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Oregon Economic and Revenue Forecast SUMMARY

March 2011
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State of Oregon
Department of Administrative Services
Office of Economic Analysis

EXECUTIVE SUMMARY

March 2011

Oregon Economic Forecast

The fourth quarter of 2010 brings the year to a positive end. The preliminary estimate of the fourth quarter job gain in Oregon is 1.3 percent at an annualized rate. Thus 2010 finishes as expected, with recovery in jobs but at a slow rate compared to past recoveries. On a year-over-year (Y/Y) basis, jobs increased 0.7 percent, the first positive Y/Y growth since the first quarter of 2008. The unemployment rate remained stubbornly stuck at around 10.6 percent throughout 2010.

The unemployment rate for Oregon sits at 10.6 percent for December, essentially unchanged for the past fourteen months. The unemployment rate tends to be one of the last measurements to improve as the economy enters recovery.

Finally, we are seeing more sectors with positive job growths. Manufacturing still had job losses lead by wood products and transportation equipment. Strong job gains in the service sectors were lead by retail trade, information, professional and business services, and educational services. Job losses were less prevalent in the service sectors with construction, wholesale trade, transportation, warehousing, and utilities, and government recording the job losses.

On a monthly basis, December 2010 employment is 11,900 above the year ago level in December 2009. Although in the right direction, this job increase is very weak. We will not have the advantage of seeing the yearly benchmarking of the job data from the Oregon Employment Department by the time this report is issued. It's possible that the job numbers, once revised, may show a bit more growth last year.

Warnings of a double-dip recession are heard less on the streets. The US economy got two insurance cards played to keep the recovery going. Federal stimulus policy not only extended the Bush tax cuts for two years, but also cut employee payroll tax rates by two percent and allowed bonus depreciation expensing into 2011 and 2012. From the Federal Reserve, we have QE II (Quantitative Easing Part II) with the $600 billion Treasury purchases expected to continue through mid-2011.

Oregon still faces risks which are national and international in scope. With strong trading ties to China, any faltering due to inflation or asset bubbles could negatively impact Oregon exports. Housing remains one of the key risks for this year as the oversupply still has room to decline. Oregon will also benefit if business outlooks improve and our traded industries find greater demand for their goods and services. Stronger growth in consumer spending will spill over into Oregon businesses with further expansions and job hiring.

Although the outlook is mixed with both downside and upside risks, the addition of the upside risks is a welcome change. The forecast continues with a relatively "jobless" recovery where employment rises slowly in 2011 before picking up steam in 2012.

OEA (Office of Economic Analysis) forecasts an increase of 1.8 percent in total employment in the first and second quarters of 2011. The second half of the year will marginally be stronger and just above 2.0 percent growth in 2012.

The year average for 2011 is an employment increase of 1.4 percent. Although the quarterly job growth is greater than this, the slow growth is not strong enough to boost the yearly average higher than 1.4 percent. Job growth is projected to continue in 2012 at 2.0 percent and 2.1 percent in 2013.

The wood products industry appears to have reached a bottom and the climb out will take some time. The wood products industry is projected to lose 2.1 percent of its jobs in 2011. The outlook improves with job growth of 4.3 percent in 2012 and 6.4 percent in 2013. Although the outlook has relatively strong employment growth, the job level in 2013 is still well below the job level in 2008.

Computer and electronic product sector will see mild growth in 2011, but not enough to lift the yearly average into positive territory. The computer and electronic product sector is projected to lose jobs at a rate of 1.2 percent in 2011. Job growth will turn positive at the end of 2011 leading to an annual growth rate of 2.2 percent in 2012 and 3.1 percent in 2013.

The transportation equipment sector is expected to lose 53 percent of its employment from 2006 to 2011 on an annual average basis. This sector is still expected to be down 45.4 percent in 2017 from its recent high employment in 2006. The outlook for the transportation equipment sector is further jobs losses of 1.7 percent in 2011. The job outlook improves with gains of 3.3 percent in 2012 and 3.8 percent in 2013.

The metals and machinery sector managed to add a small amount of employment at the end of 2010. For 2011, this sector should be adding jobs at the rate of 1.6 percent. Job growth improves with rates of 3.8 percent in 2012 and 3.7 percent in 2013.

Other durables have been adding workers though most of 2010. This sector includes industries involved in electrical equipment, appliance, and component manufacturing, furniture and cabinet making, and other types of manufacturing such as medical and dental equipment. This sector is projected to have job growth of 4.3 percent in 2011, 3.3 percent in 2012, and 0.9 percent in 2013.

Food processing, while highly seasonal, has continued to add jobs through the recession on an annual basis. This sector is expected to be relatively flat in 2011 with a slight lose of jobs at 0.5 percentGrowth continues with 1.5 percent in 2012 and 1.1 percent in 2013.

Other nondurables, which includes paper and allied products, is projected to have job increase of 2.2 percent in 2011, 1.1 percent in 2012, and 0.7 percent in 2013.

Constructions jobs should finally turn up in 2011. Construction jobs are expected mildly increase by 0.6 percent in 2011 and 2012 before picking up steam with growths of 6.0 percent in 2013.

Trade, transportation, and utilities sector lost jobs in 2010 at a rate of 0.4 percent. This sector is projected to gain jobs at 1.6 percent in 2011, 2.9 percent in 2012, and 2.4 percent in 2013. Retail employment declined in 2010 at a slight 0.1 percent and will decrease in 2011 at a 1.2 percent rate with further increases in 2012 with 1.6 percent growth and 1.9 percent in 2013. Wholesale trade jobs were down in 2010, and are expected to rise 2.0 percent in 2011, followed by 4.1 percent in 2012. Growth of 2.5 percent in projected for 2013.

The information sector, which includes traditional publishers such as newspapers and publishers of software, added jobs at a rate of 2.9 percent in 2010. This sector had a strong second half of 2010 which is projected to continue into 2011 with growth of 7.3 percent. Job growth should continue at 3.0 percent in 2012, and then level off with a slight decrease of 0.3 percent in 2013.

The financial activities sector is starting to shake off the after effects of the financial crisis and recession. The fourth quarter of 2010 was this first positive job gains since the first quarter of 2007. This sector will have job growth of 2.4 percent in 2011, 3.6 percent in 2012, and 1.7 percent in 2013.

Professional and business services lost employment by 1.4 percent in 2010, even though is finished the year on a strong job gain. This sector is expected to rebound in 2011 with projected gains of 4.3 percent. The industry will continue to show job gains with 2.1 percent in 2012 followed by 4.3 percent growth in 2013.

Education and health services have survived the downturn better than any other sector (except for food processors). Job growth was relatively weak at 0.4 percent in 2010 but still quite an accomplishment for such a large employment sector. Job growth is expected to be 2.3 percent in 2011, 2.8 percent in 2012, and 1.7 percent in 2013. Private education is forecast to increase job growth to 3.7 percent in 2011 with growth tapering off at 1.1 percent in 2012 and then flat with a slight decline of 0.1 percent in 2013. The growth rate in the health services industry is projected to be 2.1 percent in 2011, 3.0 percent in 2012, and 2.0 percent in 2013.

Leisure and hospitality is starting to recover from the decrease in household discretionary spending during the recession. Leisure and hospitality is forecasted to increase jobs by the rate of 2.0 percent in 2011, 1.9 percent in 2012, and 1.3 percent in 2013.

