EDITORIALS & OPINIONS

The Bulletin
AN INDEPENDENT NEWSPAPER

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Legislators should clearly state what bills would do

State Senate President Peter Courtney held a news conference before the 2021 legislative session to announce steps to keep the legislative process accessible to Oregonians.

"We have never seen a session like this before. We need to keep members and staff safe," he said. "Legislative staff worked hard to come up with a plan that is safe and transparent. Every session, Oregonians make their voices heard on issues they care about. We need these voices."

But if you don't know what the Legislature is talking about it's hard to voice your opinion. Consider Courtney's Senate Bill 846. It's a model of translucency, not transparency. The bill shifts money around. It also potentially reduces the kicker tax refund.

Does the language of the bill clearly state that it potentially reduces the kicker? No.

Does it even mention the kicker? No.

Shouldn't a bill that potentially reduces the kicker clearly state that? Yes, we think so. Do you?

Now if you are fluent in the budget-speak of the Legislature you could figure it out from the language of the bill — maybe. What the bill does, in part, is repeal transfers to the general fund of $15 million from the state's insurance fund and from an operating account of the Department of Justice. The money stays where it is, at least temporarily. It just doesn't get shifted over to the general fund.

That matters because it effectively reduces the general fund by that $15 million. That affects the kicker. The kicker is Oregon's unique law passed by voters. It occurs if state revenues exceed forecasted revenues by 2% or more over a two-year budget cycle. If that happens, the excess including the trigger amount gets returned to taxpayers.

No final determination has been made; there will be a kicker for the 2019-2021 biennium. But the kicker is on target to kick, according to the latest revenue forecast. And because SB 846 is moving forward the amount returned to taxpayers would be less.

Look, legislators need to be able to move money around, such as in this bill. They need to be able to balance the budget and line money up how they want to spend it. They also should be transparent about what they are doing and clearly state in a bill if it would reduce the kicker.

Making mask mandates permanent is temporary

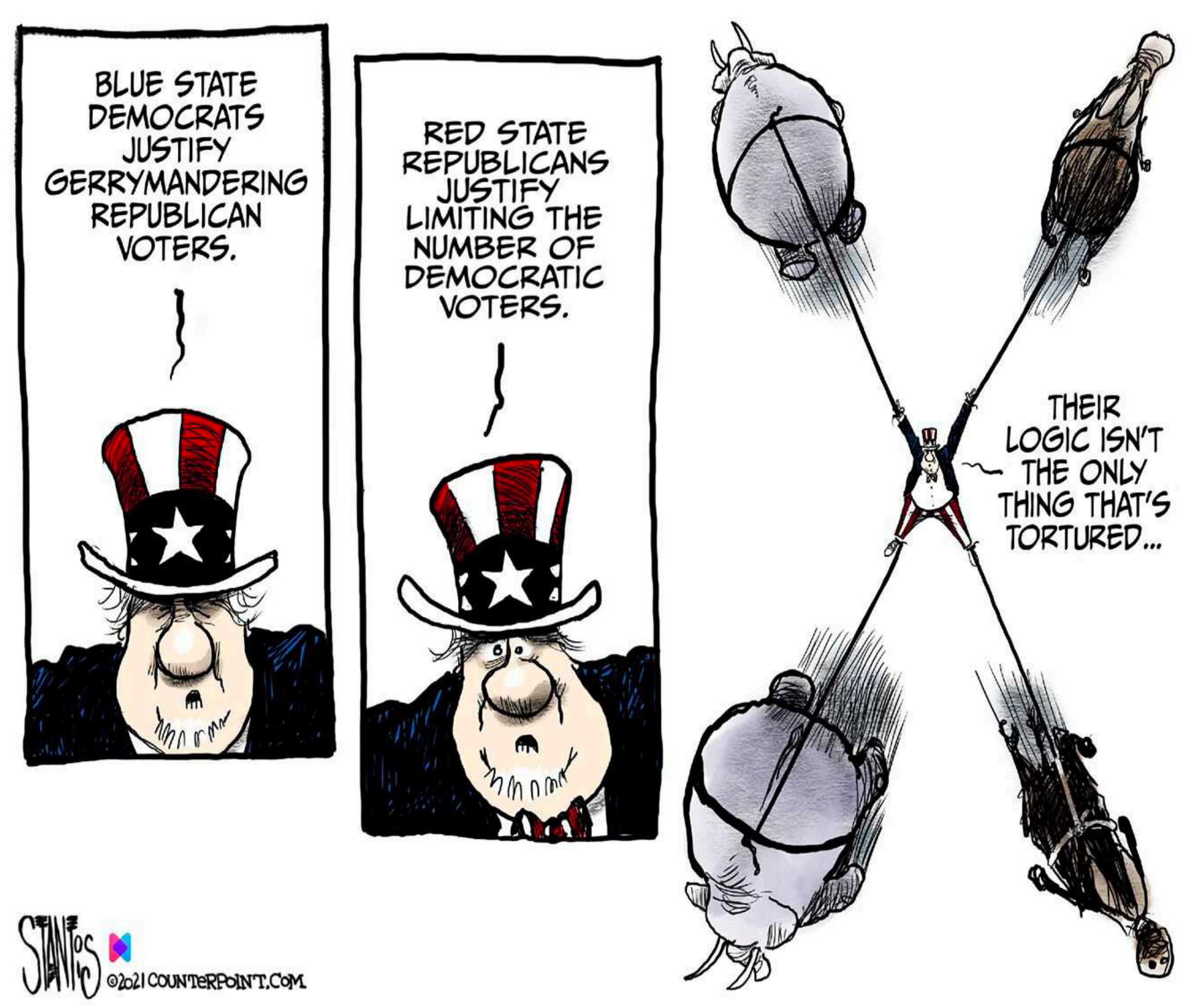
Oregon's Occupational Safety and Health Administration, OSHA, is proposing to make the mask mandate for workers in Oregon permanent — temporarily.

