OCPP OREGON CENTER for PUBLIC POLICY
Because facts matter.

News Release

For Immediate Release

November 19, 2008

For More Information, Contact:

Charles Sheketoff (503) 873-1201
Michael Leachman (503) 873-1201
Juan Carlos Ordóñez (503) 873-1201

Governor and Legislature Should Solve Revenue Shortfalls With Revenue Solutions

Statement by OCPP Executive Director Charles Sheketoff on the December Oregon Economic and Revenue Forecast

(Silverton) – Today's revenue forecast shows that Oregon is in a revenue crisis, not a spending crisis. The Governor and legislators should address it with revenue solutions.

The forecast found that Oregon has $261 million less in the current biennium than the 2007 legislature thought would be available to spend. In the upcoming 2009-11 biennium, there will be $1 billion less than the 2007 legislature thought would be available.

Oregon is now $142 million in the red for this budget period, and based on data from the Budget and Management Division, next biennium Oregon will be short $1.1 billion in meeting the essential budget level.

Oregon should turn first to its reserves, but these reserves will not be adequate. The forecast indicated that reserves will total $734 million at the end of the current budget period in June 2009. Even if legislators could access all of the reserve funds — which they are restricted from doing — the state would still be far from having enough money to provide the services Oregonians demand and need.

The most effective policy for raising revenue in this recessionary context is get revenue from those with the greatest ability to pay — both wealthy individuals and large, profitable corporations. That's where the money is.

A tax increase on very wealthy individuals, who are best able to ride out the economic storm, would tap money that would more likely be saved rather than spent.

The current budgetary predicament reveals the foolishness in letting Oregon's kicker law send $1 billion back to taxpayers. A year ago, Oregon's kicker sent

$414 million of the billion dollars to the richest 5 percent of Oregon households — those with incomes of at least $181,000. Now that a recession has arrived, Oregon needs that kicker money back.

Another good option is to raise revenue from those profitable, large corporations, most of which are located out of state, who today escape paying their fair share of Oregon's taxes. Earlier this year the Governor and the legislature let a foolish federal corporate tax cut masquerading as a stimulus measure go into effect. That measure cost Oregon $85 million this budget cycle.

Profitable corporations operating in Oregon now pay less than half of what they paid 30 years ago in corporate income taxes as a share of the economy. Oregon should put the income back in the corporate income tax on profits to get us out of this revenue mess.

It is important to note that yesterday the Oregon Department of Human Services released data showing that more Oregonians are turning to state government for help as the economy has suffered. Requests for food stamps, temporary assistance for needy families with children under age 18 and Medicaid are up. Oregon needs revenues to help meet that demand.

To avoid aggravating the recession, it's important to maintain state spending on these and other key public services by raising revenues from those who can best afford to pay.

- 30 -

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax, and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.