

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2707 **STATUS:** A-Engrossed
SUBJECT: Oregon Rainy Day Fund and Education Capital Construction Account
GOVERNMENT UNIT AFFECTED: General-Funded Agencies and Local Education Agencies
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REVIEWED BY: Ken Rocco
DATE: February 19, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
See comments.		

REVENUES:
See Revenue Impact Report issued by Legislative Revenue Office.

EFFECTIVE DATE: On passage.

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: The measure provides for two new uses of General Fund revenue. It establishes the Oregon Rainy Day Fund (ORDF), to which would flow two sources of General Fund revenue under certain conditions, beginning in 2007. First, it would direct a portion of corporate income and excise taxes from amounts that would otherwise be returned to taxpayers under section 14(1), Article IX of the Oregon Constitution to the ORDF.

Second, one percent of the amount of a biennium's General Fund appropriations would be transferred from that biennium's ending balance to the ORDF; the entire ending balance would be deposited to the ORDF if the ending balance does not equal or exceed one percent of that calculation. This provision applies to ending balances for biennia beginning on or after July 1, 2007. Currently, a biennium's General Fund ending balance is determined in March of the even-numbered year.

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 ORDF, 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.