Wait, before you scream, let's be clear. OSHA does not want to make it permanent. By law, though, OSHA can't extend a temporary rule more than 180 days. The rule was adopted in November 2020 and it is set to expire on May 4, 2021. To be able to extend the mask-mandate protection for workers for COVID-19, OSHA has to put into place a permanent rule.

The intent, OSHA stresses, is not to permanently require masks in the workplace in Oregon. It's just that temporary rules can't be extended. So OSHA is going to put in place a permanent rule and intends to repeal it when it is no longer necessary.

Masks work in helping to reduce the spread of COVID-19. And even though more and more people are getting vaccinated, there's still a need to keep our guard up. If you want, more information about what OSHA is doing, the place where the information is easiest to digest is on Oregon OSHA's Facebook page. More technical information is available at tinyurl.com/maskpermanent.

Editorials reflect the views of The Bulletin's editorial board, Publisher Heidi Wright, Editor Gerry O'Brien and Editorial Page Editor Richard Coe. They are written by Richard Coe.



My Nickel's Worth

City is not protecting residents

Construction has started on the Steven's Road tract, beginning with the area that used to have warnings to stay on the trail as "this area is hazardous and toxic." The construction crew has conveniently removed those signs and is digging up that soil and garbage and creating multiple dirt and garbage piles, each over 2 stories tall and growing.

On Sunday, due to the high winds in Bend, that hazardous dirt and all sorts of garbage, including plastic shopping bags, were blowing all over the land and out onto Stevens Road and sometimes 27th Street. Why isn't the city monitoring where that toxic dirt is being allowed to go and stopping litter and pollution on our roads? Requiring the piles to be covered would have easily prevented this. The voters did not want this land developed in the first place as we knew the issues, but the new city councilors have their own agendas that conflict with the voters, including deciding that people living above caves and tunnels as well as garbage and contaminated soil is their definition of affordable housing. Where's the social justice and equity in that?

— Haley Smith, Bend

Sales tax on cars

Our fearless leaders (and I use the term leaders loosely as they certainly are anything but) in Salem have decided that we need a sales tax. It did not matter to them that every time the idea came up it's been unanimously voted down .

Our so-called leaders (the elite) know what is best for us (the little people). Liberal leftist Democrats are no dummies in getting what they want regardless of what the (little people) want. They knew they could not call it a sales tax because that would be political suicide, so they pushed it through in the dark of night and called it a privilege tax. Who knew it was a privilege to be able to purchase a car in Oregon? That's right any new car or truck purchase or a used vehicle with 7,500 or less miles will have to pay tax. They are starting out with one-half of 1%, which doesn't sound like much, but just how long do you think it will be before it gets to 1% and then 2%. When they get us used to paying, they will also make it a privilege to purchase something else. It's obvious they are trying to make us into another California because these liberal Democrats have never seen a tax they did not fall in love with.

—Charlie Thompson, Bend

It's a team effort

On March 11 The Bulletin published a special article marking the one year anniversary of COVID-19 reeking death and severe illness among Central Oregonians. The article's reporters interviewed many and different residents to share their grief, struggles and resilience in confronting this historic pandemic.

I was saddened by each person's story. Human suffering is difficult enough to experience; but death of a loved one—especially the elderly, the ones most impacted by the virus—in reading I was deeply moved.

My reflective summation of what I learned is that Central Oregon is populated by caring and compassionate citizens—regardless of political party, age, occupation and economic security. The newspaper captured what it means to be in a community that I appreciate, and am thankful to experience.

