



June 13, 2017

The Honorable Mark Hass
The Honorable Phil Barnhart
Co-chairs, Joint Committee on Tax Reform
900 Court Street, NE
Room 354
Salem, OR 97310

Re: House Bill 2830-2

Dear Co-Chair Hass and Co-Chair Barnhart,

Thank you for your continued efforts to address Oregon's fiscal challenges. We appreciate your dedication to the people of Oregon and your willingness to look broadly for solutions that will close not just the projected 2017-19 budget gap but also make Oregon stronger fiscally for the long term.

As you know, representing Brighter Oregon, the Oregon Business Plan coalition, I appeared before your joint committee just two weeks ago. In that appearance, I outlined a path that takes the long view and that we believe, is achievable in this legislative session. Our position remains the same, and we are ready to join you and other leaders in a serious discussion that includes both structural spending reform and new revenue options.

To recap, our approach is based on a notion of shared responsibility. Everybody must come to the table to solve this problem; business must agree to new taxes, and representatives of public employees must agree to cost reform. Our three-part strategy includes:

- **Grow the economy.** Oregon's state revenues have grown 40 percent since 2011, one of the strongest recoveries of any state in the union. This underscores our position that a sound and growing economy is the single-best strategy for improving public revenues that then, in turn, enable investments in strategic state programs.
- **Slow the unsustainable growth in state spending.** As we have described before, our state is hampered by costs that are growing faster than revenue, particularly in the area of employee compensation. This has resulted in a structural budget deficit, even in a biennium when state revenues will be at an all-time high. Looking ahead, we know these costs, particularly costs related to employee retirement and health care benefits, are only going to grow and become a bigger burden on state, local government and school district budgets if they are not addressed now. We believe it is possible to slow the growth of these costs, while still offering Oregon's public workers fair – even generous – compensation packages.

- Raise new revenue for strategic investments. We agree new revenue is warranted for investments in key outcomes Oregonians want, including better high school graduation rates and more affordable access to college. We are prepared to support new taxes, specifically taxes on business, if the structural budget problems are addressed so there is assurance the new money will support these outcomes, rather than continuing to pour more money into old problems.

When I appeared before your committee on June 1, I told you that Brighter Oregon is prepared to support \$500 million in new taxes if there is assurance of structural budget reform. Specifically, we believe you can raise that new revenue by 1) increasing the corporate income tax rate; 2) refining the 2013 pass-through tax cut; 3) eliminating the property tax early payment discount for commercial and industrial properties, and 4) creating a health insurance premium tax of less than 1 percent.

We appreciate your interest in an overhaul of the state's tax code. While we agree our revenue system should be examined, we do not see a path to achieving such broad reform, and winning bipartisan support, in the four weeks left in this legislative session. In particular, we do not support moving forward with a commercial activities tax, even one with a 2019 effective date, in this legislative session. A better approach, we believe, is to adopt the plan we have outlined – structural cost reform with new revenue from inside the existing tax code – this year and then have a broader discussion about tax reform, with everything on the table, in the legislative interim with a goal of sending a plan to the 2019 Legislature.

As I stated earlier, we are prepared to participate in a conversation that includes both revenue and cost reform. Given the lateness of the hour, it makes no sense to continue having conversations in isolation. We strongly urge you to work with leadership to create a discussion where the totality of the state's fiscal challenges, spending and revenue, can be discussed and a full package developed for consideration by the Legislature before adjournment in July.

Thank you.

Sincerely,

Patrick Criteser
Chair, Oregon Business Plan