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Task Force on Comprehensive Revenue Restructuring

900 Court Street NE
H-197 State Capitol Building
Salem, Oregon 97301
Phone (503) 986-1266 — Fax (503) 986-1770

Non-Voting Members
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Jon Chandler
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Brad Hicks
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Paul Warner, Legislative
Revenue Officer
Tim Nesbitt, Governor's
Office
Anna Grimes, Task Force
Coordinator

SHORT- TERM OPTIONS

(9-11-08)

Draft list of recommendations.

Concept: Establish methodology for more reliable forecasting and more prudent budgeting; direct ending balances into the rainy day fund.

Recommendation: Develop constitutional amendment with following elements:

- Place Rainy Day Fund in constitution
- Require Governor to develop both a point estimate for corporate income tax revenue and all other General Fund revenue and a range for both estimates.
- Specify that the range is based on historic forecasts compared to actuals.
- Require all revenue above the top of the forecast range to be returned to taxpayers
- Require revenue that exceeds the point estimate up to the top of the range to go into the Rainy Day Fund unless fund is full.
- Increase cap on Rainy Day Fund from 7.5% of General Fund revenue in the prior biennium to 10% of General Fund revenue in the prior biennium.
- Specify that when cap is reached, revenue above cap is returned to taxpayers. When making deposits into the fund, corporate income tax revenue above the point estimate is calculated first then all other General Fund revenue.
- Put current statutory Rainy Day Fund triggers in constitution.
- Put 2/3 withdrawal limit in constitution but change date from beginning of biennium to beginning of fiscal year.
- Put statutory ending balance calculation (up to 1% of prior biennium appropriations) into constitution.

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

Recommendation: Develop statute with the following elements:

- Require ballot title to declare if an initiative will have a significant unbudgeted fiscal or revenue impact that will require eliminating or reducing funding for current programs and services.
- Include enforceability provisions.
- Incorporate financial impact statement into ballot title where appropriate.

- Establish \$ amount (indexed for inflation) for what constitutes “significant unbudgeted fiscal or revenue impact.”

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.

Recommendations to legislative committees:

- Revenue Committees
 - No new property tax expenditures unless offsetting revenue included.
 - No new preemptions of potential local revenue sources.
 - Review existing local preemptions for possible modification or repeal.
- Ways & Means Committee
 - No new expenditure mandates for local governments.
 - Fully fund (at 100% of estimated impact) any new property tax expenditures with appropriations to the Property Tax Expenditure Account.

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

Recommendation: Governor include in the 2009-11 Governor’s Recommended Budget and the Legislature approve a statute for future biennia that requires:

- 10-year revenue projections for General Fund & Lottery
- Breakdown of General Fund/Lottery budget into functional categories
- 10-year projections for major General Fund program areas based on projections for inflation and demographic trends.
- 10-year forecast for state’s capital needs.

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

Recommendation: Top fiscal priorities for 2009 legislative session:

- Balance 2009-11 budget.
- Develop funding package for modernization & expansion of state’s transportation system.
- Renew and restructure expiring health care provider taxes