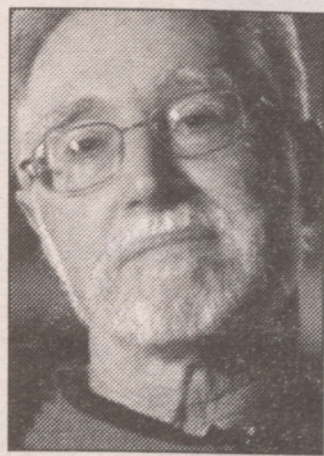


Portland can avoid its next fiscal crisis now



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BY ROBIN HAHNEL
CONTRIBUTING COLUMNIST

Last spring all the conversation was what to do about the city budget shortfall. Public hearings were scheduled where thousands of angry constituents turned out to testify why their favorite city program should not be on the chopping block. After some last minute reprieves an austerity budget was finally passed and many in the popular coalition against austerity budgets turned their attention to other matters.

Despite optimistic projections that the worst is over, when "budget season" opens again in a few months we will be told, at best, that there is too little revenue to restore full funding to all the programs, which were only to be cut "temporarily," and may well hear that new cuts are necessary. Now is the time to look for new sources of revenues to avoid a repeat of last year's tragedy.

Admittedly, our local elected officials are in a tough spot because federal and state level decisions have dramatically reduced their room for maneuver.

Our Congress and President have prioritized deficit reduction over fiscal stimulus ever since the Great Recession began, and irresponsible brinksmanship in Washington has now reached new extremes virtually guaranteeing counterproductive fiscal austerity, instead of needed stimulus, at the federal level.

The Oregon constitution is interpreted as barring the state government from running deficits and includes both the "kicker," which requires the state to rebate "excess" tax collections, and property tax limitations. The recent "grand bargain" negotiated behind closed doors and passed by a special session of the legislature was arguably a bad deal, but in any case just kicked the can down the road 12 to 18 months.

Clearly, our elected city officials need to press Portland's delegations in both

Washington and Salem to cease their counterproductive behavior and remove constraints that hamstringing local officials. Otherwise Portlanders will find ourselves facing ever worsening budget trade-offs, year after year.

Still, our elected city officials do not have to settle for self-defeating austerity budgets. It was lack of leadership on the part of elected city officials that led to the debacle of a hastily drafted ballot measure authorizing a highly regressive head tax to keep art teachers in the schools — with nary a thought about how to collect it, or handle restrictions on who could legally be required to pay it. City officials need to focus now on how to raise local revenues in reliable ways that do not further penalize those who can least afford to pay. Here are some suggestions:

■ Implement a progressive and permanent county income tax. A temporary flat tax won voter support in 2003. Portland is by and large a progressive city, and a progressive income tax is the best way to put our city budget on a sound fiscal footing, permanently.

■ Implement a progressive business tax. Right now small and large businesses alike pay the same 2.2 percent profit tax if they have more than \$50,000 in revenues. This means a food cart owner who would be hard pressed to take home \$12,000 a year in income from \$50,000 in sales pays the same 2.2 percent on his or her meager profits as Bank of America pays on its considerable profits. We could easily exempt many more small businesses from the business tax entirely and still raise more revenue by increasing the percentage larger businesses are charged.

■ Implement a cellphone tax. Eugene has one, and a sales tax on cellphones is not regressive.

■ Expand the range of businesses subject to fees. Restaurants pay fees for health inspections. There is no reason Portland

cannot charge for-profit financial institutions fees. After all, it is more likely that irresponsible behavior on the part of banks will harm Portlanders than it is that we will suffer from food poisoning.

■ Raise public utility license fees and partner with regulatory agencies to minimize rate increases. Privately owned utility stockholders should shoulder more of the cost of maintaining a healthy city.

■ Restructure

Portland Development Commission policies to ensure that gains from redevelopment are shared. At present property taxes collected in areas designated for redevelopment, such as the Pearl District, can only be reinvested in the same area and are therefore not available for the General Fund, which is where shortfalls lead to counterproductive cuts in city services.

Put a city carbon tax on "fast-track." A carbon tax would help the city achieve its own Climate Action Plan targets, as well as provide a new source of tax revenue.

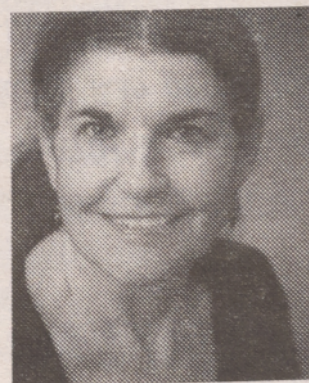
In sum: We need our local elected officials to be proactive. Otherwise they will increasingly become handmaids of austerity budgets. We need them to help us put the heat on Portland's delegations in Washington and Salem, and tell them in no uncertain terms that the federal and state governments are making it impossible for local politicians to do their job, which is to provide decent public services for the citizens of Portland. And finally, we need elected city officials to focus now on revenue enhancement from those most able to pay, rather than wait until it is too late and there is no choice left but to cut programs of great social value.

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