

# Republicans want cost cuts in exchange for revenue hikes

## Pension system a GOP priority

By **CLAIRE WITHYCOMBE**  
Capital Bureau

SALEM — Driving a hard bargain a week away from the legislative session, Republican state legislators say they'd be willing to consider revenue reform — but only if there are changes to the other side of the state's ledger.

Without any new revenue, the state has \$1.8 billion less than it needs to maintain the current level of state services, according to the co-chairs of the legislative Joint Ways and Means Committee, which writes the state's budget.

State Rep. Cliff Bentz, R-Ontario, vice chairman of the House Revenue Committee, suggested this week that a "broad-based consumption tax," coupled with changes to the state's income tax, could be one way to strike a compromise between business groups and public labor advocates.

But he and other Republicans are adamant that they won't agree to making changes to taxes without first addressing the state's costs, including the state's pension system.

Democrats don't have the three-fifths majority they need to pass revenue-raising measures, so in order to avoid the drastic cuts to services they've warned of, they need to craft a resolution that will be palatable to lawmakers on the other side of the aisle.

Senate Minority Leader Ted Ferrioli, R-John Day, says he would also be amenable to an

increase in the gas tax to support transportation funding — which is another major issue going into the session that kicks off Wednesday.

### Balancing act

Ferrioli said that crafting the state's tax system is, and will be, a balancing act.

"All those things — property tax, income tax, business taxes, corporate taxes, they're all connected and all hydraulic," Ferrioli said. "The conversation that will occur, I believe, is how do you find the sweet spot that sustains job growth in Oregon and provides enough revenue for running our infrastructure, and also provides some tax relief in strategic areas?"

Republicans say that before making changes to taxes, they want concessions from union groups on the costs of the state's pension system — a high hurdle to leap.

The most recent attempt to reduce the costs of the Public Employees Retirement System, or PERS, in 2013, was found largely unconstitutional by the state Supreme Court in 2015.

Future obligations are at least \$22 billion more than the system can pay.

Regular increases in employee costs and benefits are a significant factor in driving up the state's expenses every year, according to a 2010 "reset report" on the state's budget authored during former Gov. Ted Kulongoski's administration.

That report explained, among other phenomena, how the state's revenue structure leads to revenue instability.

Both Democratic and



Mateusz Perkowski/EO Media Group

**Republican leaders in the state Legislature say they won't consider tax hikes unless Democrats first consider spending cuts, especially in the retirement system.**

Republican lawmakers have echoed this observation.

### Income taxes

The state's general fund relies largely on income taxes, which can fluctuate with swings in the economy.

Couple that with the fact that Oregon's economy is typically more extreme than the overall economy — dipping lower in recessions and rising higher in times of prosperity or recovery — and you get a pattern resembling the Swiss Alps, as state economists have pointed out.

Bentz says that the cost discussion has to start with public employee unions.

Should they agree to cut back, Bentz thinks three kinds of a consumption tax could be among the possibilities: a gross receipts tax, a value-added tax, and a commercial activity tax.

Each type, says Bentz, would ideally be broader-based than Measure 97, which would have imposed a 2.5 percent

gross receipts tax on certain C-corporations with more than \$25 million in annual sales.

Whichever type leaders propose, it would ideally in turn be complemented by reductions in income taxes, Bentz said.

House Minority Leader Mike McLane, R-Powell Butte, described his two conditions for agreeing to revenue changes: first, making the tax atmosphere more consistent for business owners; second, addressing costs, including PERS.

McLane argues businesses are asking themselves, "When does it end? If we make this investment in Oregon, how do we know the tax structure in Oregon just doesn't change?"

He pointed to Measure 97 as an example of what he characterized as the prevailing political attitude toward business. Both Gov. Kate Brown and House Speaker Tina Kotek advocated for the measure.

The proposal also mobi-

lized the business lobby, which fought tooth and nail — and paid mightily — to defeat it at the ballot box.

### PERS a starting point

According to Ferrioli, the starting point for negotiations on McLane's second condition — addressing costs, including PERS — is a list of possible changes to the pension system that's been the focal point of a legislative work group led by Sens. Betsy Johnson, D-Scappoose, and Tim Knopp, R-Bend.

Two bills were introduced in the Senate this month reflecting some of those ideas, including changes to how benefits are calculated. They have faced preliminary vetting by Legislative Counsel.

Unions said back in September that those potential changes that are now bills would not significantly reduce the pension system's unfunded liability because, legally, any changes lawmakers make can't touch benefits already accrued.

Kotek said this week that while PERS has been the focus of the business community, it is not the only driver of state costs.

"I think there is a relatively simplistic understanding among some folks in the business community that there is only one problem and that cost driver is PERS," Kotek said Monday at a meeting of the Pamplin Media Group's editorial board. "I don't agree with that. I think it's a cost driver, but you have to remember the ballot measures that the voters passed in November, have, practically, an equal

amount of additional expense on the state budget, over \$300 million. So there are a variety of things that people want us to do, and trying to figure all that out remains to be seen."

