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News Release

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Report Finds Oregon TABOR "Rainy Day Amendment" is Misnamed and Would Make Recessions Worse

Business and labor leaders agree

(Silverton) – A new report finds that Initiative Petition 6, a "taxpayer bill of rights" or TABOR measure, would make recessions worse in Oregon. The report by the Oregon Center for Public Policy shows that not only does Initiative Petition 6 fail to create a rainy day fund, it would undermine any rainy day fund that the Legislature might later create by including unemployment insurance under the spending scheme.

"Voters can and should create a rainy day fund," said Michael Leachman, policy analyst with the Oregon Center for Public Policy. "But IP 6 does not in and of itself create a rainy day fund," said Leachman. "IP 6 no more creates a rainy day fund than did the ballot measure that required seatbelt use or the measure that allowed denturists to install dentures."

"Calling IP 6 the 'rainy day amendment' is like trying to sell a lightning rod by calling it an 'umbrella'," said Leachman. "The IP 6 proponents are similarly trying to soak voters with a dangerous measure by calling it something else."

IP 6 is modeled on Colorado's "taxpayer bill of rights," commonly referred to as "TABOR" and considered the nation's harshest spending limit. The OCPP emphasized that IP 6 goes a step further than Colorado's TABOR by counting unemployment insurance payments against the TABOR limit.

"Including unemployment insurance payments makes Oregon's measure more restrictive, and more damaging in a recession, than Colorado's," said Chuck Sheketoff, executive director of the OCPP.

The report found that had IP 6 been in effect in Oregon during the last recession, four out of every five dollars of the increase permitted under the limit would have been spent on unemployment insurance payments. All state services outside of unemployment payments would have been denied most of the population and inflation growth the TABOR proponents claim to allow. Services that experience increased demands during

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recessions, such as the Oregon Health Plan, would have been incapable of keeping up with rising needs.

"IP 6 does not create a rainy day fund, and even if the Legislature creates one in the future, it would be rendered impotent because rising unemployment insurance payments would consume most of the allowable growth during a downturn," said Sheketoff.

Last November, Colorado voters suspended use of TABOR for five years after Republican Governor Bill Owens, business leaders, and the state legislature agreed that TABOR was damaging Colorado's universities, health care system, road maintenance, and other crucial public services.

Like Colorado's TABOR, IP 6 restricts spending growth to population growth plus inflation, a level that forces deep and unpopular cuts to schools, public safety, and other public services. The OCPP report found that if the IP 6 TABOR had passed in 1990, state services in Oregon would have had $7.3 billion less in the current 2005-07 budget cycle. That amounts to a 24 percent cut in current state spending and service levels.

"That's the same as eliminating all state funding for K-12 education, all state funding for Oregon Health Plan payments, all state funding for the Department of Corrections including all state funding for prisons, and all state funding for services provided by the Department of Agriculture, the State Police, and the Department of Environmental Quality, combined," said Leachman.

"The limit forces the public sector to shrink even if the economy is growing," said Leachman. One measure of economic growth is the growth in personal income. To prove his point, Leachman noted that since 1960, population plus inflation in Oregon has grown less than half as fast as Oregon personal income.

"There is no reason to believe this long term trend would be different under TABOR. Schools, public safety, health care and other public services would be strangled by TABOR over time," Leachman added.

The public policy research institute found that if IP 6 had been in effect in Oregon during the last recession, it would have forced state expenditures outside of unemployment insurance to grow by no more than 1.9 percent compared to the previous biennium, even though population growth plus inflation grew 8.7 percent.

"TABOR breaks its own promise of letting schools and programs for seniors grow by the arbitrary population and inflation scheme," said Sheketoff. "When a recession hits and unemployment costs rise, everyone else is denied even the inadequate growth level of population plus inflation," he added.

Business and labor leaders agreed that the TABOR "rainy day amendment" was misnamed, as it would actually cause more pain for Oregonians during recessions.

Lynn Lundquist, president of the Oregon Business Association, said, "Calling a proposal that is designed to decrease funding for essential public services through limits on spending a rainy day fund is a complete mischaracterization of its intent and impact."

Tom Chamberlain, president of the Oregon AFL-CIO, agreed, saying IP 6 was more accurately called the "Spending Trap."

"The profoundly flawed Spending Trap would pit workers and their employers against school kids and seniors in times of recession," Chamberlain said. "That's not in Oregon's best interest. It's another way that this measure creates more problems than it solves. Voters should reject the failed Colorado Spending Trap."

The ***Oregon Center for Public Policy*** uses research and analysis to advance policies and practices that improve the economic and social opportunities of all Oregonians. The new study is available at www.ocpp.org.

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