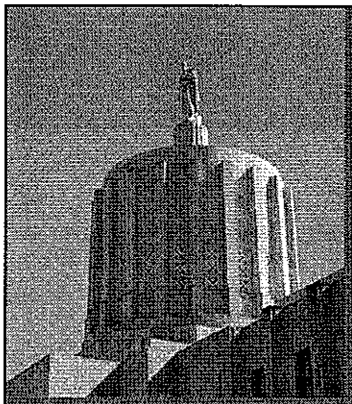
MEASURE: INFORMATIONAL
EXHIBIT: A
HOUSE REVENUE COMMITTEE
DATE: 5/12/2011 PAGES: 15
SUBMITTED BY: TOM POTIOWSKY



Oregon

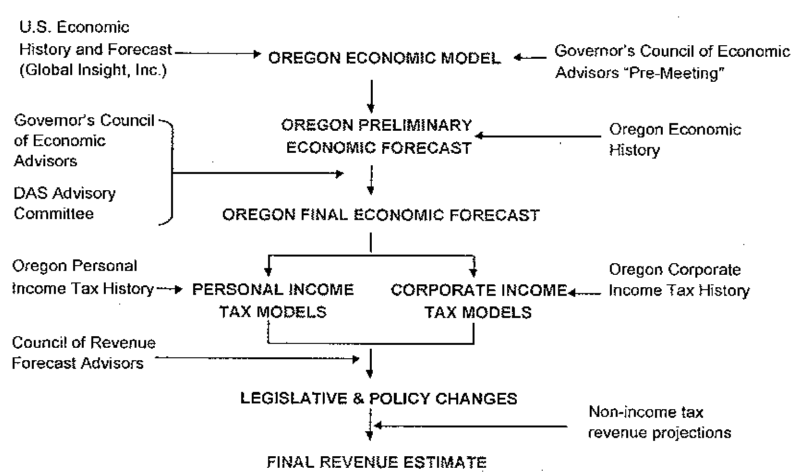
House & Senate Revenue Committees

Economic and Revenue Forecast May 2011

Presented by: Office of Economic Analysis

Date: May 12, 2011

Economic and Revenue Forecast



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Ever Changing Picture for the US Economy…

4 ■ BLUE CHIP ECONOMIC INDICATORS ■ APRIL 10, 2011

Previous Consensus Forecasts

	Consensus Forecasts For 2011	Real GDP Chained (2005$)	GDP Price Index	Nominal GDP (Cur. $)	Consumer Price Index	Indust. Prod. (Total)	Dis. Pers. Income (2005$)	Personal Cons. Exp. (2005$)	Non-Res. Fix. Inv. (2005$)	Corp. Profits (Cur. $)
	January 2010 Consensus	3.1	1.6	4.7	2.0	4.4	2.6	2.5	6.6	8.7
	February 2010 Consensus	3.1	1.6	4.7	2.0	4.3	2.6	2.6	6.7	8.8
	March 2010 Consensus	3.0	1.6	4.7	1.9	4.3	2.6	2.6	6.7	8.0
Average LT Growth →	April 2010 Consensus	3.1	1.5	4.6	1.9	4.5	2.6	2.6	6.8	8.0
	May 2010 Consensus	3.1	1.6	4.7	1.9	4.6	2.6	2.7	7.2	8.1
	June 2010 Consensus	3.1	1.5	4.6	1.7	4.5	2.6	2.7	7.4	7.4
	July 2010 Consensus	3.0	1.4	4.4	1.5	4.7	2.6	2.6	7.5	7.0
	August 2010 Consensus	2.8	1.4	4.3	1.5	4.4	2.5	2.5	8.0	6.9
	September 2010 Consensus	2.5	1.4	3.9	1.5	4.2	2.1	2.3	7.6	6.4
Soft Patch →	October 2010 Consensus	2.5	1.4	3.9	1.5	3.9	2.0	2.3	7.7	6.8
	November 2010 Consensus	2.5	1.5	4.0	1.5	3.8	1.9	2.4	8.4	6.3
	December 2010 Consensus	2.6	1.5	4.1	1.5	3.8	2.1	2.6	8.7	6.2
	January 2011 Consensus	3.1	1.5	4.6	1.7	4.2	2.7	3.1	9.1	5.7
Better Growth Data →	February 2011 Consensus	3.2	1.4	4.6	1.9	4.4	2.7	3.2	8.8	7.9
	March 2011 Consensus	3.1	1.6	4.7	2.2	4.5	2.6	3.1	8.6	7.5
"Headwinds" →	**April 2011 Consensus**	**2.9**	**1.7**	**4.6**	**2.7**	**4.8**	**2.5**	**2.8**	**8.4**	**7.5**
	Difference From Jan. 2010 Forecast	-0.2	0.1	-0.1	0.7	0.4	-0.1	0.3	1.8	-1.2
	Forecast High	3.2	1.7	4.7	2.7	4.6	2.7	3.2	9.1	8.8
	Forecast Low	2.5	1.4	3.9	1.5	3.8	1.9	2.3	6.6	5.7

