

To the Senate Finance and Revenue Committee  
From Kathy Newcomb of Tualatin (retired state auditor and retired CPA)

This email is in general support of SJR 36 and SB 824. I mentioned support for a 2% increase in the sales tax below. However a higher sales tax which would exclude necessities like groceries, especially for low-income people, would be reasonable.

I've highlighted especially important points below.

Thank you for your work in this direction.

(Background experience with this issue: Audited PERS pensions pre-Measure 5. Participated in at least four statewide tax restructuring education and efforts -- Governor Roberts', OSU's, two by the League of Women Voters, etc. Presented state General Fund tax situations in 1994 to about 13 service groups -- a project of the Senate President at the time-- very successful. Prepared a very easy, clear overview of state taxing, explaining our taxing system in about half an hour to various interested group, through the 2000s, and in simpler material for the Oregonian in the last two years).

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To: [KathyNewc@aol.com](mailto:KathyNewc@aol.com)  
CC: [korachw@loswego.k12.or.us](mailto:korachw@loswego.k12.or.us)  
Sent: 4/12/2013 4:18:16 P.M. Pacific Daylight Time  
Subj: FW: An issue re school funding for your consideration for the W2D meeting

Hi Kathy,

I believe you have accurately summarized the major points in the swing. **I agree that PERS is not the primary cause of inadequate public resources as is portrayed by the Oregonian and others – the larger problem is one of funding. (emphasis added)**

Further evidence of this is not only in the general decline of K-12's allocation of the overall State General Fund budget over the past 10 plus years, where K-12's allocation of the state General Fund has dropped from 44.8% of the budget in the 2003-05 biennium to under 39% in this and the prior biennium, but also by the fact that if the district still had it's Pre-M5 tax rate of \$13.30 applied to its current Assessed Value Tax base of \$6.3 billion, that would generate almost \$80 million a year in property tax revenues alone, or more than \$20 million beyond our current and expected TOTAL operating revenues for any reasonable future year. If it were applied to the \$8.3 billion in Real Market Value of its tax base, which is the way it worked before Measure 50, it would be over \$100 million in annual district operating property tax revenues.

Stuart Ketzler

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**From:** Korach, William  
**Sent:** Friday, April 12, 2013 1:14 PM  
**To:** Ketzler, Stuart  
**Subject:** FW: An issue re school funding for your consideration for the W2D meeting

**From:** [KathyNewc@aol.com](mailto:KathyNewc@aol.com) [<mailto:KathyNewc@aol.com>]  
**Sent:** Tuesday, April 09, 2013 11:20 PM  
**To:** Korach, William  
**Subject:** An issue re school funding for your consideration for the W2D meeting

To Bill Korach, Superintendent of Schools, Lake Oswego

From: Kathy Newcomb of Tualatin (retired CPA and state auditor)

I am indeed looking forward to your speech tomorrow at W2D. (And, if at all possible, I would appreciate a copy of any corrections you make to the following remarks.)

Here is a question I hope will be covered in your presentation (or I can present the same question after your presentation, as you suggested):

Is it reasonable to believe that PERS is now the only cause of school budget problems or at least is the major, primary cause of K-12 shortages? (**A belief I do not share.**)

(My concern has been that the Oregonian's drumbeat of stories about PERS excesses has left many Oregonian readers with the notion that PERS is "The Cause" of state budget problems.

**I feel that, although the Oregonian has helpfully uncovered excesses in the PERS system, actually the current recession is of even greater impact on past, current and future state budgets. And I personally feel that the Oregonian has not put these matters into**

**proper perspective. For instance, they have not led a charge to add a 2% sales tax to the General Fund, specifically for K-12.**

**(I felt years ago in the last big proposal/vote to fix the funding that about two or three major bodies could not agree: businesses, schools (and unions?). I thought at that time that, if they had agreed, a vote would pass.)**

Before M. 5, my understanding-- very roughly -- is that

1. The state provided about 30% or so of the K-12 budgets, while
2. Local property taxes provided about 60% or so, and
3. The federal government provided about 6% -- mostly through districts now known as Educational Service Districts.

After M. 5, I further understand – roughly -- that

1. The state provided 60% (although this and #2 seem to vary),
2. Local property taxes provided 30% (again varying), and
3. The federal government provided somewhat more than 6%, perhaps 8% or so.

**The big problem with this change was that the state had *no additional resources to provide so much more money for K-12 than in the past.***

The solution used by legislators to cope with the new law was (1) to hope for increases in income taxes during prosperous times, and (2) to cut the other general fund recipients sharply to free up general fund dollars from other uses.

**“State support for higher education was reduced greatly after the passage of Measure 5 in 1990.” Oregon Blue Book 2011-2012, p. 172.**

Many other “general fund” agencies also suffered: At times state courts had to curtail work weeks to four days. Many agencies such as the courts, DEQ and others began to charge fees for their services or even for their oversight functions.

**Please note that the General Fund portion for PERS for state employees in the last biennium was only about 2.7%. (School costs for PERS of course are higher.)**

In the early 1990s Governor Barbara Roberts said something like, ‘people will be dying in the streets.’ That really did not happen. But the whole system of general fund recipients – which relied on that portion of the state budget -- began to cut services back and back and back – kind of a **slow death**, although not in the streets. (Many thanks again for your knowledge and interest. We still remember the wonderful flower gardening you both did when living next door! Kathy)