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Kicker Reform Proposals Filed By Democratic Representatives

Most Oregonians would get the same amount back as previously

SALEM – A group of Democratic Representatives today proposed kicker reform legislation that would ensure most Oregonians and many small businesses would still get their entire kicker back. The bills propose two alternatives to kicker reform that would direct significant dollars into a constitutionally-protected Rainy Day Fund.

House Joint Resolution 47 (and its companion bill HB 3681) and HJR 48 were filed Thursday morning by Representatives Phil Barnhart, Chris Garrett, Tobias Read and Jules Bailey. A number of other House Democrats signed on as co-sponsors. Both bills would direct the dollars not returned to taxpayers into a constitutionally-protected reserve fund. The bills include triggers that would limit the ability of the Legislature to access those dollars except in times of economic downturns. Both would also require a supermajority vote before the reserve dollars could be spent.

The bills propose a cap on the amount of kicker dollars returned to individual taxpayers. In HJR 47, the cap is set at \$500 (\$1000 for joint filers). HJR 48 would place the cap at \$250 (\$500 for joint filers). Under both scenarios, most Oregonians would have gotten the same amount returned if the law had been in place in 2001 and 2007, the last two times the kicker was returned.

The bills each treat the corporate kicker differently. HJR 47 returns the kicker for corporations with less than \$5 million in Oregon sales. HJR 48 places the entire corporate kicker into the Rainy Day Fund.

Under the bills, once either 14% or 15% of the current General Fund budget is reached, the entire kicker would once again be returned to individual taxpayers.

The bills would accomplish three main goals of kicker reform:

- Protecting the kicker for most Oregonians,
- Creating a constitutionally protected Rainy Day Fund, and

- Fixing Oregon's roller coaster revenue stream to prevent deep cuts and tax increases in the future.

"There are two critical issues at stake here. What can we do to fill up and protect a constitutional reserve fund so that we don't have huge cuts in schools, health care and public safety or tax increases the next time we face an economic downturn? And what can we do to ensure that those Oregonians who need the money most will still get it back?" said Barnhart (D-Central Lane/Linn Counties). "We believe these proposals succeed on both fronts."

The kicker is triggered when actual state revenues from taxes exceed the state's revenue forecast by more than 2%. In 2007, the last time the kicker was refunded, over \$1.1 billion was sent back.

Because the kicker is constitutionally protected, either of the measures, if passed by the Legislature, would place the proposal to the November 2012 ballot.

"These bills are fair. These bills are workable. They accomplish the goal of building a Rainy Day Fund and protecting the kicker for most Oregon taxpayers," said Garrett (D-Lake Oswego).

Economists have long argued that reforming the kicker law will lessen the volatility of our tax system as long as the excess dollars are targeted into a reserve fund.

"We need a constitutionally-protected reserve fund. And we need to find ways to fill it so we can buffer ourselves against the dramatic swings we've seen this decade in Oregon's economy," said Read (D-Beaverton). "This plan will help us fill our reserve funds for the long run while still providing an economic benefit to individuals and small businesses."

Bailey said the kicker refunds are dollars that low and middle income people will put right back into our economy for food, housing and other essentials.

"This bill gives us the certainty of knowing, just as Oregon families do, that we will save when times are good. And that means we won't have to choose between raising taxes or making huge cuts in critical services when times are bad," said Bailey (D-Portland). "This is a common sense and effective way of reducing the fluctuations in our revenue stream... and I think it stands a very good chance of being approved by voters if we can get it on the 2012 ballot."

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