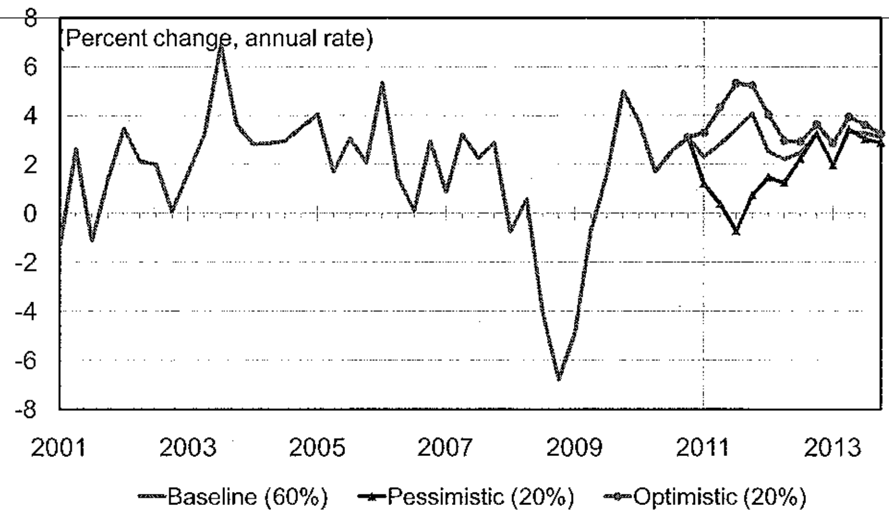
U.S. Economic Growth by Sector

(Percent change)	2009	2010	2011	2012	2013
Real GDP	-2.6	2.9	2.8	2.9	2.8
Consumption	-1.2	1.8	2.6	2.6	1.8
Residential Investment	-22.9	-3.0	-1.0	25.9	27.7
Bus. Fixed Investment	-17.1	5.7	9.0	7.7	5.4
Federal Government	5.7	4.8	-0.1	-3.3	-3.2
State & Local Govt.	-0.9	-1.4	-1.8	-1.0	0.7
Exports	-9.5	11.7	9.9	9.6	8.3
Imports	-13.9	12.6	5.8	6.8	3.8

Other Key U.S. Indicators

(Percent change unless noted)	2009	2010	2011	2012	2013
Industrial Production	-11.2	5.3	5.5	3.6	2.6
Payroll Employment	-4.4	-0.7	1.2	1.8	1.8
Light Vehicle Sales (Millions)	10.4	11.5	12.9	14.7	15.8
Housing Starts (Millions)	0.55	0.59	0.62	1.04	1.43
Consumer Price Index	-0.3	1.7	2.8	2.0	2.0
Core Consumption Deflator	1.7	1.0	1.4	1.8	1.9
Federal Funds Rate (%)	0.16	0.18	0.17	1.28	3.43
10-Year Treasury Yield (%)	3.26	3.21	3.56	3.85	4.66

Real GDP Growth in Alternative Scenarios



(65%) (15%) (20%)

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Bottom Line for US Economy

- With the final piece of the puzzle, job growth, now in place, the "recovery-recession" has transitioned into a self-sustaining expansion. Even so, the labor market will remain weak with unemployment averaging 8.8% in 2011.
- Profits remain widespread, and credit is now available for most large firms. However, housing markets and small banks continue to struggle, limiting the spending power of households and small businesses.
- Despite the run-up in energy and commodity prices, overall inflation remains in check due to a lack of growth in household buying power. With labor markets improving, the stage is set for carefully executed exit strategies to avoid inflation in the future.
- With broad-based job gains across industries, the private sector is now leading the expansion. In contrast, government fiscal and monetary policies will pose an increasing drag on growth in the coming months as federal policymakers pull back the stimulus from recent years, and state and local governments reduce their spending.

