



Support House Bill 4132

Steve Robinson, Decision Metrics, February 3, 2012

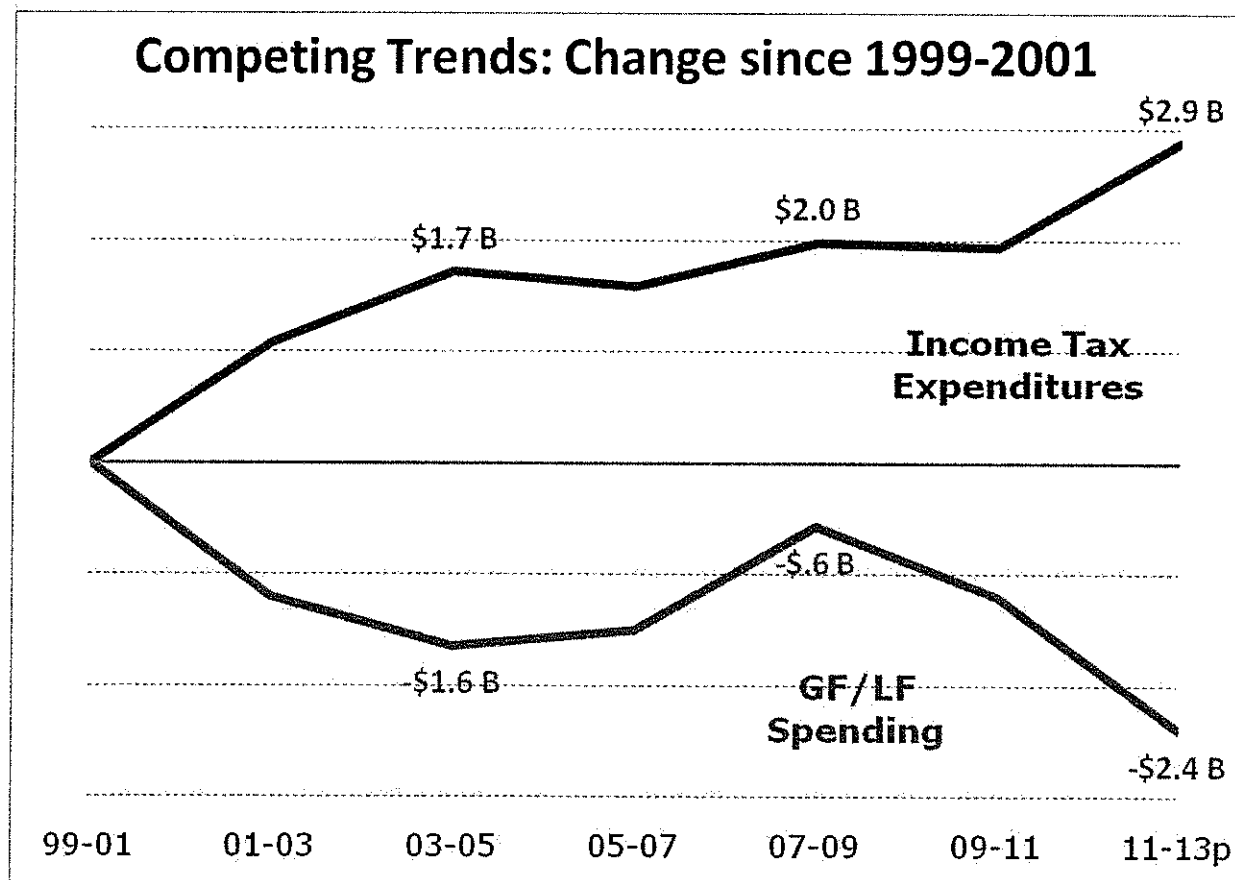
This bill will provide an important safeguard for critical state services in the event of future fiscal emergencies resulting from revenue shortfalls in excess of budgeted reserves.

The question here is one of simple fairness. The concept of allotment cuts is based on sharing the pain of emergency budget cuts across all General Fund programs. Until now, however, income tax expenditures – which are just as closely linked to the General Fund as education, public safety and health care – have not borne their share of the pain. This bill fills that gap in Oregon law and I urge you to pass it.

Please understand, however, that this bill is no more than a drop in the bucket of red ink that has resulted from the growth of income tax expenditures over the past 12 years. It doesn't touch the most significant source of the problem, which is our **connection with the federal tax code**.

Over 81 percent of the \$480 million biennial increase in tax expenditures over previous levels – *even after adjusting for inflation and growth* – stems from the federal code. I have some ideas about how to address the federal problem, which I'll save for another time.

Meanwhile, please take this opportunity to take a small step in the right direction. We desperately need to start gaining some control over the explosion of tax expenditures and the damage they have been causing to the General Fund.



Key Facts regarding income tax expenditures*

Average biennial increase 1999-2001 to 2011-13 biennia..... **\$480 million**
Last biennial increase 2011-13 over 2009-11 **\$900 million**

Share of total potential General Fund revenues

1999-2001.....**36 percent**
 2011-2013.....**46 percent, 10 percent increase**

Impact of 10 percent increase on 2011-13:

General Fund **\$2.7 billion**
Federal match **\$1.0 billion**
Total impact..... **\$3.7 billion**

** All figures above are adjusted for inflation and state personal income growth*