How to push back against misleading claims about state spending that seek to derail a revenue-raising package

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Blog

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You don’t need to look far to see that Oregon is not investing enough to meet the needs and aspirations of Oregonians.

For example, to reach its K-12 education goals, Oregon’s experts on quality education say Oregon would need to increase school funding by about $2 billion in the upcoming budget period. Lack of state tax dollars means tuition is set to rise at Oregon public universities, in some cases by as much as 12 percent — the latest chapter in Oregon’s long-term disinvestment in higher education. Our state lacks a system of universal preschool even though it is widely recognized as key to ensuring that every child — no matter their ethnicity, race, or income — will succeed in school. And while health insurance coverage is at an all-time high, by one estimate, some 380,000 Oregonians still lack health insurance, including many children.

And yet, misleading claims about state spending can be found in newspaper ads and in emails from legislators. Such claims seek to derail efforts by the legislature to raise significant revenue to invest in schools and other essential services.

Here are some facts you can use to push back:

Oregon’s rank relative to other states in terms of spending is irrelevant

Opponents of raising revenue like to trot out figures that Oregon ranks high nationally in terms of per capita (per person) spending. Such rankings, however, tell us little about whether Oregon invests enough to provide a quality education for all children and to adequately support all the other public services that boost economic opportunity and the business climate in Oregon. And comparisons ignore whether Oregonians have or want to have better schools and better public services than other states have.

Comparing states is an apples to oranges comparison

Those who compare Oregon state budget spending to that of other states ignore that there are different financing arrangements among states. In some states, for example, most of the funding for schools comes from local government spending, whereas in Oregon the state budget is the main funding source. Some states have local or county-run family assistance programs, while Oregon runs a statewide program.

Measures of state spending that include federal funds are misleading

Some opponents of raising revenue rely on a measure of spending that includes federal dollars. Including federal dollars obscures the question of how much state taxpayers are spending. But if one were to compare federal spending among states, more federal dollars rather than less is generally a good thing. More federal Medicaid dollars, for example, is good for the health care industry and all the jobs associated with that sector. Each state dollar that is matched with federal funds buys more, making it a more efficient use of state dollars.

Per capita spending is a deceptive measure

Many of those seeking to derail a revenue measure point to per capita spending statistics. Per capita spending indicates how much is being spent for each person in the state. The measure is deceptive for at least two reasons. First, per capita figures say nothing about states' capacity to spend. A state with a lower per capita spending level than Oregon can be spending a greater percent of personal income than Oregon. A good example is South Carolina. In South Carolina per capita spending is 12 percent less than Oregon, yet South Carolinians spend 8 percent more as a share of their personal income than Oregonians. Second, the cost of living and the cost of providing services vary among states, something per capita measures ignore. Mississippi may spend less per person than Oregon, but it can buy more in state services with each dollar because the cost of living is lower in Mississippi than in Oregon.

Oregon's spending level as a share of our income — what we can afford — has been flat over time

Oregon state budget spending as share of Oregon's total personal income has been essentially flat since the implementation of Measures 5 and 50, which limited property taxes and shifted the main funding responsibility for schools from local governments to the state budget. From 1999 to 2014, Oregon state budget spending ranged from a low of 8.5 percent to a high of 10.1 percent as a share of Oregon personal income. Over those 16 years, state budget spending averaged 9.2 percent. In 2014, the share stood at 9.5 percent.

A sign that spending is not a problem: There has been no growth in share of Oregon jobs belonging to state and local governments

About one out of seven jobs in Oregon are state or local government jobs — a slightly lower ratio than more than two decades ago. Since 1990, Oregon's working-age population and the number of private sector jobs have both grown slightly faster than the number of people in state and local government jobs.

Decline in federal dollars and voters' choices account for the bulk of the revenue shortfall

It's important to understand the factors that underlie the $1.4 billion revenue shortfall for the next budget period. About $660 million of the shortfall is due to Oregon receiving fewer federal health care dollars, including money for the expansion of Medicaid under Obamacare. During the initial phase of the Medicaid expansion, the federal government paid 100 percent of the costs. In the coming biennium, the federal government will pay 94 percent, so Oregon needs to contribute the remaining 6 percent. In addition, some federal funding to help make the Oregon Health Plan more efficient was temporary, but needs to be replaced to continue that effort in the next budget period. Another $360 million of the budget shortfall is due to voter approval of three ballot measures in November 2016. Increased costs to the state of the Public Employee Retirement System (PERS), much of it due to the failure of earlier "reforms" to pass Supreme Court muster, account for some of the shortfall.

Revenue is at an all-time high because we designed a revenue system that grows well with the economy, and our economy is doing well

Oregon revenue is at an all-time high because Oregon's population, workforce, personal income, and economy are bigger than ever. That doesn't mean we have enough funds to avoid budget cuts. The fact that revenue is high is separate from whether it's in Oregon's best interest to avoid budget cuts to schools and essential services in the upcoming budget period, and to begin rectifying the long-term underfunding of essential services.

When measuring revenue growth, it is not useful to start with a recession-era year

Some of the claims exaggerate Oregon's revenue growth by starting the analysis when Oregon was just beginning to recover from the Great Recession. As the Oregon Office of Economic Analysis points out, "measuring growth just in the expansion to date . . . is neither a good nor useful way to measure revenue growth . . . Only measuring changes over part of the cycle simply muddies the water and does not lend itself to being helpful."

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