The government sector employment increased by 0.4 percent in 2010. Government employment typically lags during recessionary times and is expected to lose jobs at a rate of 2.3 percent in 2011. Job growth will be flat with a decline of 0.1 percent in 2012, increasing to 0.7 percent in 2013. State and local government are expected to shed jobs in 2011 as they attempt to balance budgets.

Population growth in the state is forecasted to increase 0.7 percent in 2011, and grow at a slightly faster rate in 2012 at 0.9 percent and 1.0 percent in 2013.

Forecast Risks

Fears of a double-dip recession are fading. Recently, IHS Global Insight has changed their probabilities of their optimistic and pessimistic scenarios. They now have the chances of the optimistic scenario higher than the chances of the pessimistic scenario. The continuation of the Federal Reserve QEII (Quantitative Easing Part II) and fiscal policy extensions of tax cuts, bonus depreciation, and unemployment benefits will help boost activity in 2011. Near term economic signals point to continued economic growth in 2011 and beyond. Although this year looks very promising, the risk of headwinds still lingers on the horizon.

Oregon's economy generally follows the U.S. and same issues apply. Wood products employment has been decreasing over time and is impacted by both cyclical and structural factors. Transportation equipment manufacturing appears to have structural factors and the RV sector will not likely come back to its former self as the recovery continues. Will electrical car making possibly replace these lost jobs? The Intel announcement has very positive short term improvements for construction and high tech jobs but also has longer term implications for high tech to play a major role in the Oregon economy. Intel is also a firm that could expand almost anywhere it chooses in the world. Its expansion plans in Oregon is in many ways a statement that this state has many advantages for businesses to locate and expand. Only time will tell if these intangibles will play out in real positive numbers for the state.

We will continue to monitor and recognize the potential impacts of risk factors on the Oregon economy. We have identified the major risks now facing the Oregon economy in the list below:

- *Contagion of the credit crunch and financial market instability.* As more time passes, this downside risk becomes less likely to occur. Credit markets are easing, but consumers and businesses still have difficulty getting loans. To the extent that credit markets take longer to come back to some sort of state of normalcy, the current recovery could be slower than projected or thrown off track. Housing and commercial real estate may take longer for credit conditions to improve. Oregon will suffer the consequences along with the rest of the nation.

- *Prolonged housing market instability.* Signs are starting to emerge that the housing market has hit bottom, at least in terms of housing starts, but prices may have further to fall. Foreclosures and delinquency rates are still relatively high. Oregon, with the rest of the nation, will still see corrections to the housing market in 2011. The question is whether the job growth will kick in to alleviate the downward pressures from declining housing prices and oversupply of homes. The housing market appears to be the biggest threat to a sustained economic recovery in Oregon.

- *Commodity price inflation.* With world economies starting to recover and emerging markets still strong, the stage is set for higher commodity prices. Food prices are near their 2008 highs. Oil prices are approaching $100 a barrel. Industrial metals are also on the rise. This could be a repeat of commodity price spikes that took place in 2007-2008. The risk is how disruptive this will be on businesses and whether the commodity price inflation will lead to general inflation. With a weak recovery that needs to build strength, the commodity inflation could through this off track. Then again, if this is only a change in relative prices and wages costs do not accelerate, this commodity inflation could be short lived.

- *The temporary return of federal timber payments to Oregon counties.* Included in the federal bailout was a provision to reinstate federal timber payments for four years. Oregon counties will receive $254 million, down from the previous $282 million level and will be phased out over the four year window, through 2011. While this temporary reinstatement helps cover short term budgets for Oregon counties, finding or replacing this dwindling revenue source will be imperative as any loss of public services could have adverse impacts on economic activity.

- *Global Spillovers Both Up and Down.* The international list of risks seems to change by the day. Sovereign debt problems in Europe, equity and property bubbles in places like South America and Asia, political unrest in Egypt and other parts of the Middle East, and commodity price spikes and inflationary pressures in emerging markets. Also internationally we have economies recovering, incomes rising, and demand for U.S. and Oregon exports are rising. Whether the downside risks will dissipate and the recoveries take hold will influence the direction of strength of U.S. and Oregon economic recoveries. With China now the top destination for Oregon exports, the state of the Chinese economy has spillover effects to the Oregon economy.

- *State and Local Governments.* The Center on Budget and Policy Priorities finds that 44 states and the District of Columbia are projecting budget shortfalls totaling $125 billion for fiscal year 2012 which generally starts this summer. Local government budget shortfalls add to this total. Oregon is among the states with facing a budget shortfall. Given that further tax increases are unlikely in Oregon, balancing budgets will mainly be through spending cuts. In a mixed private-public economy, this will be a drag on the economic recovery. The question is whether building strength of the private sector will be enough to continue the recovery through the state and local government budget crises.

- *Undoing the Federal Policy Used to Combat the Financial Crisis and Recession.* Bailouts, tax cuts, monetary quantitative easing, and other fiscal packages most likely prevented a more serious economic downturn. But the clean up after the storm can have its own risks to the economy. Exit strategies will have to be carefully implemented to prevent premature tightening and choking off the recovery or acting too late to avoid an inflationary environment. All states, including Oregon, face the same risks.

- *Initiatives, referendums, and referrals.* Generally, the ballot box brings a number of unknowns that could have sweeping impacts on the Oregon economy.

Demographic Forecast

Oregon's population count on April 1, 2010 was 3,831,074.Oregon gained 409,550 persons between the years 2000 and 2010. The population growth between 2000 and 2010 censes was 12.0 percent, down from 20.4 percent growth between 1990 and 2000 censuses. Slow population growth during the most recent decade due to double recessions probably cost Oregon one additional seat in the U.S. House of Representatives. Actually the decennial population growth rate during the most recent decade was the second lowest since 1900. The slowest was during the 1980 when Oregon was hit hard by another recession. As a result of recent economic downturn and slow pace of recovery, Oregon's population is expected to continue a slow pace of growth in the near future. Based on the current forecast, Oregon's population will reach 4.14 million in the year 2017 with an annual rate of growth of 1.1 percent between 2010 and 2017.

Oregon's economic condition heavily influences the state's population growth. Its economy determines the ability to retain local work force as well as attract job seekers from national and international labor market. As Oregon's total fertility rate remains below the replacement level and deaths continue to rise due to ageing population, long-term growth comes from net in-migration. Working-age adults come to Oregon as long as we have good economic and employment situations. During the 1980s, that included a major recession and a net loss of population, net migration contributed to 22 percent of the population change. On the other extreme, net migration accounted for 73 percent of the population change during the booming economy of 1990s. This share of migration to population change declined to 56 percent in 2002 and it is further down to 30 percent in 2010. As a sign of slow to modest economic gain, the ratio of net migration-to-population change will increase gradually and will reach 73 percent by the end of the forecast horizon. Although economy and employment situation in Oregon look stagnant at this time, migration situation is not expected to replicate the early 1980s pattern. Potential Oregon out-migrants have no better place to go since other states are also in the same boat in terms of economy and employment.

Age structure and its change affect employment, state revenue, and expenditure. Growth in many age groups will show the effects of the baby-boom and their echo generations during the period of 2010-2017. It will also reflect demographics impacted by the depression era birth cohort combined with diminished migration of the working age population and elderly retirees. After a period of slow growth during the early years of the current decade, the elderly population (65+) has picked up a faster pace of growth and will surge as the baby-boom generation starts to enter this age group. The average annual growth of the elderly population will be 4.2 percent during the forecast period as the boomers continue to enter retirement age. However, the youngest elderly (aged 65-74) will grow at an extremely fast pace for some years during the forecast period, even exceeding 6 percent annual rate of growth due to the direct impact of the baby-boom generation entering retirement age. Reversing several years of shrinking population, the elderly aged 75-84 will start a positive growth as the effect of depression era birth-cohort will dissipate. The oldest elderly (aged 85+) will continue to grow at a moderately but steady rate due to the combination of cohort change, continued positive net migration, and improving longevity. However, the annual growth rate will continue to taper off as the depression era small birth cohort transitions from the younger age group.

