

STATE OF OREGON

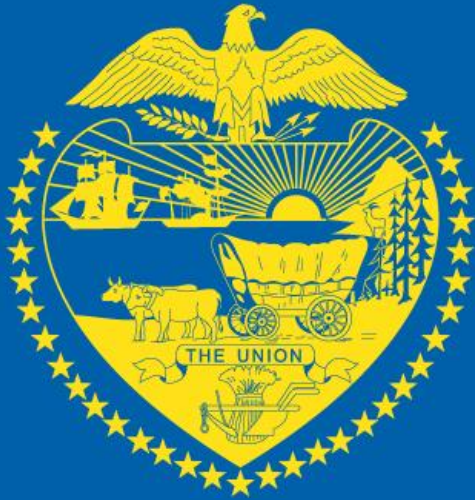
Economic and Revenue Outlook: March 2015

February 19th, 2015

Oregon Office of Economic Analysis

Mark McMullen

Josh Lehner



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Office of Economic Analysis

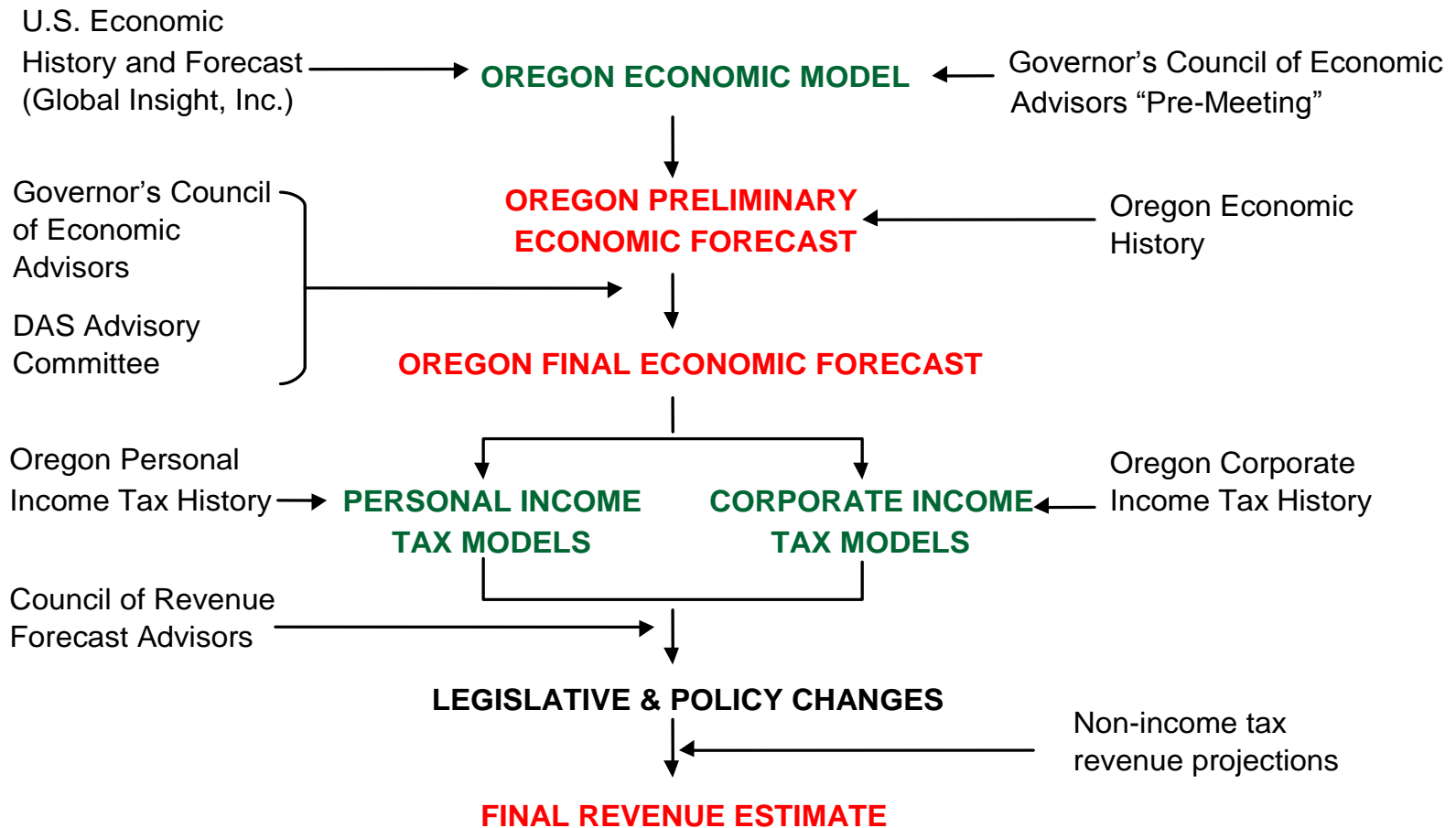


OEA: Primary Forecasting Responsibilities

- Economic and Revenue Forecast
 - Quarterly by Statute (March, May/June, Sept, December)
 - Next Forecast: Thursday, May 14th
- Demographic and Population Outlook (Jan)
- Adult Prison Population and Youth Authority
 - April, October
- Lottery Forecast (Quarterly)
- Other Forecasts: Cigarette and Tobacco, Criminal Fines and Court Fees, Secretary of State Fees, Other Funds Report
- Highway Cost Allocation Study, DHS Forecast Advisory



Economic and Revenue Forecast





Guiding Principles

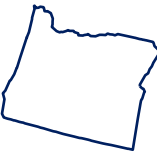
- Current-law GF forecast, updated quarterly.
- Unbiased, most-likely forecast given prevailing economic conditions and assumptions.
- Stability of forecast over time.
- Continue to refine models, develop new data sources, employ expert input to improve forecast accuracy.
- For every forecast, provide users with a measure of the potential for actual revenues to deviate from projections.

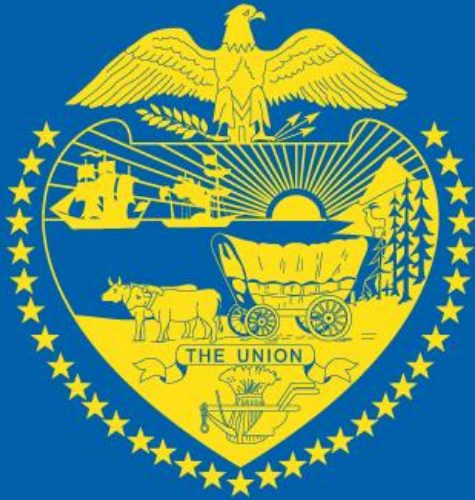




Close of Session of Forecast

- COS forecast for the upcoming biennium is the mid-May forecast plus legislative changes during the remainder of session.
- Usually released with the September forecast in odd-numbered years.
- COS forecast used for budgeting the upcoming biennium and is the base for kicker calculations.





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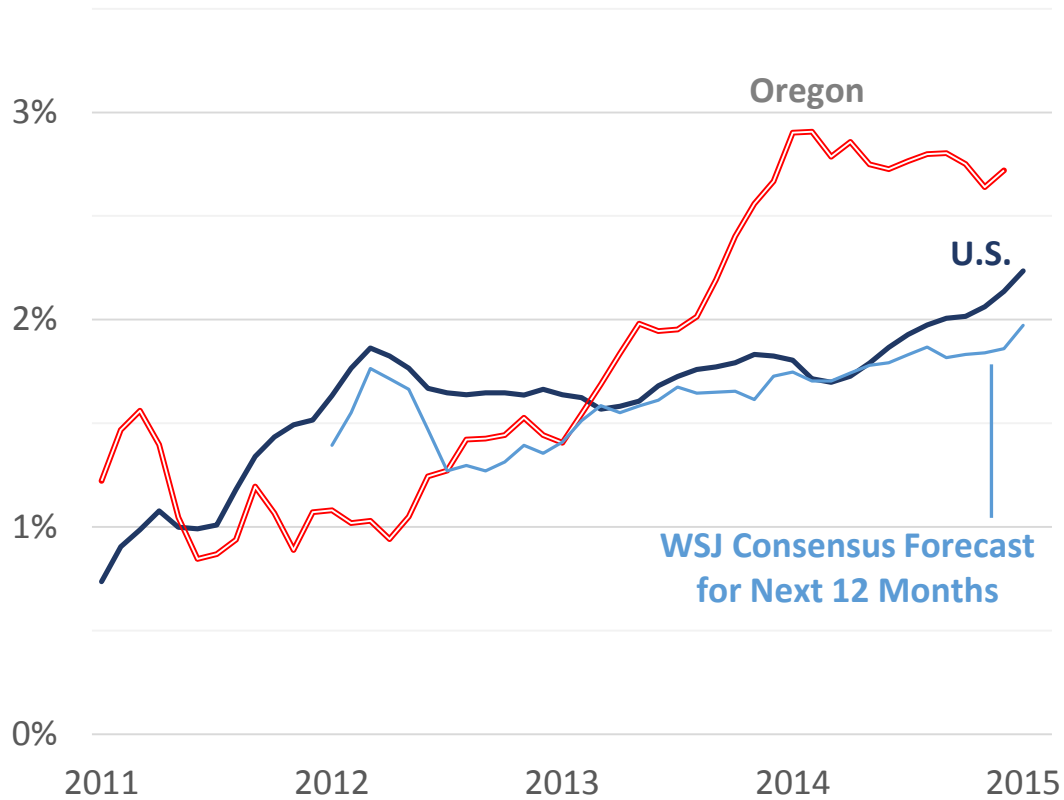
Economic Outlook



