House votes on PERS reform and tax package

The House of Representatives held key votes this week on two of the most contentious issues of the 2013 session – Public Employees Retirement System (PERS) reforms and a revenue raising plan. These issues are seen as essential elements to creating a balanced budget for the upcoming biennium and are cornerstones of the Co-Chairs’ budget package.

The House first took up the issue of the tax package that included eliminating certain deductions for high income individuals (single filers above $125,000 and joint filers above $250,000), as well as the personal exemption for these individuals. House Bill 2456 would have also increased taxes on certain corporations and required corporations to report “offshore” income on their Oregon tax return. Since the measure was a tax increase, the Oregon Constitution requires a super-majority in each chamber to approve the bill. This required all Democrats (34) and at least two Republicans to support the measure for its passage. The plan would have raised an additional $275 million for the 2013-15 biennium. When the bill was to be considered on the House floor, it became apparent there was no Republican support for the measure. Instead of voting on the full-blown tax plan, the House approved a significantly scaled-down version of HB 2456.

In the House-approved version, the only surviving piece of the previous bill is the portion that deals with closing the “offshore” loophole for some corporations, which is estimated to raise $20 million. HB 2456 now goes to the Senate, where further discussions and negotiations are expected on the overall revenue package for the session. Sen. Ginny Burdick (D-Portland), Senate Finance and Revenue Committee chair, commented, “We’ve got a workgroup and we’ll be looking at what the House did and what would make sense as a revenue package should one be necessary.”

The next bill the House considered was the Ways and Means Committee Co-Chairs’ version of PERS reform. Senate Bill 822, which had already been approved by the Senate on a party-line vote, would create a cost-of-living-adjustment (COLA) cap for retirees, eliminate the out-of-state tax benefit for retirees not living in Oregon and not paying taxes in Oregon, and instruct the PERS Board to lower the employer rate by an additional 1.9 percent. It is estimated these three actions would create systemwide savings in excess of $800 million; school districts would save an estimated $200 million in the next biennium in PERS-related costs.

SB 822 passed on a 33-27 vote after lengthy debate. All Republicans opposed the bill, as well as one Democrat, Rep. Brian Clem (D-Salem). Most of the debate centered on whether more should or could be done to curb the growing costs of PERS for school districts and other governmental entities. “We have reached our limit of what schools and local governments can afford,” said Rep. Julie Parrish (R-West Linn). “The system was built incorrectly and this bill does nothing to fix the system.” Democrats countered by saying the measure is fair and takes a balanced approach to PERS cost savings. “It is the fairest proposal that provides enough savings,” stated Rep. Val Hoyle (D-Eugene).

OSBA did not support SB 822, as it does very little to address the ongoing costs of the system as well as the underlying $14 billion unfunded actuarial liability of the system. “We appreciate the Co-Chairs’ efforts to address the PERS crisis. They took a good step in eliminating the out-of-state tax benefit and limiting the COLA, but deferring necessary payments into the system does not make sense,” commented OSBA Deputy Executive Director Jim Green. “It is like skipping a mortgage payment on your house. Ultimately, you will need to make the payment and it is only going to cost you more in the long run, and this plan will.”

SB 822 now heads to the governor for his signature; all indications are that he will sign the bill. Contact Jim Green at jgreen@osba.org for more information.

View House Bill 2456: http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&c=50,50&bq=hb%202456&key=HB24560&ptadd=:%20HB 24560%20Details

View Senate Bill 822: http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=r&q=sb%0822&c=50&key=SB08220&ptadd=: SB 0822 Details

Legislature reaches key deadline for legislation

A wise person once said that “a goal is a dream with a deadline.” April 18 was the deadline for legislative committees to hold a work session on bills in a policy committee in their chamber of origin. It is fair to say that many dreams were dashed at the end of the day.
For example, Senate bills that have not come to a vote in a Senate committee will no longer be considered. In legislative lingo this means that the bill is “dead” or the bill “has died.” But there are a few exceptions: Joint Committees like Ways and Means are not subject to this deadline; neither are House and Senate Rules and Revenue committees. As longtime Capitol observers will tell you, many bills may be “dead” but the ideas behind them still have the opportunity to live on. No idea or proposal is truly gone until the Legislature reaches final adjournment; they are scheduled to wrap up their work and balance the budget by June 28.

So far the 2013 Session has been mostly positive for K-12 and public education. The Co-Chairs of the Ways and Means Committee made it clear that funding for schools was their top budget priority. A state school fund appropriation of $6.75 billion ($6.55 billion cash and $200 million in PERS savings) is likely to be signed into law in the coming weeks.

While the PERS reforms in Senate Bill 822 have passed the House and Senate and will likely be signed into law by the governor, there is clearly a critical mass of legislators that believe that further action to control costs must be taken before adjournment. OSBA will continue to be at the forefront of pressing for additional reforms to the PERS system to produce cost savings for districts.

Perhaps as important as the increased investments in K-12 and public education has been the recognition by legislators that our schools have been asked to do more with less over the past 10 years. There has been a marked decrease in the number of unfunded mandates and overhauls to our school system proposed this session. Thanks to the advocacy of school board members, our legislators clearly understand that unfunded mandates and duplicative reporting are a burden on our staff and our schools.

At this point in the Session, Oregon’s legislators have introduced more than 2,000 bills for consideration. OSBA’s legislative staff is tracking the progress of almost 450 measures. You can find out the status of bills followed by OSBA staff during the 2013 Session by going to our bill tracking system on the OSBA website. The next major legislative deadline for votes is May 31.

Contact Morgan Allen at mallen@osba.org if you have questions.

Go to OSBA’s bill tracking system: http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx