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**Testimony to the
Senate Finance and Revenue Committee
Darren Bond, Deputy State Treasurer**

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SUBMITTED BY: DARREN BOND

For the record, I am Darren Bond, Deputy State Treasurer, here on behalf of Treasurer Ted Wheeler. I appreciate the opportunity to testify today on SJR 26.

We were asked to comment on the question of whether the kicker, as currently designed, has a negative impact on the State's credit rating. The simple answer is yes.

The kicker as designed is rightly viewed by the credit reporting agencies as a significant impediment to the State's ability to establish adequate reserves necessary to help offset the volatility in revenues created by Oregon's heavy dependence on variable streams of revenue, those being the personal and corporate income tax.

The rating agencies routinely point out to us their concern about our heavy reliance on the income tax coupled with our inadequate reserves. While we are quick to point out that we have a Rainy Day Fund and the Educational Stability Fund, they are just as quick to point out that we have no adequate, consistent mechanism for funding the rainy day fund, and further that though we have established the rainy day fund in statute, we have established the chief impediment to adequate savings (the kicker) in the constitution. Additionally, they remind us that our uniquely heavy reliance on the personal income tax makes our need for adequate reserves more pressing than that of the average state with a more diverse revenue stream.

We believe that any effort to strengthen the Rainy Day Fund, such as the concepts imbedded in SJR 26, will be viewed positively by the rating agencies and help us keep or improve our credit rating. The Treasurer supports a constitutional Rainy Day Fund and a revenue source to ensure it grows and can be replenished if accessed. In fact, he believes the idea of multiple revenue streams funding the RDF is even more prudent and applauds the legislature for this approach.

While the benefits of a robust Rainy Day Fund from a budget and service delivery perspective warrant this effort, we would additionally point out that a one notch increase in our credit rating equates to approximately \$4.3 million of savings over the 20 year life of every \$100 million of State bonds issued. These are savings that are also enjoyed by school districts who take advantage of the School Bond Guarantee.