



Service Employees International Union, Local 503, OPEU

Testimony of Arthur Towers
Political Director, SEIU Local 503
Before the House Revenue Committee
On HB 3008, HB 3009, HJR 18, and HJR 19
March 9, 2011

MEASURE: HJR 18
 EXHIBIT: E
 HOUSE REVENUE COMMITTEE
 DATE: 3/9/2011 PAGES: 2
 SUBMITTED BY: ARTHUR TOWERS

Thank you for the opportunity to testify today on the important topic of tax expenditures. We are supportive of HB 3008, 3009, HJR 18 and HJR 19, but would like to testify a little more broadly about the context of your important deliberations.

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We have a massive shortfall in revenue to meet these needs.

We are still facing hyperinflation in health care costs. And since health care is a disproportionately large share of the state budget, the budget continues to get further and further out of whack.

So a lot of things are changing as we speak. Our members are engaged in concessionary bargaining. They have sacrificed before with cuts in health care, layoffs, furlough days, all at a time when workload is going through the roof. Our members will sacrifice again.

The Governor is pushing hard on a much-needed change in the health care delivery system. This will result in improved health for Oregonians, and long-term cost savings. I am not confident it will result in short term cost savings.

Front-line state workers are engaging in a review of the delivery of services to vulnerable Oregonians. We have come up with several ideas about how to do more with less. This includes:

1. examining the ratio of managerial staff to front line staff
2. reviewing multi-million dollar state contracts with vendors with as much rigor as the contract with \$22,000/year clerical workers.
3. improving the operations at the Department of Revenue in order to close the collection gap.
4. improving the procurement practices of state government

This brings us to the legislation today. We have got to find a new way to rigorously examining state spending on tax expenditures. The four pieces of legislation before you

Salem Headquarters	Bend	Portland	Corvallis	Medford	Eugene	Pendleton
1730 Commercial St. SE PO Box 12159 Salem, OR 97309-0159 503-581-1505 800-452-2146 (Fax) 503-581-1664	925 SE Second St Suite C Bend, OR 97702-1756 541-385-8471 800-832-0593 (Fax) 541-388-9078	6401 SE Foster Rd. Portland, OR 97206-4659 503-408-4090 800-527-9374 (Fax) 503-408-4099	Physical site/ Do Not Mail 606 SW 15th St Rm 109 Corvallis, OR 97331-4606 541-752-0183 (Fax) 541-752-0241	1257 N. Riverside #7 Medford, OR 97501 541-779-4324 800-452-7965 (Fax) 541-779-4325	488 E. 11th Ave. Suite 100-B Eugene, OR 97401-3601 541-342-1055 800-521-3446 (Fax) 541-342-2932	200 SE Hailey Ave., Suite 30 Pendleton, OR 97801-3065 541-276-4983 800-452-8146 (Fax) 541-276-4984

are important pieces of the puzzle. They make structural changes in the process that are very positive. These along with HB 2825 having to do with transparency of expenditures on economic development, and HB 3010 which would require a Ways and Means referral of tax expenditure legislation all merit serious consideration.

These are important long-term and medium-term steps to take. That said, the state may also need to take short-term steps to balance the budget. Among the cuts that will be toughest to prevent are a \$400M cut to long-term care for seniors and a 47% cut at the Oregon Youth Authority. Doctors and hospitals are facing a 16-19% cut and \$10.20/hour in-home care providers are looking at a 33% cut in take home pay.

The Governor's budget is also built on several ambitious ideas to achieve savings that might not be politically possible. The potential exists that we may have to cut several hundred million more from the budget.

Tax expenditures need to be examined in the short term just as these other state expenditures are being examined. If most other government spending is facing drastic cuts which will reduce services for working Oregonians, tax expenditures, especially those which benefit the wealthy, should not have immunity. A 5% across the board cut on all Oregon deductions and credits would result in \$169 million additional revenue, while a 20% cut would gain \$675 additional revenue. Another alternative would be to propose across-the-board cuts to corporate expenditures over \$2 million, which would result in \$17.5 million in savings if the personal totals for those expenditures were also cut, or \$11.7 million if only the corporate portion of the expenditures were cut.

A Note on Transparency

While the State-issued Tax Expenditure Report (TER) provides a good overview of expenditures' revenue impact, it does a poor job of evaluating the efficacy of the expenditures. Many of the tax expenditures listed in the TER lack a defined purpose. Without a clear purpose, it is nearly impossible to properly evaluate the effectiveness of the credit. Therefore, to ensure that expenditures are meeting what they were intended to do, the following should occur:

All expenditures should be written into statute with a clear stated purpose, means for measuring the effectiveness and a timeline/authority designated for periodic review. Especially for corporate expenditures, the information regarding the purpose, exemption applicant name, amount of credit, and promised and actual results (ex. number of jobs created, reduction in emissions) should be made available to the public on the transparency website, as HB 2825 proposes.

While these changes in transparency would not have an immediate savings, over the long-run increased accountability, clear goals for expenditures, and transparency would allow the public and government agencies to more closely monitor expenditures to ensure that they are accomplishing what they intended.



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