

2023 - 2025

MISSION FOCUSED

TOP PRIORITIES IN THE 2023-2025 GOVERNOR'S BUDGET



Governor Tina Kotek

A handwritten signature in black ink, reading "Tina Kotek".

Mission Focused: Top Priorities in the 2023-2025 Governor’s Budget

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STATE OF OREGON
Office of the Governor
Tina Kotek



MISSION FOCUSED

TOP PRIORITIES IN THE 2023-2025 GOVERNOR'S BUDGET

Housing and homelessness | Mental health and addiction care | Education and child care

Letter from the Governor:

Dear Fellow Oregonians,

On January 9, 2023, I was sworn in to serve as the 39th Governor of our great state. For me, this job means waking up every day with a mission: to take on our biggest challenges and deliver results for Oregonians. One of my first opportunities to live up to this mission is held within these pages: my recommended budget for 2023-2025.

My budget sets three clear priorities: build more housing and reduce homelessness, improve access to mental health and addiction services, and ensure that Oregon's children are better



served by our investments in early literacy, child care, and K-12 schools.

In preparing this budget, my team and I have been hearing from Oregonians from across the state, both as part of the One Oregon Listening Tour and in smaller regional meetings with local community members who are on the front lines of dealing with the major challenges confronting our state.

The message I heard was clear. Oregonians want action – real action – that makes a difference in their everyday lives.

My budget outlines a path to make significant progress on these top issues of shared, statewide concern, especially for Oregonians who have faced generations of inequitable systems and historic barriers to services.

The housing crisis is one of the largest emergencies we have ever faced in Oregon and the human suffering it causes to individuals, families and communities is unacceptable. We can and must rise to meet the moment. I have called on the legislature to support an urgent \$130 million homelessness package as quickly as possible in the legislative session.

My 2023-2025 recommended budget builds upon this investment to begin taking on our statewide homelessness crisis at the scale needed to solve it. My budget aims to dedicate the ongoing resources necessary to build and

maintain a homeless services system that can prevent new families from falling into homelessness, rapidly rehouse people who are currently experiencing unsheltered homelessness, and provide the ongoing support some people need to remain stably housed.

These are critical investments to address the homelessness crisis that exists today, but we know that the root cause of homelessness is the housing affordability crisis. We must build more housing to meet the needs of all Oregonians. On my first day in office, I signed an executive order establishing a statewide housing production target of 36,000 homes per year, and today, in my recommended budget, I am proposing a \$1.02 billion investment in affordable housing production and preservation.

We will not reach our housing production target overnight or even in a year. But every step closer is a step in the right direction, and I will continue building partnerships with local government and private sector developers to make real progress.

For the behavioral health system, my administration will focus on effectively distributing the \$1 billion in investments made in the 2021 legislature when I was Speaker of the House. We need to leverage funding from Measure 110 and services provided by Medicaid, while also coordinating a cross-agency focus on prevention and intervention. These steps will bring us closer to a holistic and culturally responsive behavioral health system so that no matter who you are or what you can pay, you are not alone. Help will be there when you need it.

Child care is too expensive and nearly impossible to find for families across Oregon. I am proposing a package of investments that will increase wages for early learning professionals, stabilize access to services for kids and families, and invest \$100 million in bonding to build needed early learning facilities.

For our public schools, children have the right to an education that will set them up for a lifetime of opportunity, but if they are not developing reading skills, it can have far-reaching impacts for the rest of their lives. I am proposing \$100 million for evidence-based, targeted literacy strategies and \$50 million

for summer programming, including \$20 million specifically for K-5 summer literacy. Culturally responsive and engaging enrichment activities will help Oregon's children, families, and communities thrive.

Central to this budget is the value that everyone in Oregon, no matter their race or zip code, deserves to have the same chances in life that have been denied to too many people for too long. The pandemic highlighted and exacerbated our systemic inequities, and in some cases, inadequacies. The expertise and work of the state's Racial Justice Council has helped embed equity in this budget. I will keep working in partnership with the Council to reduce racial disparities and transform how the state provides services to support all Oregonians.

We are not going to solve all the state's problems within a single budget cycle. And with one-time federal resources expiring, future budget cycles may present difficult choices. That should not dissuade us, however, from demanding more and working hard to deliver results for Oregonians. By getting back to basics, working in collaboration with communities, making smart investments where necessary and staying the course where prudent – and always keeping the needs of Oregonians at the center of what we do – our state will be a better place to live, work and thrive.

Sincerely,

Governor Tina Kotek



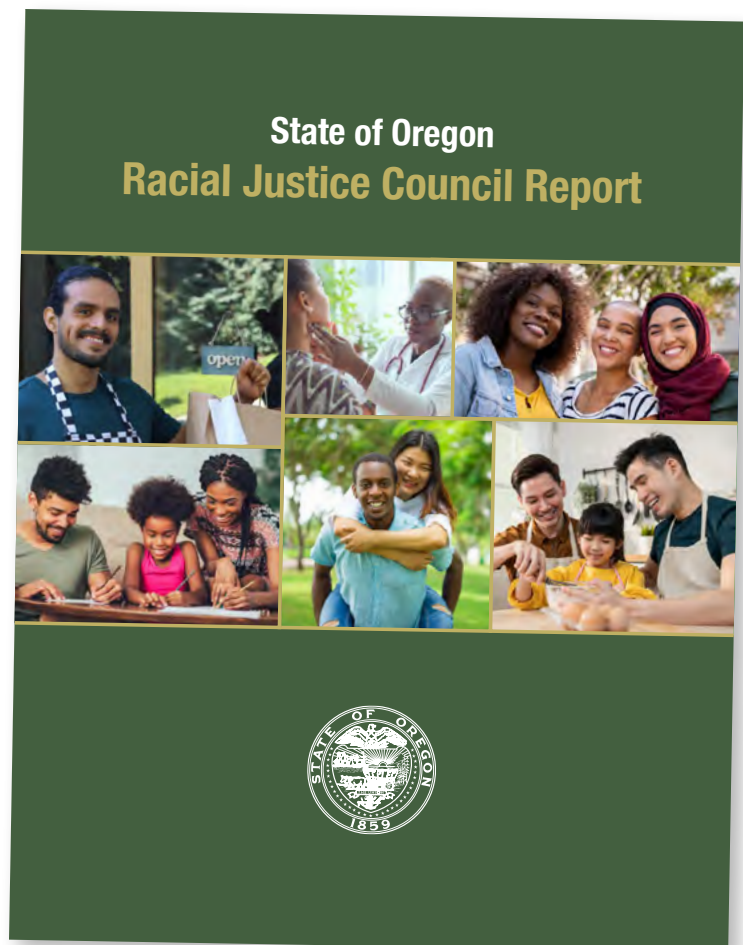
CENTERING PEOPLE AND THE WORK OF THE RACIAL JUSTICE COUNCIL

A budget is a moral document that has the ability to transform communities. In every budget action, we are working to reduce the systemic causes of racial disparities that have meant less opportunity and more harm for Oregonians of color. My budget centers the needs of everyday Oregonians and endeavors to embed equity in the work of state agencies.

