

Minutes

1. Welcome, recap of last meeting and overview of the agenda (**Exhibit A**)

All members were present, except Max Williams (for whom Ginger Martin represented DOC) and Sen. Alan Bates (for whom Erin Fair participated by phone).

2. Update on federal legislation

Sarah Bittleman (Governor's Office) reported on the failure of the effort to include a reauthorization of county payments in the federal stimulus package. New opportunities may emerge if a second stimulus package is considered, but that is not likely until June. Appropriations bills will be difficult. An emergency supplemental appropriation may still be possible.

3. Updates from AOC

- Survey of counties: Mike McCarthur reported that OSU has received responses to its survey from 11 counties. He distributed an AOC document, entitled "Clearing Up the Confusion," which summarizes the various task forces and committees addressing county issues (**Exhibit B**).
- 5520 B Project: John Krawczyk, administrator, Yamhill County, presented an overview of the AOC/LFO survey of shared state/county services (**Exhibit C**). The study has focused on the following services:
 - Assessment and taxation;
 - District attorneys;
 - Community corrections;
 - Juvenile services;
 - Public health;
 - Mental health, incl. alcohol and drug treatment;
 - Veterans' services; and,
 - Economic development.

In response to Mr. Krawczyk's presentation of county revenue per capita and federal forest funds per road mile, Rep. Roblan asked to see county revenues per square mile.

Judge Cooper noted that we should consider the entrepreneurial opportunities that exist within counties, e.g. landfills that can generate tipping fees and county forest lands.

4. State budget data and projections

George Naughton, director of the state's Budget and Management division, presented a history of the state's revenues and expenditures since 1990 through the 2001-03 recession and budget reductions, and he unveiled projections for revenues and expenditures at the state level through 2021 (**Exhibit D**). These long-term projections show a trend toward revenue surpluses above "essential budget levels" (i.e. current service levels adjusted for inflation and demographic growth patterns) beginning in 2013-15. However, the caveats are many: Economic downturns, federal budget adjustments, lawsuits, the cumulative effects of deferred maintenance and infrastructure needs (not addressed in the baseline projections) and voter approved initiatives that reduce revenues or mandate new spending – any one of these could wipe out the projected surpluses, as could fiscal policies enacted by the legislature.

Sen. Ferrioli noted that the 2001-2002 recession caused a contraction of \$20 billion in the private sector and asked for further inquiry into the effects of the recession by sector. He urged consideration of public policies to combat declines in economic sectors that are critical to rural communities, e.g. the impact of not including forest products in the ethanol legislation.

Mr. McArthur asked for data from the last recession that could differentiate revenue losses from employment vs. investment.

Chair Nesbitt stated he would refer these requests to the state economist. He also noted that AOC and LOC are working on long-term fiscal projections for counties and cities for the Revenue Restructuring Task Force and expressed the hope that these projections would be ready to be shared with this task force at its March meeting.

Mr. Naughton also provided summary documents on the state's aid to local governments: a narrative with charts, entitled "Aid to Local Government" (**Exhibit E**); and, a table of state funding to local governments, entitled "Distributions to Cities and Counties by Program Area and Agency" (**Exhibit F**).

Andy Shaw, representing LOC, clarified that the table of state funding includes loan funds. Mr. Shaw also noted a discrepancy in the allocation of Youth Authority funds to cities – it should be counties. (Note: This correction is reflected in the attached version of Exhibit E.)

5. Progress reports from the program work groups

- Assessment and Taxation. Karen Gregory reported that this work group met four times between October 2007 and January 2008. Comprised of local government and schools' representatives, the group reached agreement on a proposal involving two elements.

Their first recommendation is to dedicate all delinquent interest revenues to assessment and taxation and distribute those revenues to the counties via the County Assessment Function Funding Account (CAFFA). This would redirect approximately \$15 million annually from the 1400 taxing districts in the state to the 36 counties.

