

Oregon taxpayers to see \$1.4 billion kicker

A surge in state revenue

By MARK MILLER
Oregon Capital Bureau

SALEM — Oregonians are in line for a big personal income tax credit, in the form of a unique “kicker” rebate, when they file their taxes in 2020.

That’s because the state has collected far more money over the past two years than was expected, state economists Mark McMullen and Josh Lehner said Wednesday. Personal income tax collections during the first quarter of the year were the highest on record.

In most states, any extra revenue goes to the state Legislature to spend. But because Oregon law requires the stake to “kick” much of its unanticipated money back to taxpayers, the state gets to keep only a portion.

“Relative to our counterparts in other states, this is a difficult day for us,” McMullen said. “This has been a really nationwide phenomenon in terms of the revenue surge, but to all our counterparts, that’s a



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Oregon tax collections are higher than expected.

happy story. ... Unfortunately, with our unique kicker law, that’s not the case.”

If the state collects 2% more in personal income taxes than what state economists predicted two years ago, it triggers the kicker rebate, which means that extra money goes back to Oregonians instead of being spent by the state government. The state smashed through that threshold by more than \$1 billion.

Oregon taxpayers will get back about \$1.4 billion, nearly double what economists predicted just a few months ago.

That would be the largest kicker in state history, according to McMullen,

dwarfing the \$463 million kicker that taxpayers got back in 2018.

Right now, McMullen said, it looks like the median kicker rebate will be about \$338. For the state’s top earners, it will be close to \$14,000.

A check on taxation

Republicans leapt to the defense of the kicker, warning Democrats against dipping into it.

“This constitutionally mandated check on excessive taxation must be honored and not raided for pet projects or to grow the bureaucracy in Salem,” said state House Minority Leader Carl Wilson, R-Grants Pass, in a statement.

This is the last revenue forecast before the June 30 deadline for lawmakers to pass a state budget. It’s important because it tells lawmakers how much money they can spend in the next two years.

Legislative budget-writers have to produce a balanced budget that doesn’t spend more money than the state takes in.

“This will be the forecast that sets the stage for the budget for ‘19 (to) ‘21,” said Chris Allanach, legislative revenue officer.

On Wednesday, key Senate Democrats signaled they will take a measured approach to what Sen. Mark Hass, D-Beaverton, described as “a historic windfall.”

“It should go to one of the education stability fund, rainy day fund, PERS (Public Employees Retirement System) fund — whatever one of those long-term funds,” Hass said. “I think we’re going to sock it away.”

Senate Majority Leader Ginny Burdick, D-Portland, and Sen. Chuck Riley, D-Hillsboro, said the economic good times won’t last.

State Senate OKs school reform tax

Bill could generate \$1 billion a year

By MARK MILLER
Oregon Capital Bureau

SALEM — A massive proposal to inject more money into Oregon’s struggling public school system is headed to the governor’s desk, where it is expected to be signed into law.

The state Senate approved House Bill 3427 on an 18-11 vote Monday, delivering Democrats a signature victory — but only after the party, which holds supermajorities in both the House and Senate, gave up significant concessions to ensure they could have a vote at all.

As a condition of allowing a vote, Republicans issued a list of demands, including legislation they wanted Democrats to abandon.

On Monday, Democratic leaders agreed to jettison Senate Bill 978, a gun control bill widely opposed by Republicans, and House Bill 3063, which would end non-medical exemptions from vaccination for schoolchildren. The latter bill had just passed the House last week.

Outnumbered Republicans, unhappy about one of the largest tax increases in state history passing through the Legislature at “warp speed,” endeavored to throw the brakes on HB 3427, also known as the Student Success Act.

Two weeks ago, House Republicans began requiring the text of all bills to be read in full before a floor vote — a process that took close to three hours for the 45-page Student Success bill. But while that May 1 session took up most of the day, the bill’s passage was never in serious doubt, and it was approved 37-21.

Last week, Senate Republicans skipped out on seven floor sessions in which a vote on HB 3427 was scheduled. While Democrats have enough votes to pass a tax bill without Republican support, at least 20 senators must be present for the Senate to hold a vote. That forced a frustrated state Senate President Peter Courtney, D-Salem, to repeatedly adjourn without a quorum and ultimately kick the vote to this week.

“This is the only tool we have,” Senate Minority Leader Herman Baertschiger Jr., R-Grants Pass, declared before his caucus’ walkout. “We know, we know, elections have consequences — we got it. But this is bad.”

Ultimately, Democrats chose to hold firm on the Student Success Act in exchange for the gun control and vac-

cine bills.

“This is not a pretty process sometimes, but we have a gorgeous result today,” Senate Majority Leader Ginny Burdick, D-Portland, said after Monday’s vote.

Raising taxes on business to pay for better public education was a top priority for Democratic leaders heading into this year’s legislative session.

Oregon already spends about half of its discretionary budget on education. But education advocates, including a state commission

formed to figure out what Oregon needs to have a quality education model, say it’s not enough.

The \$2 billion per biennium coming from HB 3427 would effectively close the gap between the current service level and the quality education model, although it won’t increase the state

school fund.

The bill makes nearly half a million dollars per year available in state grants for school districts. Each district would have to present a plan for how it wants to use the grant money, and it would be obligated to report back to the state on what effect that additional spending has.

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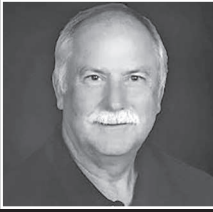
“Today’s forecast is great news regarding the budget situation, but history shows us that the spike will not last,” Burdick said in a statement, adding, “We must continue preparing our state to weather an inevitable economic downturn, and we need to be doing that while times are good.”

Riley remarked, “We all know there’s going to be, eventually — hopefully not

soon — a downturn. And we’re going to need those reserves. So I think everything we can get, we should put in reserves — everything that we hadn’t planned on.”

On the other side of the Capitol and in the governor’s office, leading Democrats expressed openness to spending part of the windfall on other priorities, such as affordable housing.

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