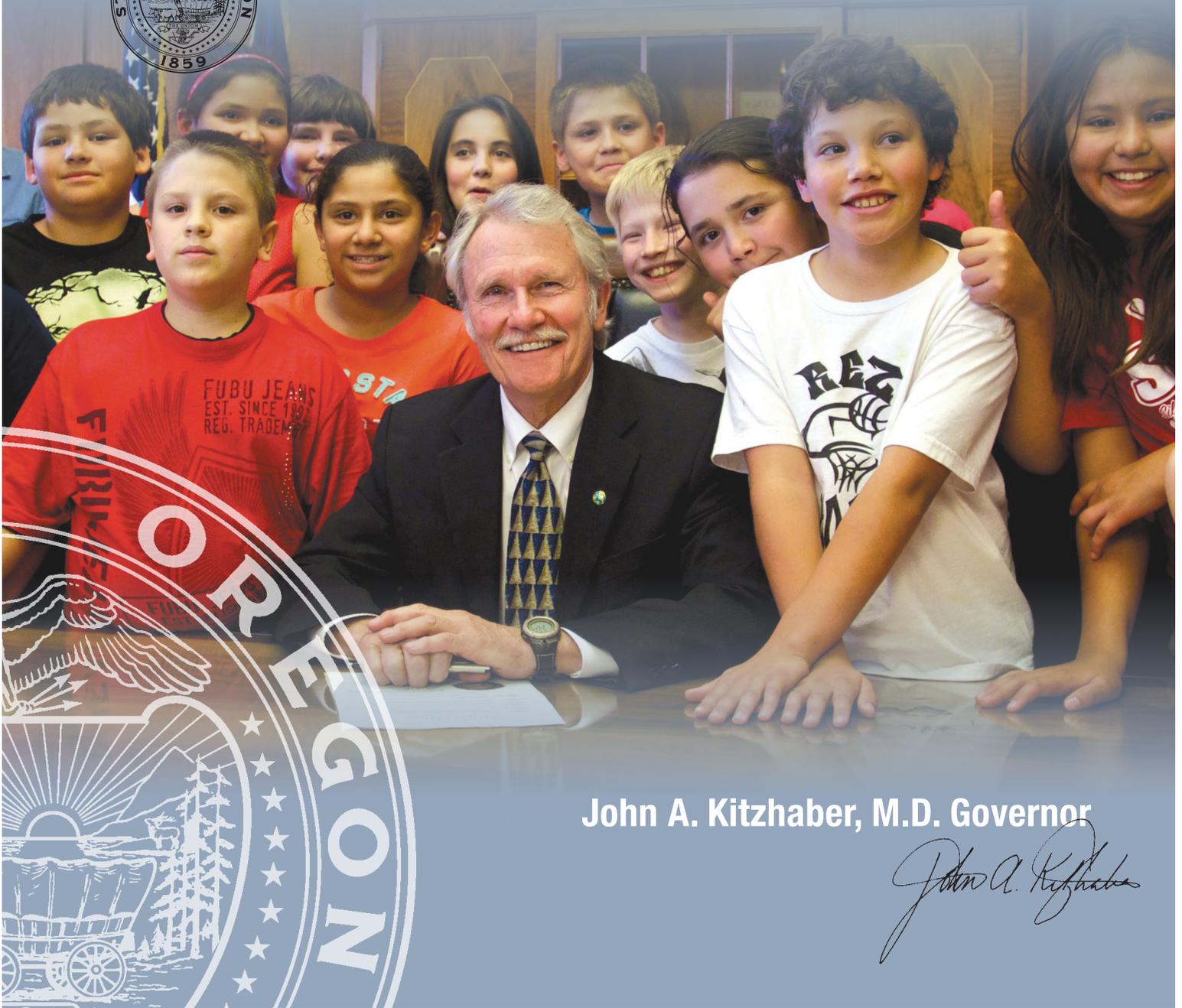


2015 - 2017

GOVERNOR'S OPPORTUNITY & INVESTMENT BUDGET

STATE OF OREGON



John A. Kitzhaber, M.D. Governor



JOHN A. KITZHABER MD
GOVERNOR

Governor's Budget Message

Investing in children and families • Creating good Jobs • Building statewide prosperity

Fellow Oregonians,

Together over the last four years we have worked hard to rethink how government works in Oregon, seeking new ways to invest in our children, expand access to health care and improve our economy.

Because of that work we have an opportunity today to significantly invest in our system of public education and ensure our children have a fair shot at the American dream. We also have the opportunity to invest in rural Oregon and improve the safety of our communities.

My proposed 2015-17 budget is about priorities, not programs. It is driven by the principle that we all want the same things. We all want to be able to meet our basic needs and the needs of our families. We want to believe that we have the opportunity to achieve our full potential, that hard work is rewarded with a better life, and that we can leave our children better off than we were, both economically and environmentally.

This budget is also part of our strategic 10-year Plan, aimed at leveraging our state resources in ways that improve the lives of Oregonians and ensure prosperity for all. It is a true equity budget because the goals and outcomes will ultimately help to reduce disparities and increase equity throughout the state.

We've come a long way. Four years ago, we faced daunting challenges: double-digit unemployment, soaring health care costs and a \$3.5 billion budget gap. We came together as Oregonians and took those challenges head on, creating a new model for health care that will save the state \$3 billion over the next eight years, reforming our education system and realigning our public safety system to prioritize the safety of our communities over simply building new prison beds.

Oregon has created more than 100,000 new jobs since 2011, we secured a historic \$1 billion investment in education over the last two years and we have dramatically expanded access to affordable health care. Today 95 percent of Oregonians have health insurance coverage.

But not everyone has shared equally in Oregon's recovery. Oregon is ever evolving. Our cities and towns have become rich with growing communities of color who enhance our lives with deep traditions, new languages and broadening perspectives. Additionally, our rural communities are steeped in a long history of hard work and strong values. However, despite these important contributions to Oregon's foundation, parts of rural Oregon and communities of color still face double-digit unemployment rates and there is more work to do to meet our commitment to the class of 2025 that they all obtain a high school diploma.



JOHN A. KITZHABER MD
GOVERNOR

My budget includes \$808 million in targeted investments in education from birth to postsecondary education and training. These investments will accelerate progress toward our 40-40-20 goal: that by 2025 all Oregonians will have a high school diploma or its equivalent, 40 percent will get at least two years of post-secondary education or training and hold an associates degree or technical certificate, and 40 percent will hold a bachelor's degree or higher.

The budget funds all-day Kindergarten and early learning initiatives that will build a bridge from age three to third grade, ensuring that in four years 95 percent of Oregon children are reading at grade level in third grade. It makes investments building a similar bridge from ninth grade to college – including investments in STEM and CTE – ensuring that Oregon students are on track to graduate and have a pathway into a meaningful career. And the budget includes more funding for community colleges than they've seen since the Great Recession.

The budget also includes investments that will grow our economy and ensure that our economic recovery reaches every corner of the state and lifts up rural Oregon as well as historically underserved populations. Building on the success of our Regional Solutions Teams, the budget includes new resources to aid in the development of water resources statewide, including the Umatilla and Klamath basins as well as an expansion of our regional economic development strategies. This includes \$30 million to retain and create jobs in Oregon through a Working Forests and Working Farms Finance Initiative.

Finally, the budget seeks to “make work pay” by smoothing the path up the income ladder toward the middle class. A series of investments will help ensure that hard work is actually rewarded with a better life; that when low income Oregonians earn more in their paycheck, they have more resources to support themselves and their families. In addition, the budget includes a substantial investment targeted toward housing for homeless children and families.

