



**Date:** April 9, 2015  
**To:** House Revenue Committee, Chair Barnhart and Members  
**From:** Laurie Wimmer, OEA Government Relations  
**RE:** *HB 2070 and dash one amendment [Gain Share]*

On behalf of OEA's 42,000 members, it is my honor to our support for both the underlying bill to end gain share and the dash one amendment, which would substantially modify the program.

Ever since it was enacted in 1993, the preferential property tax treatment known as the Strategic Investment Program, or SIP, has resulted in losses of education-sector revenues. This has occurred without the voices of the education community at the table when counties make the decision to abate property taxes for SIP participants. Under the SIP, local governments receive some fees in lieu of taxes, but schools have not formally been similarly accommodated.

When the Oregon Legislature decided to institute the Gain-Loss concept to make whole the counties involved in SIP agreements, again, schools were left out. To add insult to injury, whenever SIP recipients additionally receive special excise tax treatment through state-level tax breaks, the General Fund is reduced, thereby further cutting the resources available for a more adequate State School Fund. According to the Tax Expenditure Report, fully \$3 billion of economic development tax breaks exist among Oregon's 378 tax expenditures.

Because of these circumstances, Oregon has disinvested in its public education system year after year for nearly two decades. Reading the headlines, one learns that our classes are nearly the largest, our school year among the shortest, our absentee rates are high, and our graduation rates are low. This legislature just passed a budget that we characterize as a "down payment" on a no-cuts budget for 2015-17, but as a stand-alone budget, it falls short of fully funding our schools. Whenever new tax breaks are added to the list, we further whittle away the money that would otherwise be available for core services, including our schools. Tax break proposals are passed with a simple-majority vote, while cancellations of such breaks require a three-fifths vote, making efforts to replenish the pot politically difficult. When local governments also reduce available resources, the problem is exacerbated. According to Legislative Revenue, every local property tax dollar foregone translates to a 33-cent hit to the state General Fund because of how the school funding formula spreads these losses.

That is why we support the acceleration of the gain-share program's sunset, as a step to begin to unravel this knot. We would also be happy to take a meaningful step in that direction with a clarification of the original intent of gain-share – which was to support the creation of new jobs and capture the personal income-tax increment of just this small subset. Dash one does this, and further ensures that the State School Fund shares in the make-whole effort. OEA proposed a similar concept in HB 2672, which this committee heard on March 3 of this year. We have no pride of authorship with respect to which vehicle moves, as long as the problem is corrected. HB 2070-1 makes a stride toward that objective and has our support. We hope it has yours, as well. Thank you.