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Wasting a chance to shore up the future

Wednesday, November 14, 2007

The Oregonian

Soon, the state will mail a record-breaking \$1.1 billion in "kicker" rebate checks to Oregon taxpayers. Reasons abound for why the kicker is all-around bad public policy or, as The Oregonian noted in an editorial last year, "a dumb, fiscally destructive law." But none looms as large as the fact that it squanders a great opportunity to safeguard Oregonians.

The kicker is triggered when revenue exceeds the state's forecast at the start of the legislative biennium by 2 percent or more. No other state automatically returns such unanticipated revenue the following budget period. It's an arbitrary policy, unrelated to the current health of state finances. In fact, in 2001 state revenues began to plunge just as the kicker checks were mailed. Later that biennium, state services were slashed.

This year's kicker will send a check for \$297 to the typical Oregon household, whose income has stagnated throughout this decade. That single check may ease a month's mortgage payment or pay for a family's Christmas presents, but it won't provide economic security or opportunity.

By contrast, well-off Oregonians -- who captured 97 percent of all income gains generated during the first three years of Oregon's recent economic recovery -- will receive hefty sums. Those Oregonians making \$360,000 or more a year will reap kicker checks averaging \$13,548. That's more than the average household in the lowest 20 percent income group makes in a year. That group will see kicker checks averaging a whopping \$28.

In other words, the kicker lavishes a windfall on those who don't need it. It is akin to providing lifeboats to those safely aboard a cruise ship and precious little to those struggling to stay afloat in the water.

What would have been a better use of the kicker money? While the Legislature wisely established a rainy day fund earlier this year, it could have strengthened the fund by saving the kicker. That would have truly protected crucial state services -- education, health, public safety -- from the ravages of the next inevitable recession.

Today, the state has access to only about \$237 million in emergency funds. Yet nearly 10 times that amount -- about \$2 billion -- would be needed to ride out a recession of the same magnitude as the one in 2001 without cutting services. Saving the kicker would have gone a long way toward providing economic security and opportunity for many Oregonians.

A billion dollars is a lot of money -- and a lot of lost opportunity. This year's kicker, for example, would cover four years of tuition and fees for about 45,000 Oregonians at one of Oregon's public universities. About 8,000 Oregon high school graduates enter Oregon colleges each year. A billion dollars could have funded full college rides for all Oregon high school graduates entering the next five freshman classes.

Oregon has wasted an opportunity to save or invest. When the next recession strikes, it will find the state once again unprepared. The brunt of the storm will be borne by the many adrift in the rough seas, while the few aboard the cruise ship safely party on with their 2007 kickers.

Juan Carlos Ordonez is communications director for the Oregon Center for Public Policy in Silverton.