

O EAST OREGONIAN PINION

CHRISTOPHER RUSH
PublisherKATHRYN B. BROWN
OwnerANDREW CUTLER
EditorWYATT HAUPT JR.
News EditorJADE McDOWELL
Hermiston Editor

Founded October 16, 1875

OUR VIEW

Legislators should keep their hands off the kicker

Oregon's unique tax "kicker" law is working exactly as intended, potentially sending more than \$1.4 billion — yes, billion — back to taxpayers next year.

Top Democrats in the Oregon Capitol should respect the law's intent: prevent excessive government spending. Instead, those Democrats want to do the opposite: spend your kicker refund for you.

This is despite legislative Democrats passing a new and historic \$1 billion-a-year tax on businesses, while also having about \$2.1 billion more to spend during the current two-year budget period than expected when the biennium began on July 1, 2017.

This is despite Democrats already having employed fiscal sleight-of-hand only a few weeks ago to reduce the potential kicker by \$108 million.

And this is despite the Legislature taking only meager steps to control spending in any meaningful way.

And this is despite Democrats still wanting to pass other tax increases.

And this is despite the supermajority Democrats already being so heavy-handed in the Legislature that Senate Republicans walked out for several days and House Republicans have intentionally slowed action by requiring that bills be read aloud word-for-word on the House floor.

For any politicians who require a refresher on the kicker, here it is: The Oregon Legislature created it 40 years ago in hopes of quelling the tax revolt spreading north from California. A brainchild of the legislative revenue officer, the kicker was a way to guarantee lawmakers could not spend large windfalls. Instead, that money would go back to the taxpayers. Isn't that the



Oregon Capital Bureau photo

After unprecedented tax collections during the tax filing season, Oregon's revenue outlook for the current biennium is far, far stronger than anyone expected.

way it should be?

The details are that a kicker occurs when state tax revenues from corporations or from individuals and other sources come in at least 2 percent higher than projected at the start of the biennium. The entire surplus then is returned to taxpayers as a credit on the next year's income taxes. It's called the "kicker" because the refund kicks in when the 2 percent threshold is reached.

Corporations already have lost their kicker. Voters in 2012 approved a ballot measure diverting the corporate kicker to the State School Fund.

Unless the 2019 Legislature interferes, personal income tax payers will get the credit on this year's taxes when they file their returns next year.

After the record-size kicker was announced last week, Democrats immediately decried it as excessive, unreasonable and unnecessary. Those Democrats lacked a sense of proportion. "Oregon's economy is much larger than it used to be, so the kicker is still expected to be smaller than some as a share of biennial collections," state economists Mark McMullen and Josh Lehner said in their quarterly revenue forecast last week.

The final amounts won't be known until the next forecast on Aug. 28, but currently the average filer would receive a \$691 credit. Spent locally, that money would be a boon for economies throughout the state — and help Oregonians shoulder the increased costs coming out of the Legislature.

Under the Oregon Constitution, legislators can reduce or eliminate the personal income tax kicker if two-thirds of representatives and two-thirds of senators give their approval. That would require several Republicans to join Democrats.

Democrats will offer carrots, such as directing some of the kicker money toward rural housing, foster care, higher education or the massive PERS liabilities. Those are worthy projects — and a fine use for the extra money the Legislature already has.

But leave the kicker itself alone. No to Gov. Kate Brown's well-intentioned-but-bad idea of reducing each taxpayer's kicker by \$100 to help pay for PERS.

No to House Speaker Tina Kotek's enigmatic idea of taking half the kicker for rebuilding a bridge on I-205 and supporting green-energy transportation projects — even though reducing Portland-area gridlock would benefit freight traffic from throughout the state.

And no to any other idea for taking Oregonians' kicker this year.

In a constituent newsletter last week, Rep. Lynn Findley, R-Vale, capsulized the situation: "Constitutionally, the kicker is a check on excessive taxation. The Oregon Constitution mandates that the excess revenue be returned to Oregonians; unfortunately, that is not the opinion shared by some of my colleagues in the Legislature. However, I believe that every penny should go back to the hard-working Oregonians who contributed to our economic success."

Everyday Oregonians deserve their money. Hands off it, legislators.

YOUR VIEW

Illegal aliens are not Oregonians

I oppose granting driver's licenses to "undocumented residents." Government documents given to illegal aliens tend to legitimize their presence. We absolutely should not encourage, let alone allow, them to stay.

