



Connor Radnovich/Statesman Journal

State lawmakers will decide how to manage revenue growth.

Windfall: Kicker would be the largest in state history

Continued from Page A1

practically every Oregonian.

Between general and lottery funds, state economists project that Oregon has \$24.8 billion to spend over the next two years. That's up about \$770 million from the previous forecast.

Ken Rocco, the legislative fiscal officer, advises lawmakers on how much their spending ideas would cost the state. His office concluded the state would need to spend about 14% more than the current two-year, \$21 billion budget just to keep in place services now being provided, because of the impact of inflation, pay raises and cost hikes in supplies and services.

That calculation doesn't take into account the larger cash reserves that Rayfield and his fellow co-chairs, Sen. Betsy Johnson, D-Scappoose, and Sen. Elizabeth Steiner Hayward, D-Beaverton, want the state to have by the end of 2021. It also doesn't include any new programs or projects that the Legislature approves or jobs it adds.

"I think we're probably much closer to being able to fund the current service level, but that doesn't mean that the co-chairs, for every agency, they're going to do that," Rocco said. "They're still looking at making some current service level reductions."

Spending ideas

That hasn't stopped key people in the Capitol from tossing out ideas for how the newfound \$770 million should be spent.

Gov. Kate Brown said she expects some of the extra money to go toward mitigating tuition costs for community colleges and universities, as well as investing in foster care and law enforcement.

"I have some key investments that I think need to be made," Brown said.

Brown and House Speaker Tina Kotek, D-Portland, have also suggested putting some of the windfall into affordable housing, a priority they share.

"The more we can do for housing with the additional resources, we should try," Kotek said.

But Rayfield and some of his fellow Democrats in the Legislature are leery of any new spending that would have to be covered in future budgets.

"You use one-time money for one-time purposes," Rayfield said.

Sen. Chuck Riley, D-Hillsboro, who sits on the Senate Finance and Revenue Committee, responded cautiously to Brown's wish list.

"Those are all good things, and yeah, OK, sure, we can always use money in those places," Riley said. "But I'm a bit of a realist and understand we're going to have that (economic) downturn. We need to make sure that we have everything covered for that downturn."

Riley and his committee chairman, Sen. Mark Hass, D-Beaverton, want to put as much as they can into the state's reserves.

"In public finance, when you have a temporary phenomenon — a historic windfall — the position is you sock it away," Hass said.

Oregon has run up about

\$27 billion in pension debt. Pension costs are growing as more public employees reach retirement age. While there's no way for the state to erase its debt with a single move, the Legislature could put some of the overage toward paying it down.

It's "very likely" the budget will include extra money for the Public Employees Retirement System fund to help pay down the debt, Kotek said. That would be an appropriate use of the windfall, Hass and Rayfield agreed.

Largest in history

Brown and Kotek also floated a less likely idea: diverting money from the personal income tax kicker itself.

At \$1.4 billion, next year's kicker would be the largest in state history.

Kotek has proposed spending about half of it on transportation initiatives, including grants to replace or refit old diesel engines to reduce pollution, seismic upgrades to the Interstate 205 bridge between Oregon City and West Linn, and a new program to build electric vehicle charging stations and other infrastructure for low-emission vehicles.

Brown hasn't embraced Kotek's kicker proposal, House Bill 3440. She said that if the kicker were diverted, it should be for something that benefits the entire state.

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D-Portland

Brown said she'd support using kicker money to pay down more of the pension debt, if the Legislature can cobble together a plan that has bipartisan support.

"I think that is good fiscal sense," said Brown.

"We're in a really interesting opportunity, because the kicker is so large," Kotek said. "We haven't had this opportunity in the past, where the personal income tax kicker rightly should be going out to taxpayers. Here, we have an interesting situation where we can still have a sizable set of refunds going out and potentially spend a good chunk of money on one-time investments."

Putting the kicker into the PERS fund has been proposed in the past, Kotek noted, and although she supports the concept, she added, "I don't think you get votes for that."

The Legislature usually leaves the kicker alone. Oregon only cashes the rebate out to taxpayers in good economic times, when tax collections over a two-year period are at least 2% higher

than economists expect.

The last time the kicker was diverted was in 1991, at the end of a recession, when lawmakers decided to use the money to help cover state spending.

Since then, voters have made it harder for the Legislature to dip into the kicker. They passed a constitutional amendment in 2000 that requires the approval of 40 state representatives and 20 senators to shift money away from the automatic rebate.

That's a tall order. Even if Democrats were united, they would need two Republicans to agree to the plan in both the House and the Senate — and Republican leaders fiercely oppose any changes to the kicker.

