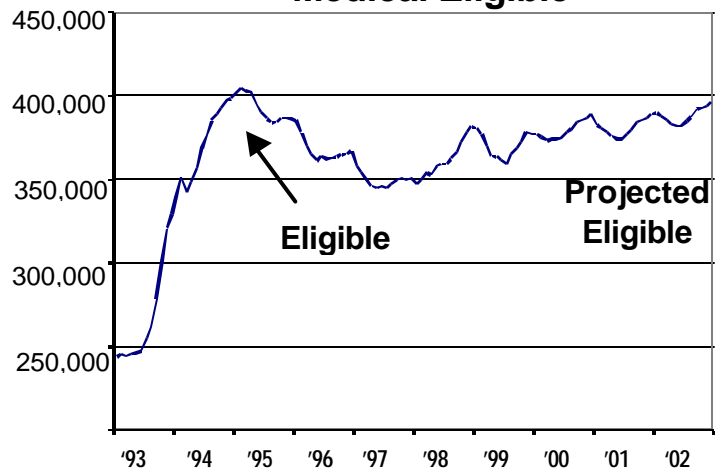
### Federal Waivers

The Oregon Health Plan was envisioned as far more than an improved Medicaid program. When created by the Legislature in 1989, the OHP was a comprehensive strategy for providing health insurance coverage for virtually all Oregonians. Since that time, the requirement for employers to provide health insurance for workers has been repealed, leaving a large number of working Oregonians and their families without health insurance and unable to afford the cost of health insurance premiums on their own.

To compensate for this, the OHP was expanded to care for pregnant women and children with incomes up to 170 percent of the federal policy level. The Family Health Insurance Assistance Program was created to assist additional Oregonians with similar incomes who do not qualify for Medicaid. Efforts to further address the needs of the uninsured have been frustrated by a lack of resources and by rigid federal policies which force us into all-or-nothing coverage decisions and one-size-fits-all benefit packages.

Legislation will therefore be introduced to challenge these restrictive federal policies that prevent Oregon from creatively using federal funds to expand coverage and access to care. This legislation will direct the state to obtain additional federal waivers that would allow more flexibility in eligibility and benefit design, as well as the judicious use of co-payments to obtain the maximum possible benefit from the federal funds the state receives.

**DHS Office of Medical Assistance  
Medical Eligible**



## *Oregon Plan for Salmon and Watersheds*

*The Oregon Plan for Salmon and Watersheds has helped restore watersheds and salmon habitat across Oregon. This budget increases the overall state investment in this program by \$8 million and continues to build on the work of the previous two biennia.*

### **The Oregon Plan for Salmon and Watersheds (OPSW)**

Oregon's innovative plan to restore watershed health has been in effect since 1997. The OPSW is a state led effort to recover listed and at-risk salmonids, plus improve water quality across the state. Local, state, tribal, and federal government, watershed councils, soil and water conservation districts, landowners and many others are working to assess watershed conditions, to develop and implement locally-based strategies to address watershed health concerns, and to monitor the effectiveness of these actions.

The first budget for the OPSW, passed in 1997, provided \$30 million in state General Fund and private funds to begin the implementation of the plan during the 1997-99 biennium. Over half of this funding was in the form of grants to landowners, watershed councils and others through the Governor's Watershed Enhancement Board (GWEB) program. In 1998, voters passed Ballot Measure 66 dedicating a portion of lottery revenues to salmon and watershed restoration. This resulted in an increase in state funding for the OPSW to \$55 million in the 1999-2001 biennium. In addition, the GWEB was transformed from a program to an agency and renamed the Oregon Watershed Enhancement Board.

