2007 Regular Legislative Session FISCAL ANALYSIS OF PROPOSED LEGISLATION

Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 48 STATUS: B-Engrossed

SUBJECT: Rainy Day Savings Account and Education Capital Construction Account

GOVERNMENT UNIT AFFECTED: General-Funded Agencies and Local Education Agencies

PREPARED BY: Adrienne Sexton **REVIEWED BY:** Ken Rocco

DATE: March 1, 2007

<u>2007-2009</u> <u>2009-2011</u>

EXPENDITURES:

See comments.

REVENUES:

See Revenue Impact Report issued by Legislative Revenue Office.

EFFECTIVE DATE: 91 days after adjournment sine die, contingent on passage of SJR 3 at a special election held May 15, 2007.

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: Contingent on passage of SJR 3 at a May 15, 2007 special election, the measure would provide for two new uses of General Fund revenue. It establishes the Rainy Day Savings Account (RDSA), to which would flow two sources of General Fund revenue under certain conditions, beginning with the 2005-07 biennium. First, it would direct the corporate income and excise taxes that previously were returned to taxpayers under section 14(1), Article IX of the Oregon Constitution to the RDSA.

Second, one percent of the amount of a biennium's General Fund appropriations, as defined in the measure, would be transferred from that biennium's ending balance to the RDSA. The entire ending balance would be deposited to the RDSA if the ending balance does not equal or exceed one percent of that calculation. The provisions of SB 48-A3 specify that the transfer under this provision would first apply to the ending balance for the 2007-09 biennium, which would be determined in March 2010.

The effect of the measure for budget development purposes would be to reduce the amount of revenues available for expenditure in the following biennium. In the case of the 2007-09 Governor's recommended budget, the measure would leave only \$6.6 million as a General Fund beginning balance for 2009-11 budget development, compared to the current law estimate of \$145 million.

The measure also creates the Education Capital Construction Account for public education capital construction. This Account would receive moneys that would otherwise flow to the RDSA, if that fund equals ten percent of the amount of General Fund revenues collected during the prior biennium. The fiscal effect of this provision cannot be determined.