Many of these investments are made possible because we were able to limit the growth of our prison population, reduce public pension liabilities and develop our network of coordinated care organizations. My budget aims to expand the coordinated care model to cover more public employees and make it available to small businesses to lower costs and improve their competitiveness.

By emphasizing partnerships and regional community-based investments we have put Oregon on a track toward prosperity and opened up an opportunity for significant additional investments in our children. The decisions we make today will determine the Oregon that they inherit from us. Together, we can and will make their future bright.

John A. Kitzhaber, M.D.

Governor

GOVERNOR’S OPPORTUNITY & INVESTMENT BUDGET

2015-2017

Table of Contents

INTRODUCTION

A SUSTAINABLE BUDGET	5
AN OPPORTUNITY FOR OREGON	7

PROGRAM AREAS

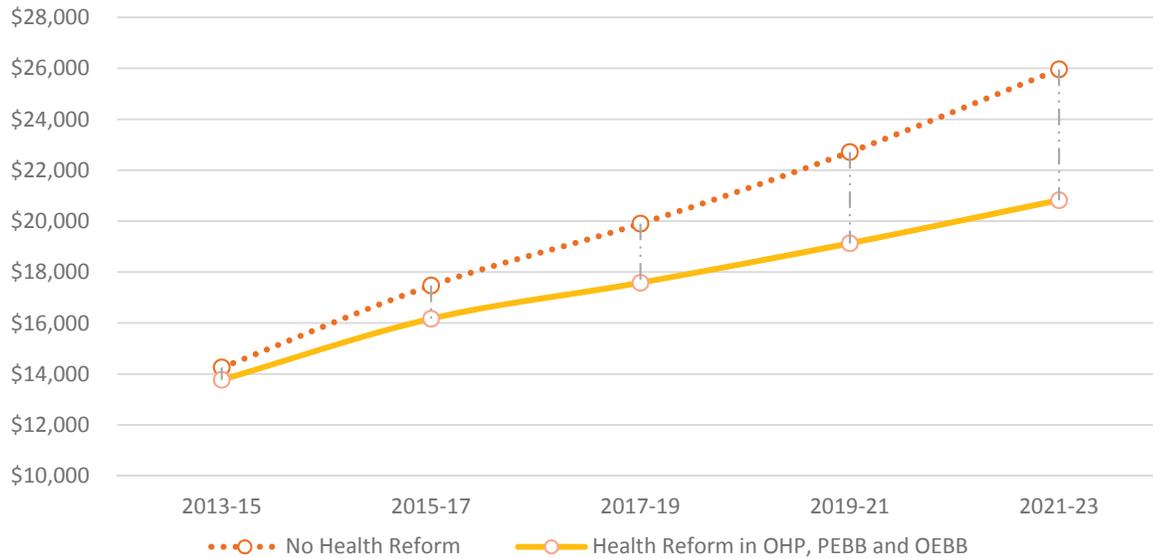
EDUCATION	9
ECONOMY AND JOBS	12
HEALTHY PEOPLE	15
HEALTHY ENVIRONMENT	17
PUBLIC SAFETY	19
IMPROVING GOVERNMENT	21

APPENDIX

2015-17 GENERAL FUND/LOTTERY FUNDS BUDGET	23
2015-17 ALL FUNDS BUDGET	24

A SUSTAINABLE BUDGET

Projected Health Care Costs (total funds in millions)



For decades Oregon has lurched from budget crisis to budget crisis, largely for one reason: the cost of providing quality schools, health care and other social services, and keeping our communities safe has outpaced the state's economic growth and tax revenue.

However, because of reforms established over the last three years, Oregon is on track to have a structural budget surplus seven years from now.

While a severe economic recession or a large tax rebate under Oregon's unique kicker law could still unbalance the state budget, the fact that we are on the brink of erasing the structural budget deficit that has been with us since the passage of Ballot Measure 5 in 1990 puts Oregon on a solid

path toward the future. As a result the Governor's 2015-17 Budget includes significant investments in education and our economy.

HEALTH CARE SAVINGS

At the heart of this transformation is Oregon's new business model for health care, which prioritizes preventive care and reduces costly hospital admissions and emergency room visits. In 2011 Governor Kitzhaber and the Legislature passed a bipartisan bill establishing a statewide network of Coordinated Care Organizations (CCOs) charged with holding down the cost of the state Medicaid system, the Oregon Health Plan.

Historically the cost of the Oregon Health Plan grew at 5.4 percent each year, outpacing state revenue,

which historically grows at 4 percent annually.

But CCOs work within a set budget that grows at 3.4 percent per member each year by focusing on improving patient health through innovation and avoiding catastrophic health crises that send patients to the emergency room and into the hospital.

In 2013, Oregon used coordinated care to step down to a 3.4 percent cap on health care costs for the Public Employees Benefits Board (PEBB), which provides health care to state workers.

Together, these reforms in Medicaid and PEBB are projected to save the state over \$3 billion in eight years.

The Governor's 2015-17 Budget includes another expansion of these reforms, extending them to the Oregon Educators Benefit Board (OEBB), which provides health coverage to teachers.

Combined, the Oregon Health Plan, PEBB and OEBB cover 1.3 million Oregonians. Under this new care model with set standards for improved health services and reduced waste and inefficiency, Oregon is on a path to save billions while improving health over the next decade.

Every dollar saved on unnecessary health expenses is a dollar that can be reinvested in children and families, education, creating good jobs and building statewide prosperity.

OTHER COST SAVINGS

Other important reforms have also contributed to Oregon's fiscal sustainability.

In 2013, the Governor and Legislature made significant changes to the Public Employee Retirement System (PERS), ensuring the long-term sustainability of PERS, eliminating \$5 billion in liabilities and reducing costs across Oregon government.

For the 2013-15 biennium alone these changes avoided about \$285 million of anticipated General Fund and Lottery Funds costs and about \$370 million of total funds costs. These savings include costs that would have otherwise been

accrued by school districts. Those dollars can now be reinvested in our classrooms – adding back lost school days and reducing class sizes.

Also, criminal justice reforms passed by the Governor and the Legislature in 2013 are projected to produce \$58.5 million in savings, which the Governor's 2015-17 Budget reinvests in local communities to reduce crime and recidivism. Because of these reforms Oregon will be able to avoid opening a new prison for the foreseeable future allowing the state to invest millions in projected operating costs into education and public safety.

AN OPPORTUNITY FOR OREGON

The Governor's 2015-17 Budget builds on the reforms of the past three years, making strategic investments that will improve the lives of Oregonians.

Education accounts for 50 percent of the budget's General Fund, with \$9.4 billion going to schools, community colleges and universities. This historic investment is structured to break down institutional barriers that are corrosive to opportunity for our children, especially students of color and those living in poverty.

Because we have found innovative ways to reduce the cost of health care, public safety and state government, we have an opportunity today to invest again in the future of our state: our children.