As the baby-boom generation matures out of oldest working-age cohort combined with slowing net migration, the once fast-paced growth of population aged 45-64 will gradually taper off to below zero percent rate by 2012 and recovery starts after that year. The young adult population (aged 18-24) will decline by 0.9 percent between 2010 and 2017, reversing from an average annual rate of 0.9 percent growth experienced between 2000 and 2010. Although the slow growth of college-age population (age 18-24) tend to ease the pressure on public spending on higher education education, college enrollment typically goes up during the time of high unemployment and scarcity of well paying jobs when even the older people flock back to college to better position themselves in a tough job market. The growth rate for children under the age of five will remain below zero percent in the near future and will see positive growth only after 2014. Although the number of children under the age of five will decline slightly in the near future, the demand for child care services and pre-Kindergarten program will be additionally determined by the labor force participation of the parents. The growth in K-12 population (aged 5-17) will remain low which will translate into slow growth in school enrollments. This school-age population has actually decline in size. The 25-44 age group population has reversed several years of declining trend during the early part of the last decade and before. The decline was mainly due to the exiting baby-boom cohort. This age group has seen positive growth starting in the year 2004 and will increase by 1.0 percent annual average rate during the forecast horizon.

Revenue Forecast

General Fund Revenues

The recovery in General Fund tax collections is sticking to script. Growth among Oregon's primary revenue sources has now turned the corner, with personal income tax collections finally growing at a rate consistent with their long-run historical average. For the next several months, overall collections are expected to expand at very strong rates as personal income tax revenues begin to climb out of the large hole that the recession put them in.

The outlook for the 2009-11 biennium is virtually unchanged from the December 2010 forecast. Uncertainty remains, however, as the bulk of year-end tax filings will be processed in the coming weeks. There is potential for an upside surprise among April personal income tax filings, while the risks facing corporate income tax payments lay predominantly on the downside.

For fiscal year 2012 and beyond, the revenue outlook has changed somewhat from December, due to an evolving policy landscape and changes in the underlying economic forecast. Generally, assumptions about growth in personal and business income have become stronger in the later years of the forecast, leading to more expected revenue over the extended forecast horizon. However, taxable corporate profits are now expected to be weaker over the next several months, which together with changes to the structure of taxes, have led to a more pessimistic overall revenue outlook for the 2011-13 biennium.

Many of the tax policy changes that have contributed to the revised outlook for 2011-13 and beyond are not set in stone. Tax policies enacted during the last legislative session are now being folded into the baseline revenue outlook. Changes to some of these laws are now being considered by policymakers. In particular, sunset dates for many large tax credits were scheduled last session. As credits are allowed to disappear, considerable support is lent to the revenue outlook in the outer years of the forecast. Similarly, there is a significant revenue impact associated with reconnecting to federal tax laws in 2011.[1]

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[1] For current information on tax credit sunsets, contact the Joint Committee on Tax Credits (http://www.leg.state.or.us/committees/). House Bill 2535 deals with reconnecting to federal tax law in 2011.

The forecast for General Fund revenues for 2009-11 is $12,429 million. This represents an increase of $3.3 million from the December 2010 forecast. The forecast for the 2009-11 biennium is now $1,146 million below the Close of Session forecast. The prolonged plunge in personal income taxes, particularly those related to nonwage forms of income, accounts for most of the decrease relative to the Close of Session forecast. Personal income tax collections were revised upward relative to the December forecast. However, gains in personal income tax collections were largely offset by a downward revision to the near-term outlook for corporate income taxes. After incorporating the use of Rainy Day Funds and other legislative transfers, total available resources amount to $12,537 million.

Table R.1

2009-11 General Fund Forecast Summary

(Millions)	2009 COS Forecast	December 2010 Forecast	March 2011 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	$11,545.7	$10,443.0	$10,458.2	$15.2	-$1,087.5
Corporate Income Tax	$831.6	$855.2	$841.3	-$13.9	$9.7
All Other Revenues	$1,198.4	$1,128.0	$1,130.0	$2.0	-$68.4
Gross GF Revenues	$13,575.7	$12,426.2	$12,429.4	$3.3	-$1,146.2
Administrative Actions[1]	-$43.7	-$15.7	-$15.7	$0.0	$28.0
Legislative Actions	$0.0	$123.0	$123.0	$0.0	$123.0
Net Available Resources	**$13,532.0**	**$12,533.5**	**$12,536.7**	**$3.3**	**-$995.3**
Confidence Intervals					
67% Confidence	+/- 1.7%		**$211.3**	**$12.22B to $12.64B**	
95% Confidence	+/- 3.4%		**$422.6**	**$12.01B to $12.85B**	

1 Reflects cost of cashflow management actions, exclusive of internal borrowing.

Personal Income Tax

On a cash basis, personal income tax collections totaled $1,275.0 million for the second quarter of fiscal year 2011, $42.7 million above the latest forecast. Withholding receipts of $1,196.2 million came in $3.2 million below the forecast. Estimated and final payments exceed the forecast by $22.1 million and $8.7 million respectively. Refunds were $15.2 million smaller than expected. Compared to the year-ago level, total personal income tax collections were up 6.1 percent.

The forecast for total personal income tax receipts during the current biennium was increased $15.2 million from the December forecast. This was largely due to the strength of recent collections.

Under the updated outlook, personal income tax collections during the current biennium will be 3.6% lower than in 2007-09.

Corporate Income Tax

Corporate income taxes equaled $106.9 million for the second quarter of fiscal year 2011, $11.0 million lower than the December forecast. Quarterly corporate receipts were 111% higher than figures from a year ago.

Corporate profits, and associated tax collections, have risen rapidly throughout much of the current biennium, and remain near record highs. The corporate income tax forecast for the biennium as a whole is now $9.7 million above the Close of Session forecast. If this outlook is realized, collections would fall below the 2% kicker threshold, leading to no corporate kicker credits to be claimed during the 2011-13 biennium.

Non-income Tax Sources of Revenue

All other revenues will total $1,130 million for the biennium, an increase of $2.0 million from the prior forecast. Most of the forecast changes for non-income tax sources of revenue were technical in nature. Aside from technical changes, the outlook for tobacco taxes has been revised upward in light of strong demand, and the forecast for interest earnings has been revised downward in keeping with the small size of reserve funds and persistently low interest rates.

Extended General Fund Revenue Outlook

Table R.2 exhibits the long-run forecast for General Fund revenues through the 2015-17 biennium. General Fund revenues will total $13,774 million in 2011-13, an increase of 10.8 percent from the prior period, and $81 million below the December forecast. In 2013-15, revenue growth will accelerate to 17.1%, followed by 10.1% growth in 2015-17. Revenues in both 2013-15 ($400 million) and 2015-17 ($324 million) are expected to be significantly larger than in the December forecast.

The forecast for total personal income tax receipts during the 2011-13 biennium was reduced by $19.7 million from the December forecast. The revenue impacts of changes to the tax structure are largely responsible. The most recent estimates of the revenue effects of reconnecting to the federal tax code in fiscal year 2011 suggest personal income tax collections will be reduced by more than $50 million during the biennium. The bulk of this impact is the result of bonus depreciation and section 179 expensing provisions in the federal tax code. Under the updated outlook, personal income tax collections during the 2011-13 biennium will be 15.1% higher than in 2009-11.

The forecast for total personal income tax receipts during the 2013-15 and 2015-17 budget periods was revised upward significantly from the December forecast ($227.4 million, and $112.6 million, respectively). These changes were due to a somewhat stronger economic outlook and large estimated revenue impacts for the scheduled expiration of income tax credits. Under the updated outlook, personal income tax collections will increase by 17.0% during the 2013-15 biennium, followed by 11.0% growth in 2015-17.

The forecast for total corporate income tax receipts during the 2011-13 biennium was reduced by $68.3 million from the December forecast. A large downward revision to the economic forecast for underlying business profits, together with the revenue impacts of changes to the tax structure, accounted for the change to the outlook. Although profit margins are expected to remain healthy for most businesses, they will narrow somewhat going forward as firms incur additional costs as they spend more on workers and equipment. The most recent estimates of the revenue effects of reconnecting to the federal tax code in fiscal year 2011 suggest corporate income tax collections will be reduced by around $50 million during the biennium. The bulk of this impact is the result of bonus depreciation and section 179 expensing provisions in the federal tax code. Under the updated outlook, corporate income tax collections during the 2011-13 biennium will be 6.7% higher than in 2009-11.

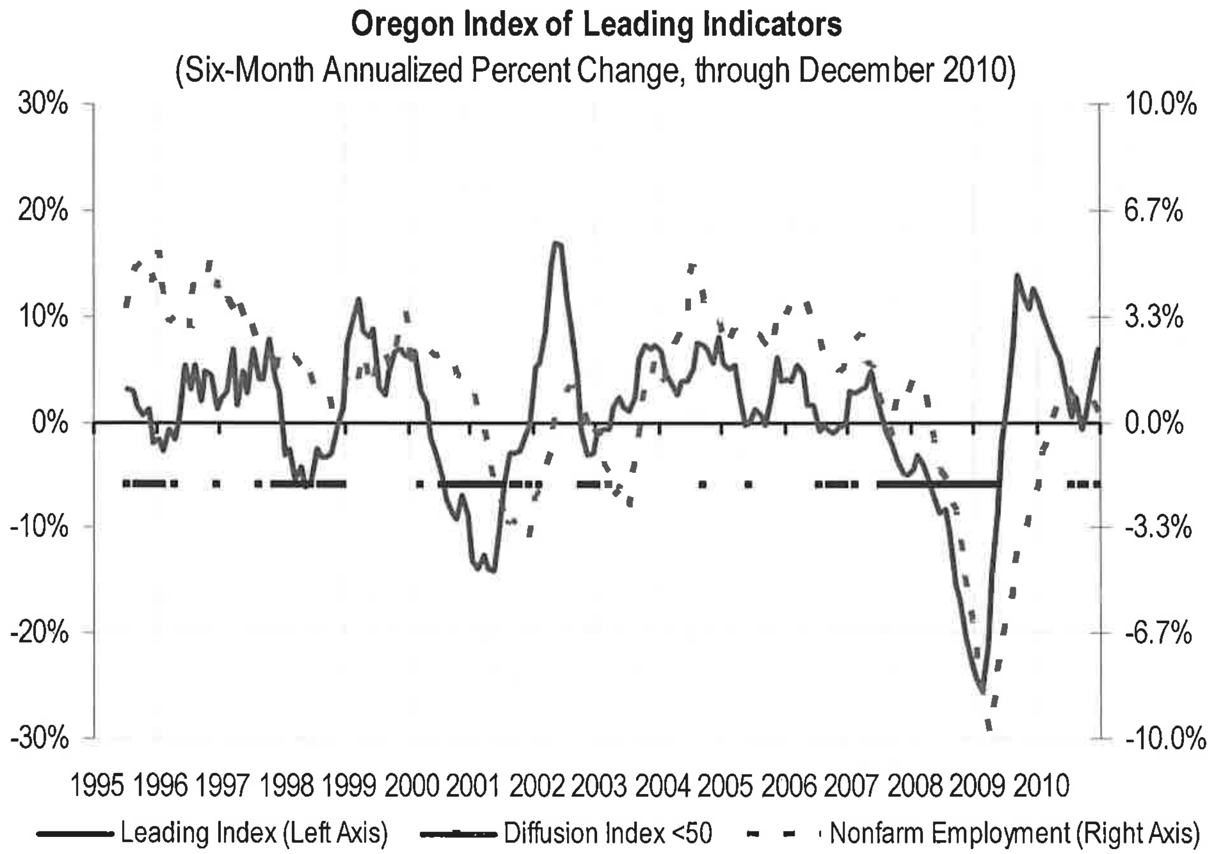
The forecast for corporate income tax receipts during the 2013-15 and 2015-17 budget periods was also revised upward significantly from the December forecast ($160.6 million, and $194.9 million, respectively). These changes were due to large estimated revenue impacts for the scheduled expiration of income tax credits, and a strong estimated response to Measure 67 reforms in the recent collections data. Under the updated outlook, corporate income tax collections will increase by 28.8% during the 2013-15 biennium, followed by 3.4% growth in 2015-17.

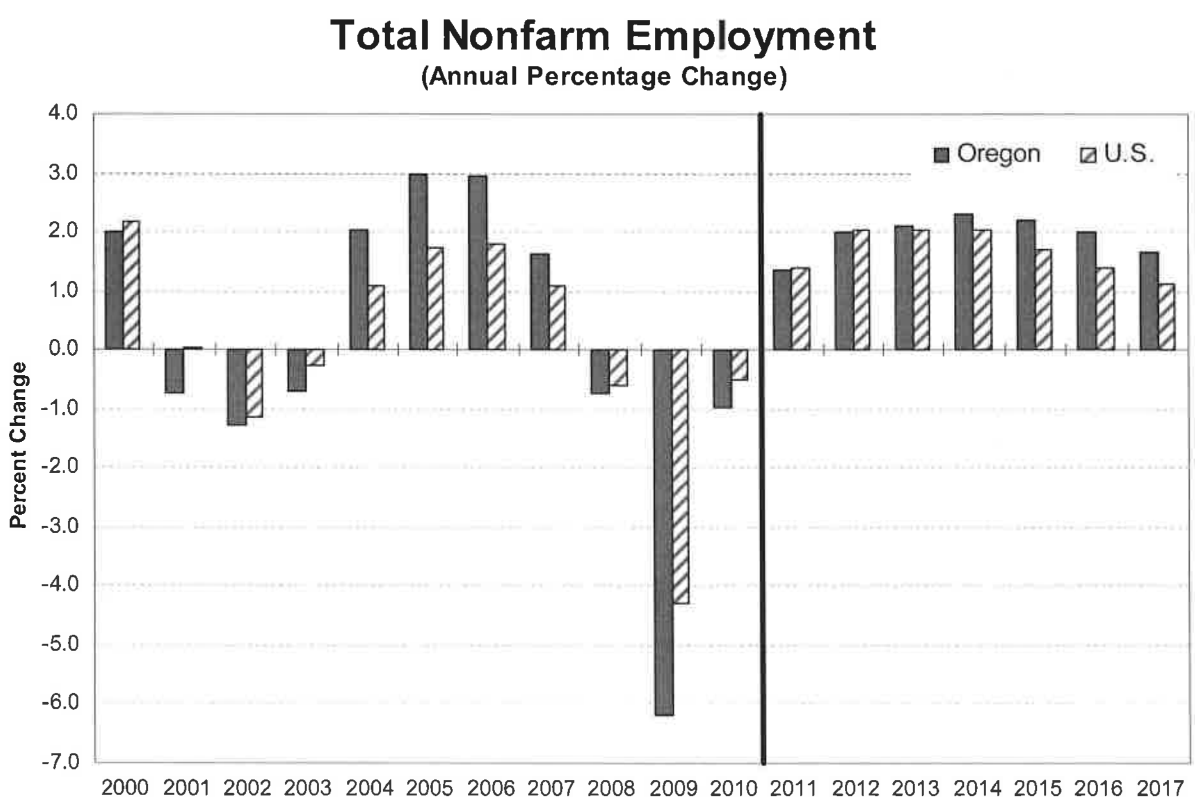
Table R.2

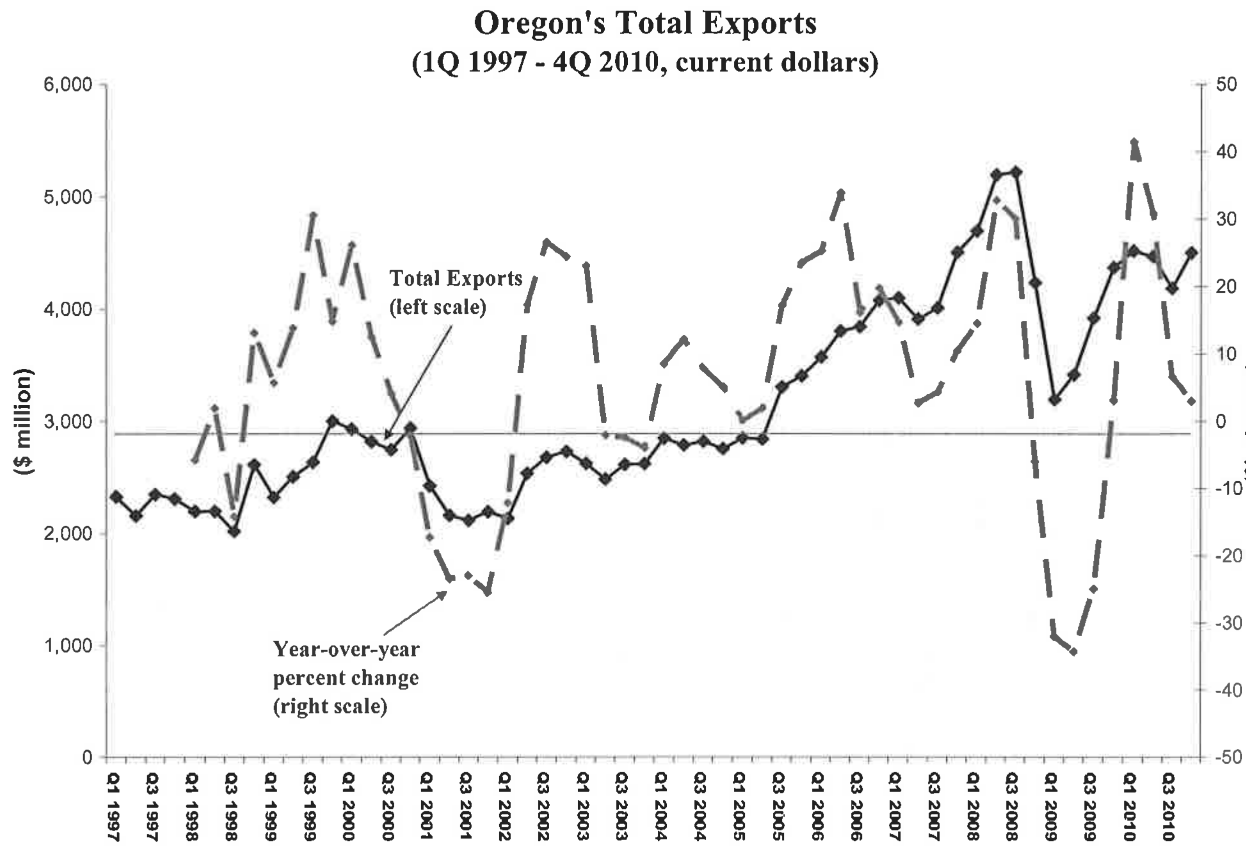
General Fund Revenue Forecast Summary (Millions of Dollars, Current Law)

Revenue Source	Forecast 2007-09 Biennium	% Chg	Forecast 2009-11 Biennium	% Chg	Forecast 2011-13 Biennium	% Chg	Forecast 2013-15 Biennium	% Chg	Forecast 2015-17 Biennium	% Chg
Personal Income Taxes	10,090.6	-8.6%	10,458.2	3.6%	12,032.7	15.1%	14,077.5	17.0%	15,621.5	11.0%
Corporate Income Taxes	684.5	-18.9%	841.3	22.9%	897.9	6.7%	1,156.2	28.8%	1,195.3	3.4%
All Others	948.9	10.6%	1,130.0	19.1%	843.8	-25.3%	898.1	6.4%	949.0	5.7%
Total General Fund	11,723.9	-8.0%	12,429.4	6.0%	13,774.4	10.8%	16,131.8	17.1%	17,765.9	10.1%
Kicker Distributions	*1,084.2*		-		-		-		-	
Total Revenue	12,808.1	0.5%	12,429.4	-3.0%	13,774.4	10.8%	16,131.8	17.1%	17,765.9	10.1%

Other taxes include General Fund portions of the Eastern Oregon Severance Tax, Western Oregon Severance Tax and Amusement Device Tax.
Commercial Fish Licenses & Fees and Pari-mutual Receipts are included in Other Revenues


Oregon Index of Leading Indicators
(Six-Month Annualized Percent Change, through December 2010)
30%
20%
10%
0%
-10%
-20%
-30%
10.0%
6.7%
3.3%
0.0%
-3.3%
-6.7%
-10.0%
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
Leading Index (Left Axis)
Diffusion Index <50
Nonfarm Employment (Right Axis)


Total Nonfarm Employment
(Annual Percentage Change)
Oregon
U.S.
Percent Change
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
-4.0
-5.0
-6.0
-7.0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017



Oregon Mar 2011 Forecast Comparison:

Alternative Scenarios

(Percent Change)

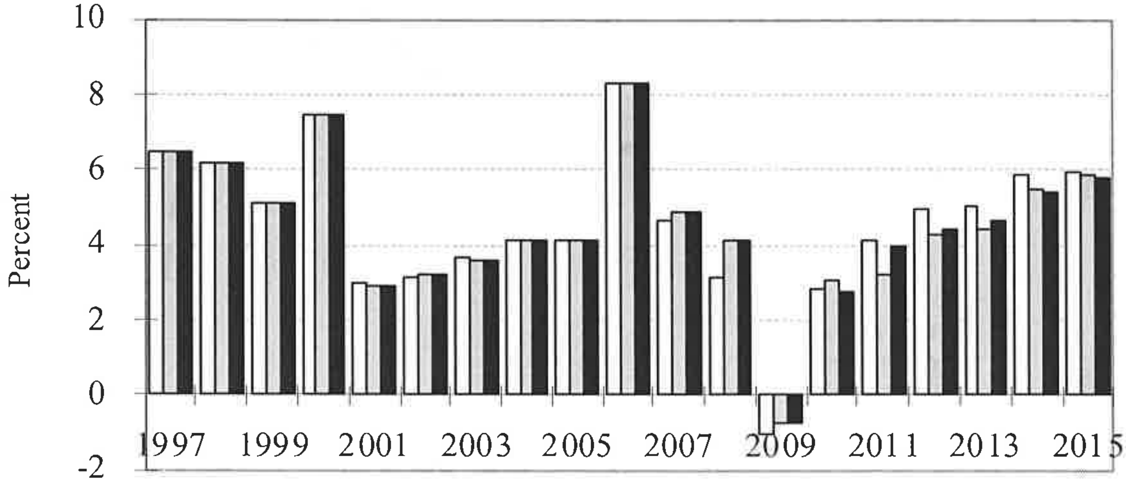
Employment	2011	2012	2013
Baseline	1.4	2.0	2.1
Pessimistic	0.3	1.1	2.0
Optimistic	2.4	2.7	2.7

