

STATE OF OREGON  
**LEGISLATIVE REVENUE OFFICE**

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## LRO FORECAST SUMMARY

**March 2017**

### NEW FACTS SINCE THE LAST FORECAST

|                                  | 4th Qtr 2016<br>Forecast | 4th Qtr 2016<br>Actuals | Difference |
|----------------------------------|--------------------------|-------------------------|------------|
| Employment                       | 1,844,659                | 1,846,017               | 1,358      |
| Personal Income (\$ billion)     | 188.5                    | 188.8                   | 0.3        |
| Personal Income Tax (\$ million) |                          |                         |            |
| Withholding                      | 1,693.8                  | 1,705.3                 | 11.4       |
| Other Payments less Refunds      | 144.6                    | 208.6                   | 64.0       |
| Total                            | 1,838.4                  | 1,913.9                 | 75.5       |
| Corporate Income Tax             | 96.4                     | 142.6                   | 46.2       |

#### NEW FACTS

- Fourth Quarter personal income tax collections were up \$75.5 million (4.1%) from the December 2016 forecast.
- Fourth Quarter corporate income tax collections were up \$46.2 million (47.9%) from the December 2016 forecast.
- Oregon personal income was up \$0.3 billion (0.2%) from the December 2016 forecast.
- Oregon employment was up 1,358 jobs (0.1%) from the December 2016 forecast.

## 2015-17

### CHANGE FROM CLOSE OF SESSION (\$ Million)

| General Fund Resources                | Close of Session | March 2017<br>Forecast | Difference |
|---------------------------------------|------------------|------------------------|------------|
| Beginning Balance                     | 532.9            | 528.8                  | -4.1       |
| Transfer to Rainy Day Fund            | -158.9           | -158.3                 | 0.6        |
| Personal                              | 15,713.5         | 15,709.8               | -3.6       |
| Corporate                             | 1,100.0          | 1,136.2                | 36.2       |
| Other                                 | 1,184.6          | 1,264.6                | 80.0       |
| Gross GF Revenue                      | 17,998.1         | 18,110.6               | 112.5      |
| Shared Services Fund                  | -32.7            | -32.6                  | 0.0        |
| Rainy Day Fund                        | -10.1            | -11.7                  | -1.6       |
| Net GF Revenue                        | 17,955.3         | 18,066.3               | 111.0      |
| Lottery Resources**                   | 1,155.9          | 1,261.7                | 105.8      |
| Anticipated Administrative Actions*** | -20.2            | -14.0                  | 6.2        |
| Net GF and Lottery Resources          | 19,465.0         | 19,684.4               | 219.4      |

\*\* All lottery resources including dedicated funds.

\*\*\* Administrative Actions equal expenses associated with cash flow management, exclusive of internal borrowing.

### CHANGE SINCE CLOSE OF SESSION

- Personal income tax revenue is down \$3.6 million from the 2015 COS estimate.
- Corporate tax revenue is up \$36.2 million (3.3%) from the 2015 COS estimate.
- General Fund gross revenue is up \$112.5 million (0.6%) from the 2015 COS estimate.
- Net GF and Lottery resources are up \$219.4 million (1.1%) from the 2015 COS estimate.

### EFFECT ON 2% KICKER

(\$ Million)

| Revenue Source   | Close of Session | 2% Kicker<br>Threshold | March 2017<br>Forecast | Amount +/-<br>Kicker Threshold |
|------------------|------------------|------------------------|------------------------|--------------------------------|
| Personal & Other | 16,898.0         | 17,236.0               | 16,974.4               | -261.6                         |
| Corporation*     | 1,082.0          | 1,103.6                | 1,118.2                | 14.5                           |

\* As per the AG, the corporate kicker calculation excludes the minimum tax paid by S-corporations because it is a flat tax.

### KICKER REFUNDS IMPLIED BY FORECAST

**PERSONAL:** There is no personal kicker projected for 2017.

**CORPORATE:** \$36.2 million of corporate tax revenue is projected to be dedicated to K-12 education spending in 2017-19.

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| <b>2015-17</b> |
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**CHANGE FROM PRIOR FORECAST**  
**(\$ Million)**

| <b>Combined Revenue</b>    | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|----------------------------|---------------------------|------------------------|------------|
| Beginning Balance          | 528.8                     | 528.8                  | 0.0        |
| Transfer to Rainy Day Fund | -158.3                    | -158.3                 | 0.0        |
| Personal                   | 15,678.4                  | 15,709.8               | 31.4       |
| Corporate                  | 1,103.7                   | 1,136.2                | 32.5       |
| Other                      | 1,225.7                   | 1,264.6                | 39.0       |
| Gross GF Revenue           | 18,007.7                  | 18,110.6               | 102.9      |
| Shared Services Fund       | -32.6                     | -32.6                  | 0.0        |
| Rainy Day Fund             | -11.5                     | -11.7                  | -0.2       |
| Net GF Revenue             | 17,963.6                  | 18,066.3               | 102.7      |
| Administrative Actions*    | -14.0                     | -14.0                  | 0.0        |
| Net General Fund Resources | 18,320.0                  | 18,422.7               | 102.7      |
| Lottery Resources**        | 1,261.8                   | 1,261.7                | -0.1       |
| Net Combined Resources     | 19,581.8                  | 19,684.4               | 102.6      |

\* Administrative Actions equal expenses associated with cash flow management, exclusive of internal borrowing.

