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To: osu_supporters@lists.oregonstate.edu; CAS DeanStaff; CAS Unit Leaders; Salem Update Listserv
Subject: [OSU Supporters] Rainy Days and Revenue Forecasts
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Rainy Day Fund

By a party line vote of 31-26 (with 3 Republicans excused) the House failed to pass HB 2707, which would have diverted the 2007 corporate kicker, estimated to be about $275 million (based on the December 2006 forecast) to a special rainy day fund. A 2/3's majority (40 votes) was required to pass the bill. Republicans offered a substitute measure that would have shifted the corporate kicker to a rainy day fund, but would have returned $35 million of the kicker to smaller businesses in Oregon. That $35 million becomes a "Democrat tax increase" for small business. Either way -- big or small, instate or out -- businesses haven't lost anything . . . yet.

Close on the heels of the House's failure to pass a rainy day measure, the Senate will consider its own plan. The major difference is that it will be a referral to voters in May to permanently divert the corporate kicker to a rainy day fund. (Because the kicker is in the state's constitution, the legislature must refer a measure to the voters to permanently repeal it.) The legislature must act quickly in order to get a measure on the May ballot.

A number of businesses, including the American Electronics Association and Governor Kulongoski supported the House version to avoid the expense of a public election and to place discussions of permanent corporate kicker repeal in a broader context.

Revenue Forecast

Thursday, March 1st not only marks our dog Ingrid's birthday, it is also the date the next quarterly revenue forecast will be delivered to a joint meeting of the House and Senate Revenue Committees. If rumors (and Ingrid's languid behavior around the house on these rainy days) are reliable predictors, Thursday will show a decrease in general fund revenues from the level predicted last quarter. Since the Governor's budget was built upon the last forecast, any decrease means either further tax increases or -- much more likely -- budget reductions.

The bad news may be moderated by increases in lottery funds. Of course, lottery

funds aren't as fungible as general funds, and can't easily be parceled among all state programs. Nevertheless, any increase in lottery revenues is welcome news. The legislature can always reduce general fund allocations for state agencies that do rely on lottery funds, shifting those general funds to other non-lottery agencies, while replacing the cuts with lottery funds. The legislative term of art for this practice is "backfilling."

In anticipation of possible revenue problems, and to provide some wiggle room to fund legislative priorities, the Joint Ways and Means Committee which parcels out state budgets, has requested state agencies, including the Oregon University System, to submit itemized reductions totaling up to 4 percent of their budgets. Given a number of budget challenges facing the various campuses comprising OUS, an itemized list may be extremely disruptive to individual campuses. How the reductions are carried forward to the committee is still up for consideration.

Complicating matters is the cloudy future for the various tax measures in the Governor's budget. At least one – a tax on car insurance premiums to fund state troopers – appears to be as dead as the House rainy day plan. If the Governor wants to increase the number of state troopers, he will have to take the money from some other state agency. Two other taxes – a cigarette tax increase and increasing the corporate minimum tax – continue to breathe, but when and how they pass is still up in the air. The corporate minimum tax is important to higher education interests because it is linked to funding for student assistance under the Governor's "Shared Responsibility Model."

Shared Responsibility Model

Last Tuesday the Governor made a rare appearance before the Senate Education Committee in support of SB 334 which revises the current Oregon Opportunity Grant program. The OOG program, administered by the Oregon Student Assistance Commission provides financial assistance to students attending Oregon community colleges and private and public universities. The result of nearly two years of work, SRM transforms the OOG, with one of the most significant features being the elimination of "the financial aid wall." Under the current program, once a student (and/or the student's family) earns one dollar over a designated income level, the student is ineligible for any assistance. The student hits a financial aid wall. The SRM includes a graduated formula based on family income, student wages, and other factors. The awards gradually decrease as income increases. For a complete description of the SRM, here is a link to an OUS issue brief: http://governor.oregon.gov/Gov/pdf/letters/srmodel.pdf The SRM road will get bumpy once the bill reaches the joint Ways and Means Committee where legislators will need to figure out whether and how to pay for its $100 million plus price tag.

Shorts

Ways and Means slates tentative field hearings on the budget. The dates below are subject to change. Nevertheless these hearings are important for making points about various budget issues with members of the Joint Ways and Means Committee:

April 4 (Wed) – Eugene 6 or 7 pm
April 6 (Fri) – Astoria – 7 pm
April 11 (Wed) – Portland
April 12 (Thurs) Video Connect Bend/Ontario/The Dalles/Pendleton 6-9 pm
April 13 (Fri) – Medford – 7 pm
April 14 (Sat) – Coos Bay – noon

Senate Concurrent Resolution 5 passes the House and is headed for the mound. On Monday, by a vote of 58-0 (2 members absent) the Oregon House approved SCR-5, a measure that commends the 2006 OSU Beavers for their NCAA baseball national championship. A number of the 12 OSU alums who currently serve in the legislature will be on hand for the March 8th home opener to present the resolution to the Beavers.

ETIC Day: Monday, March 5. The Governor's budget includes a $28 million increase for the Engineering and Technology Industry Council (ETIC), a significant amount of which will flow to OSU. For a thorough review of the ETIC budget, follow this link: http://www.oregonetic.org/meetings/ETIC-Update-Jan2007.pdf

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