

Theodore R. Kulongoski
Governor



July 29, 2005

To the Honorable Members of the House of Representatives:

I am writing to express my serious concerns about SB 1083-A. The Legislative Revenue Office has determined that an ambiguity in the language of the bill could result in revenue impacts that far exceed the original estimates. The bill is intended to provide a tax credit to farming operations to help offset increased labor costs directly caused by increases to the minimum wage in that year. However, it is very possible that the bill could be read to include all agricultural workers—not just workers who earn the minimum wage—and could be read to include the roll-up of all minimum wage increases over time. This interpretation would increase the revenue impact for the next three biennia from the original estimate of \$11.8 million to \$244.2 million.

The Legislative Revenue Office's revised July 27 revenue impact statement states:

“The revenue impact is subject to interpretation of eligibility. An earlier interpretation assumed during Senate deliberations was based on limiting eligibility to workers at the minimum wage and the incremental increase in the minimum wage due to annual adjustments for inflation. However discussions with counsel suggest that a broader interpretation of the language in the bill is likely to lead the courts to interpret eligibility more broadly. Specifically, a broader interpretation would include all agricultural workers not just those at the minimum wage and the cumulative impact of annual increases over time. The broader interpretation leads to an estimated 45,895 eligible workers in 2006 with 10,189 at the minimum wage. The number of workers is forecast to grow 1% per year. The minimum wage was \$6.90 per hour in 2003. It is \$7.25 per hour in 2005. The minimum wage is projected to increase to \$7.40 per hour in 2006. Under the broader interpretation, all wages between the 2003 level of \$6.90 per hour and the level during the current tax year would be eligible for the credit. The minimum wage is projected to grow to \$7.85 by 2009.”

In light of these concerns, I urge the House of Representative to re-refer SB 1083-A to committee to clarify the intent and scope of this measure.

Sincerely,

A handwritten signature in black ink that reads "Theodore R. Kulongoski". The signature is written in a cursive, flowing style.

THEODORE R. KULONGOSKI
Governor