Personal Income	2011	2012	2013
Baseline	4.0	4.4	4.7
Pessimistic	2.0	3.4	4.3
Optimistic	5.7	5.4	5.3

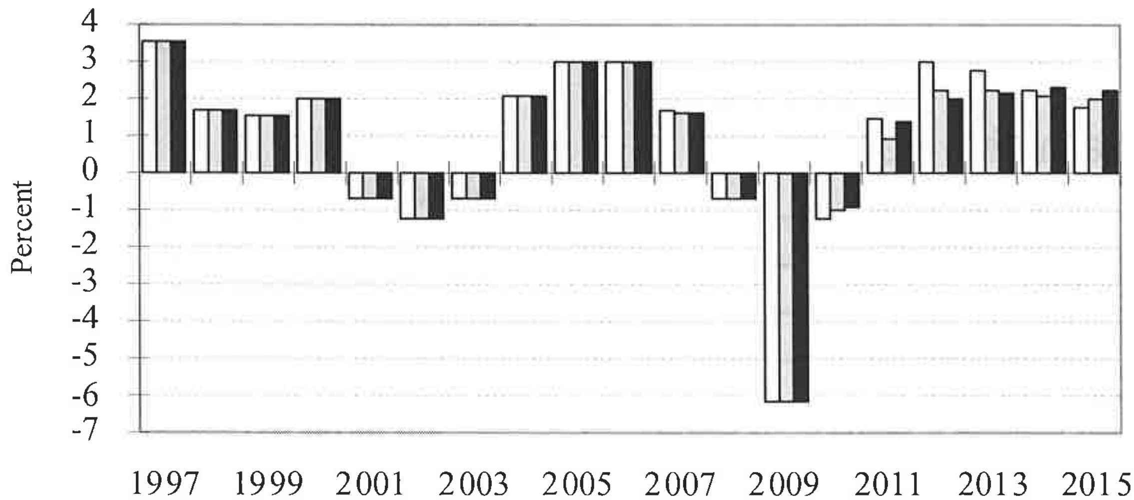
COMPARISON OF LAST THREE FORECASTS

Sep 2010 | Dec 2010 | Mar 2011

PERSONAL INCOME GROWTH



EMPLOYMENT GROWTH

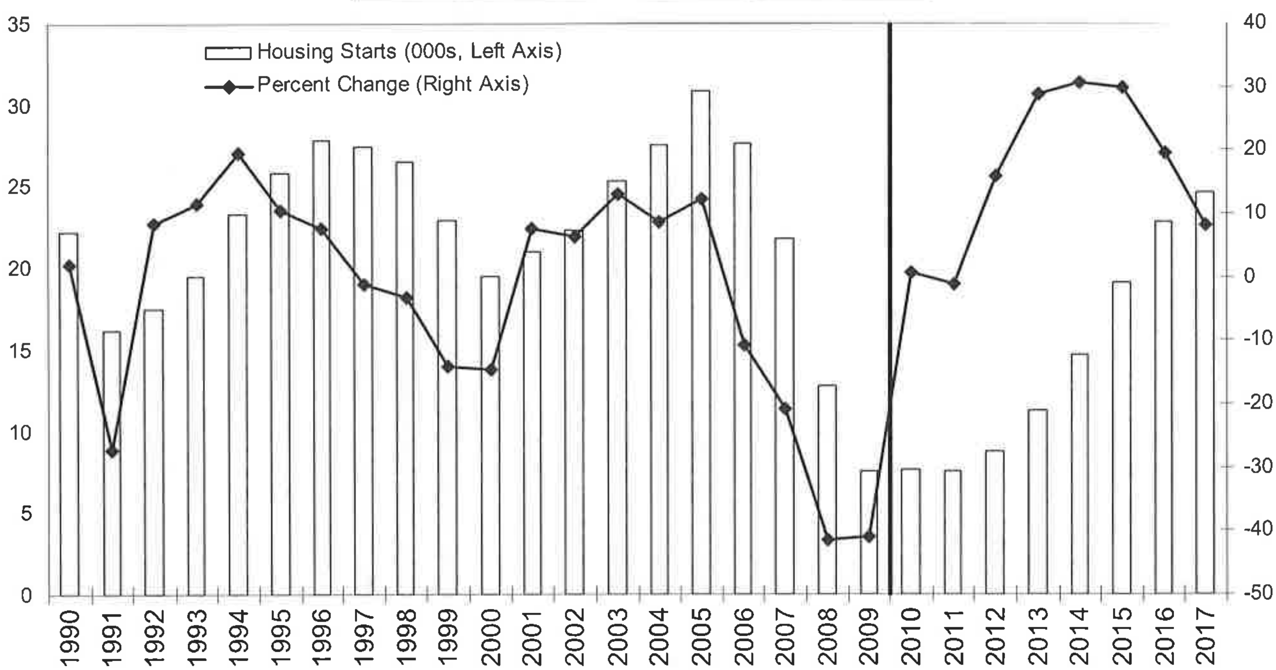


Historical Recession Comparison

Recession	1981-82	1980-82	1990-91		2001		2007-09	
	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon
Employment								
Loss (in 000s)	2,734.3	123.3	1,498.3	12.3	2,657.3	60.1	8,257.3	148.9
% Change	(2.99)	(11.50)	(1.37)	(0.97)	(2.01)	(3.69)	(5.99)	(8.57)
Duration								
Peak-to-Trough	5 Qtrs	12 Qtrs	5 Qtrs	3 Qtrs	9 Qtrs	10 Qtrs	7 Qtrs	7 Qtrs
Return to Peak	8 Qtrs	28 Qtrs	10 Qtrs	5 Qtrs	15 Qtrs	16 Qtrs	22 Qtrs*	27 Qtrs*

