

Crank the Faucet

Squirt some WD-40 on the revenue plumbing.

The legislative bipartisan group-hug phase skidded to an abrupt halt in Salem last week, slamming into a concrete wall of needs without ways or means. House and Senate Republicans were pretty cranky after the success of Tuesday's school votes in Multnomah and Washington counties. House Democrats, feeling their colleagues' pain, tried in vain to force a \$6 billion K-12 bill to the floor for a vote – it died a slow procedural death. Senate Republicans, seeing more of their bills being bottled up in evenly divided committees, obstinately lost a procedural vote 15-14; and a meaningless bill, allowing ODFW to shoot from the air, went back to the Ag Committee. Meanwhile, the speaker and her conservatives are calling the budget (\$11.2 billion) – released last month by the Joint Ways and Means co-chairs – a "ceiling"; the Senate Democrats are calling it a "floor" which needs a couple of billion added to it just to make it acceptable.



So Speaker Minnis threatens to yank her members from the joint budget committee and form her own. This has only been done once since World War I – in 1993 Larry Campbell was speaker, the Senate was Democratic – and it led to the longest session in legislative history. Incidentally, the House Appropriation Committee chair in 1993 was my current next-door neighbor on the Senate floor: then-Rep. John Minnis. Please, Yogi, don't make it déjà vu again.

There are a variety of discussions going on in the building about increasing revenue, but not very many that supply a sufficient amount. But, putting aside whatever that number is for a moment; consider politically what will have to happen for us to end this session. The House Republicans will probably not propose a budget that doesn't have some Democratic support. The speaker has a hard core of 20 conservatives in her caucus of 35 that are fundamentally incapable of supporting a budget that Democrats would accept as sufficient. So, if there are to be any revenue bills arising from the House that require 36 super-majority votes, probably the only way that happens is for the speaker and 10 or 12 moderates to join the Dems with a get-out-of-Dodge budget. Senate D's don't have enough votes to get anything out, nor do the Senate R's. Their leader, Bev Clarno, has the same problem as the speaker; with a hard conservative core of nine or so – in a split partisan chamber. You know the leadership in both parties want bipartisan votes for the budget. But how do we get there?

Using the criteria of adequacy, fairness and stability; how can Oregon get more revenue? From a public policy standpoint each option has an upside and downside:

- Increase income tax to 10 percent for joint incomes over \$100,000, gets you \$250 million for '03-05. Progressive, no additional cost to collect; but Oregon is already over-dependent on income tax.
- Change Measure 5 property tax limit for schools from \$5/thousand to \$7/thousand, gets you \$1 billion for '03-05. Requires vote, regressive if no low-income offset.
- Increase corporate excise tax to 9 percent, yields \$240 million. Oregon's business taxes are lower than other Western states, but business taxes are particularly unpopular.
- Create restricted 3 percent sales tax, yields \$3.4 billion for biennium. Stable, but very regressive, poor pay more, relatively expensive to collect, no deductibility on federal taxes.
- Suspend property and/or income tax breaks, yields hundreds of millions. Has to be done carefully, across-the-board doesn't work. One example: Just cutting personal income tax exemption from \$145 to \$100 for households over \$75,000 and eliminating it for households over \$100,000 would yield \$200 million.
- Others: beer tax of six cents yields \$80 million plus additional federal funds match, reduced video poker commission could get you \$100 to \$140 million.

Nothing's easy in this business. But the speaker needs to understand: This is not a Ways and Means discussion – we know what we'd spend the money on. It's a Revenue discussion – where's the acceptable plan that gets us out of the building? The governor will probably sign whatever budget gets to his desk, so I hope he fades into the background for a few weeks – or months – and lets the legislative process do its dance.

But I guess it wouldn't hurt to invite Teddy to a Butt Face Caucus, especially since it's Randy Miller's turn to buy?

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