



SB 129: End the auctions that fund Opportunity Grants

Senate Education Committee – 2/9/2023 – Bennett Minton

Chair Dembrow, members of the committee:

I'm Bennett Minton with Tax Fairness Oregon, a network of volunteers who advocate a rational and equitable tax code.

I brought a table I've assembled over the past year, since I began examining the state's use of tax credit auctions.

Auctions have cost students \$3.7 million in four years

Fiscal year (ending 6/30)	2019	2020	2021	2022	2023	2020-2023
Opportunity Grants auction	14,000,000	14,000,000	14,000,000	14,000,000	13,845,500	55,845,500
Winning bids (gross)	14,578,505	12,740,714	13,010,848	13,495,926	13,062,875	52,310,363
DOR fee (0.25%)	36,446	31,852	32,527	33,764	32,657	130,800
Proceeds to HECC	14,542,059	12,708,862	12,978,321	13,462,162	13,030,218	52,179,563
Lost program revenue (\$)	542,059	(1,291,138)	(1,021,679)	(537,838)	(815,282)	(3,665,937)
Lost revenue (%)	3.9%	-9.2%	-7.3%	-3.8%	-5.9%	-6.6%

Source: Tax Fairness Oregon from Department of Revenue

The Opportunity Grants auction is modeled on the one that funds Oregon Film. When the auction was authorized in 2018, the buyers of tax credits could claim them as charitable contributions for federal purposes.

In the first year, taxpayers were willing to pay more than par value for the credits because of the federal treatment. But in 2019, the IRS changed the rule, denying charitable treatment. Since then, the tax credit buyers have siphoned \$3.7 million that would have gone to needy students.

I participated in the December auction. I bought a tax certificate worth \$500 for \$475. I netted \$25, and the students, after administrative costs, got less than \$475. I'll send my \$25 profit to the

We read the bills and follow the money

Portland State University scholarship fund. I doubt that's what US Bank has done. It's saved \$1.2 million in state income tax over the past two years by buying tax credits. A Lake Oswego accounting firm has saved its clients \$300,000.

The tax code has more outrageous provisions. This is the dumbest.

The solution is to kill the auction and have the Ways and Means Committee increase the appropriation by an equivalent amount, \$28 million a biennium.

We oppose the bill in its current form. We support the amendment that would end the auctions after fiscal 2023, so that no auction would be held in December, as under current law. Then the Ways and Means appropriation for the coming biennium would line up with the end of tax-code funding.

Tax credit auctions are a terrible mechanism for funding programs. The Oregon Film auction should be abolished for the same reason: It redirects to tax-credit purchasers money that would go toward the legislature's intended purpose.

But that item is for another day.