The increase in state investment in the OPSW that is reflected in my budget was achieved through budget reductions and efficiencies across the natural resource agency budgets. This increased state commitment, combined with federal funds from the National Marine Fisheries Service, will result in:

- Institutionalization of the OPSW by shifting responsibilities from the Governor's Office to OWEB;
- Completion of nine of the 12 Total Maximum Daily Load (TMDL) plans in the Willamette Basin by 2003;
- Implementation of the pesticide use reporting system;
- Increased funding for watershed council support grants;
- Increased funding for watershed assessments, monitoring and outreach;
- Adequate fiscal staff at OWEB to manage Ballot Measure 66 and other increased grant funds;

*Oregon Plan for Salmon and Watersheds . . .*

- Continuation of the state led Klamath Basin adjudication process;
- Start up of a new water stewardship and supply program;
- Start up of a Senate Bill 1010 monitoring program;
- Full funding for the Independent Multidisciplinary Science Team (IMST);
- Base funding for the implementation phase of the Willamette Restoration Initiative; and
- Implementation of recommendations from the Forest Practices Advisory Committee to improve forest practices, thus providing better protection for salmonids and water quality

## A Budget Overview

# Producing a Balanced Budget

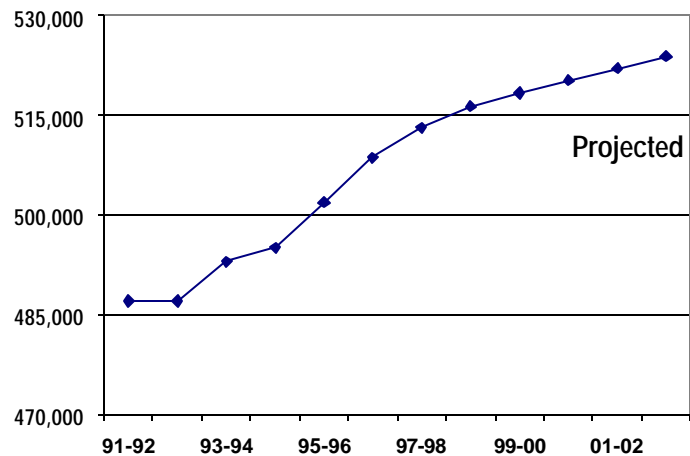
As mandated under state law, the Governor Budget is required to balance and rely only on the revenues predicted under current laws. In addition, this budget also proposes plans to meet the challenges we face in education, early childhood development, health care and rural and community infrastructure needs. These issues are addressed without new or increased taxes.

## The Budget Process

The budget process is an ongoing one. State agencies continually gather information on performance and outcomes in order to engage in a meaningful planning process with their stakeholders. Agency information is then submitted to the Governor. He reviews the information presented by all agencies and then crafts a budget recommendation for consideration by the Legislative Assembly. These agency requests generally include:

- Funding to continue the services provided under current laws. The costs are adjusted for estimated inflation and caseloads.
- Funding for any proposed new or expanded services.
- Suggestions on what services are no longer needed and what to cut if state funds prove insufficient.

**# of Students in K-12 Schools**



The state economist forecasts how much the state will have under current laws to fund the state budget. The total agency requests always equal more than forecast state funding could cover. Therefore, the Governor must decide what increases and decreases he will recommend to stay within available funds. He may propose new funding, shifts in funding, or cuts in some programs so the state can pay for other needs.

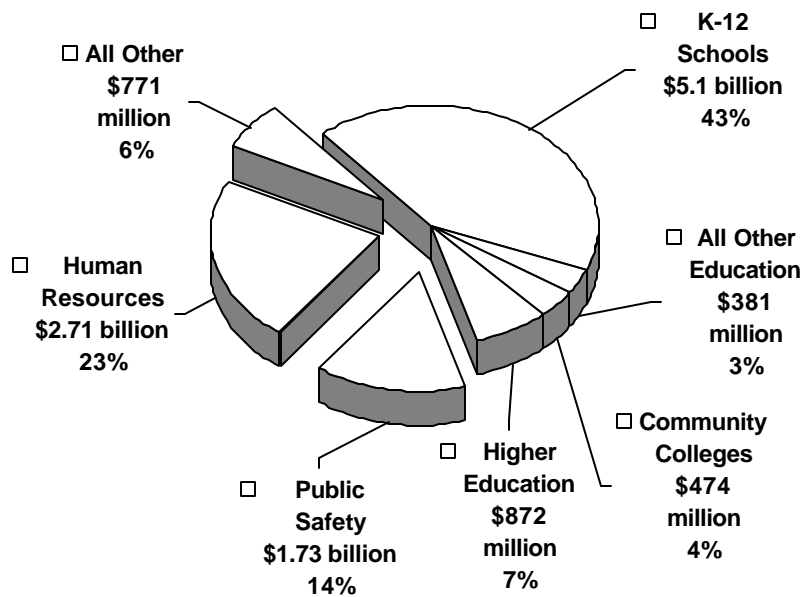
The Governor's Recommended Budget sets a balanced plan for state funding priorities. The Legislature evaluates the Governor's Recommended Budget and hears public testimony for and against each part of the proposed plan. The Legislature then deliberates to a final budget that it enacts as a series of laws. Those laws then control state spending for the next two years.

