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

MEASURE NUMBER: HB 2707 STATUS: A-Engrossed MINORITY REPORT

SUBJECT: Oregon Rainy Day Fund and Education Capital Construction Account

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

PREPARED BY: Adrienne Sexton **REVIEWED BY:** Ken Rocco **DATE:** February 21, 2007

2007-2009 2009-2011

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 proposed by the minority report 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 to certain corporate taxpayers a specified amount of corporate income and excise taxes from the amount that would otherwise be returned to taxpayers under section 14(1), Article IX of the Oregon Constitution to the ORDF. The remainder would be deposited in the ORDF.

Second, one percent of the amount of a biennium's General Fund appropriations would be transferred to the ORDF after the first revenue forecast following the adjournment sine die of a regular legislative session. Because the bill is effective on passage, this would begin with the forecast issued approximately September 2007.

The effect of the measure for budget development purposes would be to reduce the amount of revenues available for expenditure in a current biennium. For example, the most recent General Fund forecast (December 2006) projected \$12.6 billion from all sources in 2007-09. If that were the September 2007 forecast amount, under HB 2707 A-Engrossed Minority Report, the 2007-09 legislatively adopted budget would have to assume the General Fund amount available for programs would be reduced by \$126 million. That amount would be transferred to the ODRF. The measure has no language to specify what would trigger the legislature's appropriation of moneys from the Fund.

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 and the Education Stability Fund, if those funds total ten percent of the amount of General Fund revenues collected during the prior biennium. The fiscal effect of this provision cannot be determined.