U.S. Growth Picking Up

Job Growth

Year-over-Year Percent Change, 3 MMA



Source: BLS, Wall Street Journal, OED, Oregon Office of Economic Analysis



Energy Prices as Stimulus

Energy Expenditures

Share of Disposable Personal Income

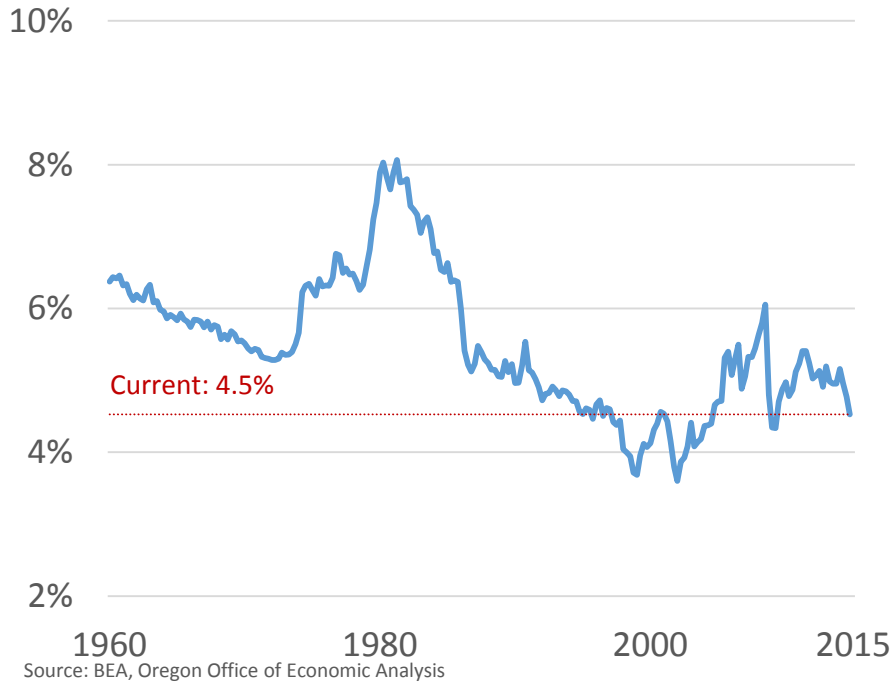
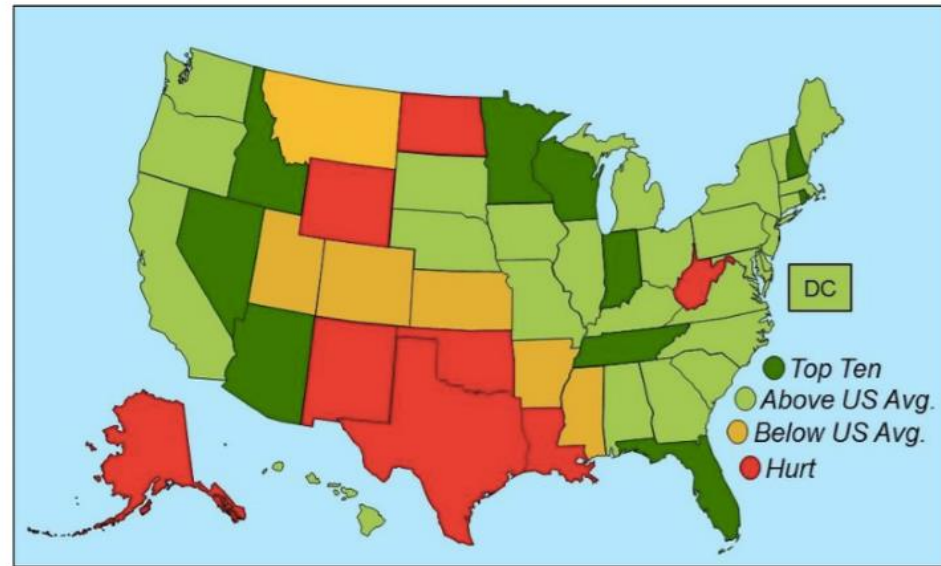


Figure 3. Lower Oil Prices Will Boost Economic Activity in 42 States

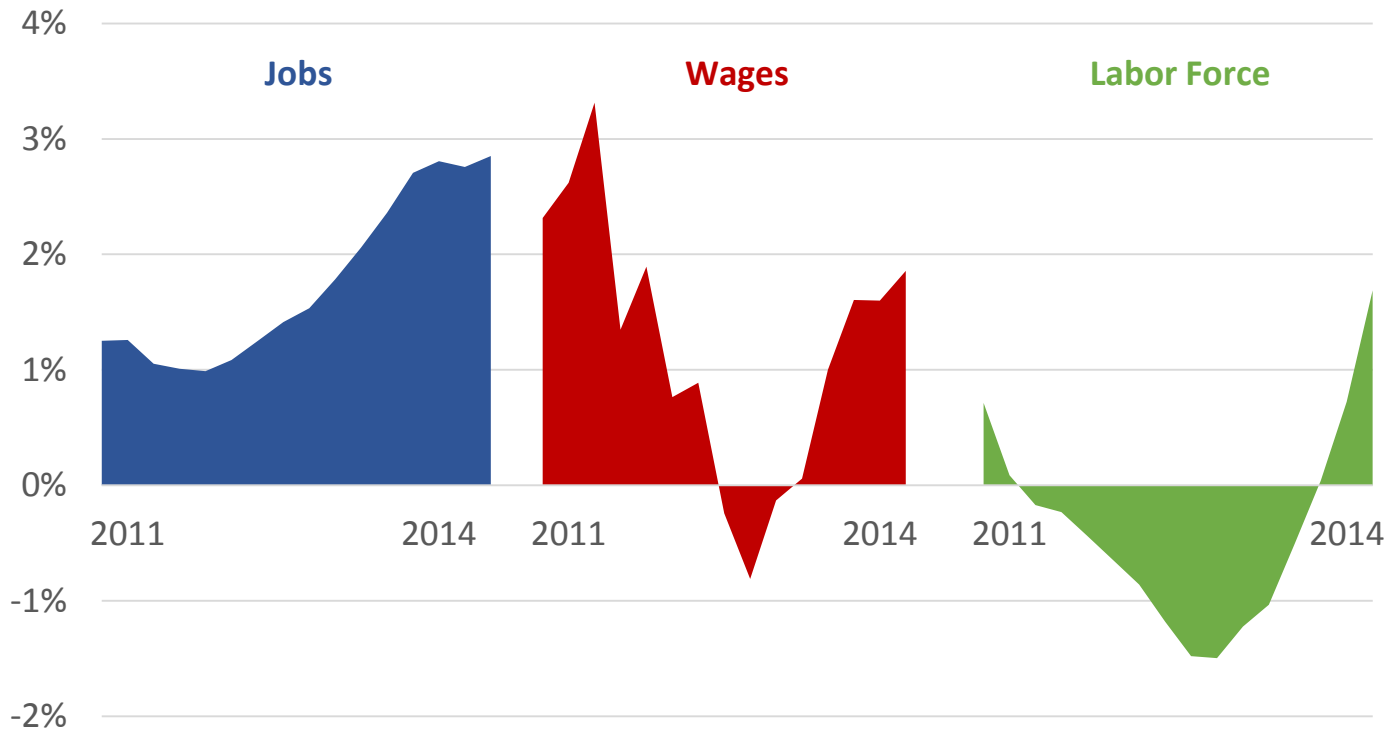


Source: Based on Brown Yücel (2013).



Oregon's Deeper Labor Market Recovery

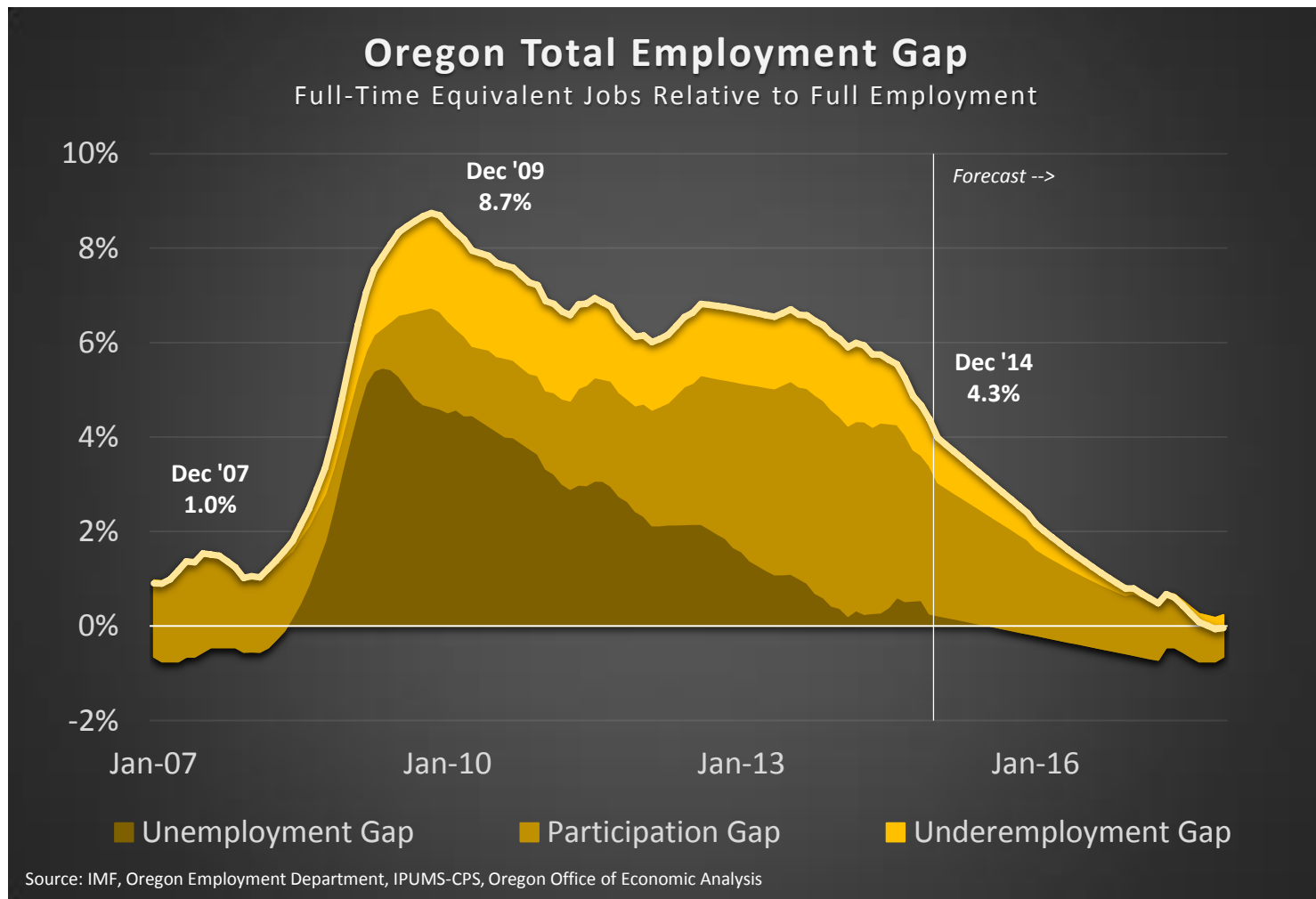
Returning to Normal Oregon Labor Market Dynamics



Year-over-Year change, 6 month average. Wages are inflation-adjusted average QCEW wages.
Source: BEA, OED, Oregon Office of Economic Analysis