The second recommendation calls for the state to dedicate and contribute \$15 million annually to the counties for assessment and taxation through CAFFA. The work group believes this would provide adequate funding for assessment and taxation at the county level. If these two recommendations are adopted, the state would provide 62% of the funding for assessment and taxation, compared with 26% now.

This work group also recommended further inquiries into addressing the wide variation among counties in their permanent tax levy rates, which have been effectively frozen by Measure 50.

Finally, the work group explored the payment of an administrative fee to the counties by local governments and a redistribution or increase of recording fees, but the group did not recommend either in their final proposal.

Judge Cooper raised concerns about equity for the counties. Ms. Gregory responded that the distribution formula reflects county workloads.

Mr. McArthur urged examination of changes in the system to make it more flexible and cheaper to administer. Ms. Gregory noted that some county assessors and the state are exploring the use of a statewide computer system.

Sen. Ferrioli questioned whether the Task Force should be looking at statewide, all-counties solutions rather than solutions focused on the needs of counties most dependent on federal forest payments. Chair Nesbitt responded that it is his intent to look at both general and specific approaches and to cast a wide net for solutions. Rep. Roblan noted that the recommendations of the A&T work group, although statewide, would help his county.

- Community Corrections. Ginger Martin noted that reductions in funding for law enforcement activity at the county level, e.g. Sheriff's patrols and DAs, could have an adverse ripple effect on state funding for community corrections. Under state administrative rules for distributing community corrections funds, a drop in supervised populations at the county level will eventually cause a reduction in state funding for those populations. Given the timing of these effects, this may not be an immediate problem but deserves attention as to how to mitigate such effects, e.g. enactment of

hold harmless provisions in the community corrections allocation formula. Strategies to reduce local community justice systems costs include the regionalization of jails and/or community corrections and developing alternatives to incarceration. DOC will share its draft analyses with its work group members in February before finalizing their report.

- Courts and DAs. Joe O’Leary reported this work group looked at the shared state-county responsibilities for court facilities security and maintenance, drug courts, DA salaries and prosecutorial assistance as well as state responsibilities for county judges and their staffs and indigent defense. Mr. O’Leary noted that the state could enhance funding for DAs’ offices by increasing prosecutorial assistance grants. The Court Fines and Assessment Account now provides funding for law enforcement training, victims’ assistance and forensics. The Dept. of Justice currently provides assistance to the counties in prosecuting large cases.

Loan assistance programs could help to recruit and retain prosecutors in rural counties.

A bill in the U.S. Congress to allow states to tap into individuals’ income tax refunds to recover unpaid court fines could net \$50 million a year for Oregon.

Mr. O’Leary expects one more meeting by phone to finalize the work group’s report.

- Juvenile Services. OYA Director Bob Jester reported on the work group’s meeting in Grants Pass on Jan. 29. He shared a recommendation under consideration to shift some of OYA’s new resources this biennium (for 45 close custody beds and 58 community placements) to fund diversion programs for the counties. The work group also considered: a review of state administration of funds going to the counties for juvenile justice and juvenile crime prevention to seek administrative savings and better outcomes; exploring the use of federal IV-E funds, which will involve DHS; and, exploring better coordination of OYA’s parole and probation services with the four regions of the Oregon Juvenile Department Directors Association. Director Jester noted that OYA used a regional service delivery model prior to 2003. Counties are bringing in a consultant to look at leverages through DHS and OYA collaborations in working with behavioral services.

Judge Cooper asked about the distribution of additional beds at the county level. Director Jester answered that the distribution of community beds would be determined by risk and need, with priority given to access for the highest-risk youth.

Sen. Ferrioli expressed concern that a reallocation of beds could hurt some of the timber-dependent counties slated for additional beds. Director Jester clarified that the reallocation would mean fewer beds for MacLaren and Hillcrest in Marion County and additional beds in the outlying counties.

