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**SHORT- TERM OPTIONS**

(5-21-08)

This list will be continually updated and amended based on discussions of the task force:

Identified as top 5 priorities by short-term work group on 4-24:

**Concept: Establish methodology for more reliable forecasting and more prudent budgeting; direct budget surpluses into the rainy day fund.**

Comment: Use forecast range based on historical deviations, direct revenue between mid-range estimate and top of forecast range to reserve fund and specify reductions when revenues fall below mid-range estimates. Use SB 26 from 2007 session as starting point.

**Concept: Develop adequate revenue replacement for expiring healthcare provider taxes.**

Comment: Due to federal requirements Oregon's existing hospital provider tax will expire in 2009. This revenue source generates substantial federal matching dollars and is a key to funding the state's health care services for low income residents. Specific Task Force recommendations should be developed in conjunction with the Health Care Board.

**Concept: Apply a "balanced budget" rule to ballot initiatives.**

Comment: Require a "balanced budget" approach to initiatives that have significant fiscal consequences for state and/or local governments. Require that they include a detailed statement declaring and directing what revenues will be raised and what expenditures will be reduced to comply with this requirement. Include enforceability provisions.

**Concept: Develop list of short-term revenue options that the 2009 Legislature should consider if additional revenue is justified by the expected benefits of maintaining or expanding state programs.**

Comment: The following revenue sources should be on the list: the corporate minimum tax, the beer excise tax, tobacco taxes and income tax expenditures. Income tax expenditures should be examined in terms of sunsets, means tests and overall effectiveness in accomplishing state policy goals.

**Concept: Reduce restrictions on Local Governments ability to raise revenue.**

Comment: Local government's ability to raise revenue is restricted by Measures 5 and 50 as well as a series of statutory preemptions including real estate transfer taxes, transient lodging taxes and construction excise taxes.

Other options discussed during work group meeting on 4-24:

**Concept: Modifications to Measure 50**

Comment: Measure 50 has imposed strict limitations on the ability of local governments to respond to changing fiscal conditions. A good example is the growing probability that federal timber payments to counties will be sharply cut back. Given the likelihood that any significant changes to Measure 50 will require a constitutional amendment, the work group was uncertain as to whether this concept fits best in the short-term or long-term options discussion.

**Concept: Eliminate any state level mandates on local governments or new property tax expenditures.**

Comment: With local revenue constrained by Measure 50 and the loss of federal timber receipts, state policy makers should refrain from imposing additional expenditure mandates or reducing existing revenue of local governments.

**Concept: Re-examine state connection to federal income tax code.**

Comment: Although connection to federal income tax laws has administrative benefits for the state and taxpayers, it also adds to revenue instability by triggering further revenue losses during recessions. The state should look for ways to minimize these impacts.

**Concept: Develop state capital spending plan.**

Comment: Capital projects extend over time and often involve large debt commitments. The state should develop consistent method of forecasting capital needs and evaluating condition of existing stock to account for depreciation.

**Concept: Re-examine revenue sources for new statutory Rainy Day Fund.**

Comment: Several revenue modifications were discussed—upfront appropriations to fund rather than the current ending balance calculation and permanent changes to the 2% surplus kicker calculation such as capping individual income tax refunds and permanently diverting the corporate credit to the fund.

**Concept: Expand availability of funding for school capital especially for low property wealth districts.**

Comment: The school distribution formula has equalized operating revenue across the state but no mechanism has been established for school capital needs. Additional revenue options for school capital should include system development charges for schools.

**Concept: Additional funding for transportation**

Comment: A growing population and aging infrastructure have increased the demand for transportation investments while rising costs and an inelastic gas tax have limited the ability of state and local governments to respond to the growing need. While acknowledging the critical need, the work group will be looking to the Governor's task force on transportation for funding proposals.

**Concept: Reduction in the state's tax rate on income from realization of capital gains.**

Comment: Oregon currently has one of the highest marginal tax rates on income among the states at 9%. Income from capital gains is treated as ordinary income under Oregon law making the state's tax rate on capital gains income among the highest in the country.

**Concept: Develop systematic long-term budgeting process.**

Comment: This would involve long-term expenditure and revenue projections and functional breakdowns in the state budget. It may also involve pay-as-you-go budgeting rules to ensure that the state does not commit to unsustainable spending programs.

**Concept: Systematically search for additional state agency efficiencies.**

Comment: Develop ways to translate successful agency techniques for improving efficiencies to all agencies.

**Concept: Examine state prevailing wage law.**

Comment: Find ways to limit the impact of prevailing wage law on public construction costs.