Since August 2021, the Racial Justice Council worked diligently with the state Chief Financial Office and state agencies to begin to transform the state's agency budget development process to better engage with, solicit feedback from, and collaborate with historically underserved communities, including communities of color, in the development of their 2023-25 budgets.

To do so, at the direction of House Bill 2167, the Council informed a new phase of the state's budget process: a community engagement phase required state agencies to create community engagement plans and Racial Equity Impact Statements in coordination with the Council, building their ongoing racial justice analysis through an equity tool with agency directors and agency staff.

My budget pulls in the work the Council has done, and is just the first step in a strong, ongoing partnership in my administration.



2023-2025 Priorities in the Governor's Recommended Budget

Governor Kotek's pledge to all Oregonians is to deliver on issues of shared concern across Oregon. Her recommended budget makes strategic investments to increase housing and reduce homelessness, improve access to mental health and addiction services, and ensure Oregon's children are better served by our investments in early literacy, child care, and K-12 schools. These investments are possible because of years of prudent budget management, building the largest reserves that Oregon has ever had. This recommended budget keeps the existing reserve funds in place, totaling over \$2 billion, and redirects \$765 million that would have been automatically added to these reserves into targeted investments aimed at better serving Oregonians in these three key areas.

The following section highlights investments focused on the top three priorities of the Kotek Administration.

While this vision for Oregon's future cannot be realized in one budget cycle, we must be clear about the state's long-term goals:

- Every Oregonian has a roof over their head and the housing emergency is mitigated through increased housing production, rehousing of homeless neighbors, homelessness prevention, and expanded access to homeownership.
- When an Oregonian is ready to seek help for a mental health concern or substance use, that help is easy to find and available – no matter where they live or what they can afford.
- Every Oregon child has a safe place to receive a high-quality public education, and every family has access to affordable child care options.



BUILD MORE HOUSING AND REDUCE HOMELESSNESS - THE EMERGENCY WE MUST ADDRESS

The 2023-2025 Governor's Recommended Budget starts and ends with the housing and homelessness crisis because housing is fundamental to everything else in a person's life.

Housing is a human right and a racial justice issue. We know that Black, Indigenous, Latino/a/x, Asian, Pacific Islander, Tribal, Immigrant, Refugee, and other communities of color are more likely to experience homelessness than white Oregonians and are less likely to own their homes. **Due to discrimination and systemic oppression, Native Americans are four times more represented in the homeless population, Black Oregonians are three times more represented, and Hawaiians and Pacific Islanders are also overrepresented.**

Working and parenting are made exponentially harder without housing. People living outside or in unstable situations cannot access adequate health

care (physical, behavioral, or dental). Childhood homelessness has a lifelong impact. **Oregon has one of the highest homeless student rates in the country and homeless students are 27% less likely to graduate from high school.**

The lack of housing that is affordable across all income levels not only drives the homelessness crisis but is having a serious impact on working families and employers. Working families who are housed face high home costs and often long commutes. Teachers should be able to afford housing near the districts where they teach. Health care workers shouldn't face an hour-long commute after long shifts in the hospital. **In fact, 76% of Oregon employers report high costs and low supply of housing is hurting their ability to hire.**



With all we know about the harms of inadequate housing, and all the resources that have gone to the issue in recent years, outcomes have not improved to the level that Oregonians rightfully expect.

There are approximately 18,000 Oregonians experiencing homelessness in Oregon, and approximately 11,000 of those households are unsheltered. Far too many neighbors are living in places not meant for human habitation: in tents in the forest, in tents on the sidewalks or cars on the street. Too many others are just one paycheck away from facing homelessness themselves.

It is past time for Oregon to invest in addressing the homelessness and affordability crisis at the scale that is needed to meet the need.

With this budget, Oregon will:

- Reduce unsheltered homelessness this year;
- Rehouse people experiencing homelessness in the longer-term;
- Build and preserve more housing units statewide; and
- Increase homeownership.

BUDGET HIGHLIGHTS

REDUCE UNSHELTERED HOMELESSNESS THIS YEAR BY PASSING AN URGENT \$130 MILLION PACKAGE

600 new shelter beds & more navigation workers statewide

\$23.80 M: Expand safe and immediate low-barrier shelters and hire more housing navigators statewide.

Rehouse 1,200 unsheltered households

\$54.4 M: Fund prepaid rental assistance, landlord guarantees and incentives, and other rehousing services to help unsheltered Oregonians move off the streets.

Prevent 8,750 households from becoming homeless

\$33.6 M: Fund rent assistance and other eviction prevention services

Increased capacity for organizations to support equitable outcomes

\$5 M: Support wrap-around services and other critical work provided by culturally specific agencies to assist people living outside move into more stable housing.

Support Oregon Tribes

\$5 M: Support the emergency response for Tribal members living in emergency areas.

Sanitation

\$2 M: Direct support to local communities for sanitation services.

Coordinated Emergency Response

\$1.8 M: Support the emergency response being coordinated by the Department of Emergency Management (ODEM) and Oregon Housing and Community Services (OHCS).

Reduce unsheltered homelessness and rehouse more Oregonians in the longer-term

As part of the Homelessness State of Emergency Declaration, the Governor's Recommended Budget includes \$130 million that the Governor is calling on the legislature to quickly allocate to resource the emergency response and meet the goal of reducing unsheltered homelessness over the course of this year. This budget expands on those early investments to rehouse and maintain housing stability for households moving from unsheltered homelessness into stable housing; provide ongoing homelessness prevention support; maintain shelter operations; create new permanent supportive housing, and more.

Build more housing

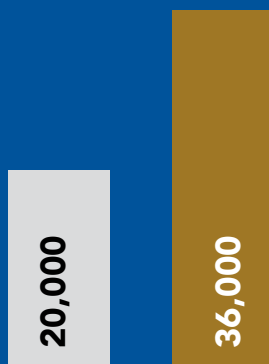
To reduce homelessness and make housing more affordable in our state, we must build more housing and preserve the affordable housing that we have. Addressing the current shortage and keeping pace with current need would require the production of 361,781 over the next ten years, or 36,000 a year. That's an 80% increase over current construction trends.

