



Year in review: The Oregonian editorial board's 2013 agenda

By The Oregonian Editorial Board

Gov. John Kitzhaber discusses elements of the "grand bargain" approved in a special session. The changes in PERS, education funding and small-business taxes were among the achievements of 2013.

A lot can happen in a year. In 365 days, you can go from Multnomah County chair, and perhaps future governor material, to bad memory (and really bad boyfriend). You can drop a position as one of college football's hottest coaches and become one of the NFL's hottest coaches. You can even go from darling of the health reform universe, complete with your own trendy advertising campaign, to nationally recognized disaster. That would be Cover Oregon, for those who haven't followed the collapse.

In other ways, a year isn't much time at all - if you're a tree, for instance, or tax reform or John Kitzhaber's tenure as governor, which voters may extend again next year. In the end, the Kitzhaber Era might cover enough time to qualify for a driver's license.

The Oregonian's editorial agenda, which we presented in January, contains elements in both camps. For some, plenty happened during 2013. For others, it's simply too soon to tell. Here's the rundown:

Agenda 2013

- Fix PERS
- Address Oregon's tax structure
- Grow jobs and income
- Improve educational funding and function
- Build the bridge

- Protect and expand personal freedom

Fix PERS:

In response to the rapidly growing burden the state's retirement system for public employees has placed on school districts, cities and other public entities, Gov. John Kitzhaber challenged lawmakers to control costs. The struggle dominated the 2013 legislative session and spilled over into a three-day special session this fall. Eventually, lawmakers shaved about \$5 billion off the system's long-term unfunded liability by limiting annual cost of living increases for beneficiaries and eliminating an income tax "fix" for out-of-state PERS retirees, who don't pay Oregon income taxes.

It would be overstating the case to call the system fixed, as, for instance, salary spiking continues for some employees and money match bonanzas await many inactive PERS members. Meanwhile, even with this year's reforms, the PERS system expects rates paid by school districts and other employers to jump by an average of 2.6 percent of payroll for the 2015-17 biennium. And then there's the looming legal challenge to this year's cost-saving measures. Nonetheless, lawmakers did make significant progress in 2013, and members of both parties deserve a lot of credit.

Address Oregon's tax structure:

Tax reform received plenty of attention this year, but little else. A big reason for the lack of progress is PERS reform, which occupied much of the Legislature's attention in 2013 as well as the governor's. Still, the Mount Everest of Oregon public policy continued to loom in the background. Gov. Kitzhaber has chosen tax reform as his next big policy push, and at his urging business and labor representatives have been plugging away largely out of sight on strategy.

Throughout the year, others threw darts at the state's tax code, including Sen. Mark Hass, D-Beaverton, and Republican gubernatorial hopeful Jon Justesen, both of whom would like to cut income taxes and create a sales tax. Not to be outdone, a Portland City Club panel called for a wholesale revision of the state's famously complex property tax system.

As 2013 concludes, it's clear that a lot of people continue to dislike the state's tax structure — and that many of the reasons for dissatisfaction are valid. Oregon relies too heavily on the personal income tax, which makes our system lopsided and volatile. Because Oregon has no sales tax, tourists and income-tax dodgers contribute less than they might. The state's high taxes on personal income and capital gains serve as a "visit, but please don't stay" sign to

ambitious and successful people. And then there's the property tax system, which simply bewilders. This enduring dissatisfaction will produce one or more serious reform proposals sooner or later.

Grow jobs and income:

Going strictly by the numbers, Oregon's progress in growing jobs and income in 2013 was minimal. In November, 130,896 Oregonians were unemployed, an improvement of 25,302 over a year earlier. The unemployment rate dropped from 8.4 percent to 7.3 percent. That's good. But the number of employed Oregonians also dropped, from 1.8 million to 1.79 million. That's bad. Average hour wages increased from \$22.29 to \$22.72. That's barely noticeable.

It's unrealistic to expect Oregon to reverse longstanding trends in a year, so grading the state's economic progress requires looking at achievements with the potential to pay off in the future. Tax certainty granted to Intel and Nike by the Legislature and governor should ensure the continued presence of two of Oregon's most important private employers. And an adjustment to the tax code for some small businesses should make it easier for people to start businesses and for those already in existence to expand.

But significant problems remain. The rest of the state continues to lag behind Portland. And even in Portland, workers without college degrees — as well as those with degrees in the wrong subjects - struggle to find opportunities. Until those issues are addressed, it will be hard to significantly increase average wages and median income.

Improve educational funding and function:

The best news on the Oregon schools front in 2013 was the Legislature's decision to trim the growth in state pension costs. Though pension bills are still high and rising, the growth rate is no longer gouging classrooms so egregiously. These pension reforms, combined with a decent increase in state education funding, have provided some fragile stability to Oregon's schools, colleges and universities.

The Legislature also boosted funding for career and technical education and helped rein in the growth of tuition, two moves that should have a direct positive impact on people in Oregon seeking to better their lives and career prospects. Meanwhile, lawmakers allowed universities to create their own governing boards, part of a broader structural reform effort that has taken place largely at the 30,000-foot level.

Despite these changes, a gap remains between aspirations and reality. Pick your measurement — class size, graduation rate, length of school year — and Oregon ranks among the nation's worst states. Each of those problems

should be its own five-alarm fire, yet Oregon remains oddly accepting of persistent mediocrity, tentative about change and stymied by disagreements about teaching and testing. If this state is to become an education powerhouse, it needs more than stable funding. It needs a cultural shift, too.

Build the bridge:

The Columbia River Crossing had consumed nearly \$170 million and a decade of planning before the Legislature stepped up this year to pay its share of \$450 million, contingent upon Washington's lawmakers doing the same. It was a heavy lift, as replacement of the I-5 bridge over the Columbia River — necessary to relieve congestion and ensure the on-time delivery of freight by truck — provoked controversy. In Oregon, neighborhoods near I-5 north of Portland would suffer dislocation; in Washington, voices rose against the \$3 billion project's light rail component, to be paid for with federal dollars, as it was feared by some that a MAX line would import Portland's urban riff-raff to downtown Vancouver.

Along the way, the U.S. Coast Guard noted the bridge height would be insufficient to allow the passage of some industrial shippers — a problem that was remedied by frantic redesigns of the span itself and a deal to compensate some riverfront industries. In the end, a few members of Washington's senate derailed a \$10 billion transportation package that had included Washington's share of CRC funding. The project was shelved until Gov. John Kitzhaber declared Oregon could go it alone by replacing a down-scaled bridge for which Washington would complete its expensive interchanges at a later date — this with clearance from Washington's attorney general. Kitzhaber sought a second special session of the Legislature to consider the question but was declined by Senate President Peter Courtney.

Despite the bistate failure, Oregon lawmakers worked hard amid the clamor to authorize so much bond funding in a budget-strapped time. The need for a bridge remains, however, and the CRC is expected to come up again in February, when the Legislature reconvenes.

Protect and expand personal freedom:

The big issue here, of course, is the legalization of same-sex marriage, which looks to be headed to the November 2014 ballot. In 2013, supporters collected signatures and otherwise set the stage for what promises to be a momentous election.

State lawmakers also approved proposals affecting personal freedom, some of them good and others awful. Topping the "good" list are laws affecting illegal immigrants. One authorizes in-state tuition for college-bound immigrants

who've lived in Oregon for years. Another makes driver-cards available to such immigrants, many of whom drive anyway. Opponents of the latter have forced the question to the November 2014 ballot. The "bad" list includes a nanny-state law prohibiting people from smoking in cars when children are present.