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Oregon legislative budget writers zero in on mega budget

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Sen. Elizabeth Steiner Hayward (from left), Sen. Betsy Johnson and Rep. Dan Rayfield are cochairs of the Ways and Means committee making decisions on Oregon's 2021-2023 budget.

By [Hillary Borrud | The Oregonian/OregonLive](#)

Top Democrats in the Oregon Legislature are working furiously to hammer out a budget of historic proportions, as lawmakers hurtle toward the end of the session.

With less than three weeks until the constitutional deadline for lawmakers to wrap up, Sen. Elizabeth Steiner Hayward said she and her co-chairs on the Ways and Means committee are “really down to crunch time.”

“We have to make decisions,” said Steiner Hayward, a Democrat from Multnomah County.

Rep. Dan Rayfield, a Corvallis Democrat and also a co-chair of the budget committee, said the state government's accounts will be flush heading into the 2021-2023 budget cycle with \$2.6 billion from the latest round of federal aid and windfall state tax revenues.

"We still start this budget cycle with close to \$3 billion in our bank account and we will also have close to \$3 billion in federal money coming into our state," Rayfield said. "It is an opportunity that I don't believe as legislators we will probably get in the near future again. It's tough to quantify it."

In March, Rayfield, Steiner Hayward and the third co-chair, Democratic Sen. Betsy Johnson of Scappoose, released a tentative high-level plan to spend approximately \$27 billion in 2021-2023, up from \$24 billion in the current budget. They did not say how they would spend the one-time federal money.

Since then, lawmakers learned at the latest revenue forecast that the state is on track to bring in \$1 billion more than anticipated in the current budget cycle that ends June 30 and an additional \$1 billion over the next two years. It would take less than \$26 billion for Oregon to maintain current program and service levels for the next two years, legislative analysts found.

So how will the Legislature manage all that money? Steiner Hayward and Rayfield said they've been buried in funding requests.

"The co-chairs' worst nightmare, speaking from two biennia of experience now, is too much money," Steiner Hayward said in an interview Thursday. "When you have a lot of money, everyone assumes you have 10 times as much as you have." She said the Legislature should mostly use the federal aid to pay for one-time projects, not new programs that would face cuts in the future when the money runs out. "If we use it to pay for programs that we're gonna have to keep going,

that's silly because then we're not gonna have the money in the next biennium," Steiner Hayward said.

Lawmakers want nearly \$920 million to pay for wildfire recovery projects around the state, after the catastrophic 2020 fires. Budget writers intend to approve funding, Rayfield said, but it's not yet clear how much. Rep. Brian Clem of Salem, a supporter of the plan, said on Tuesday that his best guess is the final funding level will be \$500 million to \$750 million.

House Speaker Tina Kotek wants \$650 million for affordable housing projects, efforts to increase housing supply generally, rental and down payment assistance and homelessness and shelter support, her spokesperson Danny Moran said.

There's also going to be a "historic, over-the-moon" sized spending plan for addiction and mental health services increasing as much as \$500 million, said Rep. Rob Nosse, D-Portland. "We've never seen this kind of investment" said Nosse, who has been working on the plan with Sen. Kate Lieber of Beaverton and other lawmakers. "I have never worked on anything this massive, and my hope is it's a good start, because you're not gonna fix our behavioral health, mental health, homeless crisis in one session."

In an effort to channel one-time money to highly needed yet historically underfunded budget areas, Steiner Hayward said the Ways and Means Committee is poised to spend "several hundred million dollars" on water infrastructure to help cities and other water agencies around the state prepare for drought and earthquakes and fix outdated wastewater treatment facilities.

Legislators want to "pay for a bunch of stuff we've been putting off," Steiner Hayward said. Governments usually take on large amounts of debt for these public works projects so with cash available, "it's a smart use of money" and could help "make sure we're not dumping gross things in our rivers," she said.

