

The Oregonian

Is PERS loophole 'fix' possible for Portland street tax?: Editorial Agenda 2014

*By The Oregonian Editorial Board
November 25, 2014*

During last week's hearing on a proposed street-funding package, Portland Commissioner Amanda Fritz acknowledged her constituents' concern about a gaping income-tax loophole favoring public pension recipients. Portland City Council isn't responsible for the loophole, which is the function of a state law prohibiting local taxation of Public Employees Retirement System benefits. But by creating an income tax, City Council would be responsible for making the loophole matter.

Imposing a tax that includes such a blatant double standard isn't a comfortable thing for Fritz and her colleagues to do, as they value both revenue and fairness. One way to reconcile this tension is to promise to do something about it ... after approving the tax, naturally. Commissioner Steve Novick said last month that he would seek to change the state law exempting PERS income from local taxation, though he did acknowledge that "the Legislature won't want to touch anything that has anything to do with PERS for quite a while." Last week, Fritz picked up on the theme, saying that she'd like the city "to ask the Legislature to say that for cities over 500,000 that that law does not apply."

Both Fritz and Novick deserve credit for promising to challenge the state law creating the PERS loophole, but their constituents are right to be skeptical, as surely they are. Even if a Legislature under absolute Democratic control could be convinced to change a law that benefits public employees simply to help Portland raise money for road maintenance (don't hold your breath), the effect would be very limited. Any change meaningful enough to ensure that an income-based street tax worked fairly would get an express pass to Lawsuit City, where so many PERS-reform efforts over the year have gone to die.

Tinkering with the tax exemption could bring into play a 1992 state Supreme Court decision, says Marisa James of the Office of the Legislative Counsel. In that case, she says, the predecessor to today's tax-exemption statute was found to be part of the PERS contract. This could form "the basis of an argument that allowing local governments to impose any tax on the PERS benefits of Tier 1 and Tier 2 employees would be an impermissible breach of contract."

On the other hand, says James, the Legislature can change benefits for employees in the newest tier, which went into effect in 2003. However, "any changes must apply only to service performed and salary earned on or after the change is made."

Meanwhile, taxes for all of those private-sector retirees would continue to be based on income generated during a lifetime of work. That's not to say a legal change of the sort Novick and Fritz propose is a bad idea. It's not. It just wouldn't eliminate a taxation double-standard that is, all by itself, sufficient reason not to pursue a local income tax for roads.

Novick and Mayor Charlie Hales have pointed the street-tax train downhill and greased the tracks, so there's little reason to believe the process will be halted once again, as it should be. At best, taxpayers can hope to vote on the package. Should this happen, no one should buy the argument that a furious effort to close the PERS loophole will be made ASAP. The effort might happen, but this is one loophole that's going to stay open for a long, long time.

The Portland Tribune

Poll: Portlanders want to vote on income tax for streets

*By Jim Redden
November 2014*

UPDATE: Novick says results would be the same for any new revenue source

The vast majority of Portlanders want to vote on the new income tax for streets proposed by Mayor Charlie Hales and Commissioner Steve Novick, a recent poll says.

According to the poll, a full 77 percent of voter believe the city creation of a new city personal income tax to pay for street maintenance and safety should be approved by voters before it is implemented.

Novick says the result would be the same, regardless of the revenue source.

"I'm 100 percent certain that you'd get the same poll result no matter which revenue mechanism you were talking about," Novick says.

The poll among Portland-area voters was conducted by Moore Information. The poll question asked:

"Here is what two people are saying about the new personal income tax proposal, let's call them Smith and Jones.

"Smith says voters in the city should be able to vote on a brand new personal income tax for street maintenance and safety projects.

"Jones says our elected officials should make the decision about imposing a brand new personal income tax for street maintenance and safety projects.

"Which one of these views comes closest to your own? IF SMITH/JONES: Do you feel strongly about that?"

The results were:

Strongly Smith – 66%

Smith – 11%

Total Smith – 77%

Don't know – 8%

Total Jones -15%

Jones – 5%

Strongly Jones - 10%

But Novick says most Portlanders understand the city needs new revenue to fix the streets, even though they might favor one source over another.

