

**Testimony on SJR 202**  
**Jeremy Rogers Representing the Oregon Business Council**  
**Friday February 10, 2012**

Chair Burdick, Vice Chair Morse and Members of the Committee:

Thank you for the opportunity to submit this testimony in support of Senate Joint Resolution 202 on behalf of the Oregon Business Council.

Since 1985, the Oregon Business Council (OBC) has played a central role in addressing public issues that are important to Oregonians. Through research and analysis, internal discussions, and collaboration with other organizations and public officials, OBC is an advocate for policies that improve Oregon's quality of life and economy. Over the years, OBC has developed a significant amount of expertise and leadership on matters of public finance. Our goal was articulated clearly in the original Oregon Business Plan, created in 2002: *Revamp Oregon's system of public finance and budgeting to provide stable funding for critical public services and to create strong incentives for economic growth.*

Oregon has one of the most volatile revenue systems in the nation because of its over-reliance on income and capital gains taxes. These revenue sources-particularly capital gains which swings wildly with the performance of the stock market-are particularly volatile and Oregon is more reliant on them for its general fund revenue than any other state in the nation. According to a 2009 Pew report, Between Q1 2008 and Q1 2009 Oregon had a steeper decline in state revenue than all but three states (Virginia, Alaska and Georgia). Yet, Oregon has no permanent and meaningful mechanism to fill our rainy day fund.

OBC and its Directors have worked for fiscal stability for years. Our Directors pushed for the creation of the education stability fund and the establishment of the state's first general purpose rainy day fund, capitalized through the one-time diversion of the corporate kicker in 2007. OBC Chair Malia Wasson sat on Governor Kulongoski's Revenue Restructuring Task Force. Jim Piro, the President and CEO of PGE and an OBC Director, is Chair of the Governor's effort to develop a long-term, outcomes based budget. Last year, we supported the stability package brought forward by Senators Burdick and Morse. Currently, OBC is involved with other business groups and labor unions in discussions with the Governor on revenue stability, exploring opportunities to build the coalition that is necessary to succeed at the ballot.

We believe that SJR 202 is the right recipe for fiscal stability:

- A constitutionally designated emergency reserve fund
- A 12% cap
- A regular mechanism of deposits to the fund that is tied to personal income growth

Analysis on this measure shows that it will reduce the volatility of Oregon's general fund by 50%. This is a monumental improvement. We see SJR 202 as a proposal not to shrink or expand government but rather to balance out the peaks and valleys. It's exactly what Oregon needs.

One thought as you consider this measure: The legislature and voters should evaluate the efficacy of Oregon's fiscal stability funds in total, you should consider this measure in light of the Education Stability Fund to ensure that the total package of reserve funds aligns with the intent of the legislature.

We also recognize that this measure will have to go before voters, and passing it there will require the collaboration of business, labor and other groups who could help finance a campaign to describe the measure to voters and garner their support. It's a tough hill to climb, but we are committed to climbing it with you. Senator Courtney at the Leadership Summit this year challenged business and labor groups on this issue, arguing that the reason why it hasn't happened is because we don't want it bad enough. OBC wants this badly and we will do whatever we can to make it happen as long as we have willing partners in the legislature and among other advocacy groups that will be critical for its ultimate passage at the ballot.