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**Task Force on Comprehensive Revenue
Restructuring**

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SHORT- TERM OPTIONS

(7-10-08)

This list is being refined down to the highest priorities for recommendation to the 2009 legislative session.

Concept: Establish methodology for more reliable forecasting and more prudent budgeting; direct ending balances 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. Use SB 26 from 2007 session as starting point.

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 within the initiative declaring and directing what revenues will be raised and what expenditures will be reduced to comply with this requirement. In addition (or in the alternative), require ballot title to declare if an initiative will have an unbudgeted fiscal or revenue impact that will require eliminating or reducing funding for current programs and services. Include enforceability provisions. Develop language that incorporates existing statutory financial impact statement committee.

Concept: Reduce restrictions on local government’s ability to raise revenue and refrain from approving any new property tax expenditures or state level mandates on local governments.

Comment: Local government’s ability to raise revenue is restricted by Measures 5 and 50 as well as a series of statutory preemptions. No further preemptions should be added by the Legislature. Existing preemptions should be reviewed and considered for modification or repeal to maximize the flexibility of local governments to respond to changing circumstances and demands for services, e.g. counties’ response to the loss of federal forest payments. With local revenue reduced by the loss of federal timber receipts, state policy makers should refrain from imposing additional expenditure mandates or reducing existing revenue of local governments.

Concept: Develop systematic long-term budgeting process including long-term capital spending plan.

Comment: This would involve long-term (e.g. ten year “scoring”) 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. The state should also develop a consistent method of forecasting capital needs and evaluating the condition of the existing stock to account for depreciation.

Concept: Develop adequate revenue sources to meet state’s immediate critical needs.

Comment: Most prominent of these needs are replacement revenue for expiring health care provider taxes and funding for the state’s deteriorating transportation system. All three of Oregon’s existing health care provider taxes will expire in 2009, and the largest of these will have to be changed substantially in order to comply with new federal requirements for Medicaid matching funds. This revenue source generates substantial federal matching dollars and is a key to funding the state’s health care services for low income residents. 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. Specific Task Force recommendations in these areas will be developed in conjunction with two other task forces--- the Health Fund Board and the Governor’s Task Force on Transportation.