Annual housing production currently:

20,000

New annual production target:

36,000



BUDGET HIGHLIGHTS

REHOUSE PEOPLE EXPERIENCING HOMELESSNESS AND PREVENT HOMELESSNESS IN THE LONGER-TERM STATEWIDE

Rehouse and maintain housing stability for Oregonians moving out of unsheltered homelessness

\$172.2 M: In addition to the early investment package, this funding includes both rapid rehousing resources and then connecting households to long-term rent assistance after their first 12 months in housing if they need it to maintain housing stability. This reflects the state's first investment in an on-going, long-term rent assistance program.

On-going homelessness prevention

\$73 M: Build on the one-time investment in the early investment package and create an on-going homelessness prevention program in Oregon.

Maintain shelter operations

\$24.1M: This investment will maintain shelter operations in the state, including the operation of the 600 new shelter beds created through the early investment package and Project Turnkey projects.

Permanent Supportive Housing Risk Mitigation Fund

\$4.5 M: Permanent supportive housing providers, who serve people who have experienced homelessness, are experiencing spiraling insurance cost increases and the risk of potentially losing their insurance. This fund will help to manage the risk of Permanent Supportive Housing providers to support on-going access to affordable insurance.

BUDGET HIGHLIGHTS

On-going Coordinated Emergency Response

\$5.3 M: Continue supporting the emergency response coordinated by ODEM and OHCS.

New permanent, supportive housing

\$130 M: Create new units of permanent supportive housing (PSH), and maintain the rent assistance and services needed for successful PSH.

BUILD AND PRESERVE MORE HOUSING UNITS STATEWIDE

New affordable housing (rental and homeownership)

\$770 M: General obligation bonds to build more affordable homes for both renters and new homeowners.

Affordable housing preservation

\$118 M: Lottery and General Fund to preserve existing affordable homes, including manufactured homes.

Manufactured housing

\$4 M: Support the replacement of old and inefficient manufactured homes to provide safe and energy efficient homes for households.

Housing Production and Accountability Office (HPAO)

\$2.20 M: The Department of Consumer and Business Services (DCBS) and the Department of Land Conservation and Development (DLCD) will jointly manage a new office to provide technical assistance and support local governments and housing developers. The new office, called the Housing Production and Accountability Office (HPAO), will aim to reduce land use and permitting barriers that stand in the way of building more housing. HPAO will also hold local jurisdictions accountable to state housing and land use laws to clear the path to increased housing production in cities and counties across the state.

Governor Kotek has also directed every single state agency in Oregon to make reducing homelessness a priority in our state. Specifically, state agencies must expand services where possible to address homelessness and prioritize ending and preventing homelessness in their policies, planning, and budgets.

The longer we wait, the more costly addressing the crisis becomes. When we invest in the level of homelessness prevention necessary to meet the need in Oregon, we free up resources to meet the need for affordable housing production, increasing access to homeownership, and our investments in behavioral health and education are more effective.

Build and preserve more housing units statewide

On her first full day in office, Governor Kotek signed Executive Order No. 23-04, establishing a housing production goal of 36,000 per year.

That represents an 80 percent increase over recent construction trends. To that end, Governor Kotek is recommending a significant investment in affordable housing production and preservation: \$1.02 billion.

The Governor's Executive Order also establishes a housing production advisory council that will include bipartisan and bicameral representatives and convene experts from all over the state and across communities, sectors, and jurisdictions to develop comprehensive recommendations for meeting that statewide target. The council's recommendations must also aim to reduce the racial disparities that persist because of a legacy of racist systems that affect every aspect of life, and most profoundly in homeownership and lack of adequate housing for for Black, Indigenous, Latino/a/x, Asian, Pacific Islander, Tribal, Immigrant, Refugee, and other communities of color. We need to bring everyone to the table to develop bold solutions that will address the needs of Oregonians in rural, coastal, and urban communities.

Oregon, and the entire West Coast, is facing a workforce crisis in construction. Recent investments will help, and we need to do more to keep building

the workforce we need. It will take an ongoing commitment from local, state, federal, nonprofit, and private sectors to move toward this target, and the Governor is ready to be a strong leader and partner in this work.

The Governor is also proposing immediate changes, such as strong investments in housing development and better support for housing developers, to increase housing production. To that end, the Governor is proposing the creation of a new office called the Housing Production and Accountability Office (HPAO). The HPAO will be jointly managed by the Department of Consumer and Business Services (DCBS) and the Department of Land Conservation and Development (DLCD). It will provide technical assistance and support to local governments and housing developers working to reduce land use and permitting barriers to housing production. The Office will also hold local jurisdictions accountable to state housing and land use laws to clear the path to increased housing production in cities and counties across the state.

We cannot reach this ambitious target overnight or even in a year. But every step closer is a step in the right direction.

BUDGET HIGHLIGHTS

INCREASE HOMEOWNERSHIP

Homeownership Development (Community Land Trusts)

\$5 M: Community land trusts are a model of homeownership that supports permanent affordability of the home.

Down payment assistance

\$13.6 M: To support homeownership for more families

Capacity building and language access

\$9.4 M: Improve community access to housing support by funding language access needs, training opportunities, and technical assistance at OHCS and expanding partnerships with culturally responsive, community-based organizations and Tribal partners.

Resources to Oregon Tribes

\$5 M: There are nine sovereign tribal nations in Oregon and these resources will support the Tribes in responding to the impacts of the housing and homelessness crisis.





IMPROVE ACCESS TO MENTAL HEALTH AND ADDICTION SERVICES

When someone is ready to seek help for a mental health concern or substance use, that help should be easy to find and available – no matter where a person lives or what they can afford.

Oregonians need a stronger, better staffed, more accessible behavioral health system that meets them where they are and matches them with the appropriate level of care that they need. That will require a system in which providers fully reflect the diversity of the people they serve; Oregonians can access information to make informed decisions in their primary language; and community-based organizations are partners in community care, integrated into functional, coordinated, and trauma-informed systems.

We have a long way to go to achieve that vision for our behavioral health system. Right now, the inadequacy of these services is particularly acute for our houseless neighbors, young people, and Oregonians struggling with a substance use disorder – a struggle compounded by the rise and severity of new and more deadly substances.

