

**75TH OREGON LEGISLATIVE ASSEMBLY
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE**

**MEASURE: SB 27
CARRIER:**

REVENUE: Revenue Impact Statement Issued

FISCAL: No Fiscal Impact

Action: Do Pass and Refer to the Ways & Means Committee by prior reference

Vote: 5-0-0

Yeas: Hass, Morse, Rosenbaum, Telfer, Burdick

Nays: 0

Exc.: 0

Prepared By: Paul Warner, Economist

Meeting Dates: 2/9, 3/26

WHAT THE BILL DOES: Redirects interest earnings that are not statutorily dedicated to Other Fund accounts to the Rainy Day Fund Account beginning with the 2011-13 biennium. Reduces ending balance dedication to Rainy Day Fund (up to 1% of prior biennium General Fund appropriations) by amount of interest earnings contribution to fund. Under current law, these interest earnings are part of the General Fund. Deletes requirement that Department of Administrative Services calculate interest on Rainy Day Fund separately.

ISSUES DISCUSSED:

- Historical cyclical pattern of General Fund interest earnings.
- History of General Fund ending balances.
- Potential interaction with 2% surplus kicker calculations.

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Interest earnings tend to rise rapidly when General Fund revenue growth exceeds the forecast because of large balances. This means that the biennia in which revenue grows rapidly, interest earnings tend to grow rapidly as well. The opposite occurs when General Fund revenue falls below expectations and balances are correspondingly lower. The Task Force on Comprehensive Revenue Restructuring recommended consideration of General Fund interest earnings as a potential revenue source for the Rainy Day Fund.