Commissioner Labhart asked for more information on how these recommendations would be implemented.

- Law Enforcement. Oregon State Police Superintendent Tim McLain reported that his work group received excellent recommendations at their meeting in Grants Pass on Jan. 29. He fears that a loss of federal forest payments this year will shut down patrols and investigations in the southern counties, although the impact may not be felt until January 2009. Sup. McLain said he is encouraged that recent funding increases will enable OSP to fulfill their responsibility for 24/7 coverage on state and interstate highways. Although this will not enable OSP to take over any county patrol duties, “we will be there for emergency calls.” He noted that his work group was interested in the Deschutes County model, which uses public safety districts to collect dedicated property taxes both within and beyond city boundaries.

Sup. McLain noted potential for enhanced assistance to the counties from the state in the areas of: medical examiner services for southern counties (a \$300,000 item); training for search and rescue personnel; and, microwave communications loops related to OWIN.

Sup. McLain reported that he would like to involve local police chiefs in the refinement of recommendations and will look to complete assessments of service impacts by county.

Comm. Labhart noted that Tillamook County has benefited from an agreement with private timber companies for law enforcement activities on their lands. There was a discussion about the legality of this approach in other counties.

Comm. Smith asked to see more information on the counties who will find themselves in worst shape for maintenance of law enforcement activities.

- Human Services. DHS Deputy Director Clyde Saiki reported on combined work groups that addressed public health, senior services and mental health/alcohol and drug treatment. A fourth work group will meet to address developmental disability services in February.

Mr. Saiki reported that each of the work groups examined potential changes to state rules and mandates to achieve greater flexibility and efficiencies for the counties, but concluded that efficiencies alone cannot

bridge the gaps if federal forest payments expire. Compounding this problem is increasing difficulty in recruiting health professionals.

Mr. Saiki noted that some counties put no money into public health. His agency met with Coos County representatives to help them keep their designation as a local public health authority and tap into new funding services. He wants to take advantage of Medicaid funding opportunities.

Mr. Saiki will circulate his work groups' draft reports to group members and county representatives within the next two to three weeks before drafting a final report.

- Roads. Director Matt Garrett reported that ODOT sees a \$1.3 billion annual shortfall to maintain and preserve existing roads and highways. His work group considered shifting from a road funds distribution model of 60% state, 24% counties and 16% cities to one of 50% state, 30% counties and 20% cities. This would generate an additional \$67 million for counties. Other ideas developed for consideration in an outside-the-box brainstorm ranged from the state taking over county roads to coming up with a strategically targeted minimum funding level for each county or funding by regional districts. This work group is informed by the work of the Transportation Policy Group. Its next meeting will be Feb. 19.

A roster of all work groups was distributed (**Exhibit G**).

6. Organization and charge of policy work groups

- Revenue. Benton County Comm. Linda Modrell has agreed to co-chair the Revenue Work Group with Chair Nesbitt. This work group will begin meeting in March.
- Federal Forest Practices. State Forester Marvin Brown and Comm. CW Smith will convene a first meeting of this work group in Medford on Feb. 11.

7. Other areas of inquiry

Chair Nesbitt will convene a meeting of key agency representatives to respond to questions raised by Sen. Ferrioli regarding the growth and stabilization of rural economies and obstacles to sustainability. OECD Director Bob Repine will report on his agencies activities related to county-level and regional economic development strategies at the next Task Force meeting.

8. Other items/discussion

Chair Nesbitt and Co-Chair Bobby Green noted the need for a work group on veterans' services, which Chair Nesbitt said he would get underway.

9. Schedule of future meetings

Chair Nesbitt asked that the final reports from all work groups be submitted to him by March 20 for review and distribution to the Task Force members prior to the next Task Force meeting on March 27.

The next meeting of the Task Force is set for 10 AM to 4 PM, Thursday, March 27 in Conference Room A of the State Executive Building.