

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

MEASURE NUMBER: HB 2707 **STATUS:** C-Engrossed
SUBJECT: Oregon Rainy Day Fund
GOVERNMENT UNIT AFFECTED: General-Funded Agencies
PREPARED BY: Adrienne Sexton
REVIEWED BY: Ken Rocco
DATE: March 8, 2007

EXPENDITURES:	<u>2007-2009</u>	<u>2009-2011</u>
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 the use of General Fund revenue for purposes of the Oregon Rainy Day Fund (ORDF), created by the measure. Operation of this measure is contingent on enactment of HB 2031-B (2007) no later than March 16, 2007. The ORDF would be funded by two sources of General Fund revenue under certain conditions, beginning in 2007. First, for the biennium beginning July 1, 2005, it would direct the first \$24.8 million 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 General Fund, adding an unanticipated \$24.8 million to the General Fund in 2007-09. The remainder would be deposited to the ORDF. Interest earned on moneys attributable to the ORDF would be calculated and transferred to the ORDF monthly.

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.

With respect to the ending balance transfer provisions, 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 Legislative Fiscal Office notes two related issues: a) HB 2031 B-Engrossed, which is subject to referendum, would provide a one year tax credit to certain corporate income tax payers; and b) the effect on the state relating to issuance of Tax Anticipation Notes once the ORDF is funded has not been estimated.