

# RESERVE FUNDS IN OREGON

## HISTORY & STATUS

Legislative Revenue Office

MEASURE: INT-010MATH10NRL  
EXHIBIT: 4  
HOUSE REVENUE COMMITTEE  
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# NCSL Definition of Budget Stabilization Funds

- Housed & administered at the state level.
- Allocations are intended for state use.
- Fund is intended for general purposes.
- Fund is intended to offset revenue shortfalls caused by cyclical downturns in the economy.

# Key Elements of Budget Stabilization Funds

- Legal Authorization
- Multiple Funds
- Methods of Deposits
- Methods of Withdrawals
- Repayment Provisions
- Fund Size

# Oregon Reserve Fund Characteristics

Elements	Education Stability Fund	Oregon Rainy Day Fund
When Created	2002	2007
Legal Authorization	Constitutional	Statutory
Methods of Deposit	18% of Lottery Earnings	<ul style="list-style-type: none"> <li>•One-Time Corporate Kicker Credit</li> <li>•GF Ending Balance up to 1% of Prior Biennium Appropriations</li> </ul>
Methods of Withdrawal	3/5 Vote in each Chamber <b>and</b> <ul style="list-style-type: none"> <li>•Revenue Forecast down 2% from COS</li> <li>•Payroll Employment Down 2 Consecutive Quarters</li> <li>•Last Session Forecast shows 3% Decline in Revenue</li> <li>•Governor Declares Emergency</li> </ul>	<ul style="list-style-type: none"> <li>•Same as Education Stability Fund except no Governor Emergency declaration</li> <li>•Withdrawals cannot exceed 2/3 of Beginning Balance for any Biennium</li> </ul>
Repayment Provisions	None	None
Fund Size	5% of Prior Biennium Revenues	7.5% of Prior Biennium Appropriations

# Use of Oregon Reserve Funds

Fund	2007-09 Withdrawals	2009-11 Withdrawals	Projected 2011-13 Beginning Balance
Education Stability Fund (millions)	\$398.8	\$84.3	\$101.2
Rainy Day Fund (in millions)	0	\$340.7	\$10.5
Total (millions)	\$398.8	\$421.0	\$116.7
% of General Fund Revenue	3.4%	3.4%	0.8%*

\*% of 2011-13 Projected General Fund Revenue.