* Estimates based on Global Insight and OEA forecasts

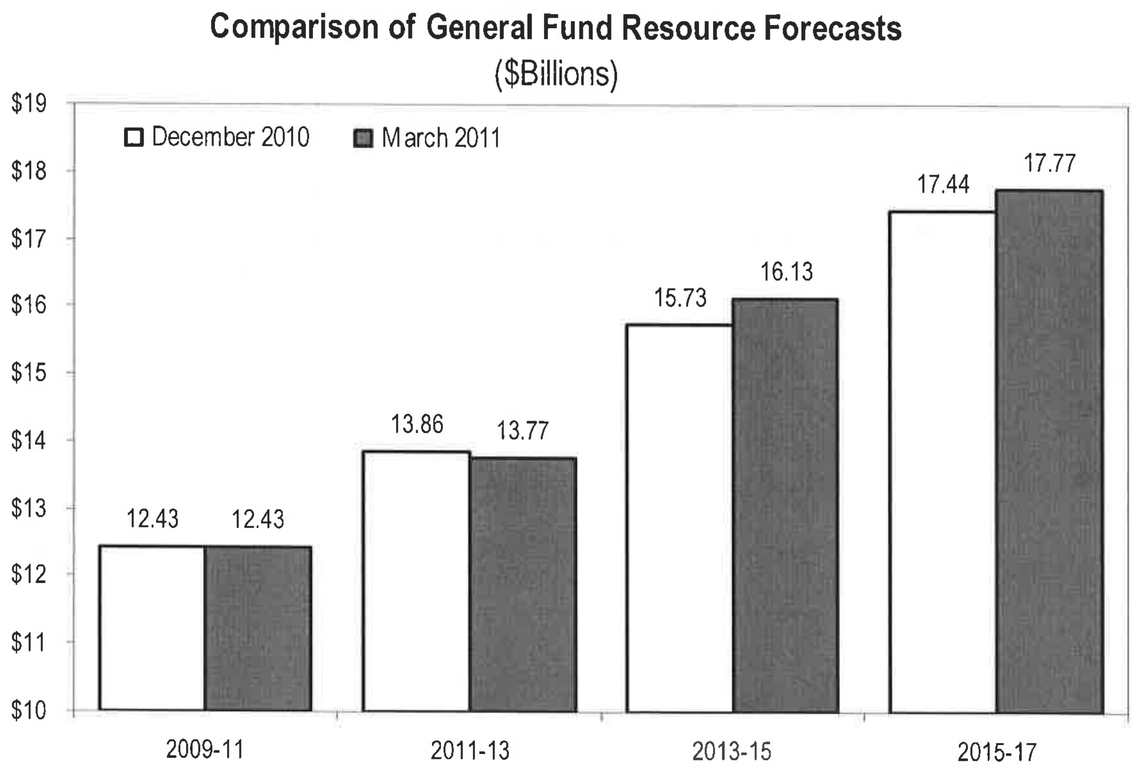
Oregon Housing Starts



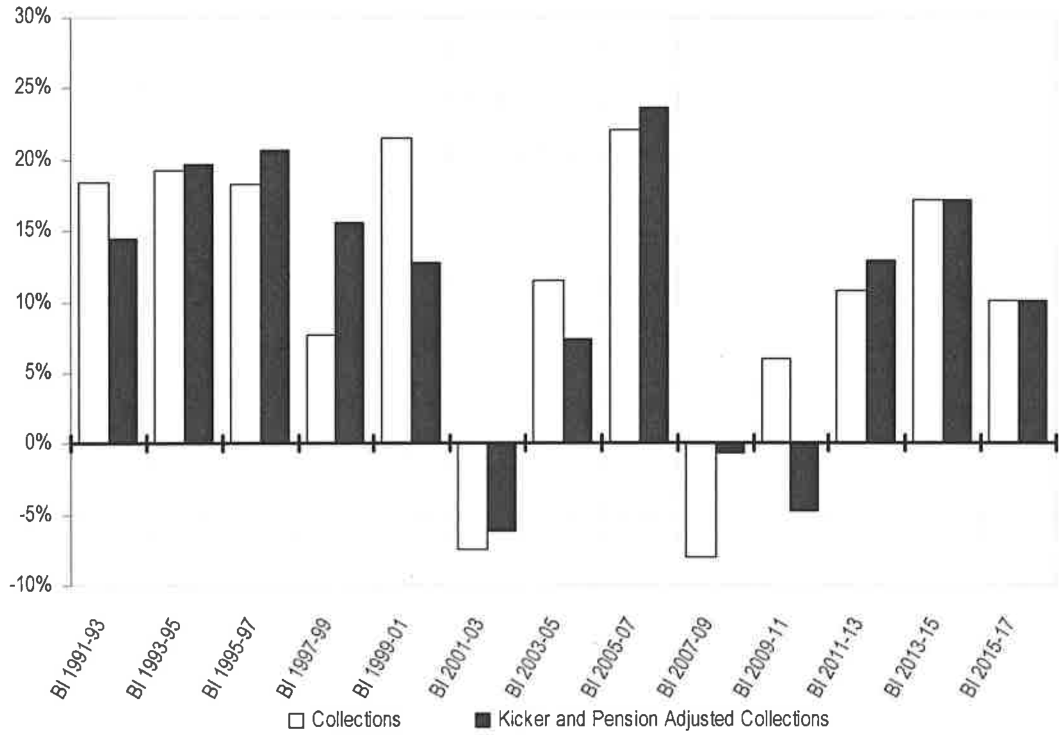
General Fund Resources

2009-11 Biennium

General Fund (Millions)	COS Forecast	Dec 2010 Forecast	Mar 2011 Forecast	Change from December	Change from COS 2009
Personal Income Tax	$11,545.7	$10,443.0	**$10,458.2**	$15.2	**-$1,087.5**
Corporate Income Tax	$831.6	$855.2	**$841.3**	-$13.9	**$9.7**
Other Revenues	$1,198.4	$1,128.0	**$1,130.0**	$2.0	**-$68.4**
Total GF Resources	$13,575.7	$12,426.2	**$12,429.4**	$3.3	**-$1,146.2**
Less: Anticipated Administrative Actions	$43.7	$15.7	$15.7	$0.0	-$28.0
Plus: Legislative Actions	$0.0	$123.0	$123.0	$0.0	$123.0
Proj. Expenditures	$13,298.1	$12,471.5	**$12,471.5**	$0.0	**-$826.6**
Ending Balance	$233.8	$61.9	**$65.2**	$3.3	**-$168.6**



Biennial Growth in General Fund Revenue



Oregon's Budgetary Reserves

(Millions)	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium
Rainy Day Fund			
Beginning Balance	$0.0	$112.5	$10.5
Net Deposits[3]	$94.3	-$103.4	$65.2
Interest	$18.3	$1.5	$2.7
Ending Balance[1]	**$112.5**	**$10.5**	**$78.4**
Education Stability Fund			
Beginning Balance	$178.9	$0.0	$101.2
Net Deposits	-$178.9	$101.2	$191.0
Interest[2]	$17.2	$1.1	$8.2
Triggered Withdrawals	-$17.1	-$1.1	-$8.2
Ending Balance	**$0.0**	**$101.2**	**$292.2**
Total Reserves	**$112.6**	**$111.8**	**$370.7**

Footnotes:

1. Under current law, only 2/3rds of the beginning balance is available for withdrawal. Withdrawal subject to economic and financial triggers.
2. Education Stability Fund interest is distributed to the Oregon Education Fund (75%) and the State Scholarship Commission (25%).
3. Includes transfer of ending General Fund balances, up to 1% of budgeted appropriations, as well as private donations.