This country belongs to its citizens only. No alien has the right to come here

and take a share of our limited resources. No alien has the right to "break in" to our country, any more than they have the right to break into our homes.

In April 2013, Senate Bill 833 passed; it would have offered driver's licenses to illegal aliens. A referendum referred the bill to the ballot as Measure 88. Oregon voters rejected illegal-immigrant licenses by a margin of 2-1.

Now HB 2015 has been introduced in

defiance of the will of the voters. A statewide poll finds that Oregonians still overwhelmingly oppose granting driver's licenses to illegal aliens.

Worse, an "emergency" clause has been attached to HB 2015, which would prevent opponents of the bill from blocking its implementation through another citizen's veto referendum, even though they have the constitutional right to do so.

The Legislature should represent and honor the will of the citizens of Oregon and defeat this measure. Legislators and all state officials represent the citizens of Oregon only, not the citizens of foreign countries.

Those favoring granting drivers' licenses to illegal aliens should nevertheless respect the will of the majority.

John S. Dearing
Corvallis

OTHER VIEWS

The five myths of PERS reform

Recent education rallies raise important questions about our K-12 education system. Despite years of growing frustration, little progress has been made. This is due, in large part, to the misinformation being spread, especially about PERS, that prevent constructive solutions. There are five big myths about PERS that Oregon government employees' unions propagate because they do not want you to know the truth:



KNUTE
BUEHLER
COMMENT

Myth No. 1: Oregon PERS is better funded than most state pensions.

Oregon is in better position than other states systems as measured by the percentage of pension debt that is funded, but the unfunded portion is still huge for such a small state. We are one of the worst funded states when you look at our ability to pay our debt — the ratio of our unfunded li-

abilities to the size of our incomes, tax base or per capita. In fact, studies show that per capita, we are worse off than debt-heavy California. As the editor of the *Bend Bulletin* put it, "It's like towing a yacht with a Prius."

Myth No. 2: Our PERS problems were caused by a singular event — the financial meltdown in 2008 — and are not a sign of structural flaws.

Rates have been increasing unsustainably for a decade and will continue to rise until 2035. This means the worst is yet to come.

For an example, look at Bend-La Pine School District. Their net PERS contribution plateaus in 2025 at nearly \$60 million but then spikes again in 2029 at over \$80 million (increase equivalent to 100 new teachers) due to expired investment side accounts. It then steadily

increases until 2035. And keep in mind, this assumes very optimistic year after year returns of 7.2%, which most actuaries believe is unrealistic.

Myth No. 3: The Oregon State Supreme Court has ruled, and there is nothing more we can do to lessen our PERS obligation.

In 2015, the Oregon Supreme Court recognized its previous misinterpretations of contract law and overturned its position that PERS obligations could not be changed once employment was initiated. In its new position, outlined in the case *Moro v. State*, benefits and who pays for those benefits can change until the time of retirement.

This opens many more possibilities for PERS reform such as transitioning government employees to a 401(k)-type plan, requiring all government employees to contribute to PERS and eliminating pension spiking.

Myth No. 4: Most of the burden is generated by PERS Tier 1 and 2

retirees, who have retired, so there is nothing we can do.

Tier 1 and Tier 2 beneficiaries have generated most of the unfunded liability. But Tier 1 and 2 members still comprise more than 40% of payroll in the workforce. A lot of costs to school districts could be offset if current employees would contribute (Tier 3 at a lower rate since they have lower benefit structure) to the cost of their PERS pension.

It is long past due, since we have been the only state in the nation where our government employees have not contributed to their pension fund. It's true that about 70% of the PERS debt is attributable to those retired, and there are limited ways to recover these legacy costs. But one is the work back/pay back proposal where limits on post-retirement work would be lifted in exchange for former retired employees paying back 6% of their new salary towards the PERS debt.

Myth No. 5: PERS reform

"breaks the promise" made to retired government employees.

PERS reform should not and cannot, based on court decisions, take away benefits from government employees who have retired and are counting on the earned benefits. We owe these benefits, both legally and morally, that have been constitutionally promised.

However, some of the past contracts have been excessive and cannot continue without change for those who have not yet retired. A lack of PERS reform for current employees will perpetuate a classroom funding crisis in Oregon that has gone on for much too long.

This issue is complex and has vast implications for our kids and our shared future as a state.

It deserves robust debate — but it needs to be based on truth, not information carefully crafted to protect the status quo.

Former state Rep. Knute Buehler, R-Bend, was the Republican candidate for governor in 2018.