

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action: Do pass as amended, be printed engrossed

Vote: 9-0-0

Yeas: Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart

Nays:

Exc.:

Prepared By: Paul Warner, Economist

Meeting Dates: 2/16, 2/19, 3/5

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 as an account within the General 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. Allocates \$24.8 million to General Fund for purposes of offsetting one-time small corporation credit contained in HB 2031A. Allows access with 3/5 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. Limits amount of withdrawal in any one biennium to 2/3 of fund balance at beginning of biennium. Requires deposit from General Fund ending balance of up to 1% of General Fund appropriations following close of biennium. Requires Department of Administrative Services to compute interest earnings on rainy day fund account separately and deposit earnings into fund. Sets cap for rainy day fund equal to 7.5% of prior biennium General Fund revenue. Directs revenue above cap to General Fund. 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.
- Relationship to committee report and minority report for HB 2707A

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill.

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 \$315 million or 67% is projected for the 2007 tax year (March 2007 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.

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