

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action: Do pass as amended, be printed engrossed

Vote: 5-4-0

Yeas: Gelser, Read, Rosenbaum, Witt, Barnhart

Nays: Berger, Bruun, Butler, Olson

Exc.: X

Prepared By: Paul Warner, Economist

Meeting Dates: 2/16, 2/19

WHAT THE BILL DOES: Implements constitutional exception process for increasing corporate income tax revenue estimate for purposes of reducing or eliminating surplus corporate kicker credits on one-time basis. Increases estimate to \$975 million. Requires 2/3 vote in each chamber. Creates the Oregon Rainy Day Fund. Directs dollar amount of difference between actual corporate income tax collections for 2005-07 biennium and amount estimated for 2005 close of legislative session into Oregon Rainy Day Fund. Sets triggers for accessing fund. Allows access with majority vote if last quarterly forecast for biennium projects that revenue will be 3% or more below current General Fund appropriations, non-farm payroll employment declines for two consecutive quarters or the General Fund revenue forecast falls two percent or more below the close of session estimate. Also allows access to fund with 3/5 vote and Governor declares emergency. Limits amount of withdrawal in any one biennium to 2/3 of fund balance. Requires deposit from General Fund ending balance of up to 1% of General Fund appropriations following close of biennium. Sets cap for rainy day fund equal to 10% of prior biennium General Fund revenue. Directs revenue above cap to newly created Education Capital Construction Account. Requires corporate kicker credit if actual revenue exceeds new estimate by 2% or more. Credit percentage is equal to total amount of excess corporate income tax revenue above new estimate divided by estimated total corporate income tax liability for 2007 tax year.

ISSUES DISCUSSED:

- Impact of recessions on General Fund budget.
- Business community support for reserve fund.
- Parallel work going on in Senate.
- Treatment of interest earnings on fund balances.
- Importance of ongoing revenue source for fund.
- Triggers—differences with Education Stability Fund.
- Size of cap in combination with Education Stability Fund.

EFFECT OF COMMITTEE AMENDMENTS: Specifies new estimate. Sets triggers for accessing Oregon Rainy Day Fund. Sets cap for fund and creates Education Capital Construction Account for revenue above cap. Limits withdrawals to 2/3 of fund balance in any one biennium.

BACKGROUND: Oregon's 2% surplus kicker revenue limit was established in statute by the 1979 Legislature. It became part of the constitution in 2000 when voters approved a referral from the 1999 Legislature (Measure 86). For the 13 biennia the kicker has been in effect (1979-81 through 2003-05); actual corporate collections have exceeded the 2% trigger seven times and fallen below six times. Excess revenue was credited to corporations six times and suspended once (by the 1993 Legislature) during the period. A corporate kicker credit of \$275 million or 67% is projected for the 2007 tax year (December 2006 forecast) under current law. If realized this would be the largest surplus corporate kicker credit both in terms of dollars and % of tax liability, since the calculations began following the 1979-81 biennium.

2/28/2007 1:35:53 PM

This summary has not been adopted or officially endorsed by action of the committee.