"We also know that about 67 percent of Portlanders understand that we need more money for transportation. And that it is hard to get consensus on how to raise the money. Generally, though, people tend to assume that everyone else would support whatever they'd support. So people who want a gas tax say, 'yes, let's have a vote, and what you should really do is have a vote on a gas tax, and I bet everyone will join me in voting for it.' But in fact it would be pretty tough to get a majority for the gas tax. So it doesn't surprise me that people want to vote — but I think many people assume that a vote would result in their preferred alternative passing, because they assume more consensus than there is," Novick says.

The fee proposed by Hales and Novick includes a progressive income tax for residents and a sliding scale for businesses, government and nonprofit organizations. Hales and Novick have repeatedly said they want the City Council to approve the fee without placing it on the ballot. It is tentatively scheduled to vote on it on Dec. 10.

The poll was commissioned by a number of employers and organizations, and was coordinated by the Portland Business Alliance, according to Bob Moore, who owns the polling firm.

Moore says the poll included other questions that have not yet been released.

The poll was conducted Saturday, Nov. 22, through Sunday, Nov. 23. A total of 400 registered voters in Portland via telephone land lines and cell phones. The potential sampling error is plus or minus 5% at the 95% confidence level.

Willamette Week

New Poll Says Portlanders Want to Vote on the Street Fee

Hales' spokesman: "We could have saved them a whole lot of money and told them that."

*By Aaron Mesh
November 25, 2014*

A poll coordinated by the Portland Business Alliance shows 77 percent of Portlanders want to vote on the street fee.

Mayor Charlie Hales and City Commissioner Steve Novick have fiercely opposed sending their \$46 million proposal to voters, saying the public supports funding road repairs but can't agree on what kind of tax to pay.

The PBA and petroleum lobbyist Paul Romain have both said they are likely to refer the street fee to voters if City Council doesn't. (Earlier today, Romain and City Hall broke off talks.)

The PBA is especially opposed to the residential side of the fee—an income tax graded to charge more to wealthier taxpayers. The new poll focuses on the income tax proposal.

The poll, coordinated by the PBA and paid for by local businesses, signals that the business lobby is girding for a ballot war, and trying to pressure Hales and Novick into sending the street fee to voters.

That would save the PBA the expense and hassle of collecting signatures during the holidays.

The poll, conducted by Moore Information over Saturday and Sunday, surveyed 402 likely voters. Here's the wording and the results.

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"Jones says our elected officials should make the decision about imposing a brand new personal income tax for street maintenance and safety projects.

"Which one of these views comes closest to your own?"

IF SMITH/JONES: "Do you feel strongly about that?"

Strongly Smith – 66%
Smith – 11%
Total Smith – 77%
Don't know – 8%
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UPDATE, 4:30 pm: Hales spokesman Dana Haynes tells WW that the kind of poll the PBA coordinated typically costs \$25,000. Haynes says the poll suggests the business lobby is no longer interested in constructive solutions to transportation funding.

"I understand the PBA spent money on a poll to find out that people don't like taxes," says Haynes. "We could have saved them a whole lot of money and told them that. The mayor, when he last spoke to PBA, said, 'If you don't like this proposal, please come up with something else.'" This doesn't suggest they have."

Petroleum Lobbyist Rejects Meeting with Mayor Charlie Hales Over Street Fee

By Aaron Mesh
November 25, 2014

In the past two weeks, the rift between Portland City Hall and the business lobby over a \$46 million street fee has grown increasingly antagonistic, as the two sides prepare for a ballot battle.

Mayor Charlie Hales and petroleum lobbyist Paul Romain aren't just separated over how the fee should be structured, or whether it should be sent to voters.

They can't even agree to meet.

Hales' spokesman Dana Haynes tells WW that Romain has rejected the mayor's offer to meet with Romain's clients—and has told the mayor he'll continue preparing to send the street fee to voters.

"Mr. Romain's answer was, 'No, thanks, it's the holidays,'" Haynes says. "He did not suggest he wanted a rain check. The offer to meet with the mayor and City Budget Office wasn't going to dissuade him from his course of actions."