Lottery Resources

(Millions of Dollars)

2009-11 Biennium

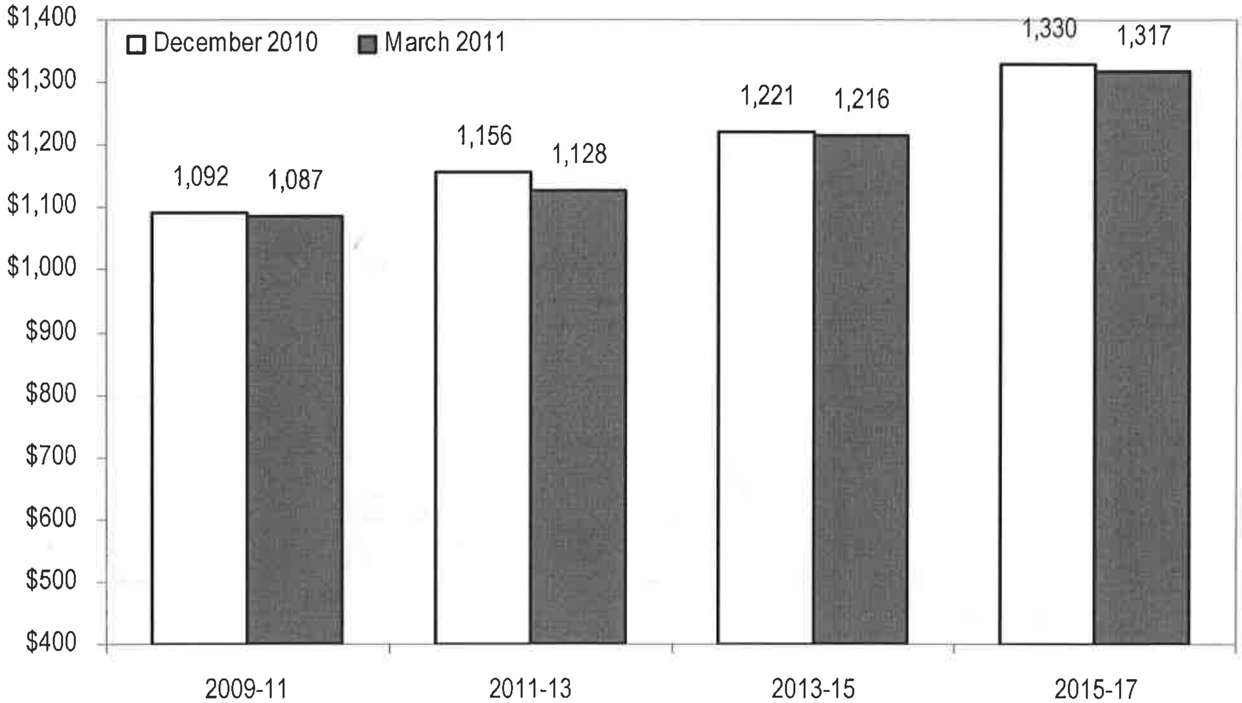
(Millions)	Dec 2010 Forecast	Mar 2011 Forecast	Change from Dec Amount	Change from Dec Percent
Beginning Balance	$1.4	**$1.4**	-	0.0%
Earnings	$1,060.3	**$1,055.6**	(4.7)	-0.4%
Administrative Savings	$29.3	**$29.3**	(0.0)	
Other Resources[1]	$0.9	**$0.9**	-	0.0%
Total Resources	$1,091.9	**$1,087.2**	(4.7)	-0.4%
Allocations	1,070.5	**1,077.3**	6.8	0.6%
Ending Balance	$21.4	**$9.9**	(11.6)	-53.9%

Note: Some totals may not foot due to rounding.

1. Includes interest earnings and reversions
2. Includes Education Stability Fund, Parks and Natural Resource Fund, and Debt Service.

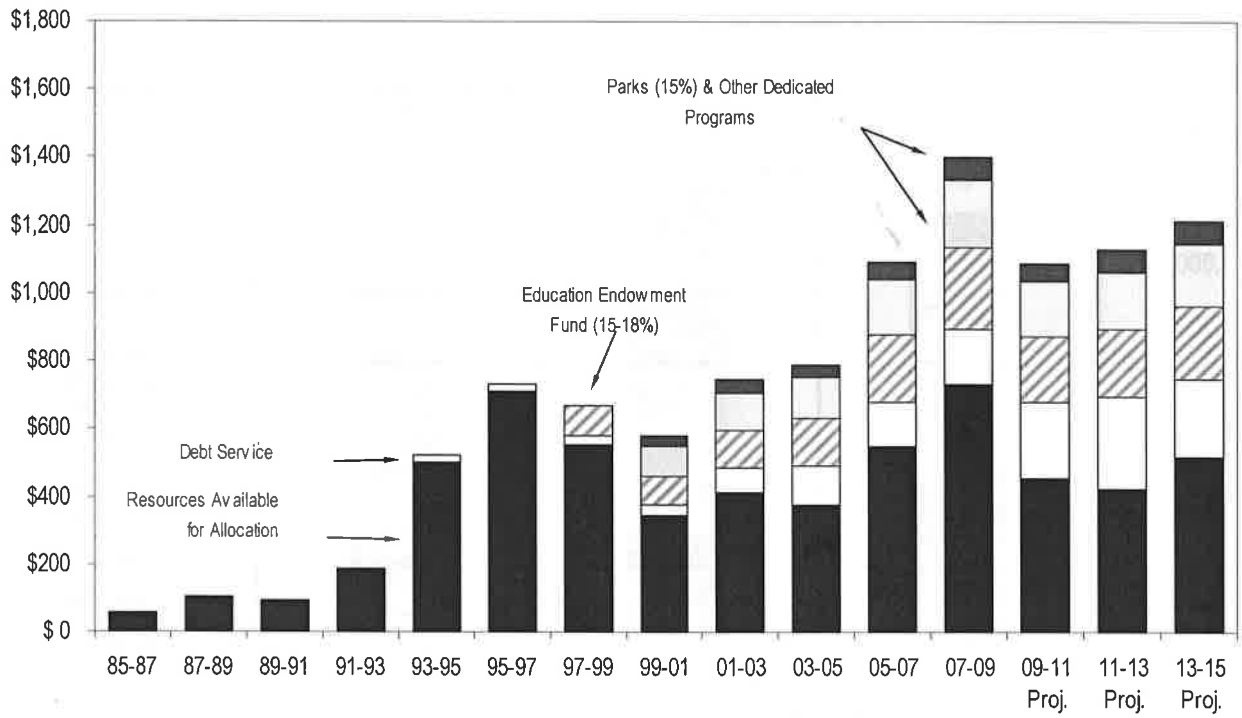
LOTTERY LONG-TERM FORECAST

Comparison of State Lottery Resource Forecasts
($Millions)



Biennia following 2009-11 do not include projected beginning balances

State Lottery Resources
($Millions)



2 Percent Surplus Kicker History

		Personal		Corporate	
Biennium	Tax Year	Surplus / (Shortfall)	Credit Refund	Surplus / (Shortfall)	Credit
1979-81	1981	(141.0)	none	(25.1)	none
1981-83	1983	(115.2)	none	(109.9)	none
1983-85	1985	88.7	7.7%	13.4	10.6%
1985-87	1987	224.2	16.6%	6.8	6.2%
1987-89	1989	175.2	9.8%	36.2	19.7%
1989-91	1991	185.9	suspended	(23.0)	none
1991-93	1993	60.1	none*	17.9	suspended
1993-95	1994/5	162.8	6.3%	167.0	50.1%
1995-97	1996/7	431.5	14.4%	202.7	42.2%
1997-99	1997/8	167.3	4.6%	(68.6)	none
1999-01	2000	253.6	6.0%	(43.9)	none
2001-03	2002	(1,249.4)	none	(439.5)	none
2003-05	2004/5	(401.3)	none	101.0	36.0%
2005-07	2006	1,071.2	18.6%	344.1	suspended
2007-09	2008	(1,113.1)	none	(236.4)	none

Dollar figures in millions

*1991-93 personal surplus was less than 2%

Data Source: Legislative Revenue Office, Office of Economic Analysis