At the same time, this budget proposal comes at a time when prior investments are beginning to show results. Hundreds of new supportive housing and residential placements are in the pipeline; the

workforce is becoming more diverse; and the 988 call line launched to support anyone in a behavioral health crisis. This budget holds steady on those investments. It also continues to strategically invest in building out our behavioral health infrastructure by addressing gaps in services, such as substance use disorder and recovery services, ensuring the availability of services in both urban and rural areas, fully and accelerating the expansion of a diverse, culturally responsive workforce that can meet the increasing demand for services.

Governor Kotek is recommending investments in behavioral health that will:

1. Disrupt the harmful and expensive homelessness-jail-hospital pipeline.
2. Decrease preventable deaths related to a person's substance use or behavioral health.
3. Stabilize and support the behavioral health workforce.

The Governor is committed to ensuring effective delivery of the behavioral health investments from the past four years, including investments passed in the 2021 legislature that were delayed, as well as targeted investments to transition Oregon's behavioral health services from being in constant crisis to proactive interventions. The Governor will direct a statewide commitment to a pathway to recovery for all Oregonians.

Oregon's Behavioral Health Funding System

Today, the behavioral health system is often determined by who pays, what service is available, and staffing levels, rather than the care that someone needs. Oregonians receive behavioral health support and services through several types of funding from the state, through private insurance, or if they have no other options, pay out-of-pocket. County governments and nonprofit organizations provide local services as well. Despite many innovative programs and people who work tirelessly to serve their clients, Oregon's patchwork of funding and revolving strategic direction have left Oregonians with a confusing conglomeration of services and a hopeless outlook. Oregon must build on what is working and create a connected system to have a holistic, person-centered care system that can lead to hope, healing, and recovery.

While the state invests a significant amount of funding in behavioral health outside of the Medicaid program, the largest payer for behavioral health services remains Medicaid, which serves one in three Oregonians. For this reason, Medicaid policy and rate-setting is key to accessing behavioral health services whether members access through their Coordinated Care Organization, or Medicaid fee-for-service. In 2021, under then-Speaker Kotek's leadership, the legislature approved nearly \$1 billion to start transforming Oregon's behavioral health system, recognizing the need for improved services, the impacts of the pandemic, and the gaps in health equity. Despite these historic investments, Oregon faced massive staffing shortfalls and implementation delays due to the pandemic.

To continue to address the staffing shortfalls so providers could increase compensation for the workforce, in 2022, the legislature increased Medicaid provider rates by 30% for fee-for-service patients, which went into effect in July. Increased rates for services through the Coordinated Care Organizations start this month. The state also

BUDGET HIGHLIGHTS

IMPROVE ACCESS TO MENTAL HEALTH AND ADDICTION SERVICES

Timely access to behavioral health care; reduce hospitalizations; reduce overdoses; improve integration of physical and behavioral health care; and ensure people are supported in the least restrictive environment that meets their needs.

DISRUPT THE HARMFUL AND EXPENSIVE HOMELESSNESS-JAIL-HOSPITAL PIPELINE

Continue funding new 2021 investments

\$195.7 M: Continued funding for aid and assist services, Certified Community Behavioral Health Centers (CCBHCs), Peer Respite Centers, co-occurring disorder treatment, System of Care Advisory Council, Interdisciplinary Assessment Teams for children and housing for transition-age youth.

Increase residential and facility capacity

\$40 M: Ongoing funding to support operation of additional mental health residential capacity funded in 2021 and to continue the state's investment in the development of additional residential and facility capacity.

Jail diversion and enhanced civil commitment services

\$14.9 M: Additional funding to improve civil commitment services, expand jail diversion services to all counties, and enhanced intervention and outreach for patients in the civil commitment process before they are committed.

BUDGET HIGHLIGHTS

Close gaps in behavioral health services for children and older adults

\$12.3 M: Expand Behavioral Rehabilitation Services and Transition Age Youth service hubs for children and establish long term care facilities with specialized behavioral health services.

Treatment for substance use in prison

\$8.7 M: Establish a Substance Use Disorder (SUD) treatment program at Oregon State Penitentiary and Snake River Correctional Institution.

DECREASE PREVENTABLE DEATHS RELATED TO A SUBSTANCE USE AND BEHAVIORAL HEALTH NEEDS

Crisis prevention system

\$18.4 M: Fund 988 call centers, the nationwide service connecting people with the 988 Suicide and Crisis Lifeline.

Mobile crisis teams

\$47.6 M: Ongoing funding for programs like CAHOOTS to divert individuals from hospital and jail, including response and stabilization services for youth and their families.

Continue investments in substance use treatment and services

\$278.9 M: Addiction treatment, overdose prevention, peer support services, housing assistance, and employment services – funded by Measure 110 grants and a 1115 waiver allowing for Medicaid coverage of SUD facility-based treatment and peer services.

prioritized the allocation of Measure 110 funds and grants for residential and facility development.

Today, these significant investments are starting to show results. Hundreds of residential placements are in the pipeline. In August of 2022, the bulk of the funding from Measure 110 was granted to local substance use treatment providers in every county: \$302 million for the 2021-2023 budget cycle. The Measure 110 dollars were allocated through local Behavioral Health Resource Networks of providers who work together to fill in the gaps that Medicaid doesn't cover for low-income Oregonians to provide free treatment, overdose prevention, housing support, and other services.

Using early Measure 110 funds, the provider Bridges to Change was able to save their Wasco County recovery house and use funds to expand local outreach work and with their total allocation they are adding an additional 202 supportive and low-barrier housing beds for clients in Clackamas, Multnomah, and Washington County. They have been able to hire 67 new staff — from service navigators and case managers to phone-line peer support and more. Morrison Child and Family Services in Portland lost about 100 staff during the pandemic. In May of 2022, they had a 35% vacancy rate in therapist positions. It went down to 6% after the Medicaid rate increase went into effect that allowed them to increase compensation and they are now opening a new location in Clackamas County. There is progress happening in communities, and the Governor's budget builds on that progress.

Disrupt the harmful and expensive homelessness-jail-hospital pipeline

While the housing shortage is the primary cause of homelessness in Oregon, people living without shelter report higher rates of mental illness and substance use than the general population. Behavioral health challenges are exacerbated by the difficulty of life without shelter and when there isn't enough support for people to get the help and treatment they need, too often they end up in the

criminal justice system followed by the Oregon State Hospital (OSH) or stuck in Emergency Rooms.