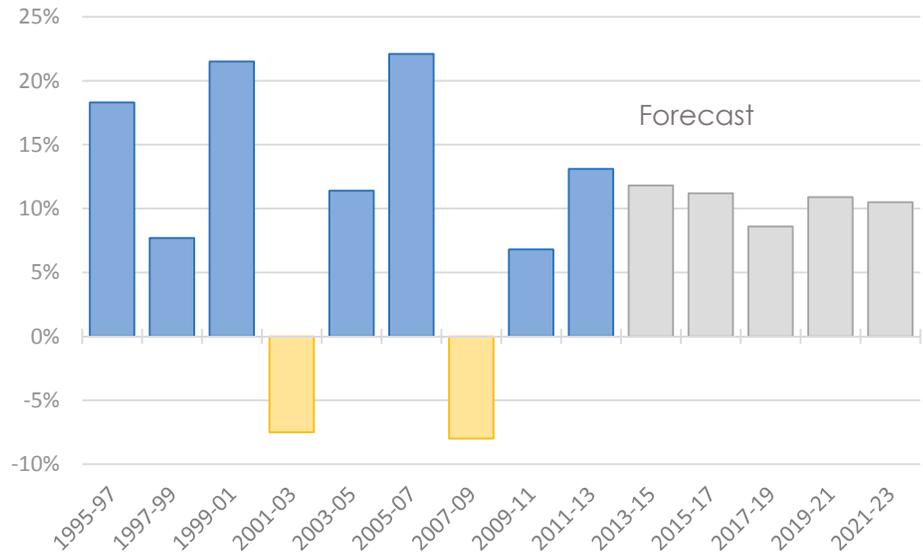
INVESTING IN EARLY CHILDHOOD

Oregon is no longer a passive funder of education. Instead, our state is an active, engaged and strategic investor. We want to know our resources are directly targeting the outcomes we want to achieve.

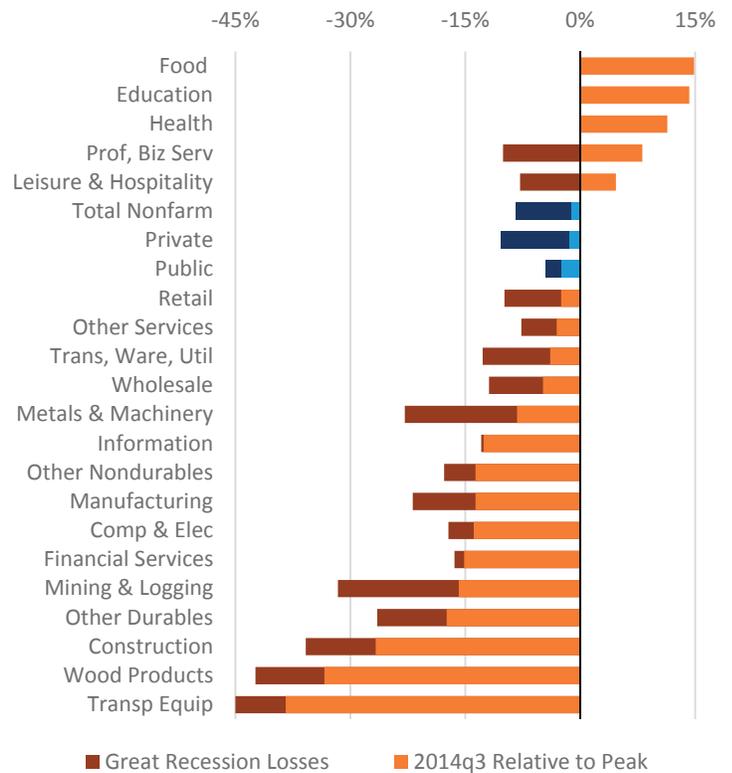
Our biggest return on investment is in early childhood, Kindergarten readiness and 3rd Grade reading. And the Governor's Budget builds a pathway from age three to grade three ensuring that every Kindergarten is ready for any student that sits down at a desk for the first time, and that more children are reading at grade level by third grade.

But these investments aim to lift up every student and teacher in this state by identifying those who need help most and ensuring the support they need is in place.

General Fund Revenue Growth



Oregon Employment by Industry



It's about inspiring the student who contemplates dropping out with career technical training that sparks her passion to complete high school. It's about helping a first-generation college student from a rural community who needs financial support to enroll in an Oregon university. And it's about enabling the first year teacher whose passion and commitment are clear, but needs mentoring to reach her full potential.

This vision is rooted in the belief that we can work together to make a difference. And throughout the budget investments are geared towards achieving clear outcomes by leveraging the power of community collaboration.

INVESTING IN COMMUNITIES

Regional Solutions teams clearing regulatory hurdles for new business development, Coordinated Care Organizations aligning community resources to improve health care and reduce costs and early learning hubs marshaling every local resource to ensure that children are ready for their first day of school are all bringing Oregonians together to solve the challenges that we face.

These strategies, and this budget, recognize the increasing diversity of Oregon by enabling regional decision-making and by investing across the entire state. Over \$200 million in targeted investments are included that will benefit rural Oregon. From investments in rural infrastructure to investments in rural innovation, these strategies are aimed at clearing the way for new jobs and opportunity in the communities hit hardest by the Great Recession.

The budget also includes tax relief for Oregonians who are working their way out of low wage jobs to ensure that hard work is rewarded and that they don't fall behind as they escape the social safety net.

And investments in community mental health services, the Oregon State Police and the Justice Reinvestment Grant Program are aimed at ensuring that all our communities are safe.

By innovating and by collaborating, we can solve big problems. We've done it before and we'll do it again. This budget is about doing it the Oregon way.

EDUCATION

VISION: OREGONIANS ARE EQUIPPED WITH THE KNOWLEDGE AND SKILLS FOR REWARDING CAREERS

Key Strategies:

- Develop a seamless education system spanning birth to college/career
- Prioritize and invest in strategies proven to raise student and social outcomes
- Build statewide systems of support and accountability

Actively investing in Oregon's future

The Governor's Budget changes the way Oregon spends on education. Instead of passively funding enrollment, the budget makes strategic investments aimed at achieving specific goals and outcomes in education.

Targeted investments worth \$808.3 million will build pathways, break down institutional barriers and ensure that children stay on track from pre-school into Kindergarten, from high school into higher education and finally into a rewarding career.

Four years ago the Governor laid out a vision of significantly expanding access to early learning for Oregon's children. Since then hard work to eliminate inefficiencies and build an infrastructure that can deliver on that promise has been done. This budget is the opportunity to really invest in that vision and make it a reality.

Finally, since the biggest way to impact student achievement is by having an excellent teacher the budget makes targeted investments to help Oregon teachers.

Pathway: age 3 to third grade

The Governor's Budget invests in early intervention, increased access to high quality early learning environments and in building an integrated pathway from early learning to kindergarten delivers on our promise for the next generation. Our commitment to 95% reading proficiently by third grade requires a multi-faceted approach including: engaged families, thoughtful transitions into kindergarten, full day kindergarten, a research-based reading program for all elementary schools, partnerships with community organizations best equipped to provide wrap-around services and additional instructional time, and high-quality teaching and school leadership.

- Pathway from age three to third grade, including funding for full day kindergarten and a major investment in early literacy. Investment: \$305 million.
- Community-based strategies for kindergarten readiness, stable and attached families, and effective systems including home visits, early interventions, pre-K to Kindergarten Partnerships, innovative preschool models, funding for early learning hubs and a significant expansion of employment related daycare. Investment: \$135 million.
- Culturally responsive teaching practices including K-12 mentoring, expansion of school district collaboration and support for low-performing districts. Investment: \$37.4 million.

Pathway: high school to higher education

These investments build more defined pathways between high school and college, prioritizing improving high school completion and college attendance rates for students of color and those experiencing poverty. They focus on research-driven leverage points that affect high school completion such as: English language proficiency by 8th grade, sufficient credit attainment and attendance rates in 9th grade, college level course-taking in high school, and the power of higher education to inspire students to complete high school.

- Formula changes and incentives for school districts to keep English language learners and ninth graders are on-track and expand career and technical education. Investment: \$119.2 million.
- Support for low-performing districts, expanded mentoring for teachers, culturally responsive teaching practice support and expansion of school district collaboration. Investment: \$37.4 million.
- Higher education affordability and productivity enhancements. Investment: \$153.7 million.
- High school to higher education pathway development through accelerated learning and math alignment and redesign. Investment: \$21 million.
- Science, technology, engineering and math (STEM) hubs and strategies. Investment: \$15 million.