Total Employment Gap: Oregon is Halfway Back

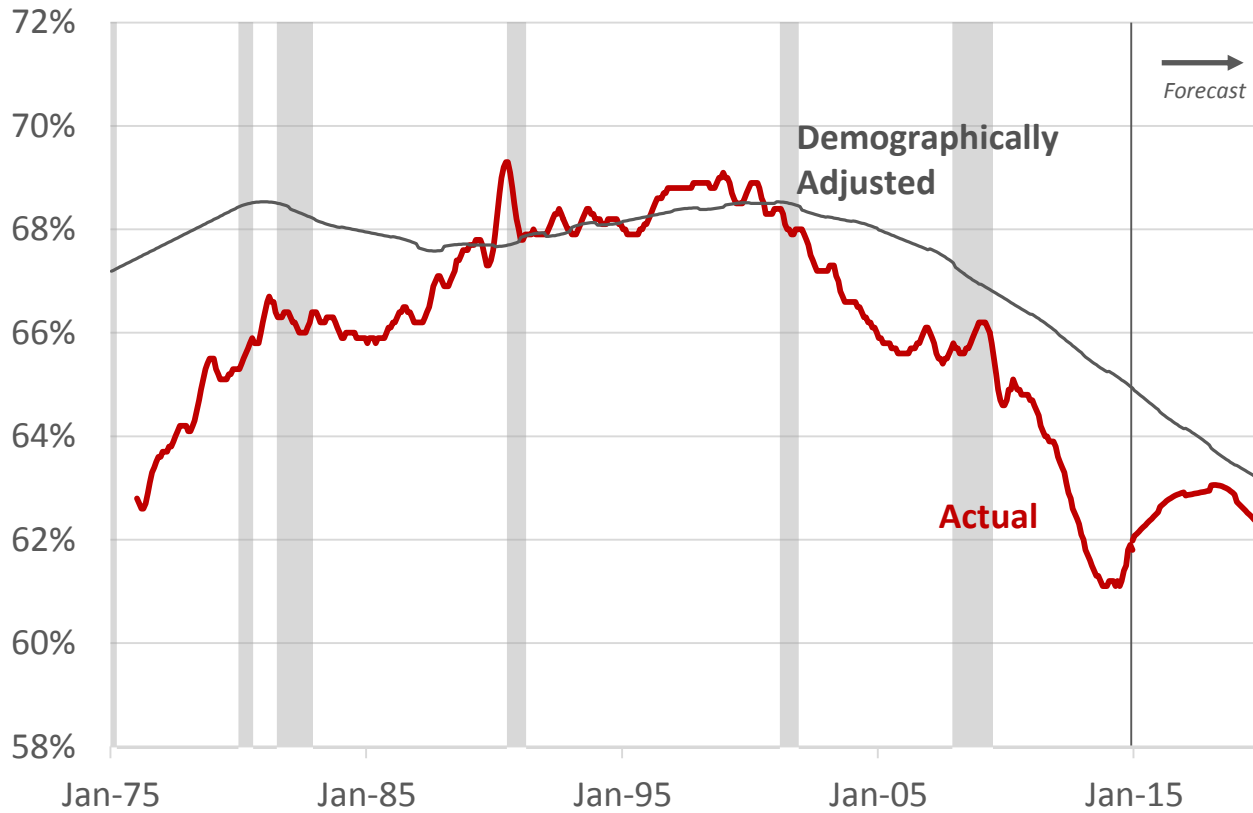




Participation Rates Down

Oregon Labor Force Participation Rate

Share of Population 16+ with a Job or Looking for a Job

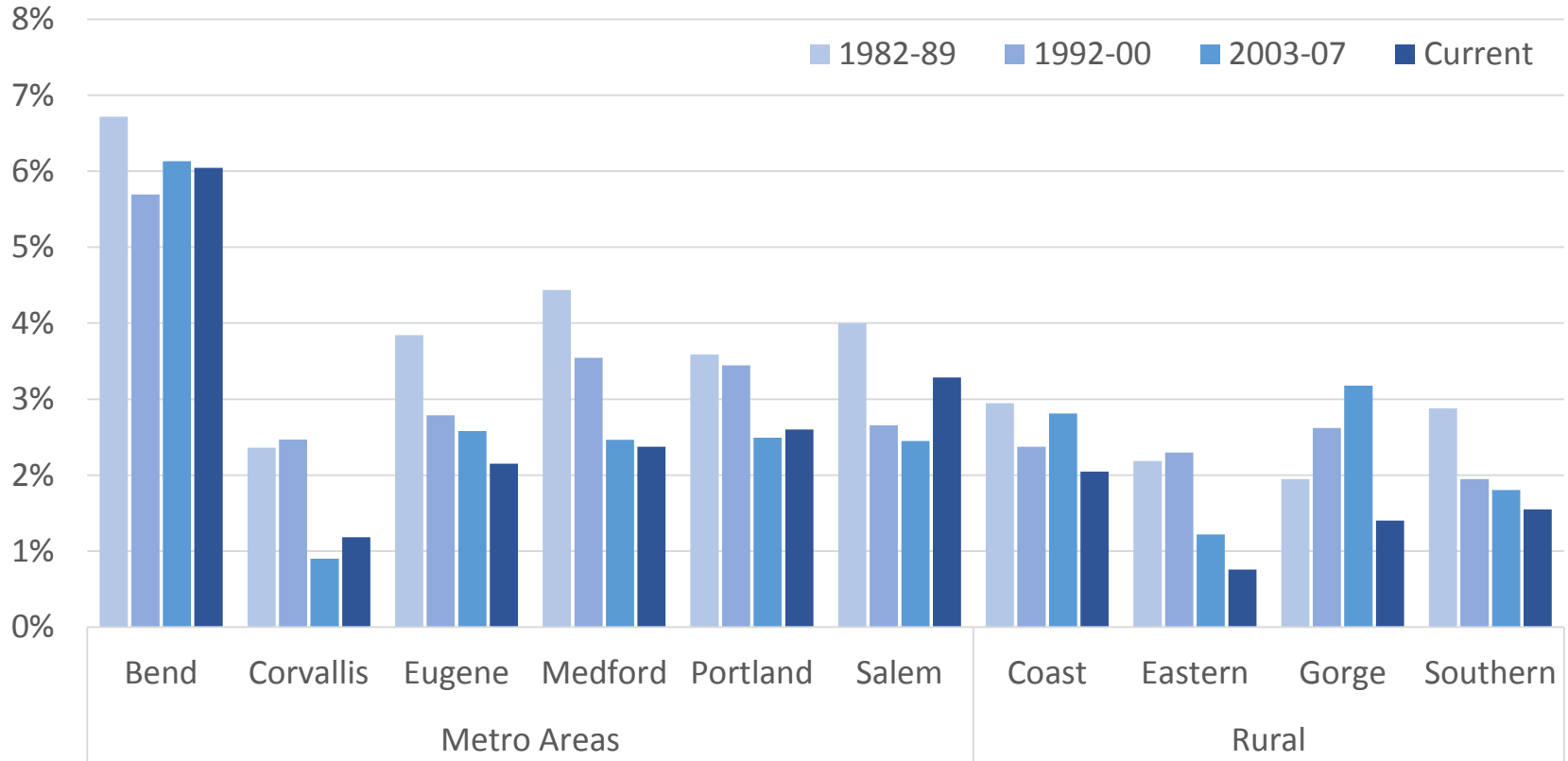


Source: BLS, Oregon Office of Economic Analysis



Regional Performance Varies

Oregon Employment Growth

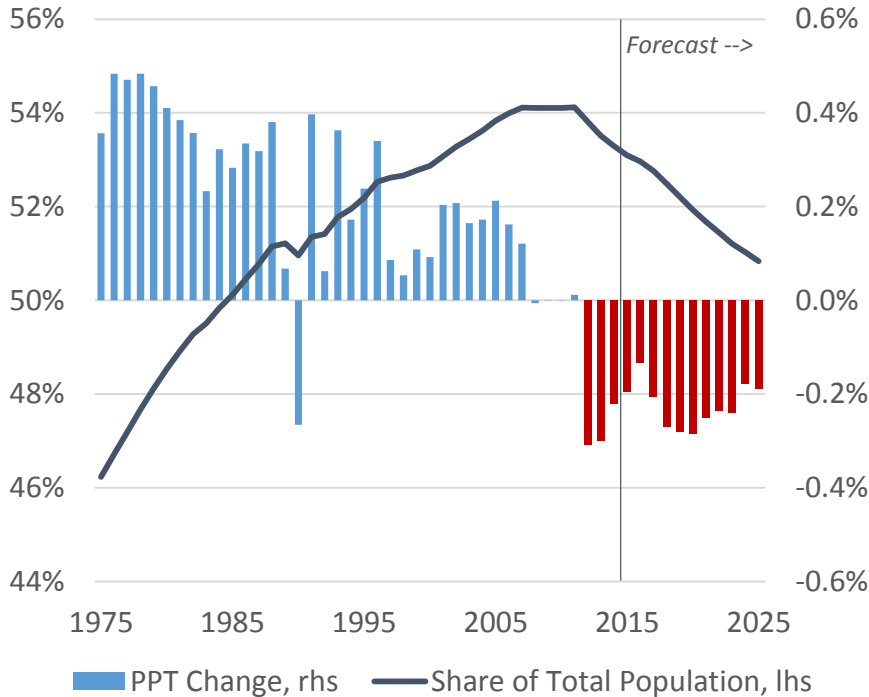


Coast: Clatsop, Lincoln, Tillamook Eastern: Baker, Crook, Grant, Harney, Jefferson, Malheur, Morrow, Umatilla, Union, Wallowa
 Gorge: Gilliam, Hood River, Sherman, Wasco, Wheeler Southern: Coos, Curry, Douglas, Josephine, Klamath, Lake
 Data: QCEW | Source: Oregon Employment Department, Oregon Office of Economic Analysis