Oregonians who are in custody and county jails and have been found by the court to be unable to aid and assist in their own defense because of mental health needs are sent to the Oregon State Hospital or to Community Mental Health programs for competency restoration under the “aid and assist” designation. The number of Oregonians charged with crimes who are unable to aid and assist and sent to the state hospital has more than doubled in the past 8 years. **The majority of patients in OSH are now aid and assist patients, and an estimated 60% of them were homeless prior to their arrest.**

Individuals in need of civil commitment at the state hospital can rarely access this level of care, resulting in a severe backlog of people who have not been able to be admitted because there aren’t enough beds. That leaves people with serious behavioral health needs too often languishing in expensive private hospital emergency rooms or inpatient beds or residential settings inappropriate for their needs. For the many who are homeless, there is no place left for them to go other than back on the streets.

The best and most cost-effective way to disrupt the cycle of harm is to increase local residential treatment options and increased outreach to provide human connection for people living outside to connect them to the care they need before police intervention. This involves interventions at every

Disrupt the harmful and expensive homelessness-jail-hospital pipeline

In 2019, the Oregon Health Authority estimated that **60%** of aid and assist patients admitted to the Oregon State Hospital were homeless prior to their arrest.

BUDGET HIGHLIGHTS

Address gaps in substance use treatment and services

\$15 M: Start-up costs for residential detox, inpatient treatment and recovery community centers.

Harm reduction clearinghouse

\$40 M: Continue support of the harm reduction clearinghouse to reduce preventable deaths associated with opioid use.

Suicide prevention

\$7.7 M: Expands evidence-based programs to prevent youth and adult suicides.

STABILIZE, SUPPORT, AND DIVERSIFY THE BEHAVIORAL HEALTH WORKFORCE

Community mental health

\$127.4 M: Continue 30% Medicaid rate increases for increased wages for behavioral health workers.

Continue behavioral health provider incentives

\$60 M: Loan repayment, scholarships and tuition stipends for licensed behavioral health providers and students in the workforce pipeline.

Health Care Provider Incentive Program

\$20 M: Nearly doubles OHA’s Health Care Provider Incentive Program, with a priority to increase Oregon’s behavioral health workforce and to continue to recruit and retain diverse health care providers.

BUDGET HIGHLIGHTS

Oregon State Hospital

\$34.5 M: OSH Safe Staffing: Increase positions at the state hospital to support a sustainable 24/7 staffing model.

\$3.5 M: OSH Health Equity: Establish a dedicated Health Equity Unit at the state hospital to address the needs of staff.

\$4.2 M: OSH Complex Case Management Unit to meet the needs of patients with complex needs and ensure the safety of staff and patients.

\$8 M: Upgrades to OSH facilities to improve patient recovery and safety of both patients and staff.

touch point with people working for state and local governments.

Under the new 1115 Medicaid waiver, funding for housing and supports will be leveraged for individuals transitioning out of the state hospital and other carceral settings as well as low-income Oregonians with behavioral health needs on the brink of homelessness. This will help narrow the homeless-jail-hospital pipeline and reduce demand on the behavioral health system. We must also ensure that there is an adequate residential treatment system that meets the needs of people served, and robust wraparound services to assist as people are on the road to recovery. The Governor is proposing \$40 million in ongoing funding to help operate the mental health residential capacity that was funded in 2021 and to develop additional residential capacity. She is also proposing \$12.3 million to close gaps for youth and older adults, \$8.7 million for substance use disorder treatment at two correctional institutions and funding for an evidence-based transition case management program for houseless individuals who are leaving the state hospital.

In order to disrupt the pipeline into jail and hospital settings, there must be increased outreach to our houseless neighbors and other individuals who are not engaged with behavioral health services and supports. The state currently provides funding for jail diversion in some counties, but not all. Additionally, thousands of individuals are referred to civil commitment each year but are not ultimately committed by the court. In response, the Governor is proposing \$14.9 million for jail diversion and enhanced civil commitment services to engage individuals who are on the brink of crisis. This increase in funding, along with \$100 million in lottery bond funding to increase community behavioral health inpatient capacity, will begin to fill these gaps in the system and provide upstream intervention that will prevent encounters with law enforcement and costly hospitalizations.

Preserve and leverage investments underway

\$1.35 billion transformational investment in behavioral health from state legislature (2021)

\$255 million from Measure 110 for substance use treatment

30% Medicaid rate increase for increased workforce

Leverage the Medicaid waiver for housing and other supports for people most at risk of homelessness

Continuous Oregon Health Plan for children up to age 6, including behavioral health services

Decrease preventable deaths related to substance use and behavioral health needs

Too many lives have been lost and too many Oregon families are grieving because of preventable overdose or alcohol related deaths, suicides, and other causes. **Oregon saw a three-fold increase in opioid overdose deaths from 2019 to 2021.**

While Oregon's overdose death rates are relatively low compared to other states, the growth in deaths during the pandemic was among the highest of the states for which comparable federal data is available. Oregon has made progress in preventing suicides, but it remains in the top ten causes of death in Oregon and the rate remains above the national average. Excessive alcohol use is the third leading cause of preventable death in Oregon, with the highest rates of alcohol related death occurring in rural counties.

In response, the Governor is proposing continued support for mobile crisis response in local communities throughout the state, access to substance use disorder treatment and recovery supports and increased funding to the 988 crisis intervention line. The recommended budget includes a telecommunications charge to reflect this service as an integral part of the statewide response to behavioral health needs through a trauma-informed behavioral health response rather than continuing to saddle our law enforcement and first responders with that function. The budget also proposes a significant increase in suicide prevention, intervention and postvention.

This issue is also intertwined with homelessness. While drug use can lead to homelessness, people experiencing homelessness may use drugs to cope with the safety risks associated with being unsheltered, for example to stay awake or to sleep in order to cope with the trauma of being homeless.

According to the Oregon Health Authority's Public Health Division, individuals experiencing homelessness are at the highest risk for unintentional

overdose deaths. **In Multnomah County, nearly 80 percent of all deaths of individuals experiencing homelessness involved substances. Of these drug and related deaths, roughly half involved methamphetamines.**

Stabilize, support, and diversify the behavioral health workforce

As new funding for community services staffing continues to grow, we must hold firm on expanding a diverse behavioral health workforce in this stressful and essential profession. Compensation must be enough to increase recruitment and retention, especially of professionals who have lived experience or whose cultural background matches the people they serve. Caseloads and workloads must be reasonable and career pathways and professional development opportunities should be available.

The ongoing staffing crisis at the Oregon State Hospital (OSH) must end. The patients who come to the state with hospital-level behavioral health needs deserve to have care provided by staff who have reasonable caseloads, reasonable hours, and reasonable wages, and no fear of coming into work. Unsafe staffing levels with overworked caregivers create unsafe and untenable conditions for everyone.

