



Associated Oregon Industries

1149 Court Street NE
Salem, OR 97301-4030

telephone: 503.588.0050
portland: 503.227.5636
statewide: 800.452.7862
fax: 503.588.0052

www.aoi.org

AOI TESTIMONY ON SJR 26 BEFORE THE SENATE COMMITTEE ON FINANCE AND REVENUE

February 21, 2011

MEASURE: SJR 0026
EXHIBIT: I
Senate Finance and Revenue 76th Session

DATE: 2-21-2011 PAGES: 2
SUBMITTED BY: JAY CLEMENS

Chair Burdick and members of the committee, thank you for the opportunity to convey AOI's position on SJR 26 and other related Reserve Fund proposals.

My name is Jay Clemens, President and CEO of Associated Oregon Industries – Oregon's largest statewide general business association. AOI represents 1,600 employers of all types, employing about 200,000 working Oregonians.

AOI regards SJR 26 as a serious and thoughtful proposal.

AOI's Board of Directors has adopted three specific positions as it relates to a State Reserve Fund.

1. AOI supports modifying the State's Reserve Fund by creating a method for making regular deposits into the fund and making it part of the Oregon Constitution. We believe the legislature should put money in savings when times are good.
2. While AOI historically supports Oregon's 2 percent "kicker" law, we will support a portion of kicker monies being directed into the Reserve Fund contingent on General Fund Deposits into the fund. We would support a balanced approach that utilizes both the kicker and general fund revenues.
3. AOI supports full return of "kicker" monies to taxpayers contingent on a fully funded Reserve Fund. Our reading of SJR 26 is that the personal "kicker" will be fully returned to taxpayers once the fund is fully capitalized.

SJR 26 appears to fit well with AOI's positions on a Reserve Fund.

However, we do not support dealing with the issue of a Reserve Fund in isolation. Rather, we believe the legislature should take the opportunity to tackle the broader issues of budget and tax reform, of which SJR 26 is a single component.

AOI believes that the critical problem facing Oregon today stems from a lack of private sector jobs and lagging incomes. We believe growing quality jobs that produce good incomes must be our top priority.

As such, the first priority of the legislature must be to create a long term budget re-design that reforms the delivery of state services in a way that can be supported with our state's current economic activity – with available revenues.

In other words, AOI would not support a Reserve Fund that would enable the state to continue to budget and deliver services in the same way as today. This approach is critical to the public sector living within its means as well as the retention of job-creating capital in the private sector.

AOI also supports other critical changes alongside SJR 26 to support job and income growth. For instance:

- AOI believes that Oregon's tax rate on capital gains is uncompetitive and counterproductive for investment and job growth. This rate must be lowered substantially, and
- Oregon's high, gross receipts-based corporate minimum tax must either be lowered across the board or changed so as not to permanently hamstring Oregon industries that are high volume and low profit.

Thank you Chair Burdick and members of the committee for the opportunity to comment. Again, we regard SJR 26 as both credible and thoughtful – an outstanding place to begin the work of reforming how Oregon budgets, saves, and taxes with an eye toward growing Oregon's economy, jobs and incomes.

We believe this has the potential to be the landmark accomplishment of the 2011 Oregon legislature.

JMC:jkh