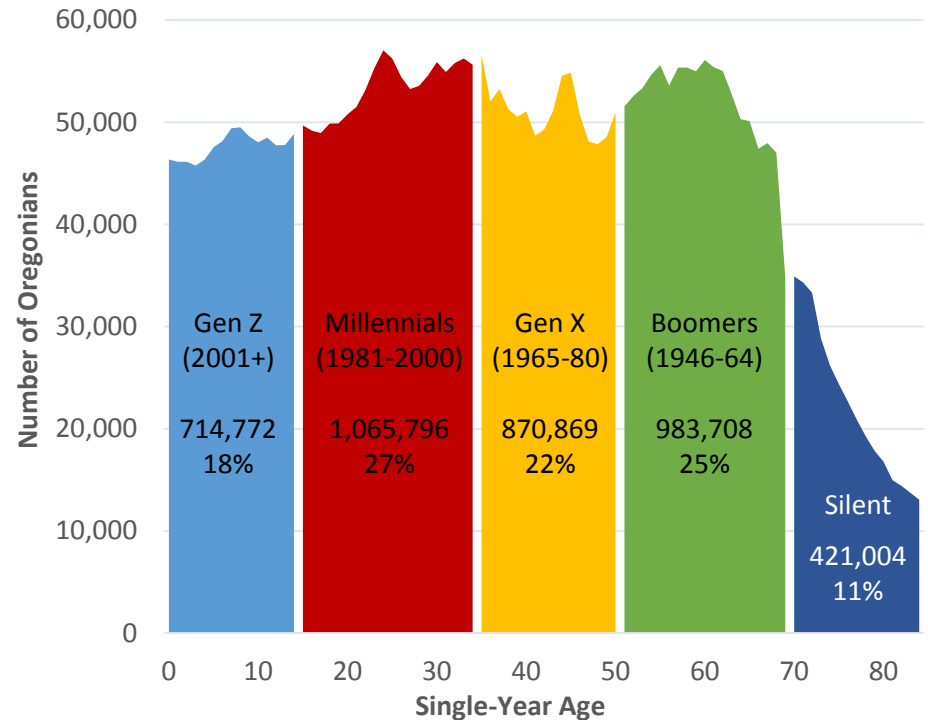
Demographics are a Mixed Bag

Oregon Working Age Population 25-64 Years Old



Source: Oregon Office of Economic Analysis

Oregon Population by Age, 2015

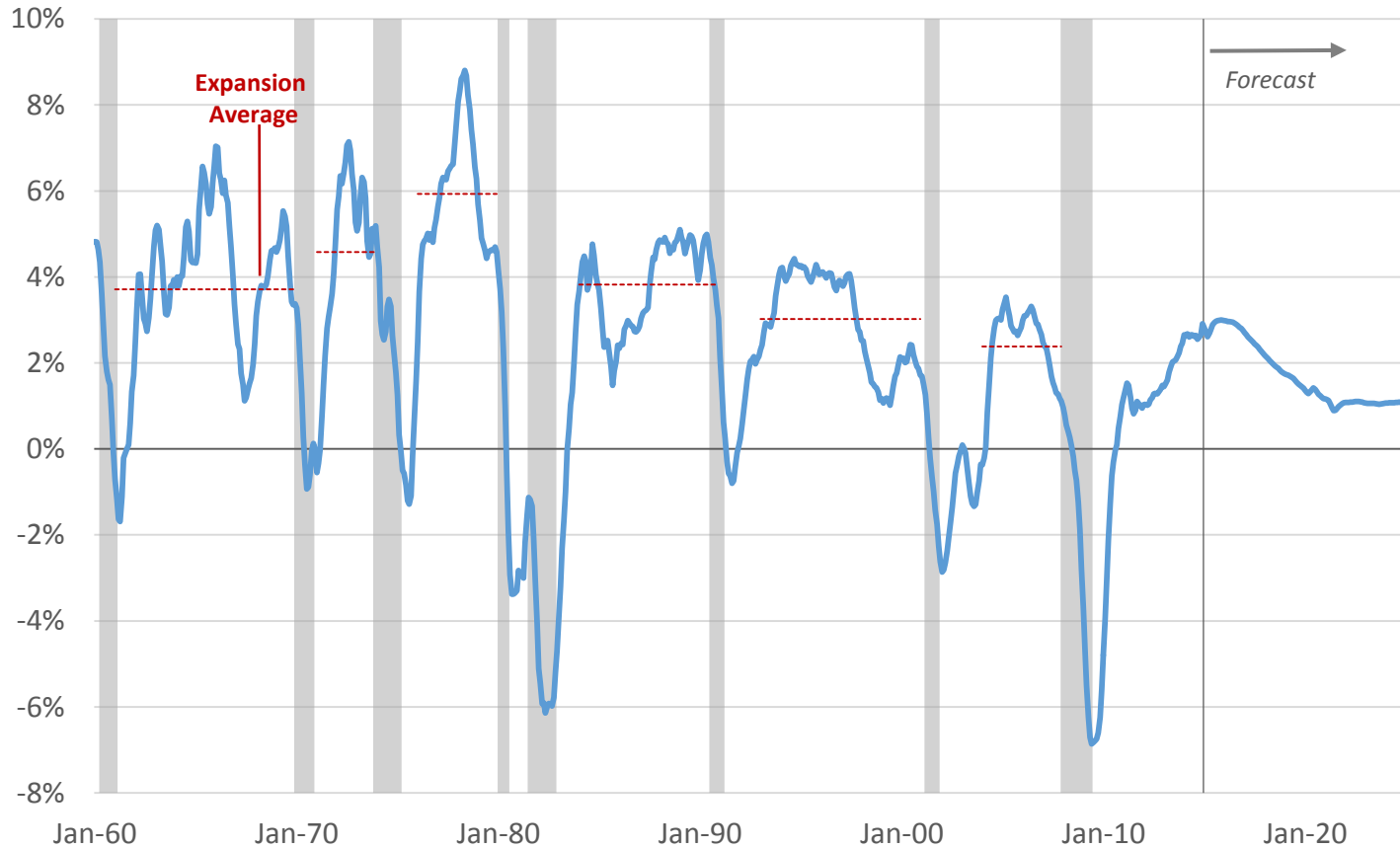


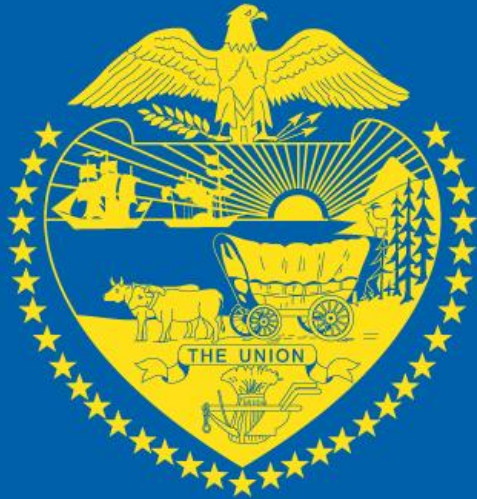
Source: Oregon Office of Economic Analysis



As Good as it Gets?

Oregon Nonfarm Employment Growth
Year-over-Year Percent Change





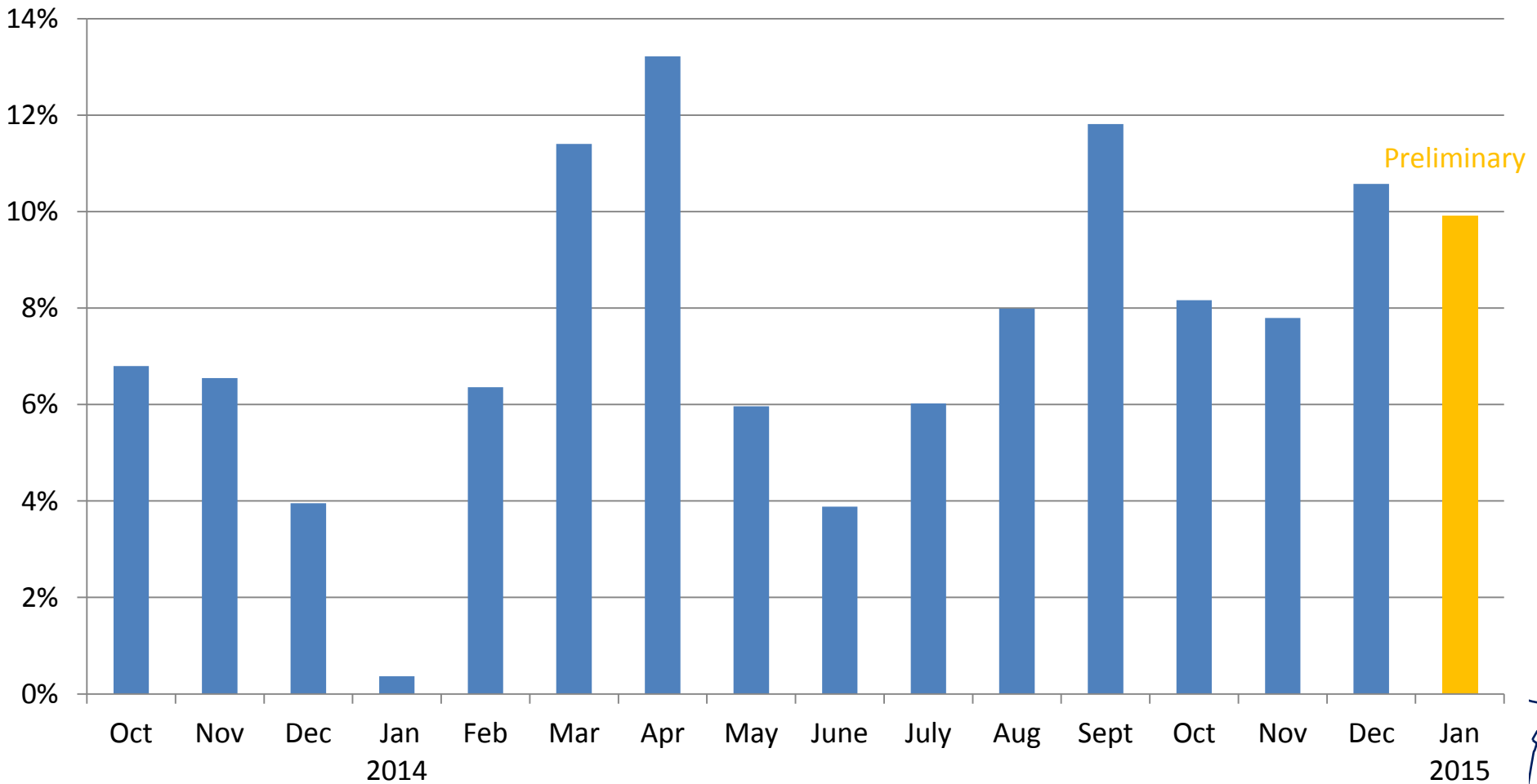
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Revenue Outlook



A Very Big December for PIT

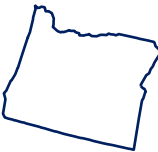
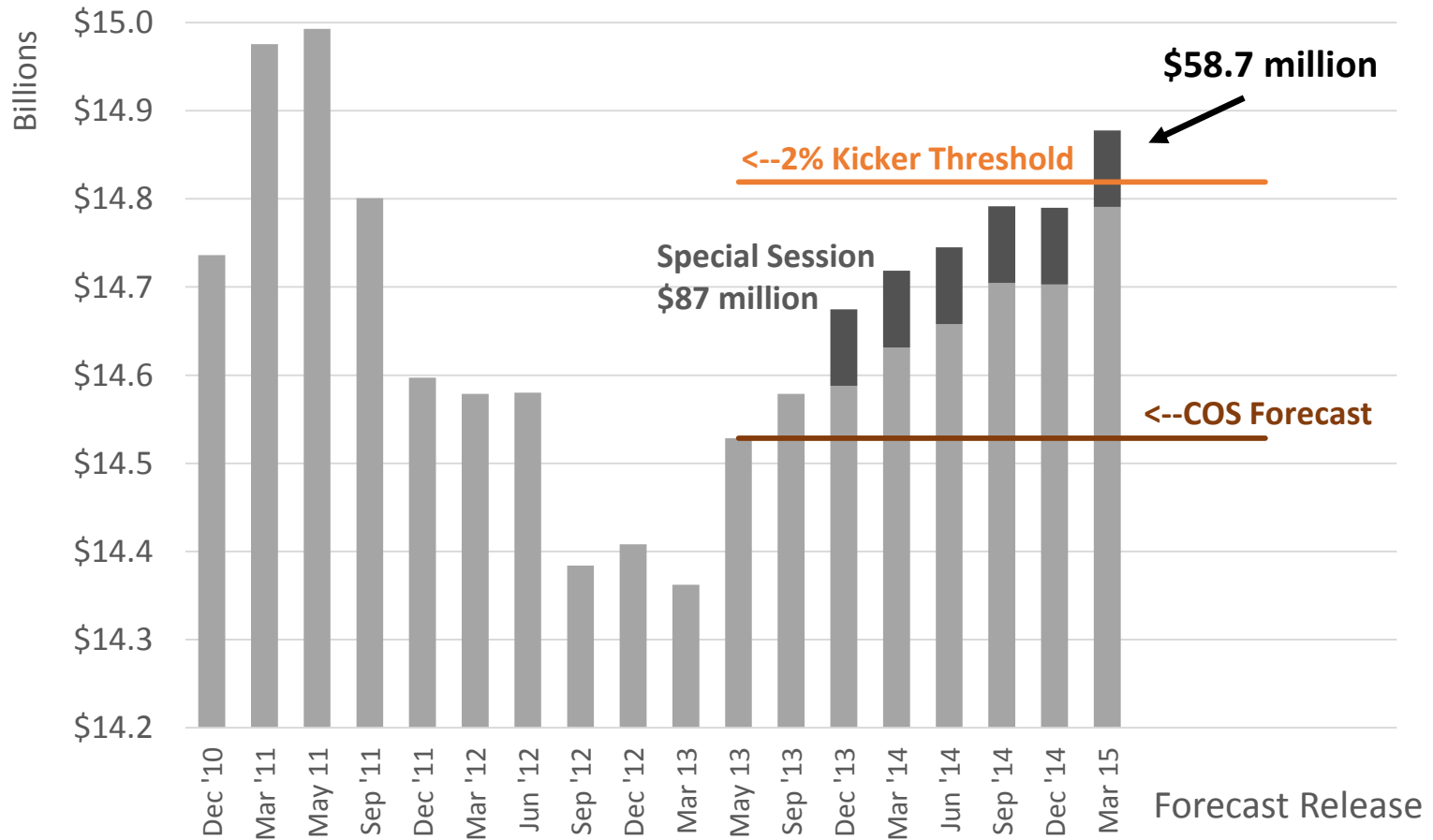
Recent Personal Income Tax Collections
% change over year ago, 3 month moving sum