In response, the Governor is recommending \$34.5 million to increase positions at OSH. This will fund a 24/7 sustainable staffing model that will decrease mandated overtime. The budget also funds the Complex Case Management Unit so the most acute patients can get the specialized care they need in a safe and appropriate setting.

The Governor recommends continuing the loan repayment, scholarships and tuition assistance allocated in the current biennium to recruit and retain a diverse behavioral health workforce, and nearly doubling the Health Care Provider Incentive Program, which will bring up to 1,000 new workers into the pipeline.



ENSURE OREGON'S CHILDREN ARE BETTER SERVED BY EARLY LITERACY, CHILD CARE, AND K-12 INVESTMENTS

Every Oregon child should have a safe place to receive a high-quality, culturally responsive public education, and every family needs access to affordable child care options.

Oregon has work to do to build toward that vision. The COVID-19 pandemic deeply impacted everyone in the education space – early learning and child care providers, K-12 staff, community-based organizations, and of course students and their families. The pandemic also left its mark on student learning and laid bare the inequities in our systems that for too many Oregonians have always been crystal clear.

First, the lack of local, affordable and culturally responsive early learning and child care has become a major challenge in our state. Whether children are served by family child care providers or in larger center-based care, there simply aren't enough providers or staff to meet the needs of families and the pandemic has made it worse. The lack of available child care is also having a serious impact on employers' ability to recruit and retain the talent we need for a thriving economy.

Second, we know that children who are not reading at grade level by the end of third grade are four times more likely to drop out of high school. Yet far

too many students are not getting the intentional, proven literacy support and experiences designed to reflect each student's needs and strengths.

Finally, we have a long way to go to close the opportunity and achievement gaps that exist across our student populations. Systemic racism and generations of discrimination has led to higher dropout rates and lower graduation rates. Meanwhile, many students from rural communities or low-income households may not have access to the same resources as other peers.

Governor Kotek believes that every child is full of promise, and she is committed to working through these challenges to create the conditions for all Oregon students to thrive.

In the next two years, we must amplify the impact of key investments that were put in place pre-COVID, including:

- Early childhood strategies that provide a strong foundation for a child to thrive in school and in life.
- The Student Success Act which invests in culturally specific Student Success Plans designed to address racial inequities in education, advancing educator workforce

diversity and growth, and addressing whole-child needs.

- High School Success (formerly known as Measure 98, now included in Student Success Act), which ensures that ninth graders are on track for graduation and provides students with an on-ramp to career options after graduation through Career and Technical Education.

These investments can only make the desired impact for our students with focused leadership and increased accountability. All of our education investments must be paired with specific, proven strategies to ensure we know how the dollars that are spent are connected to the education priorities that Oregonians care about and the outcomes that every child deserves.

To do this, there must be accurate reporting and data collection to show how local schools are actually spending money. Financial reporting should reflect what is happening on the ground in schools each day and be presented in ways that are easy to understand for policymakers, parents, and the public at large.

In the 2021-22 school year, less than half of Oregon's 3rd graders demonstrated grade-level mastery in literacy.

The numbers are even more alarming among students of color and students who need specially designed instruction.

BUDGET HIGHLIGHTS

ENSURE ALL KIDS ARE LEARNING TO READ, AND READING TO LEARN

Literacy is the foundation for learning, but far too many students are not getting the intentional literacy support and experiences designed to reflect each student's needs and strengths.

Ensure all kids are learning to read, and reading to learn

\$100 M: Evidence-based, targeted literacy strategies

Ensure preschool and elementary school educators have the training, time, materials, and ongoing coaching they need to integrate evidence-based literacy strategies with culturally responsive approaches. Includes targeted, intensive support for the students who need it and systems to ensure programs are implemented as intended. Also includes funding for Tribes and community-based organizations who work with young children and their families to ensure parents are supported as full partners in their children's literacy development in real-world context, relevant to their languages, culture, and communities.

Literacy-focused summer programming provided by districts

\$20 M: For preschool and elementary (P-5) students, aligned with evidence-based strategies and integrated with culturally responsive approaches. Requires districts to provide a 50% local match. Funds are for summer of 2023, with a commitment to seek additional funding for 2024.

BUDGET HIGHLIGHTS

VALUE OUR EARLY CHILDHOOD PROFESSIONALS, STABILIZE ACCESS TO SERVICES FOR KIDS AND FAMILIES, AND BUILD NEEDED INFRASTRUCTURE

Early Learning Program Enhancement

\$62.5 M: Provides a living wage to early learning professionals to stabilize and value the workforce by enhancing rates for Oregon Pre-Kindergarten (OPK), Preschool Promise, Healthy Families Oregon, Relief Nurseries, and the Early Childhood Equity Fund. Reduces class size ratios for children experiencing disabilities or who have an individualized family service plan. Increases funding for community transportation access to reduce barriers in all areas of the state.

Employment-Related Day Care (ERDC) Enhancements

\$41.3 M: Increase rates for ERDC providers, provide funding for a limited caseload expansion for ERDC, support the transfer of ERDC from Oregon Department of Human Services, provide funding to make IT system changes to expand program eligibility, and support child care supply building and ERDC access.

Co-location of early childhood education and affordable housing

\$5 M: Address two critical shortages impacting families by supporting efforts to co-locate early care and education with affordable housing.

Expanding physical capacity of early learning facilities (e.g. preschool and child care)

\$100 M: One of the major barriers to expanding access to affordable child care and preschool is a lack of physical space to provide these services and bureaucratic hurdles that make it difficult for home- and center-based providers to serve more kids and families. This \$100 million fund is intended to build the capacity of our providers to create and upgrade the physical space they need, along with the technical assistance needed to navigate the expansion/renovation process.

Governor Kotek's Early Literacy Success Initiative



Training, time, materials, and ongoing coaching for preschool and elementary school educators.



Literacy-focused summer school



Targeted, intensive support for the students who need the most support



Culturally engaging and responsive enrichment programs

BUDGET HIGHLIGHTS

CONTINUE SUMMER ENRICHMENT PROGRAMMING

Enrichment programming for all grades

\$30 M: As part of pandemic recovery, this investment is intended to continue to offer students opportunities to connect with each other, outdoors and in the community in ways that support whole-child wellbeing. To be provided by Tribes and community-based organizations, similar to the past two years. Funds are for summer of 2023, with a commitment to seek additional funding for 2024.

