

REVENUE IMPACT OF PROPOSED LEGISLATION

75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	HB 2208-B
Area:	Interest Income
Economist:	Mazen Malik
Date:	6/22/2009

Measure Description:

Consolidates most funds and accounts of Department of Higher Education into a newly created Oregon University System Fund and Oregon University System Appropriation Fund. Allows Oregon University System to retain accrued interest on some balances, and the general fund to retain interest from other specified revenue sources.

Revenue Impact:

	FY 2010	FY 2011	09-11 BN	11-13 BN
General Fund Interest	\$ 560.5	\$ 960.8	\$ 1,521.3	\$ 1,921.6
Other OUS funds	\$ 921.5	\$ 1,579.7	\$ 2,501.1	\$ 3,159.3
Total	\$ 1,481.9	\$ 2,540.5	\$ 4,022.4	\$ 5,080.9

Impact Explanation:

Interest income of many of the accounts, that are considered general fund, accrues back to the general fund. This measure changes the accrual process and allows the University System to consolidate its different accounts and investments, not only in the short term, but also in a medium and somewhat longer-term investment. This will result of higher interest income for the general fund and the other higher education funds.

The estimates for the account balances in the higher education funds are based on the historical average of several accounts, and to consider the base of \$246,000 as it was in the 2008 fiscal year. The interest amounts expected are an estimate of earnings on those balances above what the short-term account will gain. Once this pooling of fund is permitted, it will be easier to model the behavior of cash needs and build models of in/out flows. However, until a reliable cash flow model is developed, the amounts needed in the short term are assumed about 50%, while the other 50% are split in the accounts with different length of the investment. A proportionate, amount of interest income and gain to the other funds (university system) will occur accordingly. The yield curve equivalent for the gain is taken as the Treasury rates assumed in the state forecast.

State Capitol Building
900 Court St NE, Room 143
Salem, OR 97301-1347

Phone: 503-986-1266
Fax: 503-986-1770
<http://www.leg.state.or.us>