

Salem Report

By Representative Brad Witt



Oregon's May Economic Forecast was released in mid May, and revenues are up. After unprecedented tax collections due to federal tax changes, Oregon's revenue outlook for the current biennium is much stronger than anyone expected.

State economists predict Oregon will take in about \$900 million more in general fund and lottery resources for the current biennium than was estimated just three months ago. The state is expected to bring in \$2.1 billion more in the current two-year budget cycle than was predicted in 2017.

Oregon's economic outlook remains strong, but slowing, due in large part to a tight labor market with employers having trouble finding new employees. Currently the state's unemployment rate is 4.3%.

Economists agree this income tax revenue is historic, and due to Oregon's unique taxing system, Oregonians are in line for a big personal tax credit of \$1.4 billion in the form of Oregon's kicker rebate when they file their taxes in 2020.

In most states, any extra revenue goes to the state legislature to spend. In Oregon, if the state collects 2% more in personal income taxes than what state economists predicted two years earlier, the kicker rebate is triggered, which sends the money back to taxpayers instead of being spent by the state government. The \$1.4 billion kicker would be

the largest in state history, more than tripling the \$463 million that taxpayers received in 2018.

With this one-time cash infusion, lawmakers are debating what should be done. The first option is to fund the kicker fully, returning all excesses to taxpayers, but there are other suggestions on the table.

Governor Kate Brown says this windfall "presents a unique opportunity to protect Oregon's future," and suggests using some of the revenue to pay down Oregon's public pension debt while also investing in housing, financial aid for college students, foster care, and the Oregon State Police.

House Speaker Tina Kotek advises approaching these unexpected resources prudently with any use of the one-time funds going toward areas of significant need such as housing and pension debts.

Historically, a large kicker comes right before a recession, and Senate leadership suggested socking the excess revenue into the rainy day or reserve fund, in anticipation of a downturn in the economy.

It's my opinion that until there is a public vote to change the kicker law, the money should be returned to the taxpayers.

There were about 100 people who contacted my office, 75% wanted the kicker returned to the taxpayers, although half of those indicated they would be willing to consider changing the kicker law with another statewide vote. 25% of those responding thought the state should keep some or all of the

kicker windfall to pay down the state's debt. I received many thoughtful responses; several suggested the state implement an "opt out" or "donation" program, so if a person wanted to donate their kicker back to the state they could designate a state program or debt to which they wished to contribute. Many people spoke in favor of beefing up the rainy-day fund to help stabilize Oregon's state budget. Others spoke to specifics: give the money to education, state police, climate change, or pay down the PERS debt. Given Oregon's dependence on income taxes, several constituents mentioned that when the excess is returned to the taxpayers, it will be spent in Oregon, boost the economy, and become taxable income again.

Your responses are proof positive that good minds working together can come up with the solutions we need to solve the state's problems.

This is the last revenue forecast before the June 30 deadline for the legislature to pass a state budget. The Ways and Means Committee will now use these final revenue projections to develop the spending plan for the next two years, as Oregon law requires that lawmakers approve a balanced budget.

Recently the House approved Senate Bill 664 requiring school districts to provide instruction about the Holocaust and genocide beginning with the 2020-21 school year. The Oregon Department of Education will adopt content standards for Holocaust and genocide studies and offer technical assistance to school districts on the imple-

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mentation of the curriculum. This is an important topic to cover, for as Edmund Burke once said: "Those that don't know history are doomed to repeat it." A re-

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