ENSURE THAT OREGON'S CHILDREN ARE BETTER SERVED BY OUR K-12 SCHOOLS

Increase State School Fund

\$9.9 billion: The Governor is recommending increasing the State School Fund to \$9.9 billion and fully funding High School Success to help improve graduation rates and give students the tools to be career and college ready.

Expand and enhance existing targeted strategies

\$18 M: Increase investments in Student Success Plans (e.g., American Indian/Alaska Native State Plan, African American/Black Student Success Plan, LGBTQ2SIA+ Student Success Plan) and add funding for additional plans for Native Hawaiians/Pacific Islanders and Refugees and Immigrant student populations.

Implement ethnic studies

\$1.4 M: Support ongoing work to integrate ethnic studies and social emotional learning standards.

Rural and small school technical assistance

\$4.8 M: Ensure the state is helping rural and small school districts secure public funding to help meet the unique needs of their communities and improve student achievement.





HOW THE WORK WILL GET DONE

Governor Kotek launched her new administration by setting ambitious goals for delivering on a focused agenda and improving customer service. In her first week in office, she sent a letter to all agency leaders outlining new expectations that will serve as guideposts for this effort.

A focused agenda

The expectation is that every agency will understand how their work connects with the Governor's top three priorities: housing, behavioral health, and education. Their strategic plans will articulate how they are going to organize their work to house more Oregonians, get more Oregonians the care they need, and support a strong educational system. Beyond these three priorities, the Governor's Recommended Budget does not call for a swath of new programs or initiatives so that agencies can focus on process improvements and implementation of existing programs.

Improving customer service

A core part of her mission for the next four years is to improve customer service for Oregonians – whether they are coming to the state for a service,

or the state is coming to them in the wake of a disaster. That means being more efficient, more effective, and creating systems that will empower the state's collective 42,000 employees to deliver for Oregonians.

That also means that agencies must continue to evolve their policies, practices and operations to address historical inequities and disparities. They must focus on removing barriers, expanding opportunities, and creating better outcomes for people most impacted by historical and institutional racism. The Governor will continue to engage and partner with the Racial Justice Council to ensure this work is centering the voices of the most impacted people and creating better outcomes for all Oregonians.

To ensure that we have the structure and systems in place to meet these objectives, Governor Kotek has restructured the Governor's office with an increased focus on public administration. As we address the very large, complex challenges our state faces — whether it's housing, behavioral health, or education — the state has to put our own house in order too.

OREGON'S LATEST MEDICAID WAIVER IS A TRANSFORMATIVE OPPORTUNITY

One in three Oregonians – and 42% of Oregon children – count on the Oregon Health Plan, our state's Medicaid program, for their health and wellness. The program provides lower-income adults and families with comprehensive, locally provided health care (medical, behavioral, and dental).

Starting in 2024, the federal government will be an even stronger partner in helping us address our biggest challenges. Oregon's latest Medicaid agreement will bring \$1.1 billion into the state - with a \$500 million state general fund share – extends continuous health coverage for children up to age 6 and for two years for adults, which reduces disruptions in health care for people and families struggling to make ends meet. In a first-in-the-nation innovation, Oregon's Medicaid program has been approved to pay rent, housing supports and other services for eligible Oregon Health Plan members who are homeless or on the brink of homelessness.

Governor Kotek is committed to ensuring that Oregon takes advantage of this transformative opportunity in the 2023-25 budget cycle, and planning is already underway. There are clear connections to our priority goals:



Reducing homelessness: Eligible families, youth and adults who are homeless or at the brink of homelessness can be provided up to six months of rent and the support services they need to stay housed. For the first time, health care providers will be able to connect their patients to housing

and know that they will have a safe and stable place to manage their health care. Not only will this save lives, but it will also lower health care costs through reduced emergency department visits and better management of the physical and behavioral care issues that are epidemic among people without stable housing.



Behavioral health improvements: In addition to providing housing and stability, having uninterrupted coverage for behavioral health issues is essential for wellness and recovery, not only for care continuation but to help people work and become stable without fear of losing their coverage. In addition to people facing homelessness, the waiver also specifically identifies youth under 26 who have special circumstances, such as involvement with the child welfare system, previous incarceration, or acute care for behavioral health issues as eligible for housing assistance to help them transition successfully.

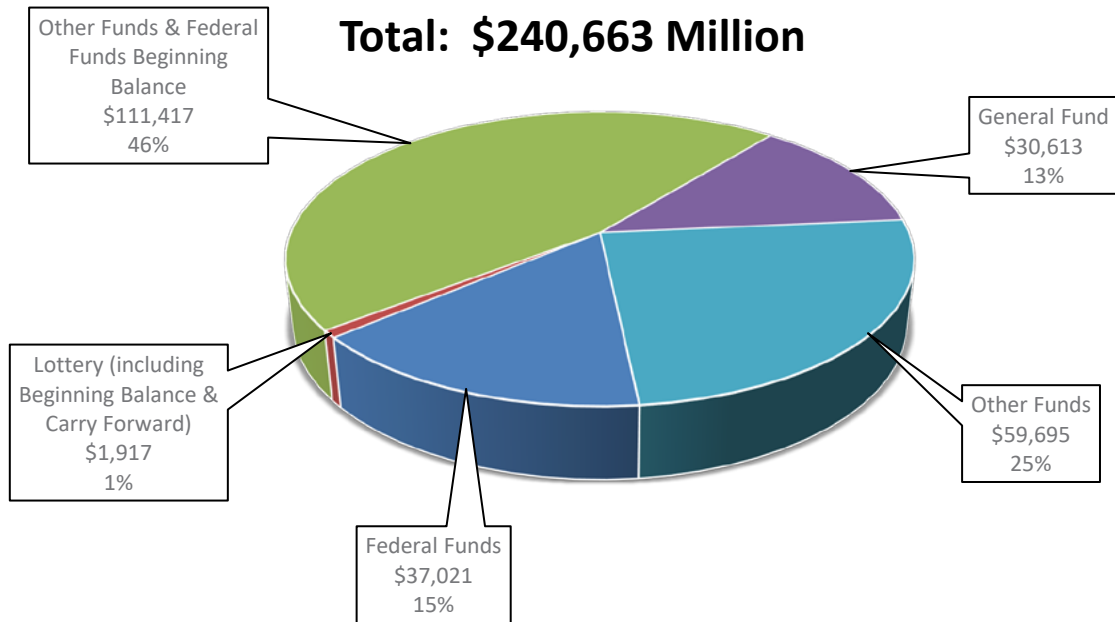


Education: Oregon has one of the highest homeless student rates in the country, and with the housing services provided in the Medicaid waiver, these students and their families will have help with housing and be connected to services for permanent stability. The waiver will also greatly increase the ability of youth to stay in high school and graduate.