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Recent Oregon Economy Facts

- 10.0% unemployment rate for March 2011 (Mar US rate is 8.8%) is down from the highest rate of 11.6% in May and June 2009. The 2010 average was 10.8%.
- 7th fastest job growth at 1.72% for all states for Mar 2011 over Mar 2010.
- Total nonfarm employment increased 1.8% year-over-year for the 1st quarter of 2011. S.A. job gains in five consecutive months since Oct. 2010 (down in March). Total nonfarm up 27,200 since Sept 2010 with the private sector up 25,200.
- 3.3% personal income growth for 4th quarter of 2010 over 4th quarter of 2009. Annualized 4th quarter 2010 growth at 3.0%.
- Oregon exports increased 18.6% in 2010 compared to 2009. In total dollar value, 2010 was the second largest year for Oregon exports, trailing only 2008. Jan 2011 is up 2.6% Y/Y.

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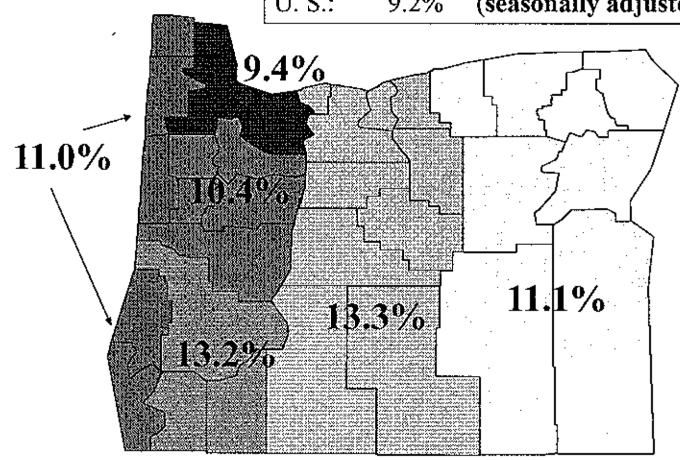
Unemployment Rate by Region, March 2011
(Not seasonally adjusted for counties)

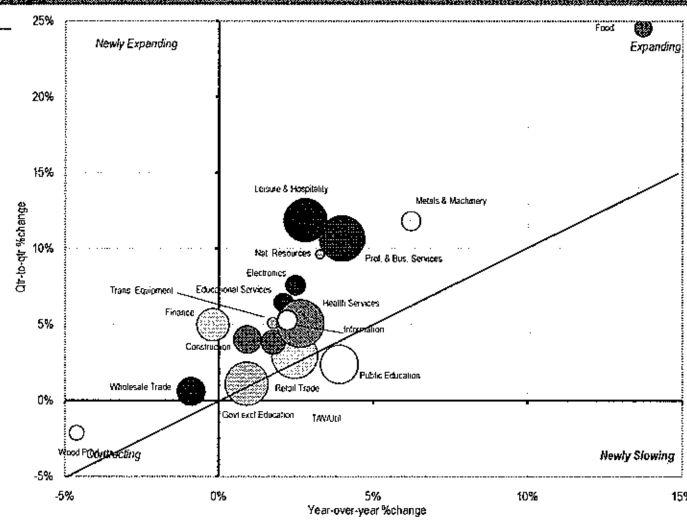
Oregon: 10.5% (seasonally adjusted: 10.0%)
U. S.: 9.2% (seasonally adjusted: 8.8%)