# Projected Reserve Fund Revenue

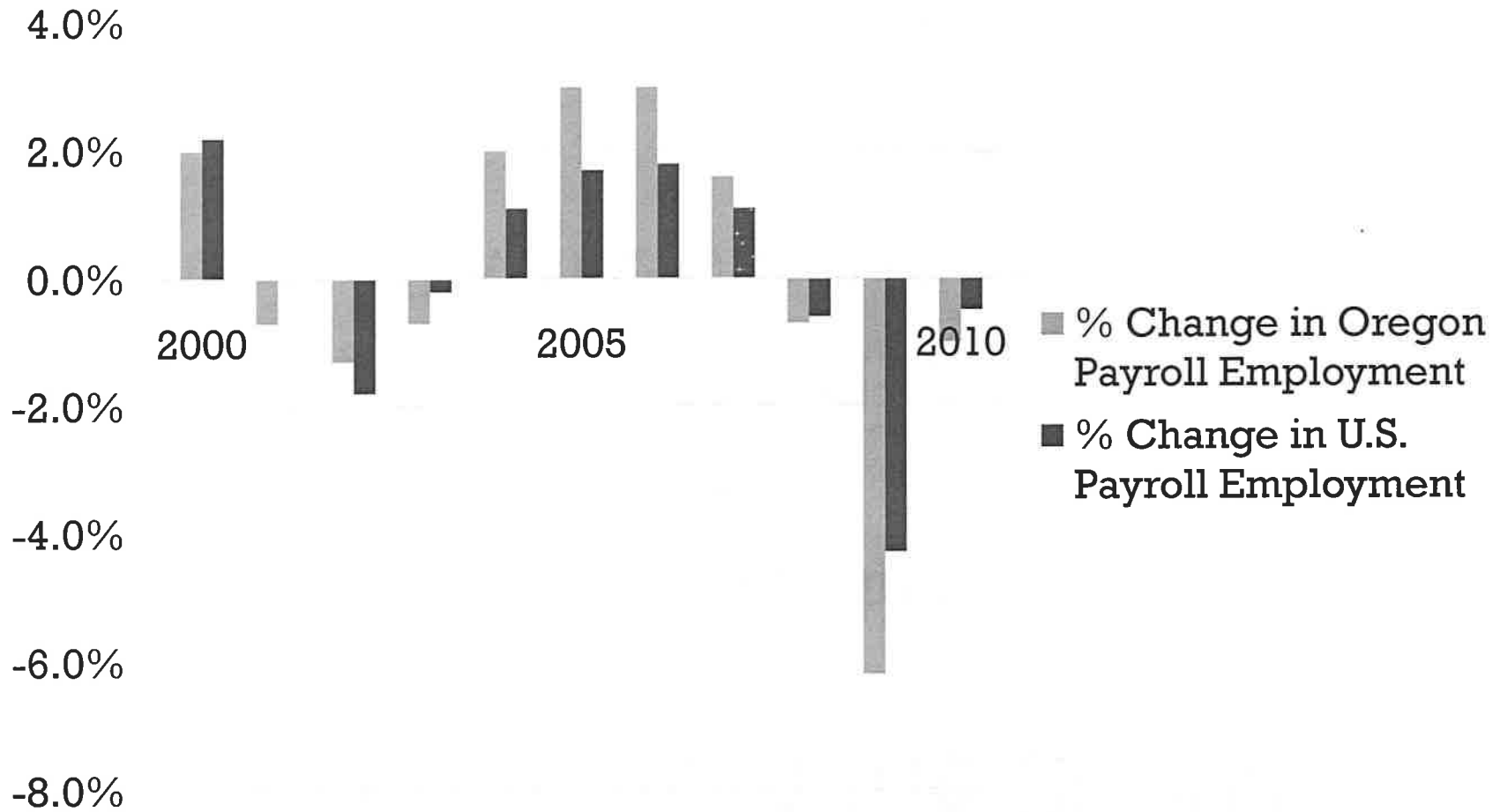
2011-13 Projected Revenue in Millions			
Fund	Education Stability Fund	Rainy Day Fund	Total Reserves
Beginning Balance	\$101.2	\$10.5	\$111.7
Deposits	\$191	\$65.2	\$256.2
Interest Earnings	\$0	\$2.7	\$2.7
Ending Balance	\$292.2	\$78.4	\$370.6

# Lessons from the 2000s

- Increasing Economic Volatility
- Slow Weak Recoveries
- Increasing Revenue Volatility
- Increasing Revenue Unpredictability