"Any attempt by Democrats to take their hard-earned kicker away from working Oregonians and squander it all on growing government or rewarding their campaign donors will be met with strong opposition by House Republicans," House Minority Leader Carl Wilson, R-Grants Pass, warned.

Rayfield said budget writers should focus on the extra money in the general and lottery funds instead. His take is that the Legislature "has no control" over the kicker, despite its record size.

"We have absolutely zero ability to touch that, unless you had a two-thirds vote in the House and Senate and the governor signing it," Rayfield noted.

Rayfield, Johnson, Steiner Hayward and other members of the Joint Ways and Means Committee are continuing work to shape state agency budgets for the next two years.

Rocco said the goal is to have the budget pieced together within the next three to four weeks. The Legislature must approve a balanced budget by the end of June for the biennium that starts in July.

Policy bills

Budgets aside, Ways and Means also has more than 360 policy bills to consider.

Most bills that require the state to spend money — whether that means hiring an analyst, granting money to cities and counties, or retrofitting state office buildings — have to clear the Ways and Means Committee. In conjunction with House and Senate leaders, the committee co-chairs will determine which of those bills the Legislature should spend money on, Rocco said.

They also have to consider what happens if and when Oregon's nearly decade-long economic expansion comes to an end, and income tax collections fall. That's why Hass, Kotek, Rayfield and others refer to the unexpected revenue as "temporary" money — they can't count on seeing the same surge of cash two years from now.

"It helps solve some problems, but then it causes other problems," Rocco said of the new revenue report. "But we're working through those."

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Photos by Edward Stratton/The Astorian

Portland Timbers fans tossed their scarves Sunday over a section of log that will be cut by mascot Timber Joey each time a goal is scored at Providence Park.

Camp 18: Log may be christened June 1

Continued from Page A1

Meals on Wheels, Timbers fans filed out to a gravel lot, where the 10-foot section of Douglas fir sat on a trailer. They draped their wreaths over the top of the log and joined arms.

Patch Perryman, a capo in the Timbers Army fan club, placed his hand on the log and recited the Timbers Toast, an old Irish wedding wish Serrill passed on to the team.

After taking in the moment, a smaller group of fans with children in tow made their way to a field next to the Camp 18 Loggers Memorial, where they



Edward Stratton/The Astorian

Jim Serrill, former Portland Timbers mascot Timber Tim, unveiled a new team scarf made in honor of two Forest Grove girls run over while playing in a leaf pile in 2013.

planted 2-year-old Douglas fir seedlings donated by Hampton Lumber and packed in by co-owner Jamey Hampton.

The log-blessing ceremony came a little later than usual this year, with

the Timbers on a 10-game road trip while Providence Park in Portland is remodeled and expanded. Timber Joey will hopefully christen the log June 1 during a home match against the Los Angeles Galaxy.

Music store: No tenant to replace Thiel's yet

Continued from Page A1

is home to Allstate Insurance, Bridge & Tunnel Bottleshop and Taproom and Creations Studio and Gallery in addition to Thiel's.

When he took ownership of the building, Barnes said the music store was the only business he did not have a lease with or a deposit on file.

The per-square-footage rent Holt paid was below market value, Barnes said, and Barnes has a rent requirement with his lender. Holt decided to let go of the space rather than rent it at the higher rate Barnes offered.

"We just couldn't come to terms with Thiel's Music," Barnes said.

Weiler said the music business isn't doing that well, and the rent increase would have been a dramatic change. It was expected to go up again next year.

Barnes said Holt was paying less than 60 cents per square foot, and what he was offered remained under a dollar per square foot.

Barnes does not have a tenant to replace Thiel's yet. He hopes to remodel the space, removing a drop ceiling and uncov-



Katie Frankowicz/The Astorian

Thiel's Music closed up shop at its longtime location on Commercial Street in Astoria.

ering boarded-up windows. He believes the best use would be as a coffee shop or restaurant.

The building is in a hub that includes a mix of retail and dining establishments, including a food cart pod on Duane Street, two breweries, a cidery, a distillery and Street 14 Cafe. The owners of the neighboring J.C. Penney building on Commercial Street plan to open a taproom and food court in the former store.

Thiel's was one of the few stores in town to offer an array of instruments and musical supplies like reeds and strings, noted Jennifer Crockett, executive director for the Liberty Theatre.

In the past, performers at the Liberty borrowed instruments from the store, Crockett said.

"Like a lot of retailers, the rise of Amazon and online retailers makes those supplies easier to find, with more options, and at a lower cost," Crockett said. "I imagine that it became hard for Thiel's to keep up."

"As a musician, I'm saddened to lose another music shop," she said.

The closure of Thiel's — for now — made her also think of another loss to local musicians and music students: the recent closure of Spencer's Instrument Repair shop on Marine Drive.

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