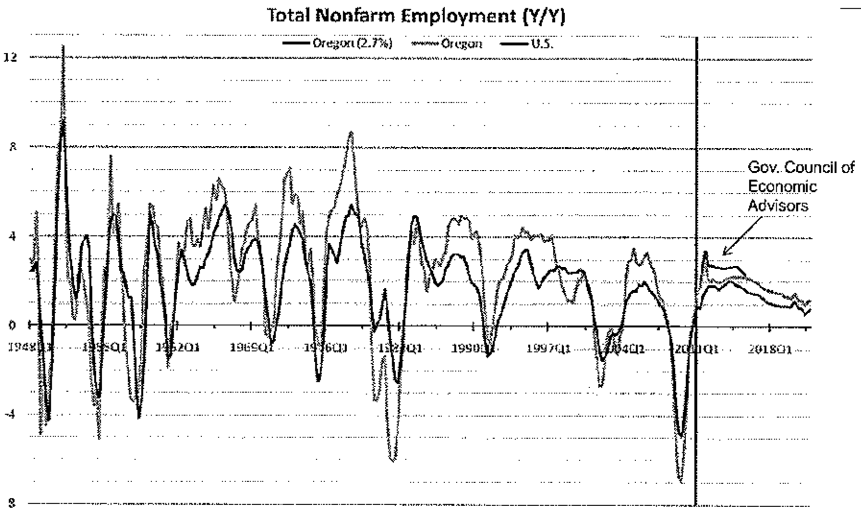
Source: Oregon Employment Department

Office of Economic Analysis

All Sectors Return to Growth 2011 Q1

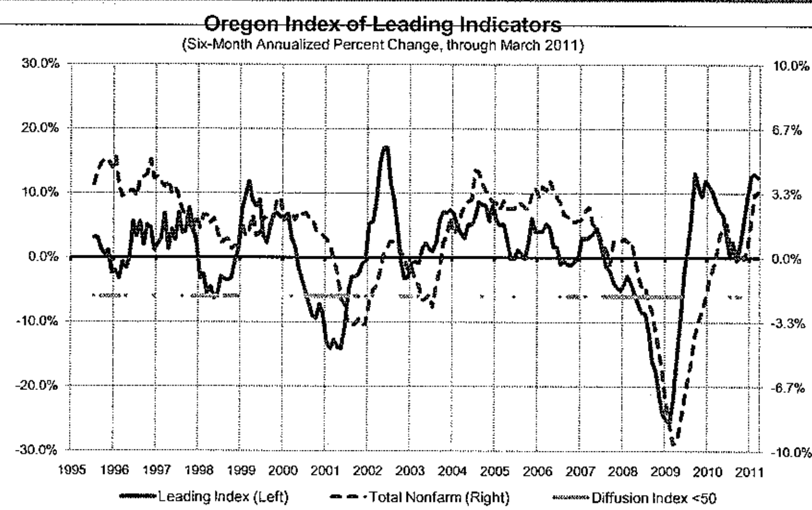


Volatile Employment



Leading Indicators

6 Month Diffusion Index: 72.7



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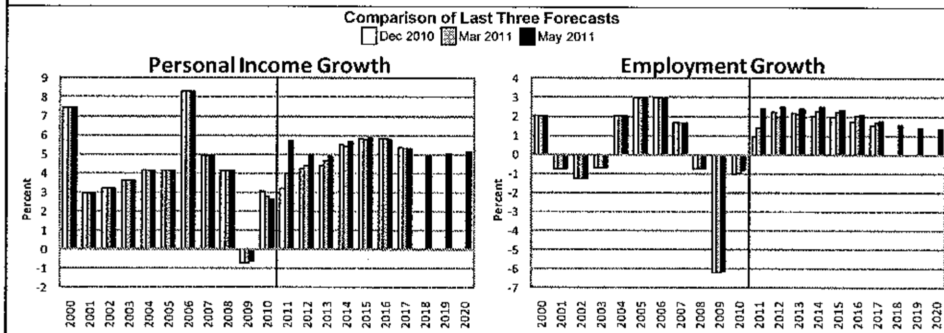
Forecast Comparisons



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Risks to the Forecast . . ?

Near term risks

- ❖ Natural Disaster in Japan
- ❖ European Sovereign Debt Issues
- ❖ Federal Deficit and Debt Ceiling Debates
- ❖ Exit Federal Reserve Policies
- ❖ Middle East Unrest and Oil Prices
- ❖ China's Economy and Currency Policies
- ❖ State and Local Governments

▲ **Upside**

- ▲ Financial markets return more quickly to normal
- ▲ Greater Business and Consumer optimism and spending
- ▲ More robust global growth

General Fund Revenues: Recent Performance

- **Revenue Recovery Is Under Way**
  - Strong gains in personal income tax collections fueled by both labor markets and equity markets
  - Corporate tax collections are decelerating rapidly in Oregon, and are falling outright in most other states
  - Video lottery revenues are growing slowly
  - Inheritance taxes have been very weak this year