# Oregon & U.S. Employment: History & Forecast

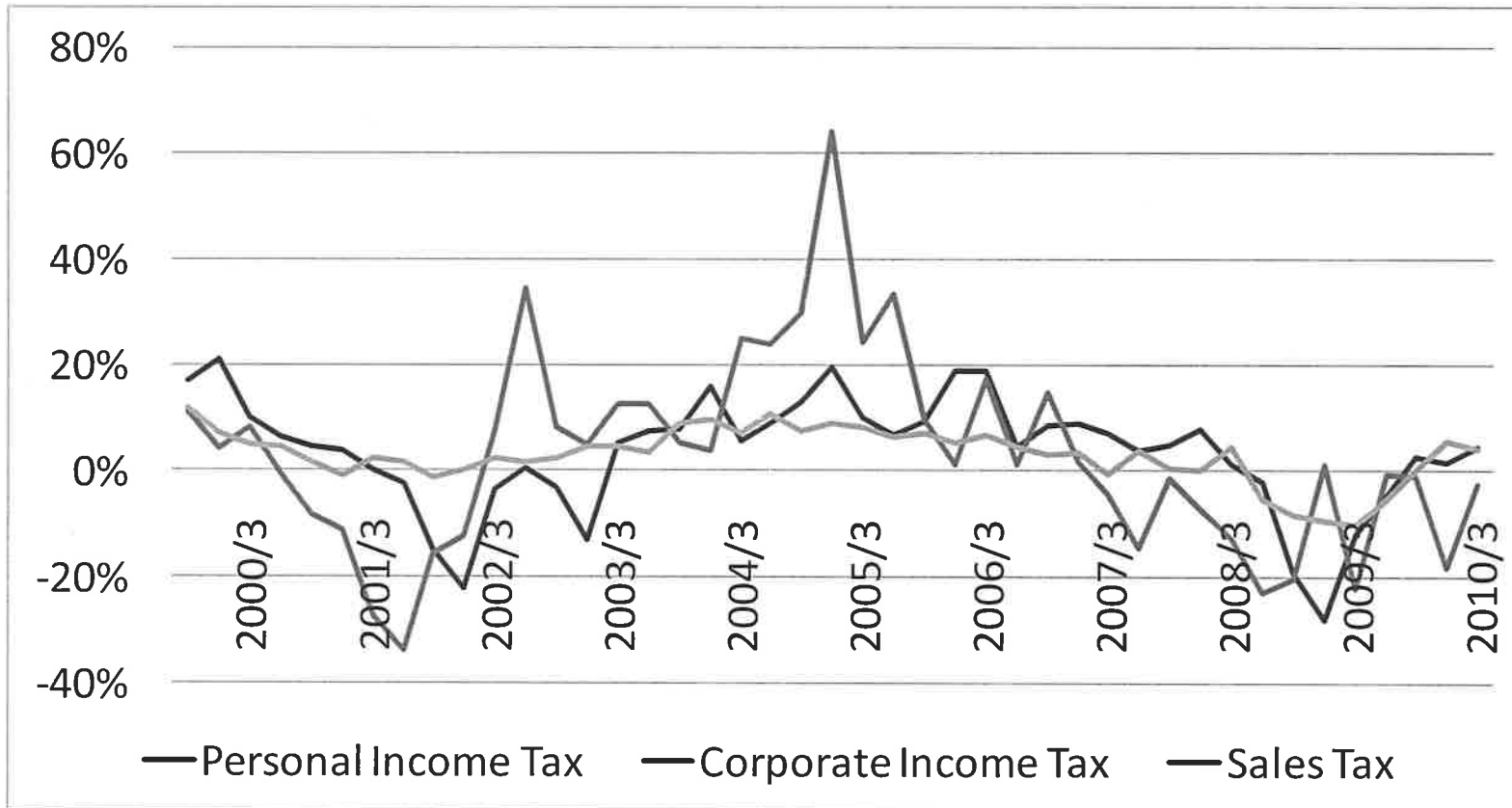
(% Annual Change)