**A Budget Overview . . .**

Governor Kitzhaber's Recommended Budget provides total funding for most agencies at a level that covers estimated inflation and caseload increases. Inflation and caseloads are always estimates. So, some services are funded at less than an agency requested, but within a reasonable range. Some services are shifted from state taxes to other funding sources and some agency requests are reduced so that more pressing needs can be met.

**General Fund and Lottery Expenditures**

The Governor's Budget puts 57 percent of the General Fund (state tax dollars) and Lottery Funds into education. The second largest share, 23 percent, goes to human resources programs. There, state tax dollars are mostly used to meet matching funds or service-level requirements to qualify for federal funds. At 14 percent, public safety is the third largest user of state tax revenues. The state budget leaves a reserve of less than one percent as a General Fund ending balance. That reserve stands against the risk that actual revenues may be less than forecast.



## Program Highlights

Following are program area highlights from the Governor's Budget. For a detailed explanation of program areas and agency budgets, see the *Governor's Budget* for 2001-03.

### Education

#### *Overview*

This program area includes support for *all* public educational activities—from pre-kindergarten, to post-secondary and life-long learning. Agencies in this program area include the Department of Education, the Teacher Standards and Practices Commission, the Department of Community Colleges and Workforce Development, the Oregon Student Assistance Commission, and the Department of Higher Education. Also included is state support for the Oregon Health Sciences University public corporation.

#### *Key elements of this program area include the following:*

- \$220 million for a *K-12 School Improvement Fund* that will make investments to bring all kindergarten through 5<sup>th</sup> grade students up to state standards for reading. Half of this funding comes from tobacco settlement funds, while the other half comes from a reduction in the State School Fund and redirects the funding to these new investments.
- \$5 million available in local option equalization grants for lower property-wealth districts that pass local option property tax levies.
- \$45 million in additional funding to community colleges to help pay for large increases in student enrollment.
- \$20 million in General Fund to improve the quality of engineering and computer science programs, and to increase the number of graduates from these programs.
- \$10 million in tobacco settlement funds to expand biotechnology infrastructure at Oregon Health Sciences University, beginning in 2002-03. These resources are intended to pay debt service costs for a new facility beginning in the second year of the biennium. In future biennia, \$10 million per year will be needed for debt service.

### Human Resources

#### *Overview*

This program area pays for support services to help Oregonians be as self-sufficient as their abilities allow. Services in this area place an emphasis on prevention and intervention for Oregonians in need. Agencies in this program area include the Department of Human Services, the Commission for the Blind, the Oregon Commission on Children and Families, the Oregon Disabilities Commission, the Insurance Pool Governing Board, the Long Term Care Ombudsman, and the Psychiatric Security Review Board.

***A Budget Overview . . .***

***Key elements of this program area include the following:***

- Allocation of \$66 million in funding for the Oregon Children's Plan— a plan that targets resources to high-risk children to prevent negative outcomes. \$29 million of new resources are used and \$37 million of funds redirected from other programs. All first births will be screened for medical and psychosocial risk. Targeted services provided by state and local partners will address issues identified.
- Increases funding to the Oregon Health Plan by over 20 percent to pay double-digit cost increase, driven by 60 percent increase in prescription drug expenses over the next two years.
- Reorganizes the Department of Human Services administrative structure to better serve clients. The Department expects to achieve better community and client outcomes through better collaboration, integration, and shared responsibility with the new structure.

**Public Safety**

***Overview***

This program area encompasses those agencies responsible for ensuring the public safety of Oregon's people, property, and natural resources. Agencies in this program area include the Department of Corrections, the Oregon Criminal Justice Commission, the Dispute Resolution Commission, the Department of Justice, the Oregon Military Department, the Board of Parole and Post-Prison Supervision, the Department of Public Safety Standards and Training, the Department of State Police, the Oregon Youth Authority, as well as District Attorneys and their Deputies.