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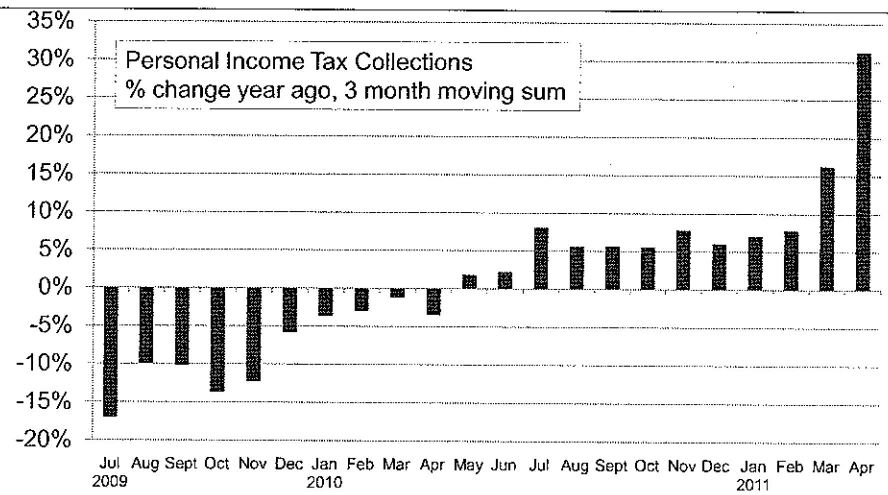
PIT Collections Bounce Back



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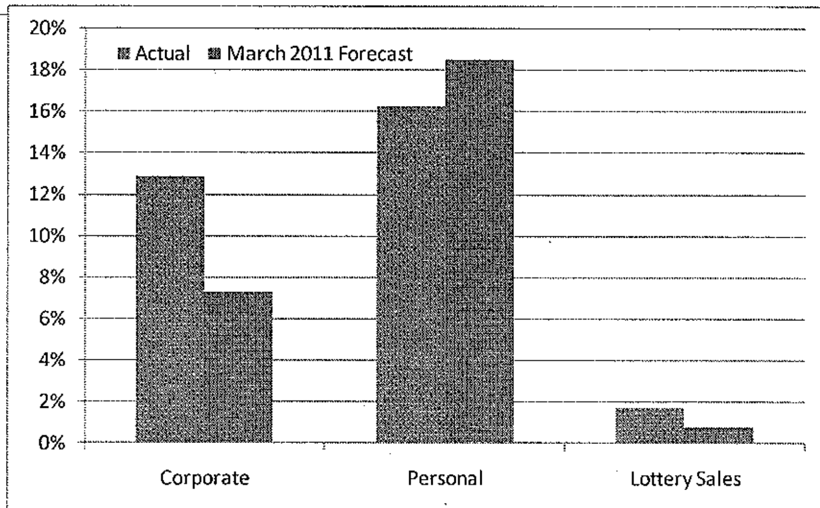
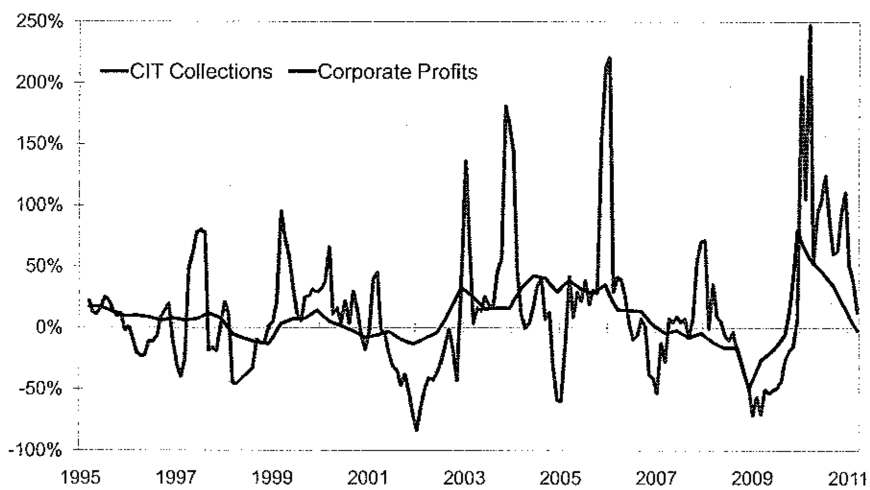
Revenue Growth Is a Mixed Bag

Jan-March Quarter, % change vs. year ago



The Party Is Over

Growth in Corporate Profits and Tax Collections, % change year ago, 3 month sum



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2011 Jan-March Revenue Tracking

