

Editorial: Don't Even Think About It

January, 2002

If you were in the vicinity of Salem in the middle part of December you may have heard a plaintive sound emanating from the State Capitol. No it wasn't the carolers or high school choirs there to sing festive songs. It was the high-pitched whining of government stakeholders pleading that nothing be taken from their big budget increases. Yes, committees of the legislature met to hear from interested parties to discuss the significant budget shortfall now upon us in Oregon (a little over \$700 million). And hear they did from anyone and everyone with a dime to lose. What's that? Well yes, if you listen carefully you can still hear the howling and whining.

The special session to deal with this shortfall will no doubt go a long way to defining the difference between the government stakeholder class and the productive free enterprise class. It will go a long way to explaining why some people vote Democrat and some people vote Republican. (And it ain't just the social issues.)

Here's why some people vote Republican. Because when the economy falters into a recession, some people understand that raising taxes to fill in budget gaps is not an answer.

Make no mistake, many of these same people also understand that voting Republican does not guarantee that taxes will not be raised. They're not that naïve. You can drag the horse away from the water, but in the long run you can't always keep them from joining the herd for a drink.

But good old common sense tells them that when the economy is in a downturn and government revenues are in decline, business and family incomes will also be in decline. Businesses are failing; layoffs are everyday occurrences. Families and businesses are struggling for sheer survival. This is no time for government to say, "Our budgets must stay whole." Declining government revenues are, after all, an indicator of the difficulty businesses and families are already experiencing.

Who are these arrogant leaders that ignore this suffering and instead demand more?

Well, for one The Oregonian editorial board, who wrote on December 9: "Gov. Gary Locke also is expected to soon propose a massive package of transportation projects and the new taxes to pay for them. That's how you jumpstart a stalled economy. Oregon needs that same kind of spark..." (emphasis added)

And for another, at least one gubernatorial candidate, Jack Roberts, who has already given the nod to increasing revenues by adding...drum roll...line games (to bolster lottery revenues). Now there's a great idea—another bite from low income, addicted gamblers. In all fairness to Roberts, he was right when he said, "At a time when the governor is

considering eliminating the Jobs Plus program (which has moved thousands of Oregonians from welfare to work) and Project Independence (a program which for more than twenty years has provided cost-effective non-institutional care to seniors), I think it makes sense to consider ways to avoid these cuts without raising taxes.”

We agree. Consider every option. But then discard this one for the trash it is. Besides, the lottery is just a devious form of taxation. And while you're at it, throw out the idea of any increase in income taxes. That one is worse than trash; it is downright destructive. As one tax expert said, an income tax increase of any kind right now would have the same effect that the income tax surcharge had in the recession of the '80s—it would fill the immediate budget hole, but it could deepen and lengthen the recession here in Oregon.

But Roberts is an astute politician who has witnessed a lot of the behind-the-scenes whining and wrangling. So he was also right when, in response to *The Oregonian's* criticism of his line games suggestion, he said: “Perhaps *The Oregonian* will list the cuts they would prefer be made in the state budget rather than allow line games to be added to the games currently offered.”

Don't hold your breath Jack, because the O's best idea is already in evidence—a tax increase that would further damage the fragile livelihoods of Oregon's small businesses and families. Give Roberts credit—at least he has ideas. The other candidates are taking the fifth, refusing to answer on the grounds it may shed some light on their actual thinking (or lack thereof).

Getting down to business on budgets isn't any-one's idea of a good time, but despite all the cries of pain and anguish there are some facts and some numbers that every Oregonian should force themselves to sit down and take a hard look at. Here are some nuggets from the charts shown.

The 1991-1993 state budget was \$5.5 billion.

The 2001-2003 state budget was \$11.9 billion.

That's a 116 percent increase in the overall budget over the last ten years.

Yes, there are about 15 percent more people than in 1991 and total inflation has climbed by 45 percent. That still leaves a 66 percent increase. After inflation, has your home or business budget grown by 66 percent?

Gov. John Kitzhaber and every legislature for the past ten years (that's five different groups of 90 +1 elected officials) have raised the state budget dramatically. Not once, not once, did they look for ways to slow the growth of government, not even one little ratchet back to match the healthy, but slower, growth in the private sector.

In particular, last session the legislature approved an overly-optimistic budget well past the point in late spring when the economy was in a clear downward trend. Responsible budgeting or procrastinating on the inevitable?

All those individuals are responsible for this collective train wreck, but the group most recently elected will have to solve the problem. Before you feel sorry for them, keep in mind that many have been there at least part of the time and by rights should be responsible for finding solutions. Those that are brand new, well, the phrase “gluttons for punishment” comes to mind.

Budget growth has raced ahead of private sector growth for the past ten years. And what do we have to show for it? What do we have to show for our 66 percent increase beyond inflation and population growth?

Well look at all the new highways and roads we’ve constructed in Oregon over the last decade. Look at the bridges that have been repaired. Look at our highly-regarded university system. Look at our model public school system. Look at all the salmon we’ve saved.

No wait, don’t do that. Because not one major highway has been built in Oregon for the past 20 years. Our bridges and roads are crumbling—they beg for repair. Our university system is consistently ranked as a third-tier public system. And our K-12 public schools have a dropout rate of one-third of their students. And we club to death at least as many fish as we save.

Where did all the money go? Did Portland’s anti-business, not-so-smart-growth, pro-light rail, elitist planning agenda swallow up big chunks of it with fat consulting fees and developer payoffs? Is our state budget just one giant jobs program for public employees, or is something tangible going on?

Of course, good work, necessary work, is being done every day by government employees who work hard to meet the needs of their fellow Oregonians every day. That can, but should not, go without saying. But very little more or less seems to be going on than was going on 30 years ago in 1971 (remember the numbers already reflect population increases and inflation).

Cuts in the increases to the budget can and must be made rather than trying to cull more revenue from businesses and families in Oregon whose reduced incomes mirror the reduced state revenues.

The only proper response to Oregon’s recession is for everyone, including government, to tighten their budget belts and look for productive avenues to stimulate business and job growth (such as lower fees and taxes, fewer regulations, more predictable and lower energy prices, and a change in attitude from Multnomah County).

Declining revenues have brought the budget down to \$11.3 billion. So instead of a 12 percent increase over last year, a six percent increase will have to suffice. That’s right. That’s what all the whining is about—a six percent increase over the next two years instead of a 12 percent increase.

The recession has brought some real pain to Oregonians, but complaints about a six percent increase do not qualify as real pain.

Legislators, Gov. Kitzhaber: find a way to make the necessary six percent across the board cuts. Take a field trip to other states where roads are being built, where budgets are being cut, where schools are succeeding. Have a conversation with a governor who has successfully cut a budget. Listen to the nuts and bolts of how that task is done. Don't even think about a tax increase in Oregon.