\*\* All lottery resources including dedicated funds.

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| <b>REVENUE CHANGES</b> |
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- Projected 2015-17 Net General Fund resources are up \$102.7 million (0.6%) from the December 2016 forecast.
- Projected 2015-17 Lottery resources are down \$0.1 million from the December 2016 forecast.
- Projected combined net General Fund and Lottery resources are up \$102.6 million (0.5%) from the December 2016 forecast.

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| <b>2015-17</b> |
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## EFFECT ON ENDING BALANCE

Current vs. Close of Session  
(\$ Million)

| General Fund               | Close of Session | March 2017<br>Forecast | Difference |
|----------------------------|------------------|------------------------|------------|
| Beginning Balance          | 532.9            | 528.8                  | -4.1       |
| Transfer to Rainy Day Fund | -158.9           | -158.3                 | 0.6        |
| Revenue                    | 17,955.3         | 18,066.3               | 111.0      |
| Administrative Actions     | -20.2            | -14.0                  | 6.2        |
| Total Resources            | 18,309.1         | 18,422.7               | 113.6      |
| Expenditures               | 17,984.7         | 18,074.6               | 90.0       |
| Ending Balance             | 324.4            | 348.1                  | 23.7       |
| Rainy Day Fund Transfer    | 179.8            | 180.7                  | 0.9        |
| Remaining Balance          | 144.6            | 167.3                  | 22.8       |

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| <b>ENDING BALANCE</b> |
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- The projected ending balance is up \$23.7 million (7.3%) from the 2015 Close-of-Session estimate.
- The projected ending balance is up \$102.7 million (41.9%) from the December 2016 forecast.
- The Rainy Day Fund is projected to receive \$180.7 million following the 2015-17 biennium.

Current vs. Prior Forecast  
(\$ Million)

| General Fund               | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|----------------------------|---------------------------|------------------------|------------|
| Beginning Balance          | 528.8                     | 528.8                  | 0.0        |
| Transfer to Rainy Day Fund | -158.3                    | -158.3                 | 0.0        |
| Revenue                    | 17,963.6                  | 18,066.3               | 102.7      |
| Administrative Actions     | -14.0                     | -14.0                  | 0.0        |
| Total Resources            | 18,320.0                  | 18,422.7               | 102.7      |
| Expenditures               | 18,074.6                  | 18,074.6               | 0.0        |
| Ending Balance             | 245.4                     | 348.1                  | 102.7      |
| Rainy Day Fund Transfer    | 180.7                     | 180.7                  | 0.0        |
| Remaining Balance          | 64.6                      | 167.3                  | 102.7      |

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| <b>2015-17</b> |
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| <b>Reserve Fund Position</b> |  |  |  |  |
|------------------------------|--|--|--|--|

|                          | Education<br>Stability Fund * | Rainy Day<br>Fund | General Fund | Reserves<br>Available |
|--------------------------|-------------------------------|-------------------|--------------|-----------------------|
|                          | (\$ Millions)                 |                   |              |                       |
| Beginning Balance        | \$179.4                       | \$211.8           |              | \$391.1               |
| Deposits                 | \$203.8                       | \$170.0           |              | \$373.8               |
| Interest                 | \$5.2                         | \$6.3             |              | \$11.5                |
| Withdrawals              | \$5.2                         | \$0.0             |              | \$5.2                 |
| Projected Ending Balance | \$383.2                       | \$388.1           | \$348.1      | \$1,119.3             |

\*Excludes funds in the Oregon Growth and the Oregon Resource and Technology Development subaccounts.

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| <b>2017-19</b> |
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**CHANGE FROM PRIOR FORECAST**  
(\$ Million)

| Combined Revenue           | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|----------------------------|---------------------------|------------------------|------------|
| Beginning Balance          | 245.4                     | 348.1                  | 102.7      |
| Transfer to Rainy Day Fund | -180.7                    | -180.7                 | 0.0        |
| Personal                   | 17,373.1                  | 17,392.7               | 19.7       |
| Corporate                  | 1,028.5                   | 1,058.6                | 30.2       |
| Other                      | 1,124.9                   | 1,162.1                | 37.2       |
| Gross GF Revenue           | 19,526.4                  | 19,613.5               | 87.0       |
| Shared Services Fund       | -32.7                     | -32.7                  | 0.0        |
| Rainy Day Fund             | -39.6                     | -40.8                  | -1.2       |
| Net GF Revenue             | 19,454.1                  | 19,540.0               | 85.9       |
| Net General Fund Resources | 19,518.7                  | 19,707.3               | 188.6      |
| Lottery Resources*         | 1,280.9                   | 1,287.6                | 6.7        |
| Net Combined Resources     | 20,799.6                  | 20,994.9               | 195.3      |

