

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Sixth Oregon Legislative
Assembly
2012 Regular Session
Legislative Revenue Office

Bill Number:	SJR 202
Revenue Area:	State Finance
Economist:	Paul Warner
Date:	2-10-12

**NOTICE OF INDETERMINATE
REVENUE IMPACT**

Impact Explanation: SJR 202 establishes a new constitutional revenue limit that replaces the existing 2% surplus kicker revenue limit. The existing 2% kicker limit reduced General Fund revenue by about 2.9% on average since it became law in 1979. The revenue impact of SJR 202 depends on the state's economic growth rate in the future. Simulations indicate that a sustained period of strong growth (such as the 1990s), would push the reserve fund over its cap and lead to revenue losses through returns to taxpayers. However, a more systematic business cycle, with economic downturns occurring every 5 to 6 years would lead to less revenue loss than occurs under the existing system because excess revenue would accumulate in the reserve fund and be dispersed during the economic downturns. Regardless of its net revenue impact, SJR 202 is almost certain to reduce the volatility of General Fund revenue and expenditures over time. Simulations indicate that General Fund revenue, including disbursements from the reserve fund, would demonstrate considerably less variability than the current kicker based system. A simulation based on history and projections shows that the standard deviation for General Fund expenditures would drop from 7.4% to 4.3% while the average biennial growth in spending would remain roughly the same.

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

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

**76TH OREGON LEGISLATIVE ASSEMBLY
2012 Regular Session
STAFF MEASURE SUMMARY
SENATE FINANCE AND REVENUE COMMITTEE**

**MEASURE: SJR 202
CARRIER:**

**REVENUE: Indeterminate Revenue Impact
FISCAL:**

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: Warner, Economist

Meeting Dates: February 10, 2012

WHAT THE BILL DOES: Establishes new constitutional revenue limit replacing 2% surplus kicker limit (Section 14, Article IX). Any excess revenue as determined by the difference in General Fund revenue growth (the growth index) and average growth in personal income (the personal income growth index) is to be deposited in the Emergency Reserve Fund, also established in SJR 202. Withdrawals cannot be made from the Emergency Reserve Fund unless certain criteria are met and a 3/5 vote is attained in both chambers. The criteria for making withdrawals from the Emergency Reserve Fund is identical to those for the existing constitutional Education Stability Fund. Under the measure, the excess revenue calculation is made following each biennium. If the Emergency Reserve Fund balance exceeds 12% of General Fund revenue in the prior biennium, excess revenue is returned to taxpayers in a manner determined by law.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENTS:

BACKGROUND: In 1979 the Legislature established the 2% surplus kicker as part of a statutory fiscal package which also included a General Fund spending limit and a major property tax relief program. In 1999, the Legislature referred much of the statutory language used to calculate the 2% kicker to voters as a constitutional amendment. Voters approved in the 2000 election.

During this period Oregon's General Fund revenue, dominated by income tax revenue, has demonstrated considerable volatility; growing rapidly in the 1990's and declining sharply in the 2001 and the 2007-09 recessions. Despite the creation of two reserve funds over the past decade, the state continues to experience wide fluctuations in General Fund resources.

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Salem, OR 97301-1347**

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