Forecast Evolution

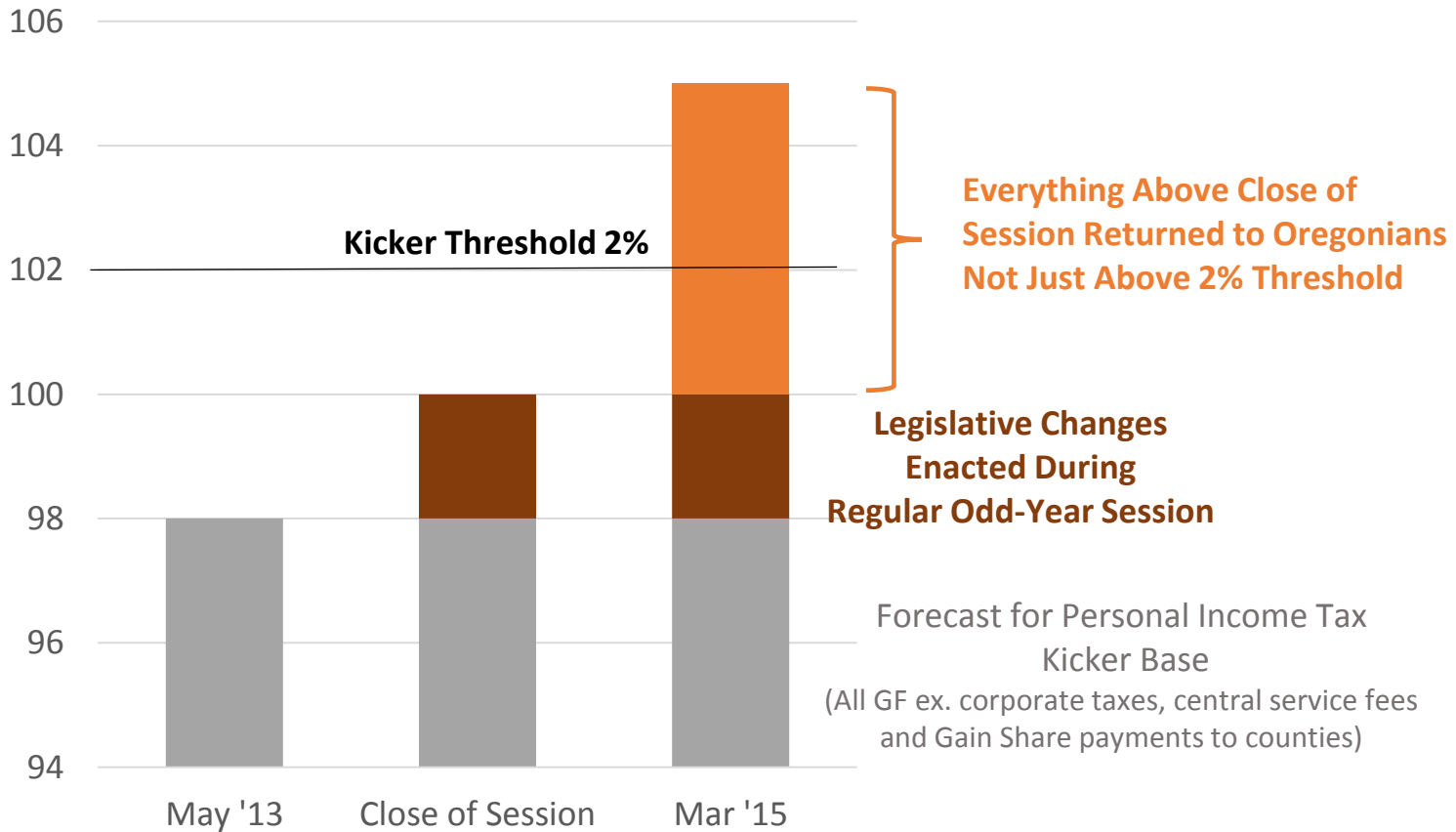
2013-15 BN Personal Kicker Base





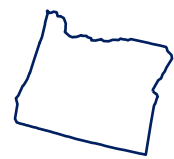
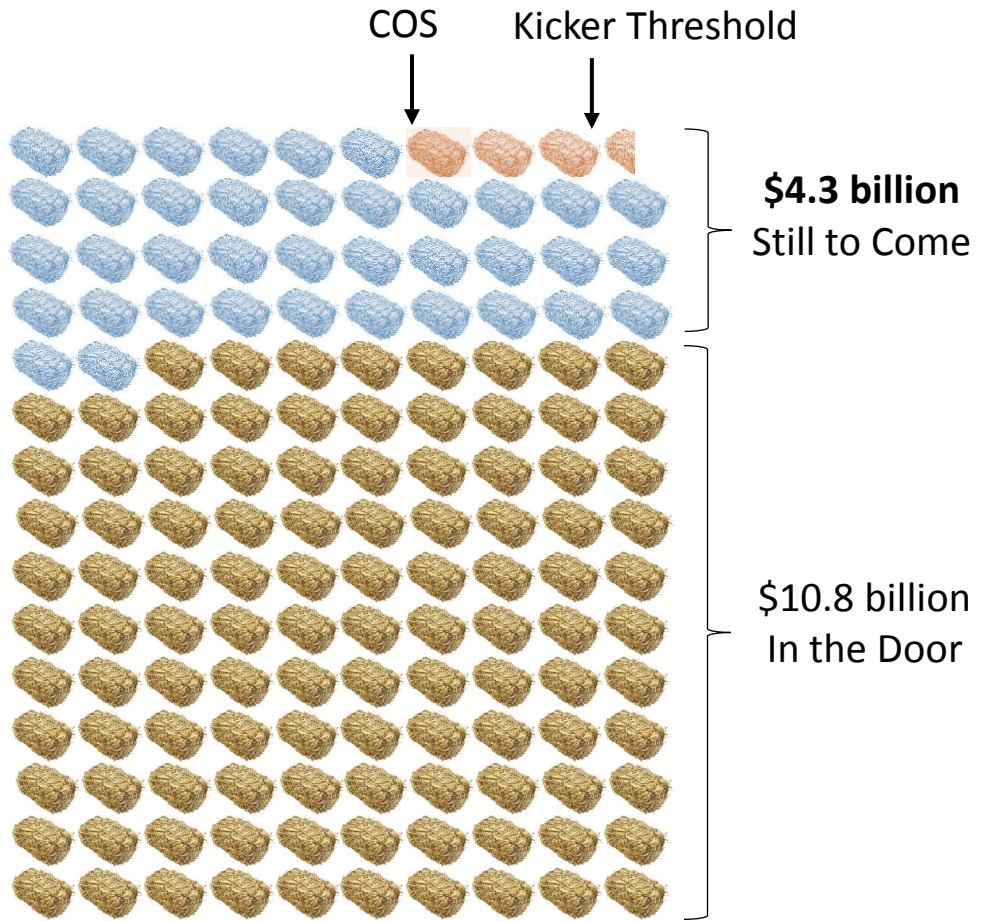
A Refresher

Personal Kicker Stylized Example





Which Straw?





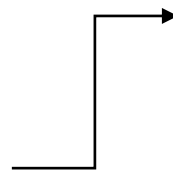
The Incredible Shrinking Kicker

2015-17 Resources

Change Relative to Dec '14 Forecast

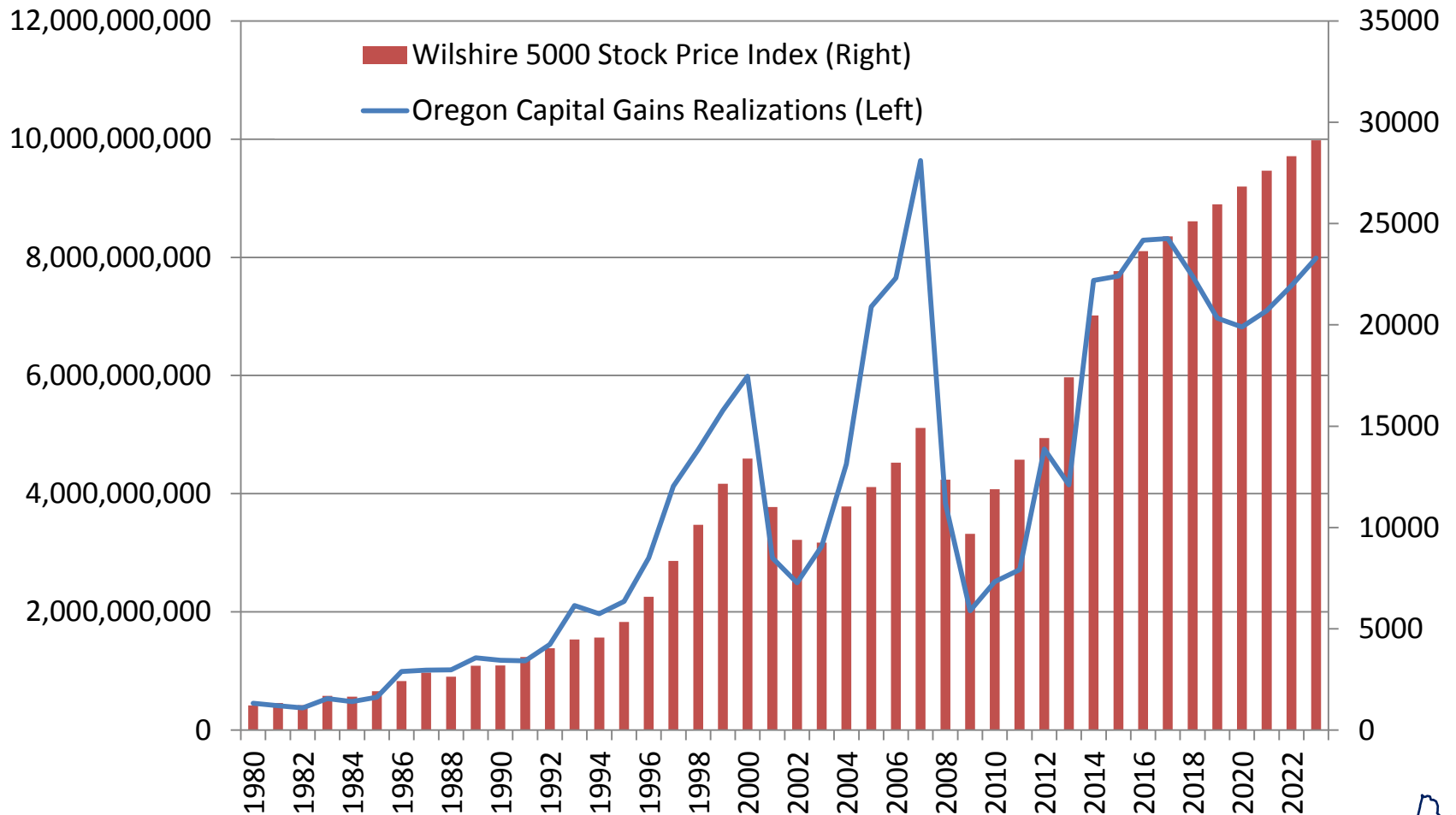
Beginning Balance	+\$88 million
Kicker	-\$329 million
GF Forecast Changes	+\$205 million
Lottery Changes	+\$15 million
<hr/>	
Net Change	-\$21 million

