



CASCADE POLICY INSTITUTE

CASCADE COMMENTARY

December 2003 No. 2003-33

Summary

Focusing on tax reform won't solve Oregon's fiscal crisis. The real solution is meaningful budget reform, including a clear connection between core governing functions and agency performance measures. Currently, Oregon state agency budgets are not linked to these measures. Other states are doing better and can serve as examples.

Word count: 589

“Delivering services efficiently and effectively is hardly significant unless government knows what it is supposed to deliver and why.”

Oregon tax reformers put cart before horse

by Jason Mercier and Marsha Richards

Facing a taxpayer revolt against massive tax increases approved this year, some Oregon lawmakers are searching for a silver bullet to keep their budget in the black. Many are looking for it among various “tax reforms.”

Unfortunately, focusing on tax reforms is not the answer. There is no recession-proof tax structure. Washington reformers talk about the “need” for a state income tax, and Oregon reformers talk about the “benefits” of a sales tax, but when it comes down to it, neither is immune to fluctuations in the economy.

The real solution is to start at the beginning with meaningful budget reform.

While many states are improving various parts of the budget process—such as the development of performance indicators and outcomes—few if any understand how to link all the parts together to make the process whole. Responsible budgeting requires a clear connection between core governing functions, agency mission statements, goals and objectives, performance measures, performance evaluation, and the budget-writing process itself.

Connecting all of the dots is crucial. Many key decision makers view performance measures as the bottom line in state budgeting, but these measures will not achieve intended goals unless they are driven by clearly defined core functions of government. Delivering services efficiently and effectively is hardly significant unless government knows what it is supposed to deliver and why.

When asked recently how Oregon's budget reflects the numerous performance benchmarks developed for programs, Audit Division Director Catherine Pollino replied: “All agencies are required to have performance measures as part of the budgeting process, but *budgets are not linked to the measures.*”

That's a problem.

If dollars spent are not tied directly to a definable outcome or product, how can accountability and success be measured? How can lawmakers ensure efficiency?

How can taxpayers know if the state's budget problems stem from a legitimate lack of revenue or out-of-control spending?

Quite simply, they can't.

Oregon Rep. Linda Flores (R-House District 51), a member of the Government Operations Oversight Committee, said it well: "The business-as-usual and status quo budget philosophy, knowingly or not, has brought us to our current state of relative paralysis, inefficiency, lack of accountability, and fiscal instability."

Fortunately, lawmakers don't have to sit back and fret at this state of affairs. Other states have proven budget reform is possible. Texas legislators, for example, include program goals, outcomes and strategies in the actual appropriation bill for their budget. Consider an item appropriated for the Texas Department of Criminal Justice:

Goal - Incarcerate felons: To provide for confinement, rehabilitation and reintegration of adult felons.

Outcome:

- *Escaped offenders as percentage of number of offenders incarcerated in 2004 - 0%; 2005 - 0%*
- *Three-year recidivism rate in 2004 - 33%; 2005 - 33%*
- *Turnover rate of correctional officers in 2004 - 18%; 2005 - 18%*

Strategy - 2.1 Texas Correctional Industries: Prepare the inmate for reintegration into society by providing the opportunity for on-the-job training in Texas Correctional Industries.

(This is one of ten strategies under the goal of incarcerating felons)

Appropriation: 2004-\$1.95 billion; 2005-\$1.95 billion

Anyone reviewing the Texas budget can see at a glance how much money will be spent, why it is being spent, and how they will know if it has been spent effectively. The budget is accessible and transparent.

Oregon lawmakers have at their fingertips all the tools they need to budget responsibly and restore vital trust in government. Trying to fine-tune the state's tax structure before they do so is putting the cart before the horse.

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