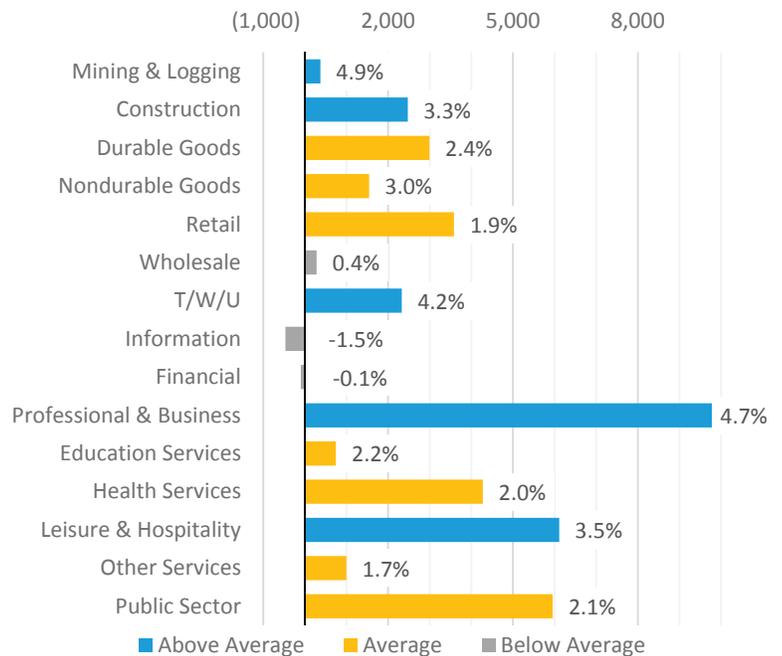
Pathway: connecting education to careers

These investments establish stronger connections between learning and future careers to increase the numbers of Oregon students with advanced education and training leading to a more vibrant economy. In doing so, Oregon will meet the demands of the workforce while ensuring that students secure employment in a field of interest to them.

- Revitalization of career technical education. Investment: \$13 million.
- Expand access to high school equivalency programs for underserved students. Investment: \$2 million.

Oregon Employment Growth

2013q3 to 2014q3



EQUITY AND OPPORTUNITY INVESTMENTS

Investing in reducing chronic absenteeism – Chronic absenteeism is significant among Oregon’s Native American students. In conjunction with Oregon’s tribes and other partners, the OEIB will lead a \$1.5 million tribal attendance pilot to support native students through stronger connections between schools, parents and families and tribal communities.

Increasing diversity in community collaboratives – The budget includes a \$2.5 million investment aimed at better integrating communities of color into early learning hubs, STEM hubs and regional achievement collaboratives.

- Expanding free school lunch – A \$3 million investment will make lunch free for students who qualify for reduced-price lunch.
- Expanding employment opportunities – A \$15 million investment will provide work opportunities for Oregonians aged 16 to 24 who are experiencing particularly high levels of unemployment.

ADDITIONAL INVESTMENTS IN HIGHER EDUCATION

The Governor’s Budget includes a \$500 million investment in the Community College Support Fund, the largest since the Great Recession. Public universities are funded above current service level and Oregon Health and Science University is funded at current service level. In addition, the budget includes a \$275.5 million capital construction package, making critical repairs and enhancements at campuses across Oregon.

ECONOMY AND JOBS

VISION: OREGON HAS A DIVERSE, DYNAMIC ECONOMY THAT DRIVES JOB CREATION AND PROSPERITY FOR ALL

Key Strategies:

- Streamline efforts to attract, grow and support businesses
- Coordinate with local government and private sector
- Develop a dynamic, resilient workforce
- Create better opportunities for people to transition off of public assistance and into living wage jobs

MAKING WORK PAY

The Governor's Budget includes investments that will help ensure that when low income Oregonians earn more in their paycheck, they have more resources to support themselves and their families. The budget includes the creation of a Working Family Addition tax credit which will help smooth out the benefit cliff for those who are moving up the income ladder from \$9.10 per hour to \$17.10 per hour. It also includes a \$55 million investment to expand the availability and quality of Employment Related Daycare. A statewide paid sick leave policy that accommodates collective bargaining agreements, works for small business, and doesn't create unintended incentives to reduce other benefits would supplement these investments and support Oregonians who are working their way out of poverty.

A FOCUS ON RURAL OREGON

The Governor's Budget includes over \$200 million in investments that will benefit rural Oregon. This package includes funding for forest collaboratives which are creating and retaining good-paying jobs in Oregon's timber industry; investments in a forest science research center working to expand the market for Oregon wood products; investments in rural infrastructure, and \$50 million for water resources projects.

INNOVATION AND ENTREPRENEURISM

The budget includes over \$40 million for state innovation funds and accelerators that drive new innovations to market. Included in that package is a \$29.3 million investment in Oregon InC, which supports the collaborative research centers Oregon Best, OTRADI, and ONAMI as well as other business accelerators.

FOSTERING OUR OWN GROWTH

Business Oregon aims to improve Oregon's business climate by improving access to capital for businesses and help Oregon businesses retain employees and expand. Oregon's business, innovation and trade program expects to create 4,000 and retain 10,000 jobs and return \$37 million in revenues to the state General Fund.

REGIONAL SOLUTIONS

The Governor's approach to community and economic development recognizes the unique needs of each Oregon region, and the importance of working locally to identify priorities, solve problems, and seize opportunities to get projects done. Through Regional Solutions state resources have been strategically aligned throughout Oregon to accomplish these goals through Regional Solutions Advisory Committees, Centers, and Teams. This alignment serves and supports the unique economic and community development needs of each region, and the regional boundaries have been strategically aligned with the 11 federally designated Economic Development Districts.

For each region, the Governor has appointed advisory committees to represent the private, public, and philanthropic sectors. Over 100 local elected officials, business representatives, foundation representatives, and citizens were appointed to advisory committees. These 11 committees established regional priorities unique to their regions.

Regional Solutions Centers have been established around Oregon to align investments in support of those priorities. Five core state agencies – the departments of transportation (ODOT), land conservation and development (DLCD), environmental quality (DEQ), housing and community services (OHCS), and business development (OBDD/Business Oregon) – have co-located their regional staff in these centers to form Regional Solutions Teams (RSTs). Coordination for these teams has been provided by the Governor's Office. The teams have been working together to complete regional priority projects and serve as quick response problem solvers.

In February 2014, the legislature adopted House Bill 4015 that established the Regional Solutions Program in law and directed seven natural resource agencies to develop plans for participating in Regional Solutions Teams to address natural resource related priorities such as, forestry, agriculture, water, brownfields, and port dredging. With this enhanced capacity teams are able to more comprehensively accelerate and align regulatory requirements.

The Governor's Budget provides \$8 million in Lottery revenue and \$14 million in Lottery-backed bond proceeds, plus the cost of issuance, to fund local and regional economic development projects identified after public input by each of the Regional Solutions Advisory Committees established under HB 4015. Each of these projects leverages other public, private and philanthropic funds to address priority regional needs.

REGIONAL INVESTMENTS

The Governor's Budget includes investments in regional priorities, local infrastructure projects, and recapitalizing the fund for brownfield clean-up which builds on Oregon's commitment to continue to see industrial lands available and ready across the state.

REGULATORY ACCELERATION

The budget creates the Alignment and Coordination Team, a small group of highly-skilled legal and technical staff with the expertise and authority to convene and drive multi-agency work to align state agencies in both regulatory and project-development arenas, particularly where the efforts have statewide importance.

TRANSPORTATION INFRASTRUCTURE INVESTMENTS

The Governor's Budget reflects his continued dedication to supporting robust investment in transportation which strengthens regional economies and creates good-paying jobs now and in the future.