***Key elements of this program area include the following:***

- Increases funding for Governor's Juvenile Crime Prevention Initiative to pay for basic services, prevention grants, and evaluation and administration.
- Establishes pilot programs offering parent-training and therapeutic visiting for inmates at two Department of Corrections institutions as part of the Oregon Children's Plan.
- Eliminates 157 officers at the Department of State Police—17 percent of all sworn positions. Patrol staffing is reduced to 446 officers; the number authorized at the beginning of the 1999-2001 biennium. Criminal detectives are reduced by 29 percent; fish and wildlife officers by 17 percent.
- Eliminates funding for 150 accountability camp beds operated by the Oregon Youth Authority, a 13 percent reduction. OYA will have fewer beds available for juvenile property offenders.
- Reduces funds at the Oregon Youth Authority for parole and probation, foster care, residential care, individual services, and county diversion grants. Multnomah County gang services funding is eliminated.
- Centralizes alcohol and drug treatment, education programs, mental health services and other Department of Corrections programs in those prisons best able to offer the programs. Inmates will be housed in institutions with programs appropriate to their incarceration/transition plans. Morning exercise yards are closed and various inmate activities are reduced or eliminated.

## **Natural Resources**

### *Overview*

This program area includes agencies that manage Oregon's natural resources for present and future generations, while supporting a sound and sustainable economy. Key to this program area is the *Oregon Plan for Salmon and Watersheds*—an effort by thousands of Oregonians to restore the health of watersheds. Agencies in this program area include the State Department of Agriculture, the Columbia River Gorge Commission, the Department of Environmental Quality, the State Department of Fish and Wildlife, the State Department of Forestry, the Geology and Mineral Industries, the Land Conservation and Development Department, the Land Use Board of Appeals, the State Marine Board, the State Parks and Recreation Department, the Division of State Lands, and the Water Resources Department.

### *Key elements of "Oregon Plan" efforts that are part of this program area include:*

- Addition of a position at the Department of Agriculture to monitor Senate Bill 1010 implementation and effectiveness.
- Addition of riparian specialists at the Department of Forestry to help implement forest practices recommendations and their effect on watersheds.
- Continuation of funding for staff at the Department of Environmental Quality to complete plans required by the federal government for improving water quality. The budget also adds positions to monitor implementation of the plans.
- Provision of funds to begin the development of basin-wide assessments for each river basin in the state.
- Continuation of funding for staff to work on counts of groundfish at the coast.
- Continuation of ongoing recovery efforts for steelhead restoration across natural resource agencies.

## **Economic and Community Development**

### *Overview*

This program area includes agencies that aid businesses, communities, and people by providing economic and cultural enhancements throughout the state. These agencies participate in activities including job creation, placement and retention services, housing and infrastructure financing, business loans, and training. Agencies in this program include the Oregon Economic and Community Development Department, the Employment Department, the Oregon State Fair and Exposition Center, the Housing and Community Services Department, and the Department of Veterans' Affairs. Also includes funding for Oregon Public Broadcasting and the Oregon Historical Society.

***A Budget Overview . . .***

***Key elements of this program area include the following:***

- Provide loans and grants, backed by \$196 million in Lottery bond proceeds, from the Oregon Economic and Community Development Department for infrastructure and community facilities.
- Add resources to the Housing and Community Service Department by diverting \$1.4 million General Fund from the Housing Development Grant Program to address homelessness and poverty issues.
- Provide \$35 million in Lottery-backed bonds for Community Incentive Fund—a fund that will be used to rebuild downtowns and main streets; promote development of affordable housing near jobs and transportation; and rebuild rural and distressed communities.
- Expand health and safety reviews to include all child care providers, enhance child care opportunities for post secondary students and parents in alcohol and drug treatments, and increase payments to child care resource and referral agencies.

**Other Programs**

***Overview***

This area includes funding for a range of other program areas in state government such as *administration, transportation, and consumer and business services*. *Administrative-related* agencies provide policy direction and core central services to state government. This program area includes funding for the Department of Administrative Services (DAS), the Department of Revenue, advocacy commissions, the Public Employees Retirement System, and some statewide elected officials. *Transportation-related* agencies, the Oregon Department of Transportation and the Department of Aviation, work to ensure that the state's transportation network is both safety and reliable, and that it enhances Oregon's economic competitiveness. Agencies within the *consumer and business service* program area work to protect the public, workers, and small businesses. Agencies in this program area include the Public Utility Commission, the Bureau of Labor and Industries, and the Department of Consumer and Business Services.