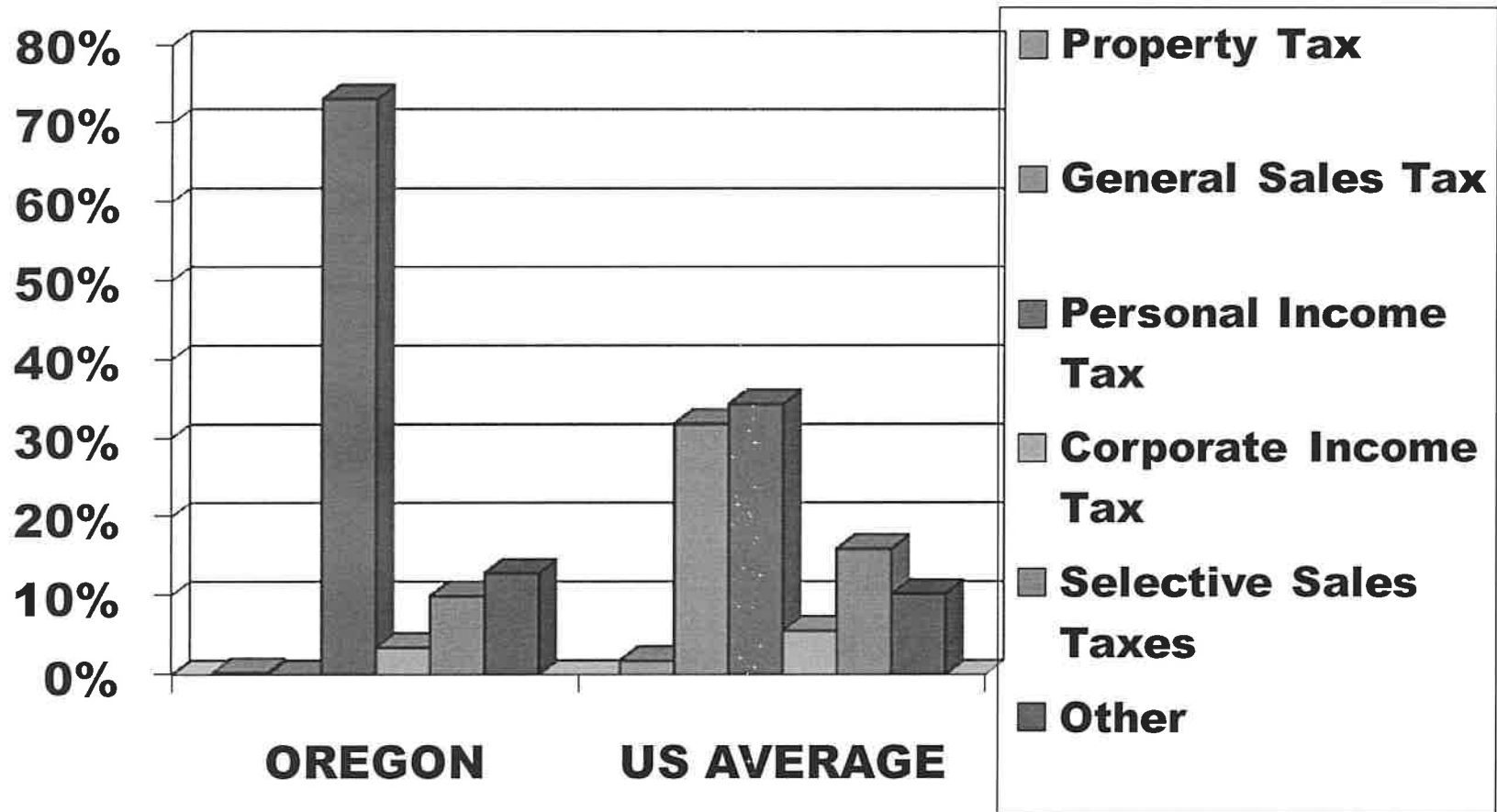
# National Data Confirms Volatility of Income Taxes

( quarterly percent change compared to prior year)