	(thousands)	Forecast	Actual	Difference		Year ago	%change
Personal Income Tax	Withholding	$1,266,874	$1,262,781	-$4,093	-0.32%	$1,157,857	9.1%
	Estimated Payments	$226,287	$207,036	-$19,251	-8.51%	$186,894	10.8%
	Final Payments	$87,097	$114,877	$27,780	31.89%	$105,745	8.6%
	Refunds	-$406,246	-$432,478	-$26,231	6.46%	-$459,550	-5.9%
	Total	$1,174,012	$1,152,216	-$21,796	-1.86%	$990,947	16.3%
	(thousands)	Forecast	Actual	Difference		Year ago	%change
Corporate Income Tax	Advanced Payments	$64,258	$76,405	$12,147	18.90%	$66,451	15.0%
	Final Payments	$28,827	$35,770	$6,943	24.09%	$38,412	-6.9%
	Refunds	-$23,564	-$39,065	-$15,501	65.78%	-$40,080	-2.5%
	Total	$69,521	$73,111	$3,590	5.16%	$64,784	12.9%

2009-11 GF Revenue

2009-11 General Fund Forecast Summary

(Millions)	2009 COS Forecast	March 2011 Forecast	May 2011 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	$11,545.7	$10,458.2	$10,431.0	-$27.2	-$1,114.7
Corporate Income Tax	$831.6	$841.3	$842.1	$0.7	$10.4
All Other Revenues	$1,198.4	$1,130.0	$1,107.4	-$22.6	-$91.0
Gross GF Revenues	$13,575.7	$12,429.4	$12,380.4	-$49.0	-$1,195.3
Confidence Intervals					
67% Confidence	+/- 1.7%		$210.5	$12.17B to $12.59B	
95% Confidence	+/- 3.4%		$420.9	$11.96B to $12.80B	

Corporate Tax Kicker 2% Threshold = $16.6 million

2009-11 Resource Summary

COMBINED REVENUE	March 2011 Forecast	May 2011 Forecast	Difference
Beginning Balance	0.0	0.0	0.0
Personal Income Taxes	10,458	10,431	-27.2
Corporate Excise Taxes	841	842	0.7
Other	1,130	1,107	-22.6
TOTAL GF REVENUE	12,429	12,380	-49.0
Lottery Resources	1,087	1,089	1.4
Anticipated Administrative Actions	-15.7	-8.2	7.5
Legislatively Adopted Actions	123	123	0.0
TOTAL COMBINED RESOURCES	13,624	13,584	-40.2

Net Ending Balance: -$15.7

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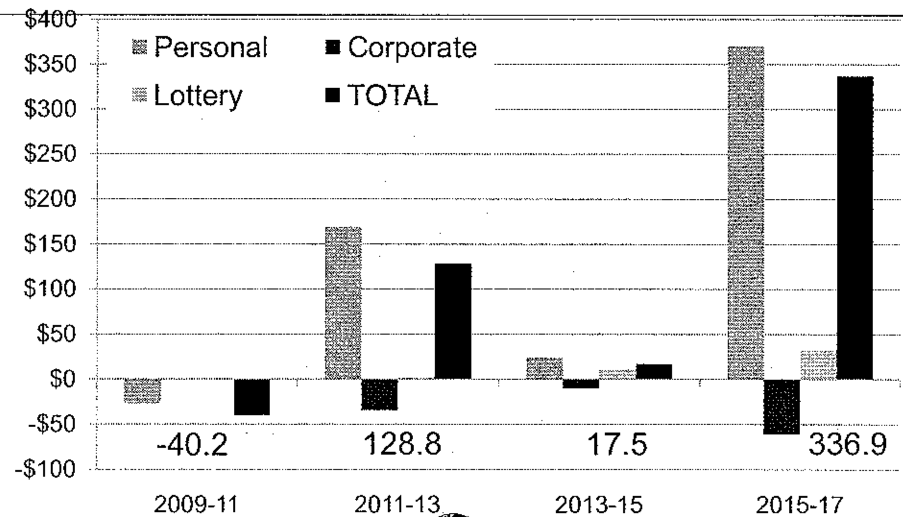
Forecast Changes