- ConnectOregon VI – The Governor's Budget invests \$58.7 million in ConnectOregon VI to continue Oregon's investment in non-highway projects aimed promoting economic development by improving port infrastructure, public transportation, the aviation system, bike and pedestrian facilities, and the rail network.
- Continues passenger rail in Oregon – The budget provides General Fund, Other and Federal Funds necessary to continue passenger rail service between Eugene and Portland.
- Facilities Capital for ODOT – The budget increases funding for capital improvement projects within the Department of Transportation, and also provides the funding necessary to complete two capital construction projects that will provide the Department of Transportation with new maintenance stations in Meacham and on the South Coast.
- DMV IT systems modernization – The budget enhances the Driver and Motor Vehicles Services (DMV) Division budget to begin modernization of its computer systems, which are over 40 years old.
- Aviation operations and improvements to state airports – The budget increases aviation related registration fees for aircraft, pilots, and public airports to provide sufficient revenue for the Department of Aviation's operational expenditures; and provides funding for two capital construction projects at the Condon State Airport and the McDermitt State Airport.
- Transit service for seniors – Continued funding for senior and disabled transit services.

HEALTHY PEOPLE

VISION: OREGONIANS ENJOY GOOD HEALTH AND THE BEST POSSIBLE QUALITY OF LIFE

Key Strategies:

- Fully implement Coordinated Care Models
- Focus on prevention of chronic diseases
- Strengthen long-term care service system
- Improve access to healthy housing and nutrition

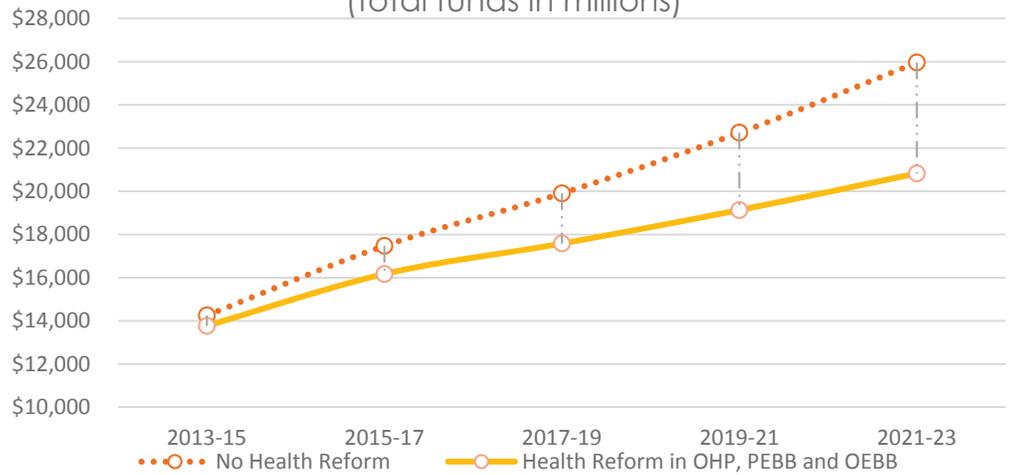
HEALTH CARE TRANSFORMATION

The Governor’s Budget for the Oregon Health Authority (OHA) shows in stark relief how Oregon’s approach toward better health and better care brings lower costs. The Oregon Health Authority purchases health care services for approximately 1,360,000 people through the Oregon Health Plan, Public Employees Benefits Board and the Oregon

Educators Benefit Board. This budget saves money and makes people’s lives better by investing in what works. It supports improved health, leverages the state’s power as a health care purchaser, reduces waste and inefficiency and sets clear standards for quality.

- Applying the coordinated care model to all health purchasing. This caps health care spending for the Oregon Health Plan, PEBB and OEGB members to below the national trends while setting standards for improved health services and reduced waste and inefficiency. Oregon is on track to save billions against future projections, avoiding shifting costs to members through holding health care providers accountable to better coordinate care. Every dollar saved on unnecessary health expenses is a dollar that can be invested in health care services for the Oregon Health Plan, education, or state workers and their families.
- Continuing support for access to health care coverage for low-income Oregonians. Today 95 percent of Oregonians have health insurance – this is a 63 percent reduction to the number of Oregonians without health coverage from 2013.

Projected Health Care Costs
(total funds in millions)



- Increasing investment by \$53.2 million in community mental health and addiction services.
- Investing in the future of public health and improving our ability to prepare and plan for public health emergencies.
- Prioritizing health care workforce development with the intention of increased Other Funds investments leveraging Federal Funds in partnership with Oregon Health Sciences University. This will expand programs targeted to address Oregon’s healthcare workforce needs, especially those aimed at enhancing access to primary care and emphasizing rural and underserved communities.
- Investing in the Healthiest State challenge to work in partnership with Oregon businesses to create and sustain healthy environments to support healthy lifestyles.

\$100 MILLION INVESTMENT IN HOMELESS FAMILIES

The Governor’s Budget includes a substantial investment of \$100 million in bonds targeted primarily to providing increased housing inventory for homeless families with children. Oregon cannot meet any of its long-term health or education goals when children are homeless, and Oregonians should find the very idea of homeless families to be unacceptable. The state, as a financier of housing, can and should play a larger role in addressing this need, in partnership with local government and non-profits who build and operate low income housing and meet the needs of homeless families.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES REDESIGN

The strengthening economy has resulted in reduced caseloads for Temporary Assistance for Needy Families (TANF). These reduced caseloads have also created General Fund and Federal Fund savings. The Governor’s Budget reinvests a substantial portion of these savings into redesigning the state TANF program. Targeted reinvestments are proposed to build the capacity of families to increase earnings and transition from TANF through an accountable, flexible, and person-centered approach. The TANF Redesign is a combination of budget reinvestment, policy changes that provide a sharpened focus for employment activities, streamlining of process and new flexibility for local investments. The TANF Redesign Proposal aligns with statewide initiatives, builds on the findings and recommendations of the Secretary of State’s April, 2014 TANF audit, and strengthens collaborations and family-centered case management to bring better results for the most challenged in Oregon.

TRANSITION FROM SHELTERED WORKSHOPS

The Governor’s Budget includes a continued investment in increasing employment for people with intellectual and developmental disabilities, as Oregon moves away from sheltered workshops.

STATEWIDE ASSISTANCE FOR OREGONIANS

The budget includes a \$1 million investment to expand statewide 211info, a toll-free phone service that connects Oregonians to state and private support programs.

HEALTHY ENVIRONMENT

VISION: MANAGE OREGON'S NATURAL RESOURCES TO SUSTAIN THE ECONOMY AND ENVIRONMENT

Key Strategies:

- Improve air and water quality
- Conserve and restore natural habitats
- Reduce exposure to toxins
- Build strong, sustainable communities

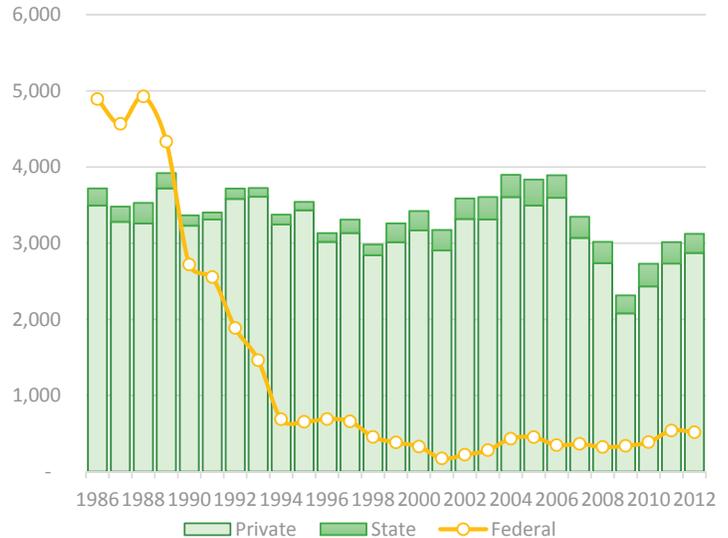
WORKING FORESTS AND FARMS

The Governor's Budget invests \$30 million to develop new tools and partnerships to conserve working forests and farms, reducing poverty in rural areas, strengthening communities, and improving our environment. This initiative continues the work begun in the 2013-15 biennium to invest in federal forest restoration through collaboratives that accelerate the pace and scale of federal forest management, providing a sustainable supply of timber for mills and creating jobs in impoverished areas of the state, while also reducing the risk of wildfire and enhancing forest health. The budget also includes funding for Oregon's All Lands All Threats Sage Grouse Plan, which aims to limit rangeland wildfires, invasive grasses and juniper, major threats to the sage grouse. The Governor plans to make a similar investment in the 2017-19 budget cycle.