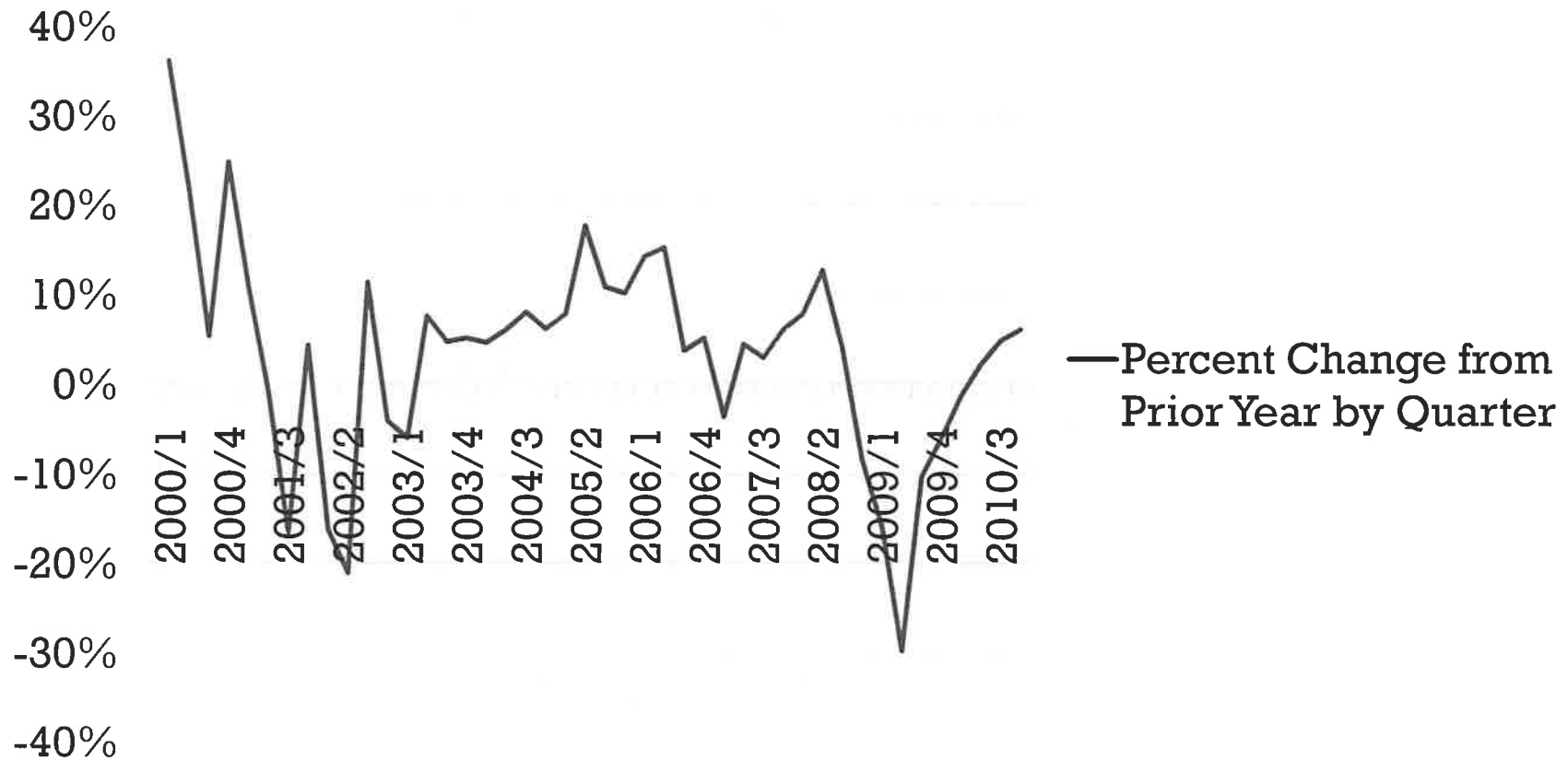
# State Taxes by Source

(Percent of State Tax Collections in Fiscal Year 2009)



# Oregon's Personal Income Tax Revenue

## Percent Change from Prior Year by Quarter



# Increasingly Unpredictable Revenue Stream

Biennium	Difference Between Actual and Forecast* Revenue (in millions)	% Difference Between Actual and Forecast* Revenue
2001-03	-\$1,689	-15.3%
2003-05	-301	-2.8%
2005-07	+1,415	+12.5%
2007-09	-\$1,264	-9.7%
2009-11	-\$1,150	-8.5%

\* Close of Session

# Reserve Fund Issues Going Forward

- Rebuilding Reserves
- Adequate Size of Reserves
- Future Role of Federal Fiscal Policy
- Ability to Distinguish Between Cyclical and Structural Revenue Trends