Ballot measures that voters approved to fund veterans' services, outdoor school programs and career and technical education added approximately \$357 million in additional costs, according to the preliminary spending plan released by legislators last week.

Senate President Peter Courtney, D-Salem, said unions and business groups had not yet come together to hammer out a compromise.

Brown has also suggested a number of smaller tax measures in the budget she released in December — such as an increase in the cigarette tax — that together, if approved, her office estimated would raise nearly \$900 million in new revenue.

All that new revenue requires multiple votes on taxes, Courtney said.

"Are you kidding me? I get one damn tax vote out of this session," he said.

*The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.*

# Washington won't be deterred on climate

Associated Press

SEATTLE — Washington Gov. Jay Inslee says the state

will remain undeterred in its efforts to promote clean energy and tackle climate change.

The Democrat told report-

ers Thursday that "we will not be slowed one iota by the foolishness that we're hearing out of the White House."

Asked about his response to a potential shift in focus at the Environmental Protection Agency under President Donald Trump, Inslee said the state "can be and must be masters our own destiny" when it comes to fighting carbon pollution.

He said "we see no reason to believe we will receive assistance from the federal government under this president."

Inslee said Washington is already taking action to reduce carbon pollution and will continue to do so. He noted that the state passed a clean-air rule that limits emissions from the state's top carbon polluters.



AP Photo/Ted S. Warren

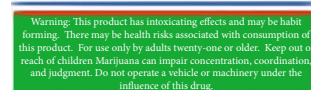
Washington Gov. Jay Inslee, shown here in March, says the state will remain undeterred in its efforts to promote clean energy.



133 Howerton Way  
Illwaco WA 98624  
WWW.FREEDOMMARKET420.COM

**Huge Selection!  
Great Prices!  
Exclusive Product Lines!**

MON - SUN  
8AM - 8PM



**Visiting Angels**

Experienced caregivers for senior homecare

Long Beach, WA  
360-892-4442

**We're Hiring!**

www.visitingangels.com

**BAY BREEZE**  
BOARDING & GROOMING LLC  
A Resort For Pampered Pets

**\$500 OFF**  
**FULL GROOM**  
With this coupon. New customers only. Valid through 2/28/2017

*Immediate appointments available.  
Call now to reserve your spot!*

1480 SE 9TH STREET, WARRENTON  
(503) 861-9817  
BAYBREEZE-BOARDING.COM

**NOW HIRING**  
**CLATSOP CRUISE HOSTS**  
**VOLUNTEER COORDINATOR**

Applicant must be at least 21 years of age and have a high school diploma or equivalent. Must work well with people. The Volunteer Coordinator is an independent contractor position.

Position description and application available at:  
[www.clatsopcruisehosts.org](http://www.clatsopcruisehosts.org)  
Or email: [lhbruner@charter.net](mailto:lhbruner@charter.net)

*Our family would like to thank everyone who helped during Dan's illness and recent passing.*

*From visits, car rides, flowers, cards, and assistance with his celebration, your "being there" for all of us meant more than you'll ever know.*

*These friendships are genuine and will not be forgotten.*

~~~~~

*With much love,*

Evelyn Laughman  
Jenny and Cary Johnson and family  
Robert Laughman  
Bekah Laughman

*Celebration of  
Kim (Kyong S) Fuhrmann's  
Beautiful Life*

Teri and I would like to invite everyone who knew Kim of Kim's Kitchen, to join us in sharing memories and celebration of Kim's beautiful life. We especially hope her many caregivers will attend. We include every shopkeeper, waitress and cab driver who took the time and effort to ensure her safety and well-being. We thank you. If you have stories you want to share, there will be open mic during the celebration for you to share. If you cannot make it to the event or don't feel inclined to share your story in front of the group, please write the story and email them to [kimskitchenastoria@gmail.com](mailto:kimskitchenastoria@gmail.com). I will either read them or post them at the Celebration Service for all to hear. Teri and I look forward to seeing old friends who knew Kim along with new friends Teri and I have yet to meet.

*January 28th ♦ 1 to 4pm  
Pier 39 (Hanthorn Cannery) Banquet Room*

**JOIN US!!!**

**Assistance League® Columbia Pacific**  
**ACCESSORIZE SALE!**

**ACCESSORY DONATIONS NEEDED**

**FEBRUARY 5<sup>TH</sup> SUPER BOWL SUNDAY 2017**

**The Loft in the Red Building  
20 Basin St.  
in Astoria**

Drop off donations of purses, jewelry, belts, scarves, etc.. in the **BIG RED BINS** in all Columbia Banks

**YOU KNOW WHAT A GREAT SALE THIS IS AND FOR A WONDERFUL CAUSE!**

All proceeds will go towards programs of **Assistance League® the Columbia Pacific**

**ACCESSORIZE SALE • SUNDAY FEBRUARY 5TH • 11AM TO 3PM**

Assistance League the Columbia Pacific is a non-profit organization whose volunteers raise funds to assist school children in our community.

For more information about this event, call Mary Davies at (503)738-2672

For more information about ALCP or becoming a member, visit our website at [www.assistanceleaguecp.org](http://www.assistanceleaguecp.org)