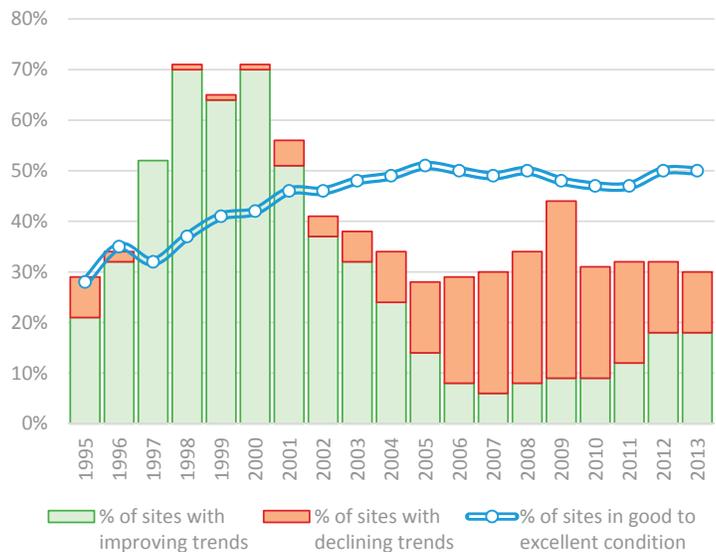
CLEAN WATER PARTNERSHIP

The budget invests \$6.3 million in resources across several agencies to complete new tools to quantify trends in watershed health and water quality. Those tools will be used to direct existing federal and state conservation funding to areas where it will result in the greatest improvements in water quality and watershed health, document the successes of well-managed lands, and identify where additional efforts are needed to make our waters safe for all of the many public benefits they provide. This initiative will also build successful market-based programs that avoid costly investment in water and wastewater treatment systems, by creating markets for additional conservation improvements in Oregon's watersheds.

Oregon Timber Harvests (millions of board feet)



Oregon Water Quality Index



INTEGRATED WATER RESOURCES STRATEGY

The budget invests \$51.6 million to continue the work begun in 2013-15 to develop an important new statewide program for water resources development. The policy foundations for this program are nearing completion, and in the meantime many areas of the state have begun to identify long-term infrastructure needs relating to water supply, including demand management and watershed restoration. The Governor is proposing to invest in all three stages of this program: place-based planning – where local interests work collaboratively to identify long-term needs and priorities; project feasibility – where local solutions are taken from the conceptual stage to specific proposals; and project finance – where the state partners with local interests and others to carry out projects that meet identified needs, by completing the policy and rule foundation of the program and focusing on regional and local, place-based processes to identify key water resource issues, needs and solutions. These efforts are located throughout the state, including the Umatilla, Deschutes, Willamette, Rogue and Klamath River basins. The Governor plans to make a similar investment in the 2017-19 budget cycle.

REAUTHORIZATION OF CLEAN FUELS

Oregon's Clean Fuels program will sunset this year without legislative action. The program has the potential to create up to 29,000 jobs, to save Oregonian businesses and citizens up to \$1.6 billion in fuel costs, and reduce greenhouse gas emissions by 10 percent over the next ten years. A broad coalition of businesses, community leaders, and organizations have signed on to support the reauthorization of the program, which is one of the Governor's top priorities.

RESTORING FUNDING FOR FISH AND WILDLIFE

The Oregon Department of Fish and Wildlife is facing a significant budget shortfall, largely as a result of declining participation in hunting and angling. The Governor's Budget includes a \$4.5 million investment in the department pending longer-term consideration of how this area of state government should be funded.

COLUMBIA RIVER GORGE COMMISSION

The budget invests \$768,028 to restore Gorge Commission capacity to coordinate local, state and federal efforts to address emerging economic and environmental challenges in the Gorge. The additional funding will enable the commission to update the Gorge Management plan, ensuring the long-term health of the gorge, increase engagement with tribal governments and engage in emerging regional priorities.

INVESTING IN LOWER COLUMBIA RIVER FISHERIES

The budget continues Oregon's investment in developing alternate commercial fishing opportunities in the lower Columbia River so that the gillnet fishery can be relocated off of the main stem of the Columbia River. Anglers in the lower Columbia pay an additional endorsement fee to contribute to the costs of these efforts, which supplement the investment of General Fund dollars.

PREPARING FOR NATURAL HAZARDS

The Northwest continues to experience a variety of natural hazards that threaten public safety and community resources. The budget contains a series of investments in seismic, landslide, flooding and other hazard programs, all of which are directed at identifying key risks and potential solutions.

PUBLIC SAFETY

VISION: OREGONIANS ARE SAFE AND SECURE WHEREVER THEY LIVE, WORK AND PLAY

Key Strategies:

- Invest in youth and families
- Prioritize proven prevention strategies
- Improve coordination with local communities and citizens

INVESTING IN COMMUNITY MENTAL HEALTH SERVICES

The Governor's Budget continues the commitment to prioritize community mental health programs by investing an additional \$53.2 million in community mental health and addiction services. In addition, the budget encourages the development of collaborative approaches to mental health treatment.

Community-based strategy

Behavioral and mental health is not only a health challenge for our communities and community members, it has effects on resources and effectiveness of the health care and public safety systems. In developing comprehensive community based alternatives to incarceration for citizens with behavioral and addiction challenges, it is important that key partners across systems are fully engaged for the largest chance of success. Community corrections directors, state and county addiction and mental health staff, Coordinated Care Organizations (CCO), as well as state and local housing agencies need to connect their resources in a way that addresses these unique needs at the regional and local level.

The Governor's Budget invests in community-based solutions through serving citizens with serious mental illness in the most appropriate setting. In the 2015–17 biennium, the Oregon Housing and Community Services Department will target portions of federal tax credits in its competitive processes toward community-based organizations that have the capacity to link new housing resources with local public safety and mental health service providers and to demonstrate cost savings by keeping high resource users out of local jails and hospitals. Incentives will be developed for partnerships that show commitments between landlords and service providers, so that any new housing resources are specifically targeted to and benefited by populations who are otherwise difficult to house.

Coordinating outcomes

Community Mental Health (CMH) services are local treatment and intervention services delivered through counties and community mental health partners to provide services in outpatient, residential, acute hospitals, and criminal justice settings. CMH has experienced several major changes in the past year, including significant program investments in the 2013-15 Legislatively Approved Budget and impact of the implementation of the Affordable Care Act. Ninety five percent of Oregonians and many Addiction and Mental Health (AMH) clients now have health care coverage, largely through the Oregon Health Plan and coordinated through Coordinated Care Organizations. CMH and the Medical Assistance Program are working closely together to coordinate the system of care and integrate physical and behavioral health services, aligning with the strategies and outcomes of the 10-Year Plan for Oregon.