***Key elements of this program area include the following:***

**Administration**

- Increases tax compliance staff at the Department of Revenue, which will enhance the state's ability to monitor tax compliance and increase consumer education efforts.
- Includes funding for planned construction and maintenance of new state buildings and statewide technology projects.
- Strengthens DAS' ability to serve as the core management agency for state government.

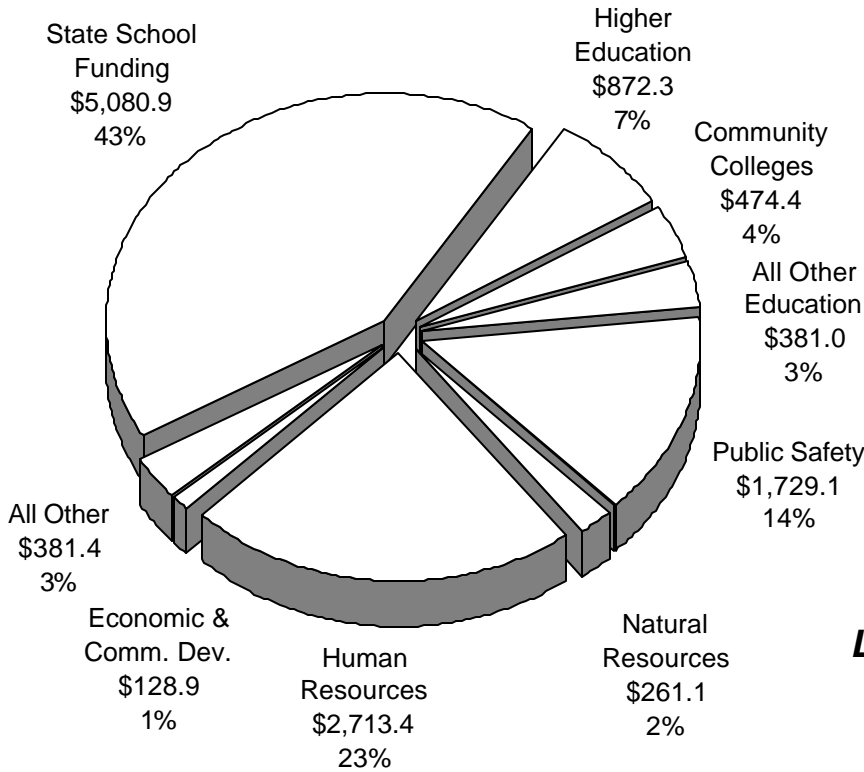
**Transportation**

- The Oregon Department of Transportation is facing flat revenues. The agency is balancing to existing resources rather than proposing a new gas tax. Resources are reallocated internally to focus on highway and bridge preservation.

**Consumer and Business Services**

- Funding for increased staff is provided so that many of the agencies can address increased workload and increased enforcement activities.
- The implementation of Senate Bill 622, which created an Oregon Universal Service Fund within the PUC, which will subsidize the cost of telephone services in high-cost regions of the state.
- Extension of the Residential Service Protection Fund, which under current law will expire December 31, 2001. The programs funded with these dollars serve low-income and hearing and speech-impaired Oregonians.