\* All lottery resources including dedicated funds

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| <b>2019-21</b> |
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**CHANGE FROM PRIOR FORECAST**  
**(\$ Million)**

| <b>Combined Revenue</b> | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|-------------------------|---------------------------|------------------------|------------|
| Personal                | 19,234.8                  | 19,257.7               | 22.9       |
| Corporate               | 1,050.9                   | 1,054.2                | 3.3        |
| Other                   | 1,179.8                   | 1,255.2                | 75.4       |
| Gross GF Revenue        | 21,465.5                  | 21,567.1               | 101.6      |
| Shared Services Fund    | -32.8                     | -32.8                  | 0.0        |
| Rainy Day Fund          | -42.2                     | -42.4                  | -0.1       |
| Net GF Revenue          | 21,390.5                  | 21,492.0               | 101.5      |
| Lottery Resources*      | 1,324.9                   | 1,340.9                | 16.0       |
| Net Combined Revenue    | 22,715.4                  | 22,832.9               | 117.5      |

\* All lottery resources including dedicated funds

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| <b>2021-23</b> |
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**CHANGE FROM PRIOR FORECAST**  
**(\$ Million)**

| <b>Combined Revenue</b> | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|-------------------------|---------------------------|------------------------|------------|
| Personal                | 21,401.3                  | 21,499.2               | 97.8       |
| Corporate               | 1,097.8                   | 1,100.7                | 3.0        |
| Other                   | 1,261.6                   | 1,338.7                | 77.2       |
| Gross GF Revenue        | 23,760.7                  | 23,938.6               | 178.0      |
| Shared Services Fund    | -32.9                     | -32.9                  | 0.0        |
| Rainy Day Fund          | -42.9                     | -43.0                  | -0.1       |
| Net GF Revenue          | 23,685.0                  | 23,862.8               | 177.8      |
| Lottery Resources*      | 1,425.0                   | 1,446.4                | 21.3       |
| Net Combined Revenue    | 25,110.0                  | 25,309.2               | 199.2      |

\* All lottery resources including dedicated funds

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| <b>2023-25</b> |
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**CHANGE FROM PRIOR FORECAST**  
(\$ Million)

| Combined Revenue     | December 2016<br>Forecast | March 2017<br>Forecast | Difference |
|----------------------|---------------------------|------------------------|------------|
| Personal             | 23,369.1                  | 23,529.2               | 160.1      |
| Corporate            | 1,146.6                   | 1,149.3                | 2.8        |
| Other                | 1,338.5                   | 1,419.4                | 81.0       |
| Gross GF Revenue     | 25,854.1                  | 26,098.0               | 243.8      |
| Shared Services Fund | -32.9                     | -32.9                  | 0.0        |
| Rainy Day Fund       | -44.8                     | -44.9                  | -0.1       |
| Net GF Revenue       | 25,776.3                  | 26,020.1               | 243.8      |
| Lottery Resources*   | 1,508.3                   | 1,531.0                | 22.7       |
| Net Combined Revenue | 27,284.7                  | 27,551.1               | 266.4      |

\* All lottery resources including dedicated funds

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|---|
| <b>Biennial Net Revenue Growth: 1993 - 2021</b> |
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|                           | Personal | Corporate | Other  | Total |
|---------------------------|----------|-----------|--------|-------|
| <b>1993-95 to 1995-97</b> | 17.1%    | 18.8%     | 28.4%  | 18.3% |
| <b>1995-97 to 1997-99</b> | 13.0%    | -13.9%    | -17.6% | 7.7%  |
| <b>1997-99 to 1999-01</b> | 22.6%    | 28.2%     | 2.8%   | 21.5% |
| <b>1999-01 to 2001-03</b> | -11.9%   | -44.4%    | 97.9%  | -7.5% |
| <b>2001-03 to 2003-05</b> | 16.8%    | 52.5%     | -35.4% | 11.4% |
| <b>2003-05 to 2005-07</b> | 22.8%    | 31.7%     | 6.4%   | 22.1% |
| <b>2005-07 to 2007-09</b> | -8.6%    | -18.9%    | 10.2%  | -8.0% |
| <b>2007-09 to 2009-11</b> | 3.7%     | 20.9%     | 29.8%  | 6.8%  |
| <b>2009-11 to 2011-13</b> | 15.7%    | 6.8%      | -4.1%  | 13.1% |
| <b>2011-13 to 2013-15</b> | 14.8%    | 25.0%     | -12.4% | 13.2% |
| <b>2013-15 to 2015-17</b> | 12.8%    | 1.8%      | 22.8%  | 12.7% |
| <b>2015-17 to 2017-19</b> | 10.7%    | -9.5%     | -8.1%  | 8.2%  |
| <b>2017-19 to 2019-21</b> | 10.7%    | -0.6%     | 8.0%   | 10.0% |
| <b>2019-21 to 2021-23</b> | 11.7%    | 4.5%      | 6.7%   | 11.0% |
| <b>2021-23 to 2023-25</b> | 9.5%     | 4.4%      | 6.0%   | 9.0%  |