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November 4, 2008 General Election

2008 AUG -5 AM 8:41 Initiative 3/Ballot Measure 59

BILL BRADBURY
SECRETARY OF THE STATE

“Creates An Unlimited Deduction For Federal Income Taxes On Individual Taxpayers' Oregon Income-Tax Returns”

(FC) Explanatory Statement:

Oregon personal income taxes go into the state General Fund. Those taxes are about 89 percent of the General Fund. In the current two-year budget (2007-09), the General Fund was used to pay for:

- Education, including grade schools, high schools, community colleges, and state universities: \$7.5 billion (54%);
- Services for children, the elderly, and the disabled, including medical insurance: \$3.4 billion (24%);
- Public Safety, including prisons, courts and local jails: \$1.8 billion (13%); and
- Other programs: including business regulation, natural resource management and state administration: \$1.2 billion (9%).

\$318 million of the General Fund spending in these categories pays principal and interest on bonds and other debt for the building of prisons, public buildings, and other public facilities. Over a six-year period, the measure would reduce bond capacity by \$130 million per year, or 21 percent, to pay for future infrastructure construction needs of the State.

The State budgets for a two-year period. The measure would reduce expected general fund resources by \$1.3 billion (nearly 9 percent) in the next two-year budget period (2009-2011). For the 2011-2013 period, the projected revenue reduction of \$2.4 billion will be nearly 14 percent of expected general fund resources. Future legislatures will decide how this revenue reduction will affect spending.

Many state and local government programs are jointly funded with money from the federal government. State funding cuts as a result of this measure could also reduce federal funding. For example, if the Legislature chooses to reduce services to children, the elderly or disabled (including medical), for every one dollar of state funds reduced, two dollars of federal “matching” funds would also be cut.

About 500,000 Oregon taxpayers will be directly affected by this measure. The other 1.3 million taxpayers can subtract all of their federal taxes under current limits and will see no change in their Oregon taxes from this measure.

Certification:

We, the undersigned, hereby certify that, pursuant to ORS 250.125 (6), we have prepared the statement described under "Explanatory Statement."

Secretary of State

Date

State Treasurer

Date

Director, Department of Administrative Service

Date

Director, Department of Revenue

Date

City, County or District Representative

Date