



EXECUTIVE SUMMARY

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Making Sense of Spending and Taxes in Oregon

By Jeff Thompson

Slow economic growth continues to wreak havoc on Oregon's state budget. Absent new tax revenues, the Legislature will have to make further cuts to many state programs and services in the next budget cycle.

The debate over how best to balance the state budget has been clouded with confusing and misleading information about spending and taxes in Oregon. Contrary to claims made by some, Oregon's budget crisis was caused by declining revenues, not increased spending.

Among its findings, this OCPP analysis of spending and taxes in Oregon shows:

- State and local government expenditures in Oregon have remained at constant levels, relative to income, during recent years and for most of the last 20 years. Since the early 1980s, general expenditures less federal aid have fluctuated between 14 and 16 percent of income, with little change through 2000, the most recent year for which data are available.
- After accounting for federal aid received, general expenditures by state and local governments in Oregon are close to the national average. Spending just \$52 more per person than the national average for state and local government, Oregon does not stand out as a "high spending" state.
- Oregon's state government ranks 27th for general expenditures (less federal aid).
- Government employment has shrunk as a share of total employment. State and local governments employed 16.2 percent of all Oregon workers in 1979, but just 14.6 percent by 2000.
- Oregon ranks 39th out of the 50 states and Washington, D.C. for taxes as a share of income. If fees and other charges are included, Oregon ranks 20th.
- Total state and local taxes declined over the 1990s, falling from 10.5 percent of income in 1988-89 to 9.4 percent in 1999-2000. These small decreases were offset by small increases in fees, which rose from 2.7 percent of income in 1988-89 to 3.6 percent in 1999-2000.
- Oregon's rank for total spending is relatively high while its tax rank is low because Oregon spends money that it receives from the federal government, and collects other revenues that are not taxes.
- How Oregon ranks against other states is irrelevant to Oregon's ability to afford the public goods and services that our state and local governments provide.