Difference from March forecast, millions



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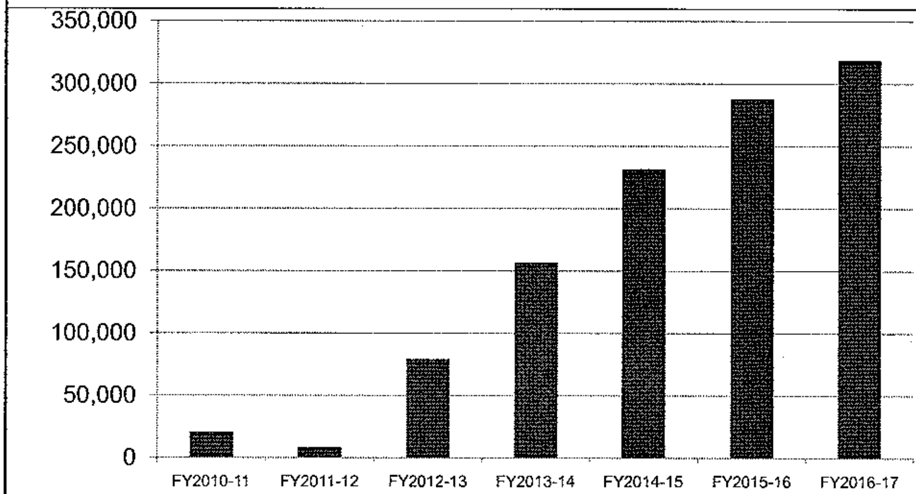
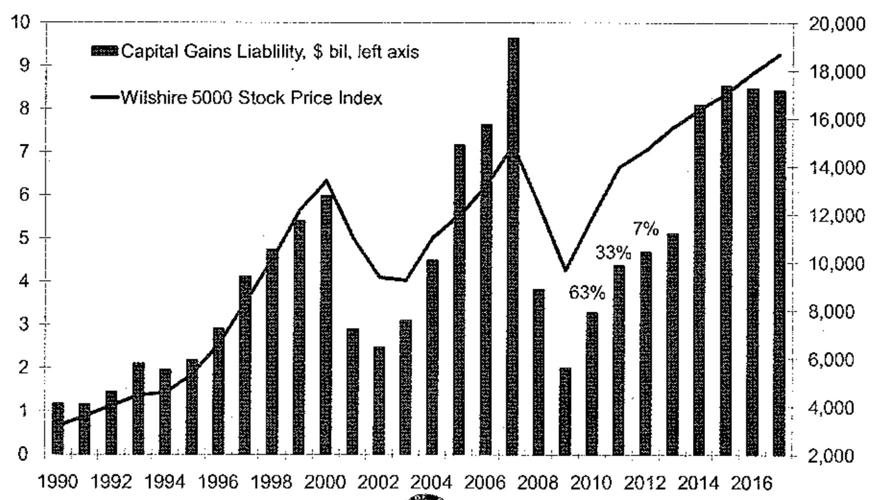
Jobs Are the Cure