2013-15	-\$329m
2015-17	-\$18m
2017-19	-\$2m
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Total	-\$349m





Capital Gains: Boom and Bust



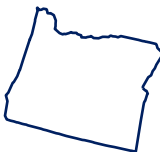


Estimated Income Tax Payments: A Sign of Things to Come?

Tax Year	Estimated Payments (\$ mil)	% change	Non-Labor Income* (% change)	Q2 Final PIT Payments (% change)
2008	268	-28.4%	-35.1%	-45.4%
2009	227	-15.2%	-21.4%	-2.8%
2010	253	11.5%	11.0%	17.9%
2011	268	5.6%	0.6%	3.3%
2012	345	28.8%	35.6%	25.1%
2013	346	0.5%	-5.4%	-7.0%
2014	416	20.0%	20.2%	26.2%*

* Interest, Dividends, Business, Capital Gains, S-Corp/Rental

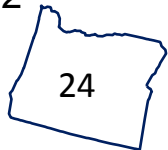
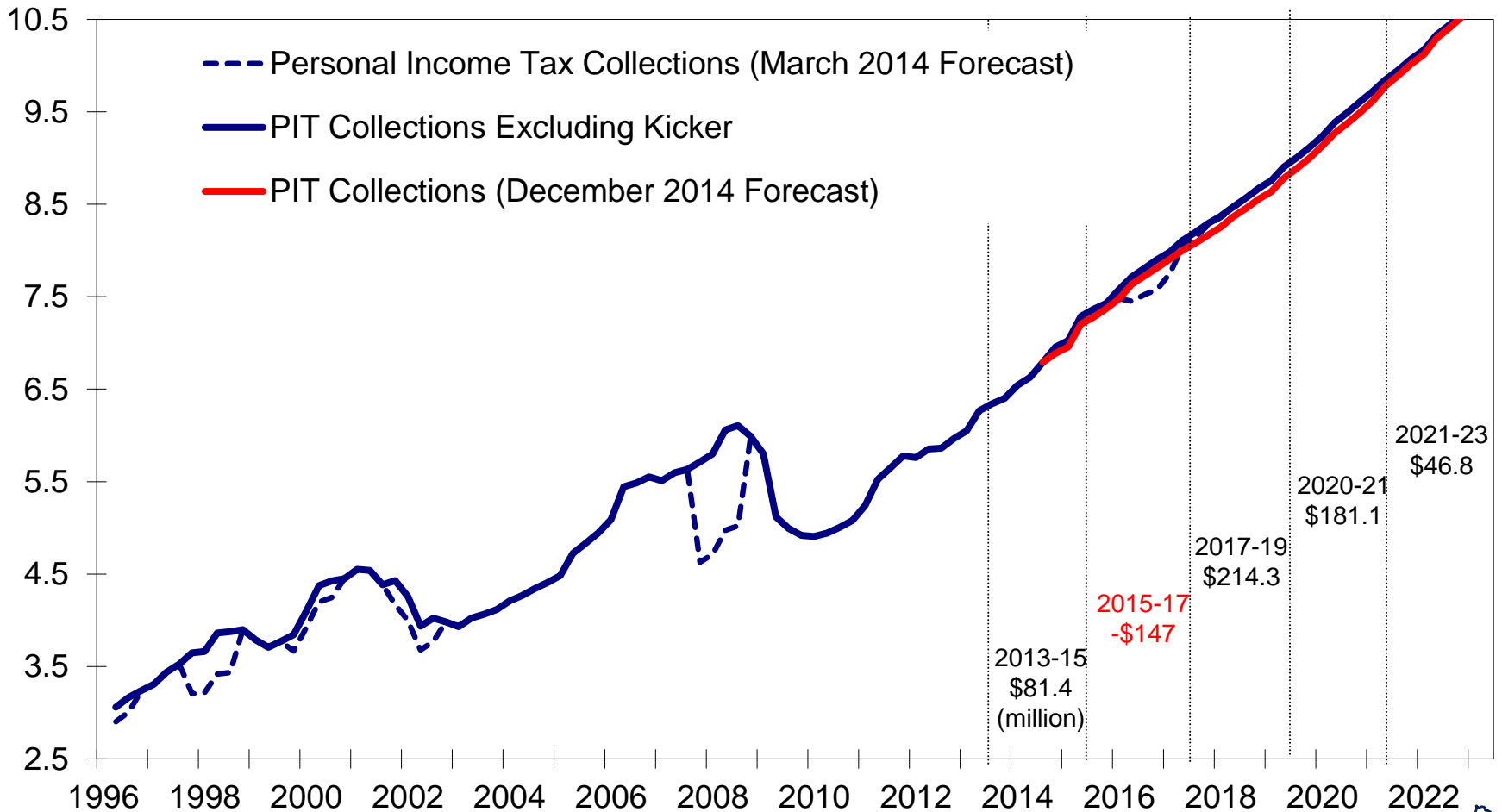
* **March 2015 Forecast**





Personal Income Tax Forecast

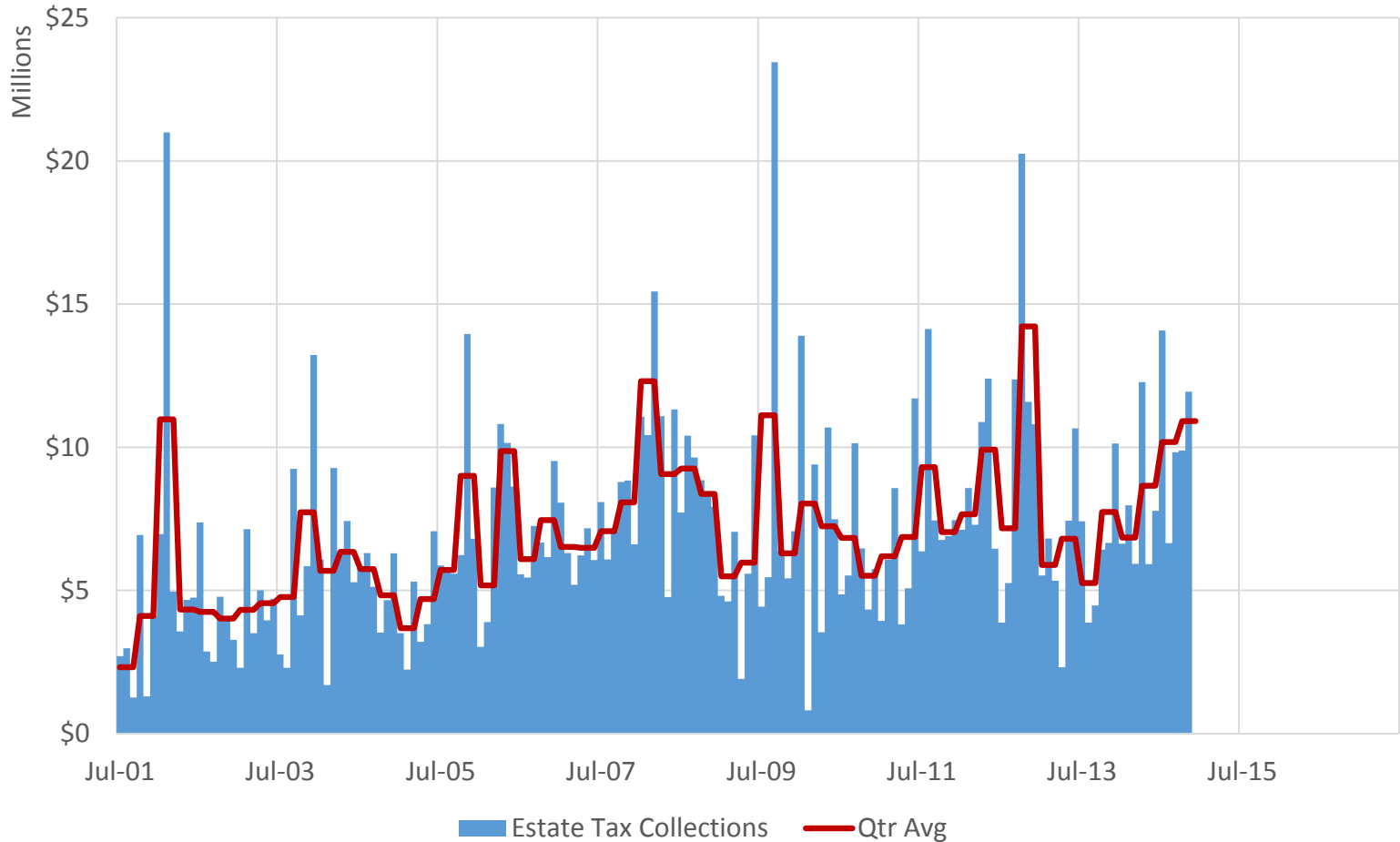
\$ billions, 4 quarter moving sum





Estate Taxes: Upward Trend?

