



**Date:** February 6, 2012

**To:** House Revenue Committee, Co-chairs Barnhart & Berger and Members

**From:** Laurie Wimmer, OEA Government Relations

**RE:** *HB 4132 [Allotment Cuts Equity]*

On behalf of OEA's 45,000 members, it is my pleasure to testify today in support of HB 4132. Many of you will recall that a similar bill was introduced in 2011, HB 3009. Just as we did then, we urge you to give this concept a work session and send it to the floor with a do-pass recommendation.

In June 2010, the Governor of Oregon announced that he would have to cut 4.6 percent of the state's remaining two-year budget from all General Fund agencies, due to the state's unanticipated revenue shortfall of \$577 million. This cut would be, in effect, the same as a 9 percent cut due to its late enactment in the two-year cycle. Then, a few months later, upon the announcement of another slide of \$377.5 million, the governor announced his intention to enact a second across-the-board cut of 8 percent over the final nine months of the biennium.

In all, the final revenue picture turned out to be more than \$1 billion short of the May 2009 forecasted amount, and so vital services paid the price of this misestimate.

Imagine a world in which the burden for these errors in prognosticating were more fairly shared across all beneficiaries of the state. In this alternative universe, no one service would have to disproportionately contract to shoulder the load for others. In this universe, \$1 billion would be spread across all discretionary state program expenditures, whether for services or tax breaks.

HB 4132 would enact this vision. No tax expenditures would be cancelled outright; all beneficiaries would still have access to the write-off. But like programs, all such expenditures would be treated equally by the state in a fiscal emergency. Everyone would have "skin in the game". Everyone would make a small sacrifice.

According to the latest Tax Expenditure Report, Oregon gives away in tax breaks 53 cents for every \$1 of taxes levied. That leaves 47 cents for all General Fund programs. In 2010, 12.6 percent was the total needed to balance the budget just on the program side. That's 12.6 percent of the aforementioned 47 cents, or 6 cents. If, however, the budget was balanced from both sides of the ledger, such large cuts to programs would have been unnecessary, because 3.18 cents could have come from the tax expenditures and 2.82 cents could have come from programs – **less than half the impact.**

HB 4132 would treat tax expenditure programs just like General Fund expenditure programs under ORS 291.261, which authorizes a governor to balance the budget with across-the-board reductions to all legislatively approved spending lines. By including legislatively approved spending on tax expenditures to the

list, the impact in a fiscal emergency would be much less drastic, both for economic stimulus issues and with respect to sustaining the vital services Oregonians need and expect.

Oregon's share of the global economic crisis has meant the loss of nearly 10,000 education employees across the state in the past two years, as well as shortened school years and loss of enrichment programs. Oregonians have experienced the loss of services in other sectors as well. We know that some of this was unavoidable, but if HB 4132 had been in effect all along, some of those cuts would have been dramatically lessened. And because public education is the Number Two employer in the state, minimizing educator job losses means greater economic health for our many local communities.

We think this modest proposal makes sense and is an overdue correction to our statutes. Please support passage of HB 4132. Thank you.