# Budget Charts

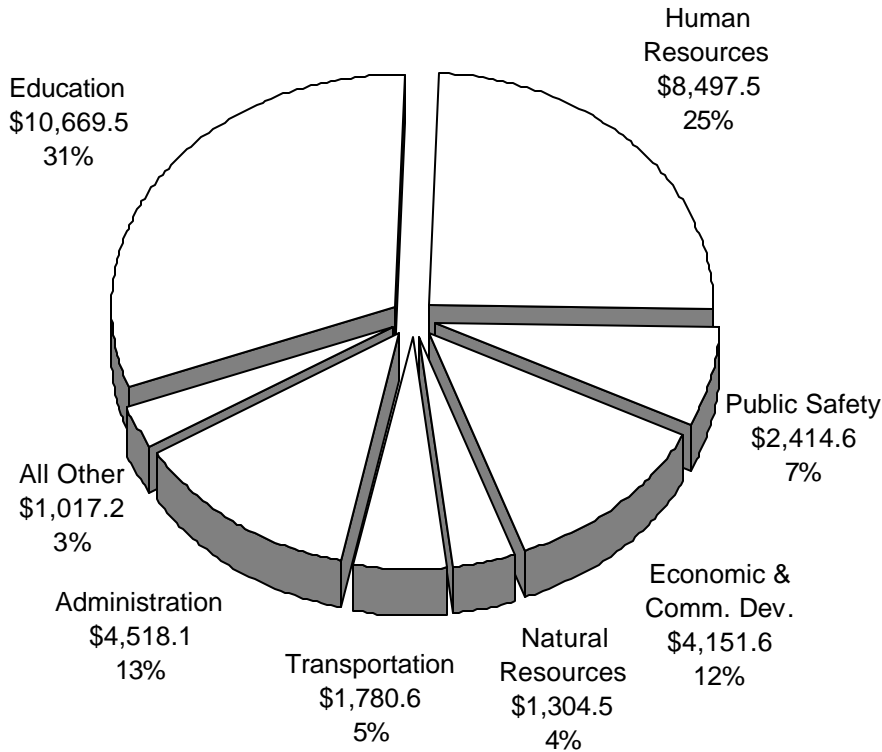


**2001-03  
GENERAL FUND AND  
LOTTERY EXPENDITURES  
BY PROGRAM AREA  
\$12.022 BILLION**

- - - Recommended - - -

(All figures in millions and rounded.)	1999-2001 Approved GF & Lottery	2001-03 General Fund	2001-03 Lottery	2001-03 GF & Lottery
<b>Education</b>				
K - 12	\$4,670.5	\$4,945.4	\$257.7	\$5,203.1
Community Colleges	431.2	474.4	0	474.4
Higher Education, including OHSU	871.5	866.9	5.3	872.3
Other Education	175	194.3	64.4	258.7
<b>Human Resources</b>	2,294.8	2,707.2	6.2	2,713.4
<b>Public Safety</b>	1,556.4	1,725.7	3.4	1,729.1
<b>Economic and Community Development</b>	101.9	32	96.9	128.9
<b>Natural Resources</b>	223.9	162.5	98.6	261.1
<b>All Other:</b>	288.5	361.4	20	381.4
<b>Total</b>	<b>\$10,614.8</b>	<b>\$11,469.9</b>	<b>\$552.6</b>	<b>\$12,022.5</b>
<b>Other includes:</b>				
Administration	140.1	147.7	0	147.7
Legislative Branch	57.6	53.1	0	53.1
Transportation	23.8	18.2	20	38.2
<b>Consumer &amp; Business Services</b>	12.7	12.4	0	12.4
SAIF, Emergency Board funds	54.4	130	0	130
<b>Public Safety includes:</b>				
Judicial Branch	365.3	402.8	0	402.8
Public Safety	1,191.1	1,323	3.4	1,326.4

*Budget Charts . . .*



**2001-03  
All Funds  
Expenditures by  
Program Area  
\$34.354 BILLION**

(All figures in millions and rounded.)

	1997-99 Approved	1999-2001 Recommended
Education	\$9,372.8	\$10,669.5
Human Resources	7,651.5	8,497.5
Public Safety	2,339.8	2,414.6
Economic and Community Development	3,493.5	4,151.6
Natural Resources	1,281.9	1,304.5
Transportation	2,133.7	1,780.6
Consumer & Business Services	596.3	829.3
All Other:	4,067.3	4,706.0
<b>Total</b>	<b>\$30,936.9</b>	<b>\$34,353.6</b>
Other includes:		
Administration	3,950.3	4,518.1
Legislative Branch	62.6	57.8
SAIF and Miscellaneous	54.4	130.0
Education includes:		
K - 12	5,378.8	5,871.3
Community Colleges	538.6	597.5
Higher Education, including OHSU	3,018.8	3,745.2
Other Education	436.7	455.5
Public Safety includes:		
Judicial Branch	374.6	411.6
Public Safety	1,965.2	2,003.0

