

OYA *In the Loop*

February 3, 2009

You all have been reading about the economy. Spending is down, and unemployment is up. The bottom line is that we do not have enough money in the state coffers to balance the budget for the remainder of this biennium ending on June 30, 2009. And we do not have enough money for the 2009-11 biennium to continue state services at the current level.

At the end of February, we will receive another revenue forecast. It won't be good news. The state economist gave the agency heads a brief and informal revenue update on January 20, and at that time, the state shortfall for the current biennium was projected to be \$450 - \$650 million, up about \$300 - \$500 million from the December forecast. Moreover, the projected shortfall for 2009-11 was projected to be \$2.2 billion, up about \$1.2 billion from the last forecast.

There has been hope that the federal stimulus package will help us through these difficult times, but it is likely the federal stimulus will help more in 2009-11 than right now. We just don't know right now how much help the stimulus will be for this current biennium.

The Governor and the Legislative Leadership are working together to determine how to solve these problems with the least possible impact to Oregon's citizens. Right now, Legislative Leadership is examining the reductions all agencies submitted, and they are working to determine how to balance this biennium. I expect we will know more about OYA's reduction targets when the federal stimulus package is signed into law in a few weeks.

I can not predict what this might mean for OYA. However, Joe O'Leary, the Governor's public safety advisor, told the public safety agency heads last Thursday that we should prudently prepare for the worst case scenario for the remainder of this biennium. We were told to begin examining the budget reduction options we prepared earlier to determine how to plan for further reductions. Of course, the million dollar question is: how much will OYA be asked to reduce. The good news is that through the actions we have already taken, we have saved some money that we can contribute to this growing problem. The bad news is that it is possible we will have to save more by making further reductions.

During this difficult time, my goals have been to provide the best service possible to the youth in our care and to avoid lay-offs of employees. Lay-offs contribute to the rising unemployment rate and do not help the economy so we will try to avoid them. Having said that, I want to be honest with you: lay-offs might be unavoidable if the deficit grows for this biennium and the next.

Let's remain hopeful. Let's continue to do great work for the citizens of Oregon. I'll keep you posted.

Thanks for everything you do to improve the lives of Oregon's youth.