

LEGISLATIVE REVENUE OFFICER

Legislative Revenue Office (LRO) provides staff assistance to the House and Senate Revenue Committees during legislative sessions and to interim revenue committees, task forces, and work groups between sessions. The Office was established in 1975 to provide non-partisan analysis of tax and school-finance issues. The Office prepares research reports and writes revenue impact statements on initiatives, proposed legislation affecting state or local public finance, personal and corporate income taxes, property taxes, consumption taxes, school finance, and distribution of the State School Fund.

LEGISLATIVE REVENUE OFFICER	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	1,977,774	1,996,569	2,372,109	2,318,123	0	18.8%
TOTAL FUNDS	\$1,977,774	\$1,996,569	\$2,372,109	\$2,318,123	\$0	18.8%
Positions	7	7	7	7	0	0.0%
FTE	7.00	7.00	7.00	7.00	0.00	0.0%

Major Revenues	Budget Environment	Comparison by Fund Type										
<ul style="list-style-type: none"> General Fund supports 100% of LRO expenditures. 	<ul style="list-style-type: none"> Budget request is Current Service Level. LRO has requested enhancements (not included in the budget) to address issues that have occurred due to budget reductions over the last three biennia. See attached. 	<p>LEGISLATIVE REVENUE OFFICER</p> <table border="1"> <caption>Revenue Data from Chart</caption> <thead> <tr> <th>Year</th> <th>Revenue (Millions of Dollars)</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$2.0</td> </tr> <tr> <td>2011-13</td> <td>\$2.0</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$2.4</td> </tr> <tr> <td>2013-15 GB</td> <td>\$2.3</td> </tr> </tbody> </table>	Year	Revenue (Millions of Dollars)	2009-11	\$2.0	2011-13	\$2.0	2013-15 CSL	\$2.4	2013-15 GB	\$2.3
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MAJOR CHALLENGES AND DECISION POINTS

1. Funding Levels for 2013-15.

Potential 2013-15 Enhancements
Legislative Revenue Office
June 15, 2012

Upgrade and Update the Oregon Tax Incidence Model (OTIM)

Description: OTIM is a computable general equilibrium model of the state economy. It was designed to analyze how major tax proposals affect the Oregon economy and the distribution of the tax burden over the long run. It was funded by the 1999 Legislature and constructed with assistance from Oregon State University, the Oregon Department of Revenue and the California Department of Finance. With the exception of a 2006 update and recalibration of certain key relationships, the model remains largely intact in its original form (completed in 2001). The model has been used extensively to analyze proposed major tax changes and tax reform plans. For example, LRO employed the model extensively when staffing the 2008 Comprehensive Revenue Restructuring Task Force.

Solution: Updating the data base and re-evaluating the model's key parameters based on the most recent economic research would improve the accuracy of the models' output and improve the credibility of the analysis resulting from the model's use.

Estimated Costs:

- IMPLAN data base for state: \$2,000
- Upgrade GAMS software that runs model: \$5,200
- Acquire additional GAMS license for more extensive office use of model: \$4,600
- Personal services contract to provide expertise on model parameters: \$10,000
- Additional S&S: \$3,200
- Total for OTIM upgrade and update: \$25,000

Establish Independent Economic Impact Analysis Capacity

Description: LRO is often asked by leadership, caucus offices and individual members to calculate economic impacts of proposed policy changes such as state funded construction projects. Currently we work with state agencies to piece together estimates but we do not have independent capacity to produce this type of analysis. The appropriate modeling technique for these types of questions is partial equilibrium analysis that focuses on a particular policy or expenditure and its effects on the economy. OTIM is more appropriate for analyzing major structural changes to the economy resulting from major policy shifts such as tax reform.

Solution: Acquire software and economic impact model from REMI and Associates. This regional model is the most extensively used by states for impact analysis. It is widely known and respected. REMI provides a 70 sector model of the state economy that is maintained and updated on an annual basis. The LRO economists would use the model as a platform for analyzing and quickly turning around questions on economic impacts that are short run in nature such as highway construction. The model would also be useful in examining certain tax credits (such as the parts of the business energy tax credit or the biomass credit).

Estimated Costs:

Model Acquisition with analytical support: \$46,000

Annual model maintenance: \$10,500

Training and S&S: \$2,000

Total in 2013-15 biennium: \$48,000

Total in future biennia: \$23,000

Partial Restoration of Service and Supply Budget

Description: Since nearly 90% of the LRO budget is personnel costs, the reductions of the past 2 biennia have fallen disproportionately on the services and supplies portion of the budget. The result is that little funding has been available for maintaining statistical analysis software, training and professional travel. We have continued to employ college interns but have not been able to pay them. This has resulted in uneven levels of commitment from the interns. Restoration of a nominal payment to these students would increase their productivity and value to us.

Solution: Update the existing license and acquire another license of SAS software and acquire updated version of E-Views software (used for time series analysis) to improve statistical analysis capability. Restore other portions of S&S budget to allow for training and some travel.

Estimated Costs:

Renew existing SAS license: \$3,500

Purchase additional SAS license: \$3,500

Purchase updated version of E-Views: \$7,000

Additional S&S to restore training, travel and funding for interns: \$13,000

Total for restoration of S&S budget: \$27,000

Estimated Total 2013-15 Cost of Proposed Enhancements:

Update and upgrade OTIM: \$25,000

Establish independent economic impact analysis capacity: \$48,000

Partial restoration of service and supply budget: \$27,000

Total 2013 estimated cost for enhancements: \$100,000