



Taking action for basic human needs.

February 21, 2011

To: Senator Ginny Burdick, Chair
Senate Finance and Revenue Committee

Re: SJR 26 - Rainy Day Fund and Revenue Stability

It is widely recognized that Oregon's revenue (and therefore budget) instability is almost guaranteed by our heavy reliance on the personal and corporate income tax. It is also understood by economists that projecting revenue for a two-year period within a 2% margin of error is just a matter of chance. History shows that in a majority of biennia, the surplus or shortfall exceeds 2%.

During the deliberations of the Task Force on Comprehensive Revenue Restructuring in 2008, HSCO supported and continues to support the Task Force recommendation related to revenue forecasting and budgeting, which was as follows:

"Establish a method for more reliable state revenue forecasting and more prudent budgeting; direct ending balances into the Rainy Day Fund. This proposal involves a change in how the state treats surplus revenue and will require a constitutional amendment that must be approved by the voters." (Report of RRTF, page 4, January 2009)

HSCO is still studying SJR 26 and hopes to see an analysis by the Legislative Revenue Office to assist us in making more specific comments on the provisions of the resolution. It is clear that in the current economic climate, there will be no opportunity to build a rainy day fund. But this is exactly the time to look ahead and ask Oregonians to place the State in a better position to maintain critical public services when future downturns occur.

HSCO thanks you, Senator Morse and other senators and representatives for bringing this proposal forward for deliberation. We pledge our support for your efforts, and look forward to playing a role in shaping the final product.

Ryan Fisher, Co-Chair

Stephanie Tama-Sweet, Co-Chair

Cc: Senators Frank Morse, Vice Chair; Mark Hass; Chris Telfer