2023-25 All Funds Budget

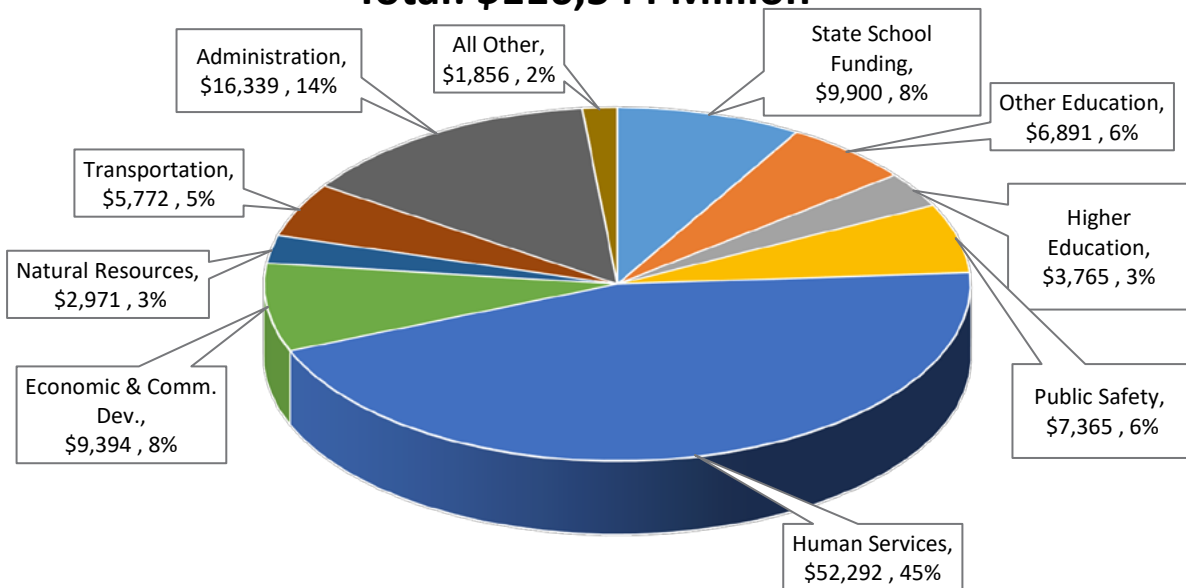
Resources

Total: \$240,663 Million

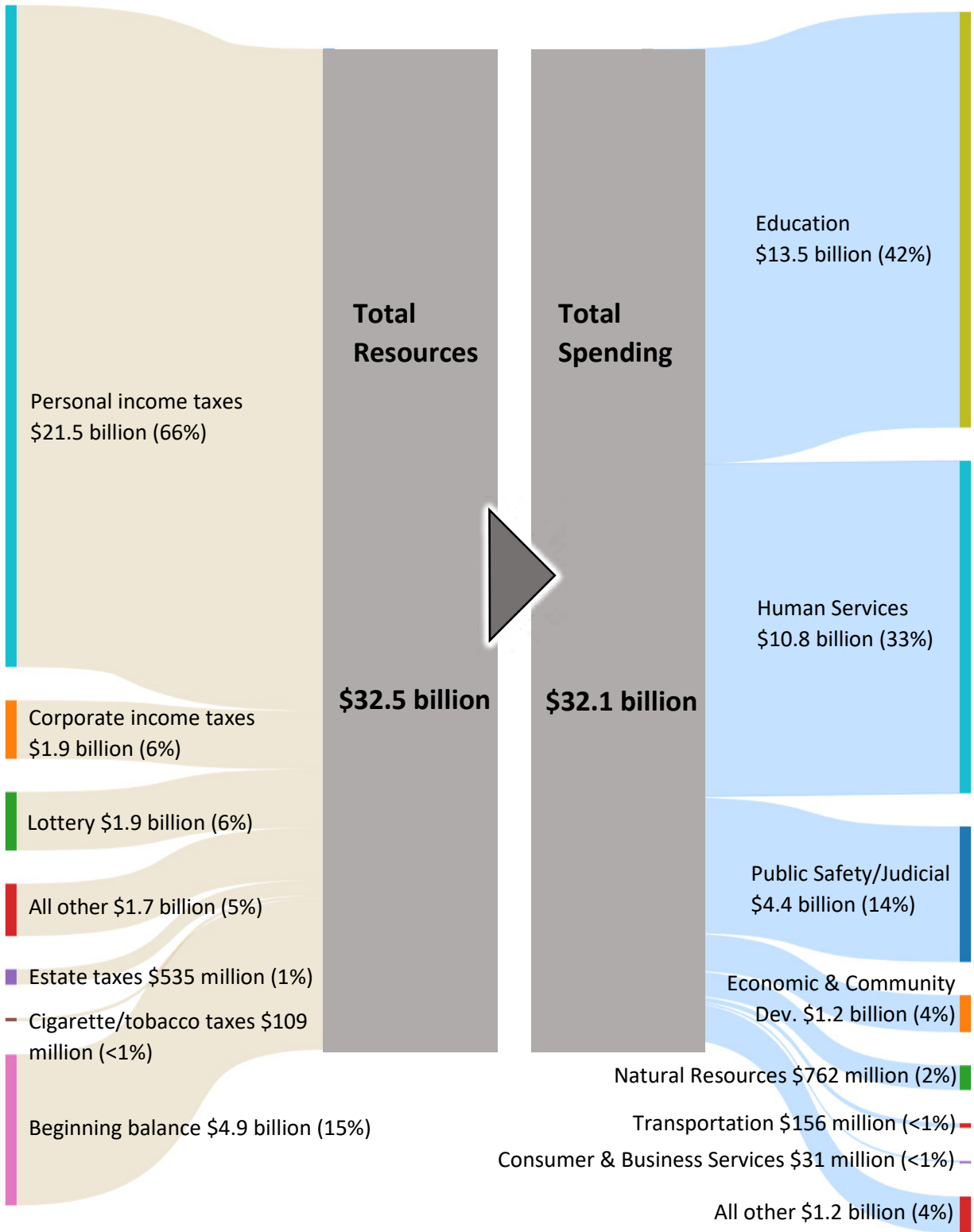


Expenditures

Total: \$116,544 Million



2023-25 General Fund/Lottery Funds Budget





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