PIT Withholdings: Difference from March Forecast, $millions

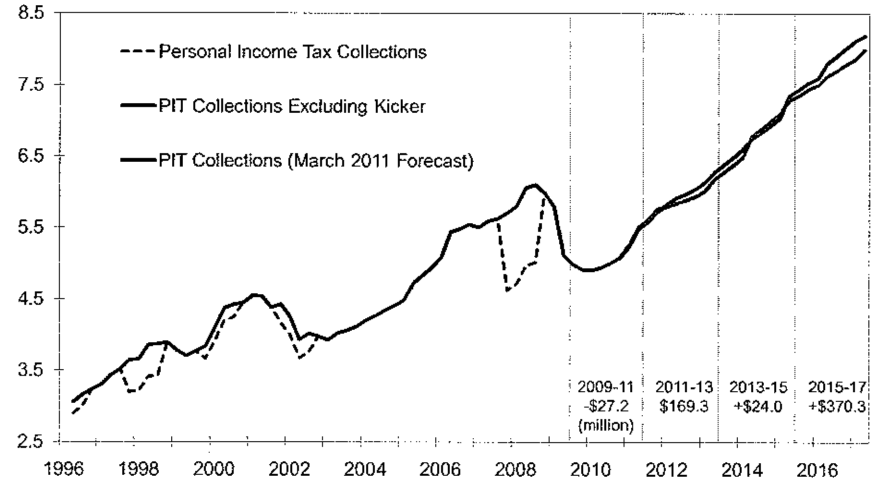


Capital Gains & Stock Prices



Personal Income Tax Forecast

$ billions, 4 quarter moving sum



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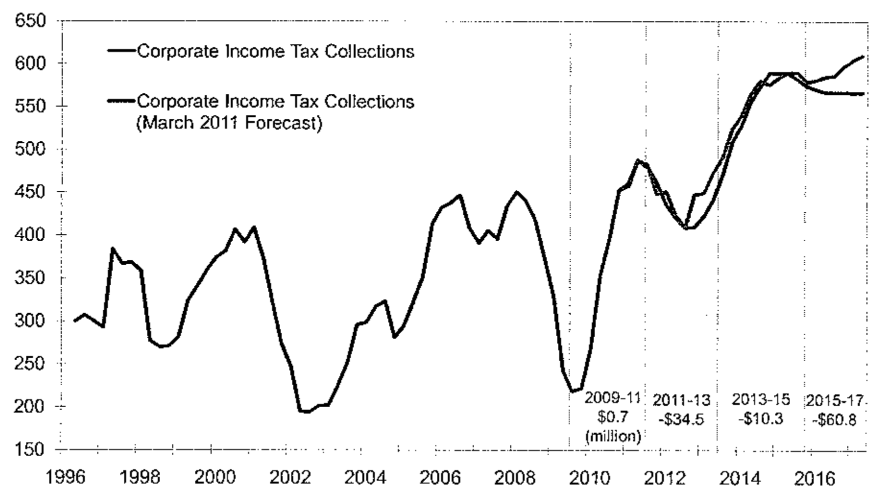
Corporate Income Tax Forecast

$ millions, 4 quarter moving sum



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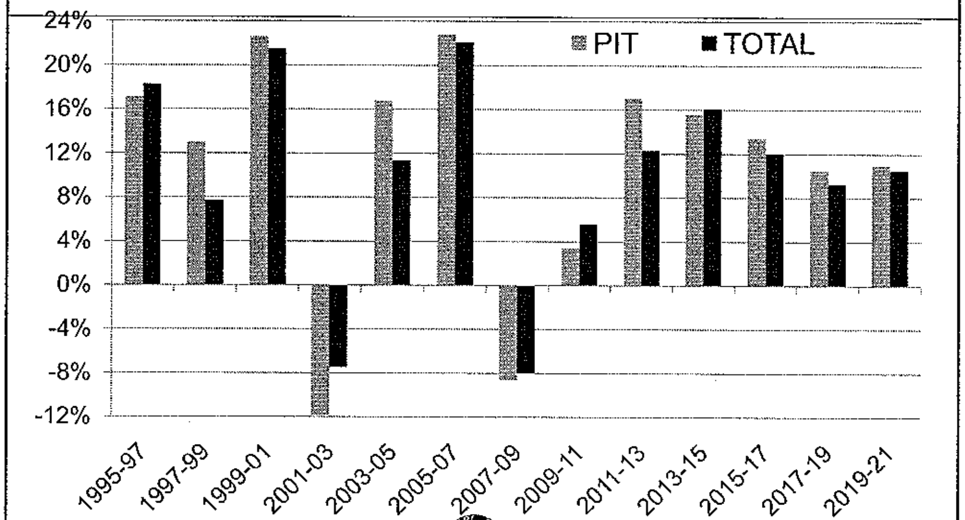
Biennial Revenue Growth



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Ten-Year Revenue Outlook

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

Revenue Source	Forecast 2009-11 Biennium	% Chg	Forecast 2011-13 Biennium	% Chg	Forecast 2013-15 Biennium	% Chg	Forecast 2015-17 Biennium	% Chg	Forecast 2017-19 Biennium	% Chg	Forecast 2019-21 Biennium	% Chg
Personal Income Taxes	10,431	3.4%	12,202	17.0%	14,102	15.6%	15,992	13.4%	17,677	10.5%	19,616	11.0%
Corporate Income Taxes	842	23.0%	863	2.5%	1,146	32.7%	1,135	-1.0%	1,139	0.4%	1,221	7.3%
All Others	1,107	16.7%	836	-24.5%	891	6.6%	944	6.0%	935	-1.0%	985	5.4%
Total General Fund	12,380	5.6%	13,901	12.3%	16,139	16.1%	18,071	12.0%	19,750	9.3%	21,822	10.5%
Kicker Distributions	-		-		-		-		-		-	
Total Revenue	12,380	-3.3%	13,901	12.3%	16,139	16.1%	18,071	12.0%	19,750	9.3%	21,822	10.5%

Amusement Device Tax.
Commercial Fish Licenses & Fees and Pari-mutual Receipts are included in Other Revenues

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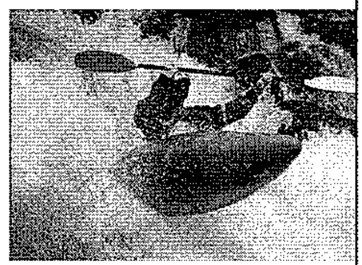
For More Information

Office of Economic Analysis
155 Cottage Street NE, U20
Salem, OR 97301-3966
(503) 378-3405



Email: oea.info@state.or.us

Website: http://oregon.gov/das/oea

Blog: http://oregoneconomicanalysis.wordpress.com/

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