All the workers and volunteers in the Central Oregon medical facilities who cared for the infected and who worked tirelessly, while being exposed to the virus, my extra appreciation is extended.

Recently while walking in a Bend park, my new companion turned out to be a senior health care professional with a Central Oregon government agency. I thanked him for what his organization did to manage the COVID-19 onslaught and now the vaccination program. He demurred taking credit for our region surviving relatively better than other areas in the country. He said it was truly a "team effort," and that the practicality and compliance with pandemic guidelines by Central Oregonians made the burden lighter.

— Tim Conlon, Bend

Rising mortgage rates are starting to become a problem

BY BRIAN CHAPPATTA
Bloomberg

One of the pillars of the U.S. economic recovery during the COVID-19 pandemic is starting to crack.

The red-hot U.S. housing market, fueled by record-low interest rates, is one of the most important stories of the past year when it comes to understanding the sharp rebound in financial markets and the relatively pristine condition of many household balance sheets. The Freddie Mac 30-year fixed mortgage rate started 2020 at 3.72%, just 40 basis points above its all-time low, and plunged to 2.65% by the start of this year. That drop in borrowing costs led to all sorts of astounding figures: The largest quarterly volume of mortgage originations in history; the most refinancing in a year since 2003; the most debt taken on by first-time buyers on record; and a collective $182 billion of home equity withdrawn during 2020, or an average of about $27,000 for each household.

These trends are quickly shifting just a few months into 2021. U.S. mortgage rates have increased for six consecutive weeks, to 3.17%, the highest level since June. The 50-day moving average was steady at 2.94% in the week through March 25, the first time it hasn't moved lower since early 2019. Other longer-term averages have also plateaued. The message is clear: The absolute low for U.S. mortgage rates appears squarely in the rear-view mirror.

Not surprisingly, this trend has squashed the refinancing demand that prevailed throughout 2020. Refinances as a percentage of total mortgage applications have declined for seven consecutive weeks to 60.9%, the lowest since July, in a streak that rivals the longest of the past decade and will probably only continue. The days may also be numbered for cash-out refinancing, which is when someone not only cuts the interest rate on a loan but also increases the size of the new mortgage by borrowing against equity in the house. The $152.7 billion created through this practice last year was the most in dollar terms since 2007. My Bloomberg Opinion colleague Alexis Leondis recently argued that this carries much less risk than in the lead-up to the housing bubble 14 years ago, but that might not be enough reassurance to attract those who haven't already sought a cash-out refi over the past several months.

If that were the end of the story, the outlook wouldn't be so murky. After all, it was such an active 2020 in the mortgage market that a breather seems only natural. However, by all accounts U.S. housing demand still remains solid heading into what is historically a strong seasonal period. Even though new and existing home sales tumbled in February and missed estimates, both figures remain at levels that prior to the pandemic hadn't been seen since the mid-2000s bubble. Meanwhile, housing starts have dropped from what was the fastest pace since September 2006.

This creates all the necessary conditions for bidding wars. According to Redfin, only 645,000 residential homes are for sale in the U.S., down almost 50% from a year ago and the fewest in at least five years. As a result, 36.1% of homes have sold above their list price, again the largest share since at least early 2016. Only a sliver of houses have had to come down in price because on average buyers are happy to meet sellers right at their asking level, which is rare. It's little wonder that the S&P CoreLogic Case-Shiller U.S. National Home Price Index reached a record high in December, increasing 10.4% from a year earlier. January's data is officially released Tuesday — CoreLogic suggests another double-digit annual increase is in the cards.

Rock-bottom mortgage rates certainly helped take the sting out of surging home prices in recent months. An increase of 50 basis points from a record low might not seem like much, especially when the prevailing 30-year rate is still well below any historical average. But it's bound to sting when layered on top of much higher house prices and when potential homeowners are increasingly expected to bid above the listing price, stretching the upper limits of their target range.

Perhaps a few thousand dollars in additional interest pales in comparison to Americans' war chest of excess savings, estimated at $1.7 trillion from the start of the pandemic through January by Bloomberg Economics. It's also certainly possible that homebuilders will rise to the occasion and increase housing supply, or that demand could cool as city centers reopen and renters no longer feel the need to pay up to own property in the suburbs.

Regardless, the housing market doesn't look as if it will offer the same boost to the U.S. economy and financial assets as it did over the past year, when Americans locked in savings through refinancing or scored a record-low rate on their first home, or at least felt the "wealth effect" of their existing property increasing in value. After 12 months of living with a pandemic, the country might be ready to stand on its own without the support of record-low borrowing costs. But if it wobbles, look to mortgage rates as a likely culprit.

Brian Chappatta is a Bloomberg Opinion columnist covering debt markets. He is also a CFA shareholder.

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