In late May, the League of Oregon Cities announced a survey it commissioned from Portland State University identified \$9.7 billion in water infrastructure work needed in 100 cities and projected they will need to sink \$23 billion into such work over the next two decades. Tracy Rutten, a registered lobbyist for the cities, said water ratepayers around the state will have to underwrite expensive

cities, said water ratepayers around the state will have to underwrite expensive wastewater updates in the near future as Oregon's Department of Environmental Quality catches up on a long-running backlog of wastewater discharge permits. According to [OPB](#), the state allowed "industrial and municipal polluters to continue discharging waste into rivers and other waters under out-of-date permits" with some permits up to 25 years old, rather than the five-year limit set in the federal Clean Water Act.

"This is going to require a lot of investment in the coming five to ten years that a lot of communities are not going to be able to pay for on their own using those ratepayer dollars," Rutten said.

Other cities are struggling with water supply issues, including Banks, where the lack of water has forced the community to put a [moratorium](#) on development. In 2014 and 2015, a water district south of Brookings had to tell residents to use bottled water because saltwater intrusion contaminated the Chetco River, from which the district draws its water. Brookings noted in its water plan that it faces the same saltwater intrusion challenge, which will only increase in the future due to climate change and could also contaminate water in a tsunami.

Rayfield said lawmakers are also still considering allocating hundreds of millions of dollars for improvements to 82nd Avenue in Portland so the dangerous corridor can be upgraded sufficiently that the city will accept a hand-off of responsibility for it from the Oregon Department of Transportation. Portland requested such a transfer of ownership more than a year ago, contingent upon improvements.

Another thorny question for lawmakers is whether to designate an unspecified sum of federal aid for one-time stimulus payments of \$1,000 to \$2,000 to "essential workers," a very broad category of workers, including people working in banking, IT and real estate and workers who make up to \$100,000 a year. The proposal has strong support from public and private sector unions but few specifics are nailed down. For example, SEIU 503 spokesperson Ben Morris declined to say whether federally designated frontline workers who nonetheless were able to work from home and minimize their infection risk should be included.

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Rayfield and Steiner Hayward said they have not yet decided whether to support such a plan. Steiner Hayward said a representative of trade unions who was lobbying her pointed out construction workers kept showing up for their jobs during the pandemic, even during shutdowns that closed some other businesses where employees could not work from home. Steiner Hayward said she appreciated that construction workers kept working but their risk of infection was much lower than nursing home and other healthcare workers. Rayfield said, "The devil's in the details in terms of developing the program."

Lawmakers have already made some key decisions. They approved an additional \$300 million for schools above what legislative analysts said was necessary to continue current service levels. And they plan to use other money to replace most of the roughly \$180 million in marijuana sales tax that will be shifted from schools, state police and city and county governments and other programs to instead pay for addiction treatment under a drug decriminalization measure that voters approved in November. Higher-than-expected expenses, including \$286 million in increased Medicaid caseloads and costs and debt service on bonds authorized in the second special legislative session of 2020 could eat up another \$523 million, according to a budget [document](#).

Another \$240 million of the budget will go to projects and services that the Democratic legislative leaders have authorized each representative and senator to pick in their districts. Each representative can decide how to allocate \$2 million in federal aid, while each senator has discretion over \$4 million, under the plan announced earlier this session by Senate President Peter Courtney of Salem and Kotek.

Budget writers, other lawmakers and Gov. Kate Brown also want to save a large chunk of money to hedge against near-term state revenue fluctuations, as much as \$500 million to \$1 billion, Rayfield said. The Ways and Means co-chairs and governor [indicated](#) they expected to spend \$195 million on pay and other compensation increases for state employees over the next two years, slightly less than in the [current budget](#).

State economists warned in May that lawmakers should budget conservatively because, after the state has issued [three consecutive](#) "kicker" tax rebates and expects another in 2022, they erred on the side of overshooting the revenue

expects another in 2022, they erred on the side of overshooting the revenue forecast for 2021-2023. Oregon's kicker tax rebate is triggered when tax revenues for a two-year budget cycle come in more than 2% above economists' forecast from the start of the cycle. Economist Mark McMullen implored legislators in May not to blow through the anticipated extra cash predicted in the "aggressive forecast," in case tax revenues come in much lower.

The Ways and Means co-chairs said in March they would also set aside \$520 million of the latest federal aid to spend in 2024 to cover the costs of new programs and services greenlit for 2021-2023.

"We have a lot of capacity to do a lot of really good stuff this year and there are still going to be people who are disappointed," Steiner Hayward said.

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