Romain says Hales didn't offer a meaningful discussion of city finances.

"The mayor wants us to come in and do a hard sell on our particular clients," Romain tells WW. "That's not what we wanted. We would love to get together and talk over the entire city budget. And then you can talk about ways to talk about funding. You can't just rush it and have limited people involved. This is all politics."

City Commissioner Steve Novick this afternoon sent reporters a copy of his email correspondence with Romain. "I really don't understand what his deal is," Novick added.

From: Novick, Steve
Sent: Tuesday, November 25, 2014 11:53 AM
To: 'Paul Romain'; Dietz, Susan
Cc: Alpert, Josh; Pierce, Tera; Haynes, Marion; Romain, Danelle
Subject: RE: Scheduling with Mayor Hales

Dear Paul -

You say you are interested in funding transportation by cutting other programs funded by the City. Last week I sent you a link to the City's budget documents and a list of Budget Office staff, and invited you to contact them with any questions. In your absence, Danelle is very welcome to take me up on that offer. Meanwhile, I hope you will both review the Mercury's excellent summary of the City budget; here's a link to that. You will see that I was not lying when I told you that most of our General Fund money goes to police, fire and parks.

<http://m.portlandmercury.com/portland/where-the-money-goes/Content?oid=12946748>

I am surprised by your sudden interest in broader City budget issues, because as far as I can tell, you have not shown such an interest before. If you thought the City had plenty of money, I would have expected you to oppose both the Children's Levy and the Arts Tax, on the grounds that the money for those programs could be provided through pre-existing revenue sources. But I do not recall your opposing either tax; you certainly did not file Voters' Guide statements against either. When the City was making budget cuts in 2013, hundreds of Portlanders turned out to argue for their favorite programs; I don't recall you showing up to advocate for cuts. When I quite publicly argued, in the last City budget cycle, that we should cut certain programs, like the mounted patrol, and allocate some General Fund money to transportation, I don't recall you joining that discussion either.

But if you do have specific suggestions about cuts that we could make, I am certainly ready to listen. You had an interesting suggestion last week, about applying the local income tax to nonresidents who earn income in Portland. I have asked the Revenue Bureau to explore the legal and practical feasibility of that idea. Since our proposal will only address a portion our transportation maintenance and safety needs, additional revenue from your idea would be quite welcome.

Danelle, I am cc'ing you so you can follow up in Paul's absence.

Happy Thanksgiving!

*From: Paul Romain [mailto:promain@theromaingroup.com]
Sent: Monday, November 24, 2014 4:47 PM
To: Dietz, Susan; Novick, Steve
Cc: Alpert, Josh; Pierce, Tera; Haynes, Marion; Romain, Danelle
Subject: RE: Scheduling with Mayor Hales*

I am leaving on vacation, so I cannot schedule any kind of meeting prior to January. The meeting will be relevant only if the City Council does not adopt either of the two tax measures. The meeting should include a number of people who are interested in road maintenance and should involve a detailed review of all of the city spending. It is not a meeting to try to convince a few of our clients to support two fatally-flawed tax measures.

We thought that the initial task-force meetings this Summer were going to include this kind of review. We were prevented at the initial meeting from looking into any other portion of the budget other than the Transportation Bureau.

We do not support either of the two taxes proposed and will work with many others in the community to refer both measures if they are not referred by the Council.

The Mercury

So Much for a "Portland Street Fund" Détente

*By Dirk VanderHart
November 25, 2014*

Last week, during a heated public meeting over a new tax to fund Portland's roads, Mayor Charlie Hales invited one of the plans' most strident critics to talk privately about alternatives.

In a brief back-and-forth, Hales' and petroleum industry lobbyist Paul Romain toyed with the idea of meeting to discuss a funding mechanism that might not cause oil interests to try to kill the tax (by putting it up to a public vote). It was hopeful, sort of—a potential end to the acrimony that's stymied a street fee twice already this century. But it wasn't to be, apparently.

Check out the acrimony laid bare in an e-mail exchange between Romain and Commissioner Steve Novick. Novick sent it to reporters this afternoon, letting us all know: "I really don't understand what his deal is."

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