

Senate Finance & Revenue Committee – February 21, 2011

Testimony of Curtis Robinhold, Chief of Staff to Governor John Kitzhaber

I come before the committee today to speak on behalf of Governor Kitzhaber in support of the modification of Oregon's income tax kicker law.

The Governor believes that building a framework for sustained prosperity in Oregon requires fundamental changes to our revenue structure.

In a number of areas, Oregon is exposed to fluctuations in national and global economic trends. In particular, Oregon's reliance on income taxes results in an unstable revenue source for essential state services. At the state level, we rely too heavily on personal and corporate income taxes – drawing over 90 percent of State revenues from these sources. This dependence on one source of revenue creates volatility, and jeopardizes long-term stable funding of key services. In tough economic times, as witnessed by the recession we have just passed through, State revenues fluctuate wildly, and Oregon's schools and health care systems suffer.

Like all Oregon families and small businesses who seek to set aside some savings for those tough times, the Governor believes Oregon should have the ability to do the same thing – putting some money aside during good times for use in bad ones.

The current kicker law prevents just this kind of good sense planning.

Governor Kitzhaber supports the creation of a stable Rainy Day Fund, as a part of an overall plan to grow Oregon's economy and stabilize spending on essential state services. To do this, the Governor supports modification of the kicker law to create a well-capitalized savings account with very tight controls. He believes in using the kicker to first fill a reserve fund that will protect Oregonians from service cuts or tax increases during recessions.

I thank you for giving me the opportunity at today's hearing to address one very promising remedy for this situation.

Although we are still at work analyzing the specific provisions of Senate Joint Resolution 26, we look forward to working with the Legislature and this Committee on developing an approach that provides the same kind of stability and certainty that Oregon families and businesses rely on every day.