

REVENUE: No Revenue Impact

FISCAL:

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: Paul Warner, Economist

Meeting Dates: 4/6/11

WHAT THE BILL DOES: Establishes method for allocating biennial projected General Fund revenue. Establishes growth index equal to the increase of projected General Fund revenue over prior biennium General Fund appropriations. Allocates revenue to General Fund spending up to growth rate in personal income in prior 2 years. Leaves un-appropriated forecasted amount of revenue above personal income growth up to 3% of prior biennium appropriation. Makes deposit in Emergency Reserve Fund (established in SJR 26-1) only if actual General Fund revenue equals or exceeds projection. Allocates ½ of amount of projected General Fund revenue in excess of personal income growth plus 3% of prior biennium appropriations to 1) reserve fund, 2) non-recurring expenditures or 3) debt retirement. Allocates other ½ of excess revenue to general purposes. Becomes effective with start of 2013-15 biennium. Takes effects only if SJR 26 is approved by voters.

ISSUES DISCUSSED:

- Entire stability package including SB 754 and SJR 26.
- Volatility of Oregon's revenue system.
- Need for adequate reserves.
- Historical growth rate for personal income in Oregon.

EFFECT OF COMMITTEE AMENDMENTS: -1 amendment replaces the bill.

BACKGROUND: The Legislature has established 2 reserve funds over the past decade. In 2002, voters approved a referral from the Legislature to create the Education Stability Fund in the state constitution. In 2007, the Legislature established the statutory Oregon Rainy Day Fund. The impact of the 2001 and the 2007-09 recessions have lead policy makers to search for ways to strengthen the state's reserve funds. SB 968 is part of package designed to achieve a more stable revenue and budgeting system.