Oregon Estate Taxes





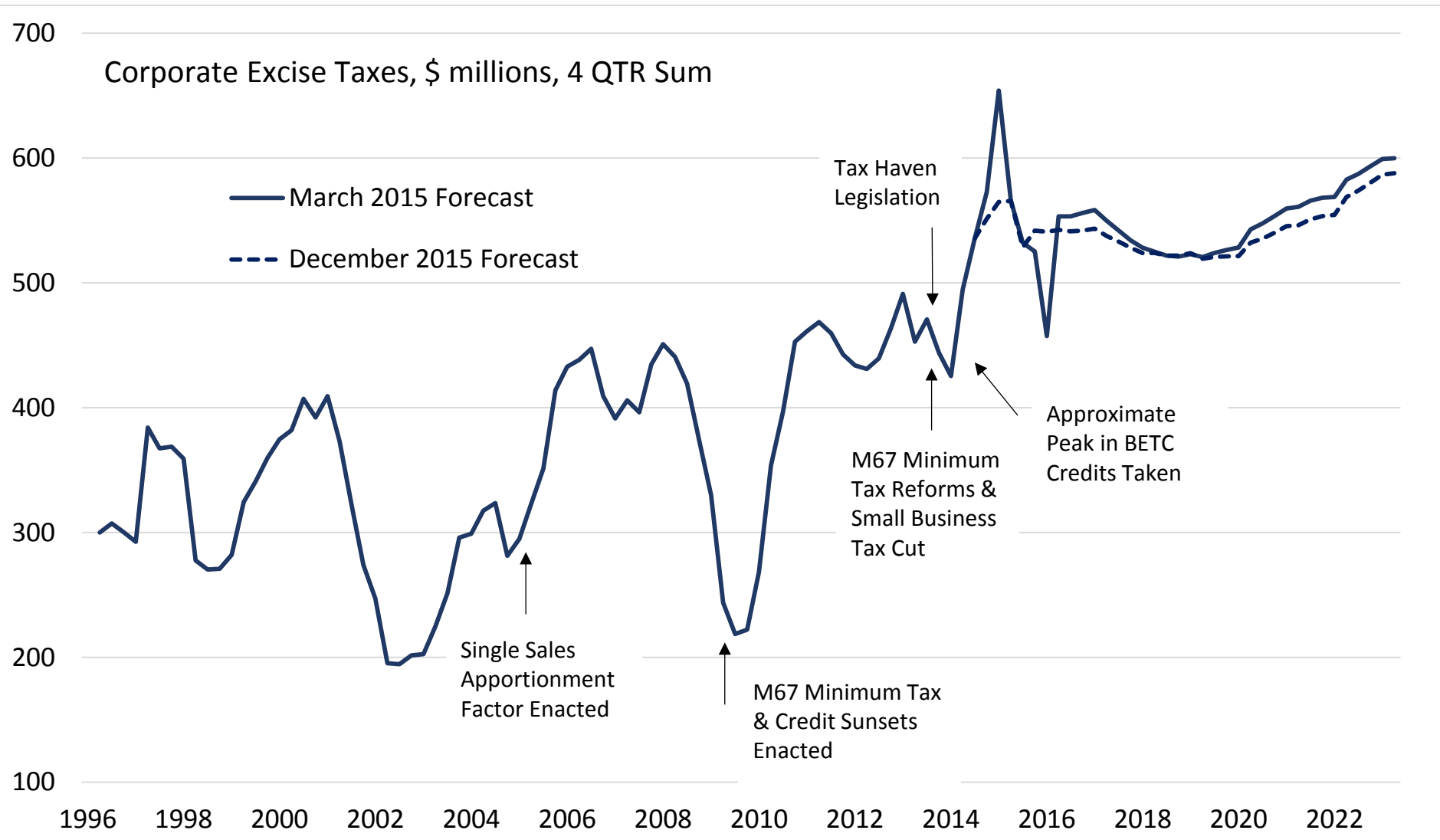
Corp Collections: Real or Memorex?

Net Corporate, 12 Month Sum





Corp Collections: Wait and See



March 2015 General Fund Forecast Summary



Table R.1

2013-15 General Fund Forecast Summary

(Millions)	2013 COS Forecast	December 2014 Forecast	March 2015 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$13,558.2	\$13,832.9	\$13,914.3	\$81.4	\$356.1
Corporate Income Tax	\$1,056.6	\$1,060.4	\$1,060.9	\$0.5	\$4.3
All Other Revenues	\$1,027.9	\$1,019.1	\$1,025.8	\$6.6	-\$2.1
Gross GF Revenues	\$15,642.6	\$15,912.4	\$16,000.9	\$88.5	\$358.3
Offsets and Transfers	-\$120.8	-\$73.2	-\$74.1	-\$1.0	\$46.7
Administrative Actions ¹	-\$18.2	-\$3.3	-\$3.3	\$0.0	\$14.9
Legislative Actions	-\$136.9	-\$136.7	-\$136.7	\$0.0	\$0.2
Net Available Resources	\$15,910.1	\$16,174.8	\$16,262.4	\$87.6	\$352.2
Confidence Intervals					
67% Confidence	+/- 1.6%		\$256.0	\$15.74B to \$16.26B	
95% Confidence	+/- 3.2%		\$512.0	\$15.49B to \$16.51B	

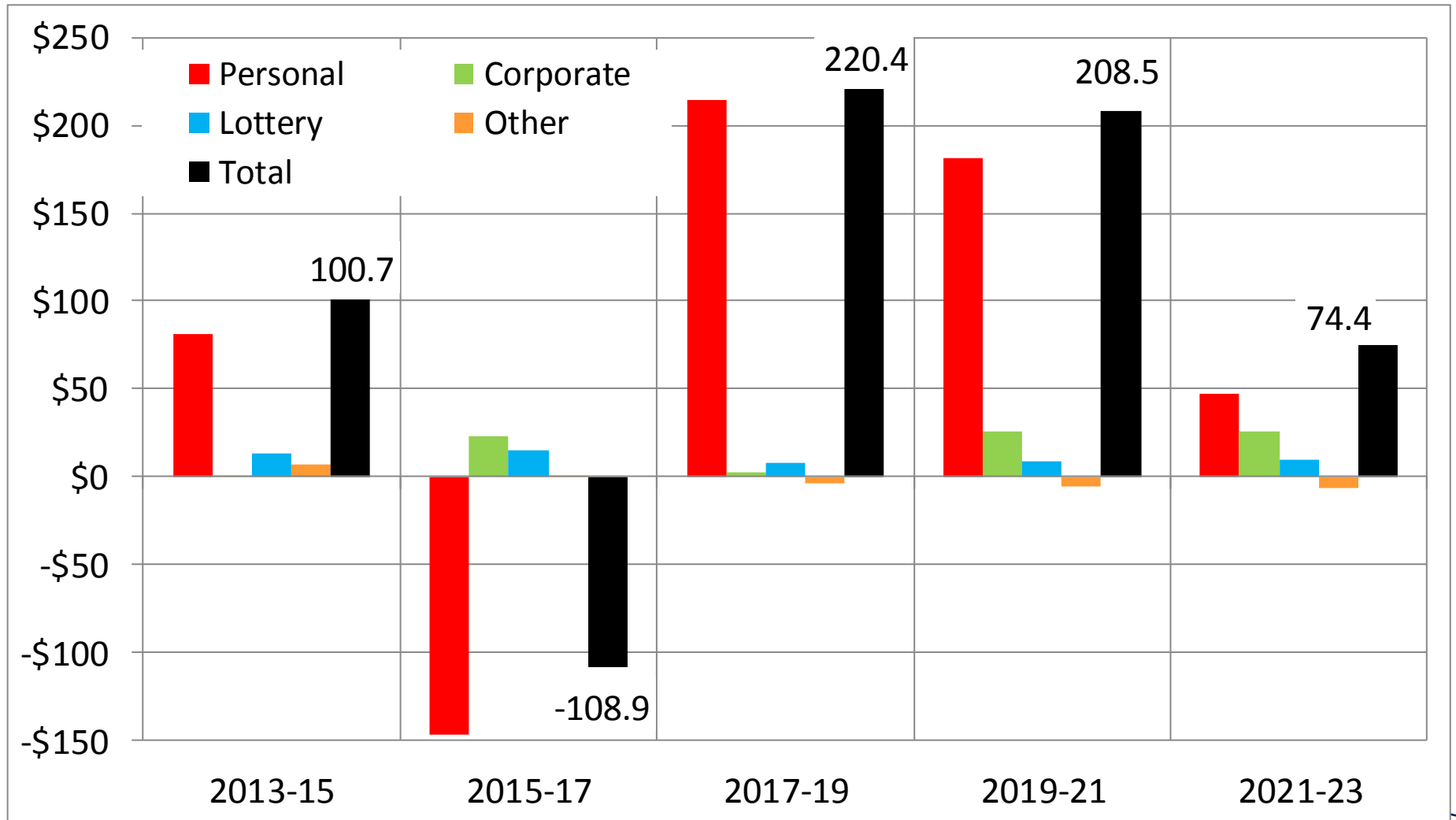
Positive Factor	Negative Factor
Personal Income Tax: Recent Advanced Payments	Court Fees
Estate Taxes	
Criminal Fines	
Video Lottery Sales	

¹ Reflects cost of cashflow management actions, exclusive of internal borrowing.



