

**REVENUE:** Revenue statement issued

**FISCAL:** Fiscal statement issued

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**Action:** Do pass with amendments to the C-Engrossed bill, be printed D-Engrossed Minority.

**Signers of Minority Report:** Starr, G. George

**Prepared By:** Paul Warner, Economist

**Meeting Dates:** 3/12

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**WHAT THE BILL DOES:** Establishes the Oregon Budget Reserve Fund. Specifies that reserve fund is separate and distinct from General Fund. Requires Legislature to leave 3% of projected General Fund revenue unappropriated for coming biennium. Following close of biennium, requires 3% of projected General Fund revenue to be deposited into Oregon Budget Reserve Fund if actual General Fund revenue equals or exceeds projection made prior to beginning of biennium. If General Fund revenue is less than the projection, the amount greater than 97% of the projection is deposited into the fund. Allows access to fund 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, the General Fund revenue forecast falls two percent or more below the close of session estimate, or Governor declares emergency. States that interest earnings on fund balances are retained in fund. Limits withdrawals from fund to 2/3 of balance in any one biennium. Applies to biennia beginning on or after July 1, 2009.

**ISSUES DISCUSSED:**

- Appropriate size of fund cap.
- Circumstances for suspending surplus kicker refunds/credits on one-time basis.
- Level of support in business community.
- Up front versus ending balance General Fund contributions to fund.
- Short time line for enacting bill.

**EFFECT OF COMMITTEE AMENDMENTS:** Replaces the bill.

**BACKGROUND:** Voters established the Education Stability Fund in the constitution in 2002. The fund cannot be accessed unless certain triggers are met and 3/5 of members in each chamber approve. Use of the fund is limited to public education. The fund is capped at 5% of General Fund revenue in the prior biennium. The fund balance is projected to be \$227 million at the end of the 2005-07 biennium and \$451 million on July 1, 2009. The state does not currently have a general purpose reserve fund.

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