By taking an integrated community based approach that leverages these state resources with other local and private dollars, we will be able to develop short and long term solutions that address both mental health and public safety objectives.

INVESTING IN COMMUNITIES

The passage of House Bill 3194 in 2013 reduced the projected growth of Oregon's prison population, allowing the state to reinvest in local communities instead of building new prisons. The Governor's Budget includes \$58.5 million for the Justice Reinvestment Grant Program, which reinvests those savings in communities who show a commitment to innovation and reducing recidivism, making their communities safer and reducing the number of Oregonians who are victims of crime.

INVESTING IN THE OREGON STATE POLICE

The Governor's Budget makes targeted investments in the Oregon State Police to expand coverage statewide and improve service to areas of Oregon that need it most. With an \$18.3 million investment, the department will maintain 17 Fish and Wildlife Division positions, add 20 new state troopers and add 33 vehicles, improving the efficiency of patrols. The budget also includes funding for the replacement of the CRIMEvue data system and the relocation of the Astoria and Springfield regional offices.

NATURAL HAZARD AND SEISMIC PREPARATION

Across multiple agencies, the Governor's Budget makes investments in seismic preparations and response to natural hazards. The budget includes \$98.5 million for seismic rehabilitation of schools and emergency service buildings. It also includes a series of investments in seismic, landslide, flooding and other hazard programs, all of which are directed at identifying key risks and potential solutions.

HELPING ABUSED AND NEGLECTED CHILDREN

The Governor's Budget makes an \$888,248 investment in the Court Appointed Special Advocate (CASA) program, a critical service for abused and neglected children. Judicially-appointed CASA volunteers advocate for abused and neglected children, ensuring they do not get lost in the overburdened legal and social service system or languish in inappropriate group or foster homes.

IMPROVING GOVERNMENT

VISION: GOVERNMENT IS RESPONSIVE, ACCOUNTABLE AND TRUSTWORTHY IN MEETING THE NEEDS OF OREGONIANS

Key Strategies:

- Streamline Government Services to Foster Collaboration
- Improve Government Engagement, Transparency and Accountability
- Utilize and Accelerate Best Practices and Partnerships

Making government work for communities

By breaking down institutional barriers, improving how tax dollars are spent, and investing in innovation the Governor’s Budget empowers local decision making and regional collaboration. Forming regional collaborations recognizes the diversity of Oregon by putting local priorities front and center.

These regional efforts to improve health (through Coordinated Care Organizations), early education (through Early Learning Hubs), education (through Regional Achievement Collaboratives), workforce (through Workforce Investment Boards) and economic development (Regional Solutions Advisory Committees) differ in design, but share common elements:

- Partnerships between public, private and civic entities.
- Empowered to create local priorities and engage the community in improving key state outcomes.
- Leveraging local, state and private resources.

The budget also includes new investments that will ensure these regional efforts continue to drive innovations that improve how government works.

CENTER FOR COMMUNITY INNOVATION

The Center for Community Innovation will ensure that the community-based collaboratives and our state agencies have access to best practices, technical assistance and support for continuous improvement. This small unit within the Higher Education Coordinating Commission will:

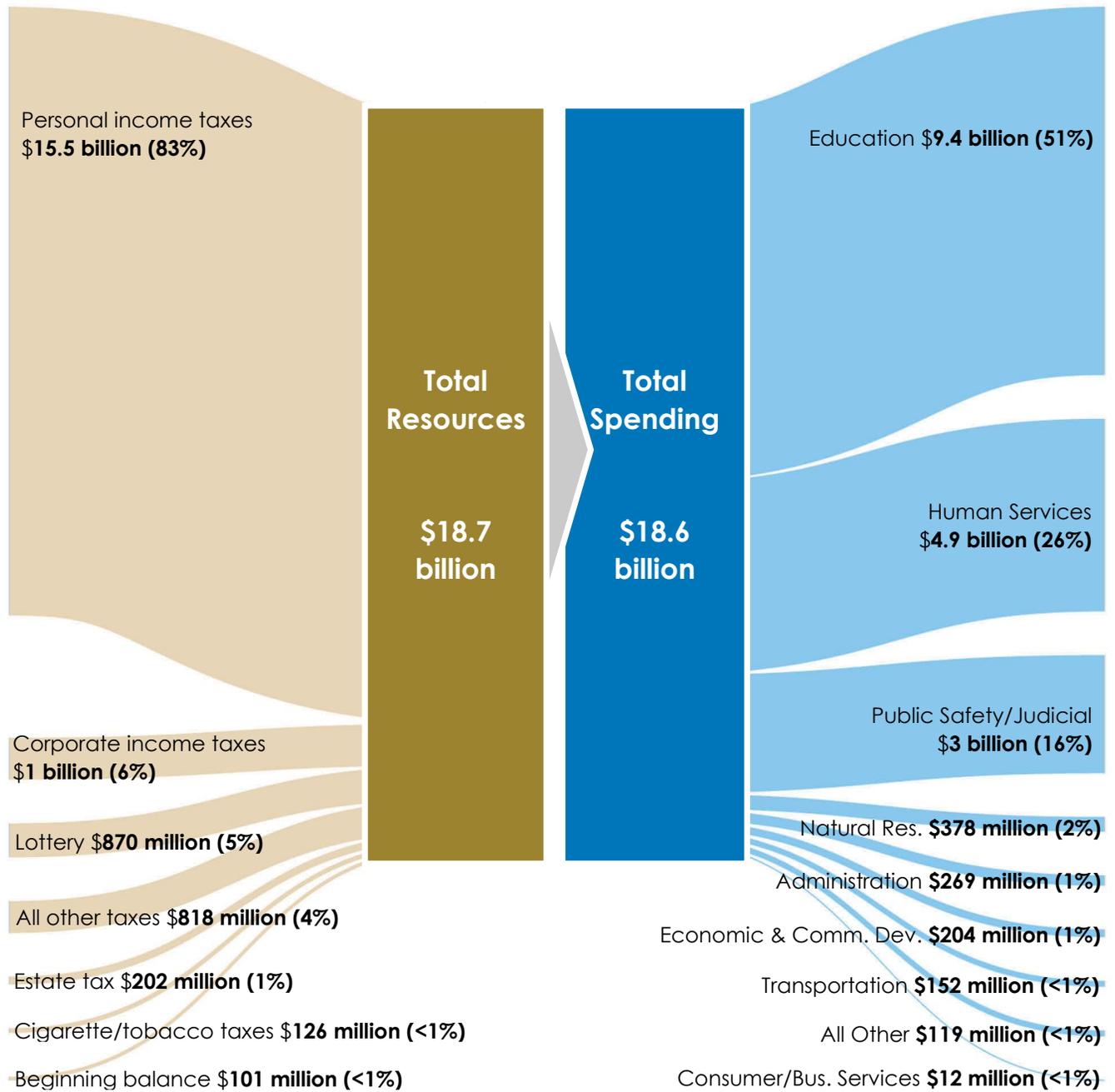
- Leverage and connect state resources with private, philanthropic and civic resources.
- Help good ideas travel faster, disseminating what works through peer networks and learning collaboratives.
- Work to remove barriers to transformation at the state level.
- Engage diverse communities and stakeholders in the work of transformation.
- Support state agencies in transforming organizational structures, processes and policies to serve as effective partners to the collaboratives.
- Provide a state backbone for technical assistance, support and resources.
- Connect collaboratives to state data and analytic capacity.

