



Service Employees International Union, Local 503, OPEU

Testimony of Arthur Towers, SEIU Local 503 Political Director Senate Finance and Revenue Committee April 17, 2013

Thank you for the opportunity to testify today. I appreciate the willingness of the committee to look ahead on how to tackle improvements to Oregon's tax system. I want to speak to several topics that the Governor raised in his remarks on Monday. I have been a participant in the conversations between business and labor that the Governor alluded to. I have a great deal of faith in the process the Governor has laid out and have high hopes that that process will bear fruit. The Governor and legislature are performing a minor miracle with health care reform. Regardless of the pros and cons, significant reform is happening in public education. Because of his leadership and yours, the potential exists to find a path to major changes on tax reform as well.

I agree with the Governor that we should look at the past, determine where voters are today, and chart a course for where we want the future to take us. First of all, we should remember what voters have said in the last dozen years. Consistently, voters have valued services, be it education, public safety, services to seniors, or health care. Voters have defeated spending limits soundly twice in the last dozen years. In recent years, voters have raised concerns about broad-based tax increases and have defeated several of those. Voters have rejected tax cuts for the wealthy and have approved tax increases for the well-off and for corporations in order to pay for services. The specifics of the campaigns have varied in meaningful ways, but the results have been remarkably consistent in 16 of the last 17 tax-related statewide ballot measures stretching back 13 years.

The desire to preserve and improve services and the desire for tax fairness has intensified in recent years. I believe this is tied to the economic anxiety linked to the way the economy has changed since the 2008 economic collapse. The jobs that have come back lack health insurance or a retirement plan. The proportion of jobs with health benefits has fallen to around 60%. Less than half of private sector workers in Oregon participate in a retirement plan. The level of underemployment is high. Oregonians are feeling tremendous economic anxiety even as the economy is recovering. Between student debt, mortgage debt, medical debt, and retirement debt, voters are feeling the squeeze. Aging parents and adult offspring are moving back in. Unemployment is still at 8%.

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In the OCPP testimony, Mr. Sheketoff refers to growing income inequality. According to a recent report from economist Joseph Stiglitz, “the top 1 percent of income earners took home 93 percent of the growth in incomes in 2010, the households in the middle have lower household incomes, adjusted for inflation, than they did in 1996.” Oregon voters very much feel this even though they do not use the phrase “income inequality.”

Publicly funded workers also experience this growth in income inequality. In the social service industry, tens of thousands of publicly funded workers are paid tremendously low wages, even sub-minimum wages. These workers rely on food stamps and OHP to provide for their families, and they have no access to a retirement plan. Since the recovery, many of these workers have received no raise, and many part-timers have seen a reduction in hours of employment.

At this time of growing income inequality, I think we should tread very carefully on trading away progressivity and fairness for stability. Until we tackle income inequality and improve confidence in our tax system, the burden of improving the adequacy of the tax structure falls on those who are getting ahead on this economy.

I agree with Governor Kitzhaber that voters are concerned about spending. However, the spending they are most concerned about is on the tax expenditure side. There is a tremendous sense that someone is getting ahead in the system, and it is not the normal Oregonian. The perception is that it is someone with the resources to hire the accountants, game the system, and avoid the taxes.

This has not always been the case. In the past, many voters have felt it was immigrants or welfare recipients or public employees who had an unfair advantage. Some of that sentiment certainly exists, but it is not nearly as dominant as it once was.

The other point that needs to be underscored is that the rules in Oregon tend to favor incremental change. The supermajority requirement for loophole closure or tax increases is one quirk in our system. Initiatives, referenda, and referrals are phenomena that lead to simplified proposals as opposed to comprehensive reform. The committee might do well to consider a series of small steps that lead us to a comprehensive overhaul as opposed to one package of simultaneous reforms that will be only as strong as its weakest link.

Year	Measure #	Subject	Result
2012	Measure 79	Ban on real estate transfer tax	Passed
2012	Measure 84	Eliminate estate tax	Failed
2012	Measure 85	Corp Kicker to K-12	Passed
2010	Measure 66	Tax increase on upper incomes	Passed
2010	Measure 67	Tax increase on corporations	Passed
2008	Measure 56	Repeal Double Majority	Passed
2008	Measure 59	Increase Deductability of Fed Taxes for Upper Income	Failed
2007	Measure 50	Cigarette Tax	Failed
2006	Measure 41	Increased Deductions	Failed
2006	Measure 48	Spending Limitation	Failed
2004	Measure 30	Income Tax Surcharge	Failed
2003	Measure 28	Temporary Income Tax Increase	Failed
2002	Measure 23	Income and Payroll Taxes	Failed
2000	Measure 86	Kicker into Constitution	Passed
2000	Measure 88	Increase Fed Deduction from state taxes	Passed
2000	Measure 91	Increase Fed Deduction from state taxes	Failed
2000	Measure 8	Spending Limit	Failed