Forecast Changes

Difference from December Forecast, \$ millions





10-Year Forecast

Table R.2

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

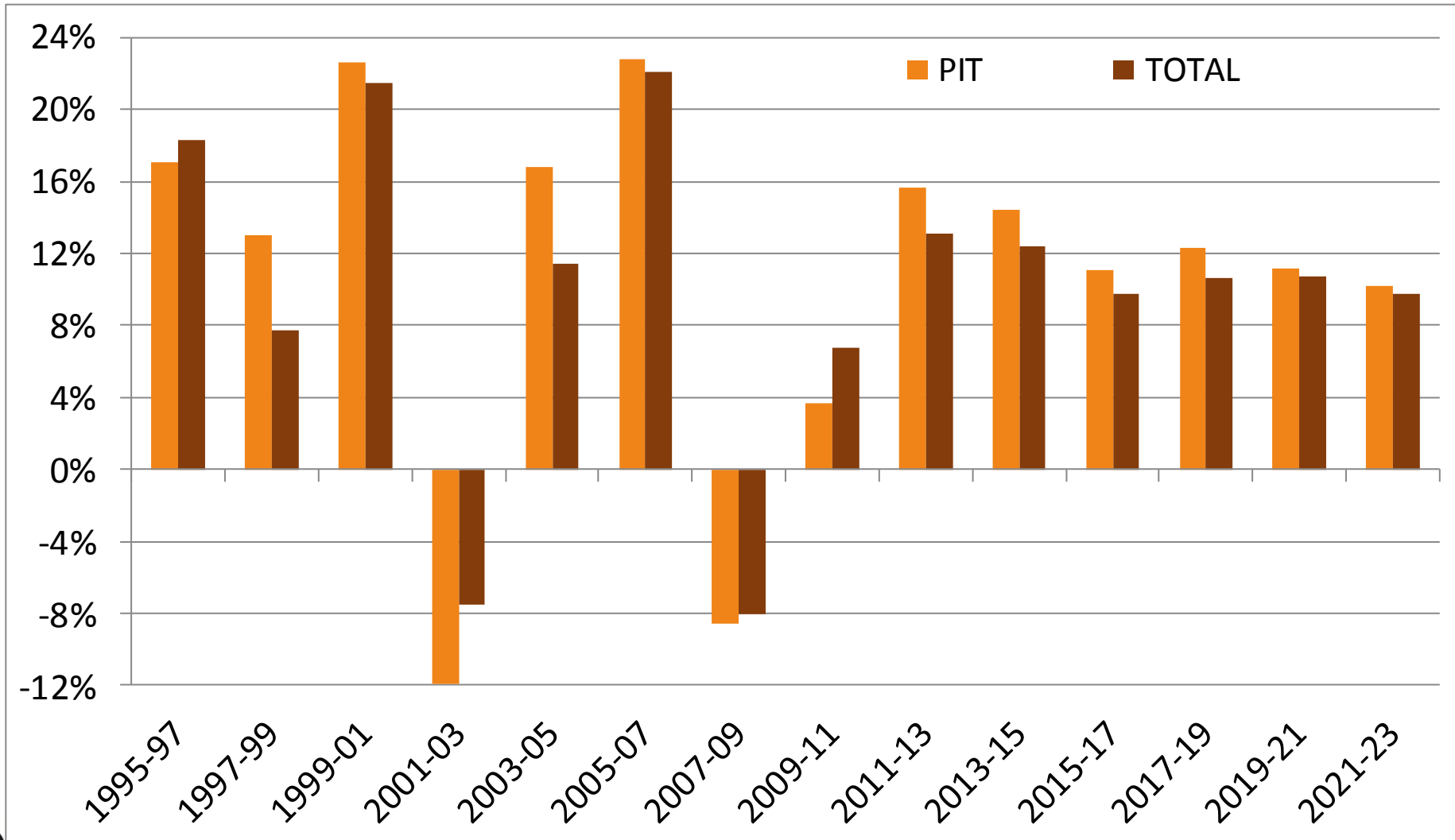
Revenue Source	Forecast 2011-13		Forecast 2013-15		Forecast 2015-17		Forecast 2017-19		Forecast 2019-21		Forecast 2021-23	
	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg	Biennium	% Chg
Personal Income Taxes	12,118.2	15.8%	13,914.3	14.8%	15,489.7	11.3%	17,359.3	12.1%	19,228.8	10.8%	21,181.5	10.2%
Corporate Income Taxes	883.9	6.8%	1,060.9	20.0%	1,102.9	4.0%	1,045.5	-5.2%	1,103.6	5.6%	1,182.4	7.1%
All Others	1,153.9	-5.9%	1,025.8	-11.1%	1,003.7	-2.1%	1,036.2	3.2%	1,112.6	7.4%	1,178.5	5.9%
Gross General Fund	14,156.0	13.1%	16,000.9	13.0%	17,596.3	10.0%	19,441.0	10.5%	21,445.1	10.3%	23,542.4	9.8%
<i>Offsets and Transfers</i>	<i>(12.0)</i>		<i>(74.1)</i>		<i>(104.9)</i>		<i>(101.9)</i>		<i>(40.7)</i>		<i>(43.7)</i>	
Net Revenue	14,144.0	13.0%	15,926.8	12.6%	17,491.4	9.8%	19,339.1	10.6%	21,404.4	10.7%	23,498.7	9.8%

Other taxes include General Fund portions of the Eastern Oregon Severance Tax, Western Oregon Severance Tax and Amusement Device Tax.

Commercial Fish Licenses & Fees and Pari-mutual Receipts are included in Other Revenues



Biennial Revenue Growth



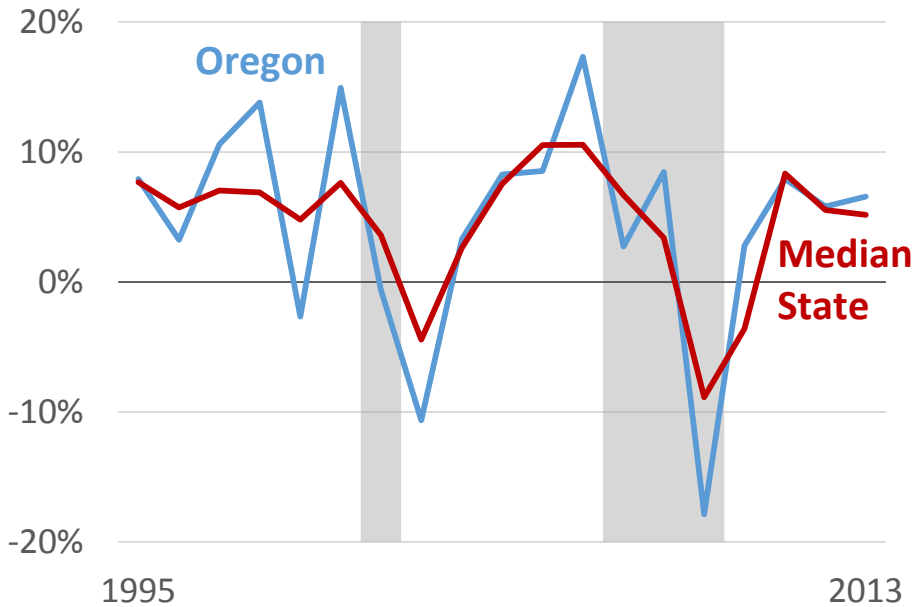


Tax Structure: Volatility

State Revenue Growth

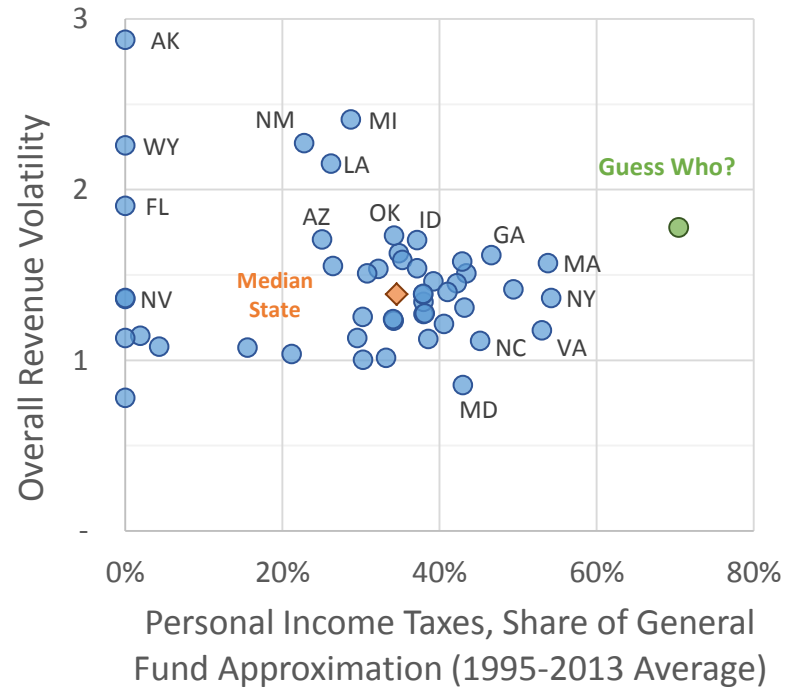
General Fund Approximation

(Severance, Estate, Corporate, Personal, General Sales, Alcohol and Tobacco Taxes, Corporate and B&O Licenses)



Source: Census, Oregon Office of Economic Analysis

Revenue Volatility and Tax Structure



Volatility Measure = Standard Deviation of Growth / Average Growth

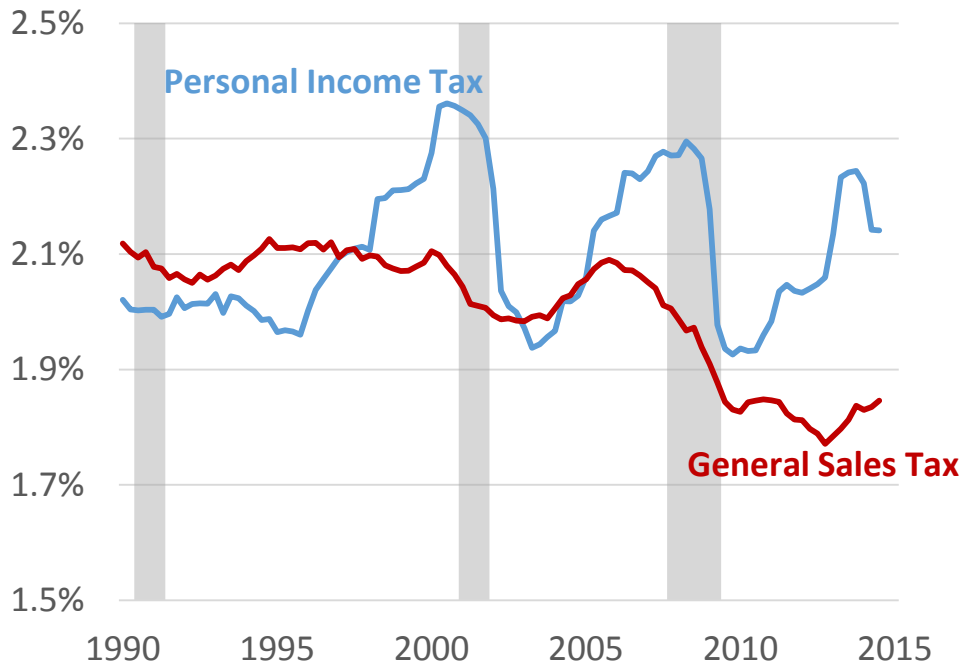
Source: Census, Oregon Office of Economic Analysis



Tax Structure: Risk vs Return

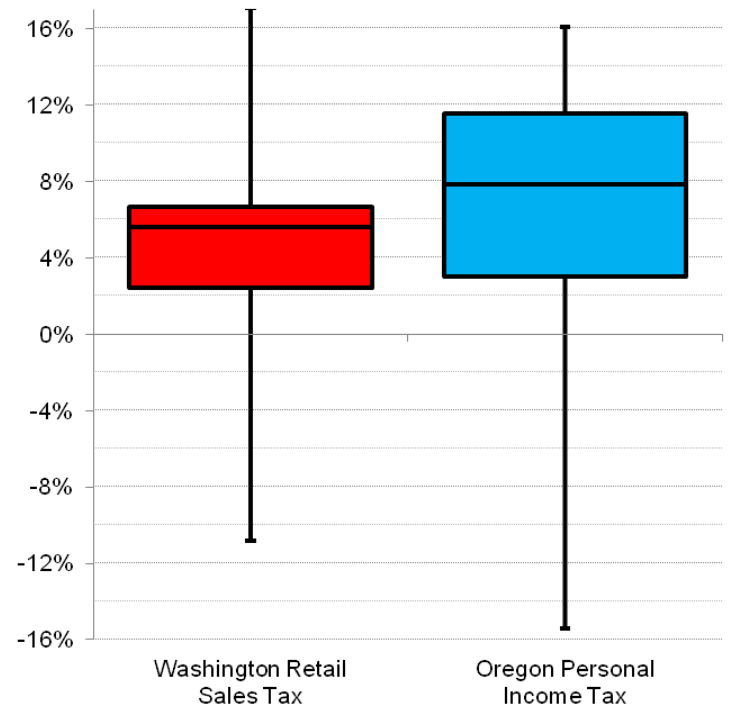
Eroding Tax Base

All States Tax Collections as Share of Personal Income, 4 Qtr Avg



Source: Census, BEA, Oregon Office of Economic Analysis

Revenue Growth 1986-2012





For More Information

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