COMMUNITY LEVERAGE FUND

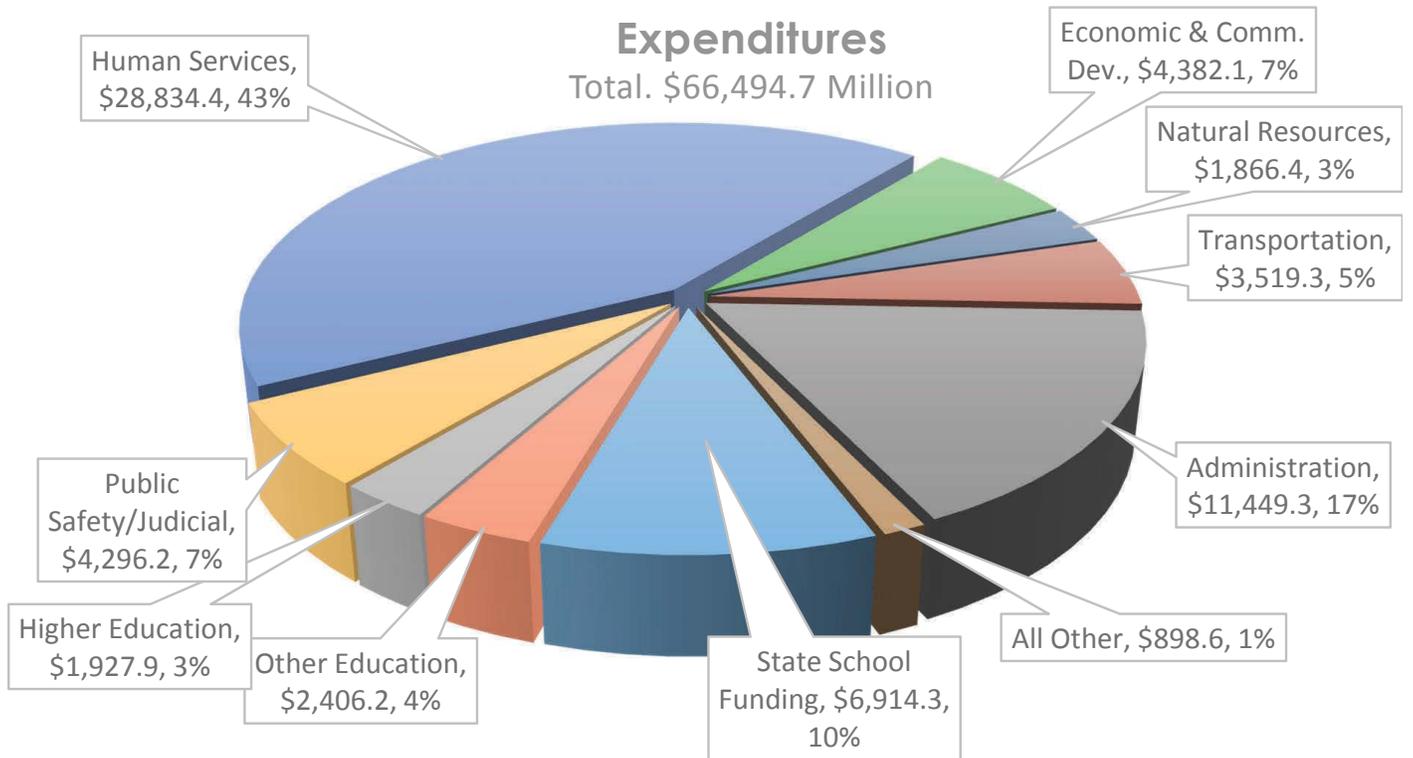
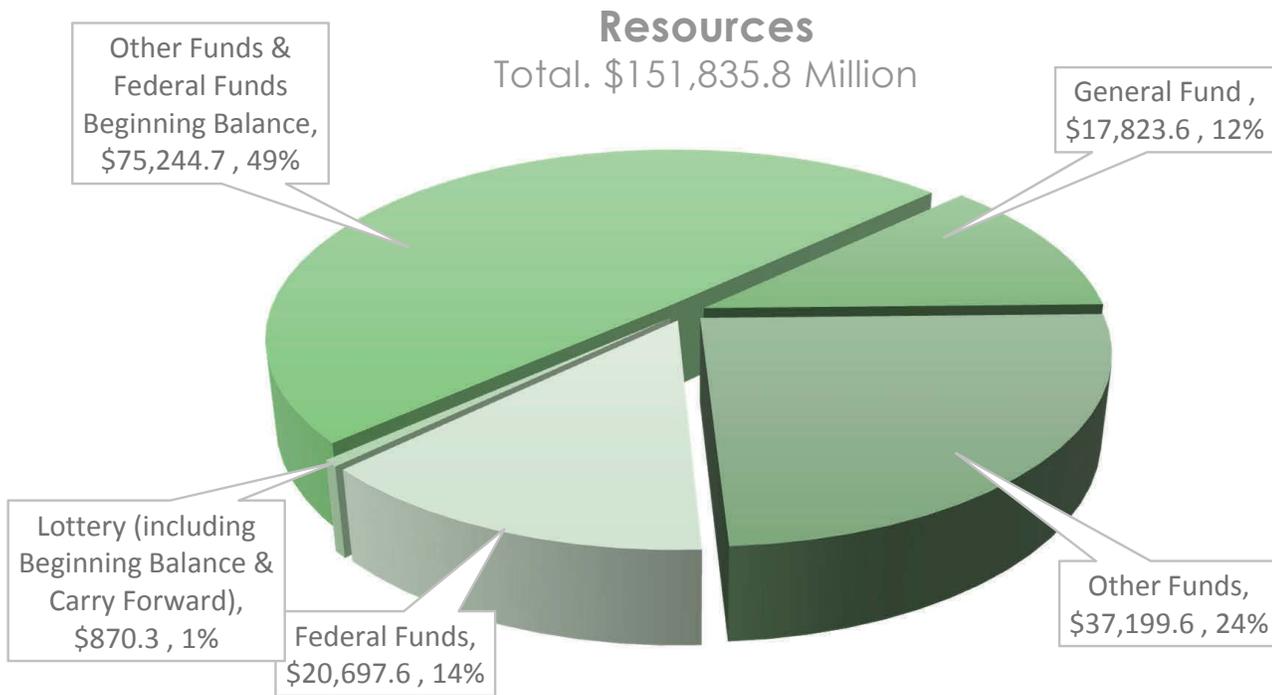
To accelerate on-the-ground action and leverage public, private and civic resources, the Governor's Budget includes a \$25 million investment in a Community Leverage Fund. A minimum of \$2 million will be set aside for each of the eleven economic development regions of the state, regardless of size, to be distributed to a city or county government, school district, post-secondary institution, or nongovernmental entity) partnering with a CCO, early learning hub, regional achievement collaborative, workforce investment board, or regional solutions advisory committee. The Community Leverage Fund will allow communities to launch projects that address multiple outcomes in health, early learning, education, workforce and economic development. Potential examples include:

- A coalition of health care, education and local government could develop and implement a dental health care initiative that would improve health, reduce children's absenteeism, and increase the employability of adults in the community.
- Education, workforce and industry could partner in developing a strategy to deliver career and technical education, internships, apprenticeships and work experience across a region.
- A community could build a school-based community health center to serve as a central location for young children and their families to access developmental screenings, health and mental health services, and parent education, which would reduce emergency room usage, improve family stability and increase the number of students reading at grade level by 3rd grade.
- A region might develop a food hub, through which farmers could easily distribute locally grown produce to school kitchens, building the local economy while improving student health.

2015-17 GENERAL FUND/LOTTERY FUNDS BUDGET



2015-17 ALL FUNDS BUDGET





STATE OF OREGON

Department of Administrative Services

Chief Financial Office

155 Cottage St. N.E., U10

Salem, OR 97301-3965

budget.oregon.gov