



CASCADE POLICY INSTITUTE

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## Summary

Oregon state and local spending per capita ranks eighth highest in the nation, and significant budget shortfalls are already projected for future biennia. Oregon can and should balance the current budget through spending cuts rather than revenue increases.

**Word count: 600**

***“Government should be as small as possible, not as large as it can get away with.”***

## Say “no” to Governor’s tax increases

*By Steve Buckstein*

Governor Kitzhaber hopes that legislators will approve \$244 million in new taxes to balance this biennium’s budget. He should have stuck to his initial “all cuts” proposal for two good reasons: \$1 billion budget shortfalls are already projected for each of the next two biennia, and Oregon is already a very high spending state.

According to new [U.S. Census data](#), Oregon state and local governments spend more per capita than all but seven other states. Government should be as small as possible, not as large as it can get away with.

Fourteen months ago, long before the current recession, Cascade Policy Institute published a report showing areas of overspending, and we suggested market-based reforms to reduce costs without harming services. The report, [Can Oregon Tighten its Fiscal Belt?](#) found that Oregon state and local governments spend about 19 percent more than comparable states, or several *billion* dollars in excess spending each biennium.

Specifically, Oregon education spending is 14 percent more than comparable states, health care 30 percent more, welfare 13 percent more, corrections and police 19 percent more. In fact, of five major categories, Oregon only underspends in one—highways, by 3 percent.

Taxing more to keep spending at high levels is irresponsible. The Governor’s new taxes on alcohol and cigarettes will disproportionately hurt lower income Oregonians, and fuel more black market sales. Repealing Ballot Measure 88 income tax cuts would break faith with the voters, and would harm the very individuals and job-creating businesses already mired in a national recession.

Government must set priorities. Some services are clearly questionable. One big question mark is the State Department of Economic Development, which spends over \$300 million per biennium. Charged with promoting Oregon’s economy, it has tried to direct funds toward industries and companies it deems

most desirable. But picking winners and losers in the economy is not easy, and certainly not a proper function of government. If the government is so good at promoting the economy, why does Oregon now have the highest unemployment rate in the nation?

The Oregon Health Plan has proven incapable of controlling spiraling health care costs. Rather than the minor cuts proposed by the governor, we need major cuts made possible by moving from the current managed care approach toward a system of Medicaid vouchers and Medical Savings Accounts. These would empower patients to take more responsibility for their health care.

The biggest single item in the state budget is education. Contrary to popular belief, spending on K-12 schools has gone *up* since the passage of 1990's Measure 5. Annual total school spending now exceeds \$8,000 per student. Only about half of that money ever gets into the classroom where it can benefit students. We can cut school spending more than the governor proposes without hurting kids if we also cut the strings on the money coming from Salem, giving principals more flexibility to deal with tight budgets.

Looking ahead, the overly generous Public Employees Retirement System threatens all levels of government with huge unfunded liabilities over the next several decades. Last year Cascade issued a report, *Pension Liberation for Oregon*, about how to fix the PERS system. The savings won't be great initially, but over time they will be substantial, and necessary if we are to avoid future budget nightmares that could dwarf the present \$830 million dollar shortfall.

If the current shortfall isn't enough to convince elected officials to cut spending, the projected future budget crises should seal the deal. Let's truly make Oregon a sustainable state by reducing the size and role of government back to a level that Oregonians can afford.

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*Steve Buckstein is president of Cascade Policy Institute, a Portland, Oregon think tank.*

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