

STATE OF OREGON
LEGISLATIVE REVENUE OFFICE

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LRO FORECAST SUMMARY

June 2015

NEW FACTS SINCE THE LAST FORECAST

| | 1st Qtr 2015 Forecast | 1st Qtr 2015 Actuals | Difference |
|----------------------------------|--------------------------|-------------------------|------------|
| Employment | 1,751,209 | 1,758,676 | 7,467 |
| Personal Income (\$ billion) | 169.7 | 171.3 | 1.6 |
| Personal Income Tax (\$ million) | | | |
| Withholding | 1,529.3 | 1,576.2 | 46.9 |
| Other Payments less Refunds | -102.0 | -58.5 | 43.5 |
| Total | 1,427.3 | 1,517.7 | 90.4 |
| Corporate Income Tax | 154.6 | 105.6 | -49.0 |

NEW FACTS

- First Quarter personal income tax collections were up \$90.4 million (6.3%) from the March 2015 forecast.
- First Quarter corporate income tax collections were down \$49.0 million (-31.7%) from the March 2015 forecast.
- Oregon personal income was up \$1.6 billion (1.0%) from the March 2015 forecast.
- Oregon employment was up 7,467 jobs (0.4%) from the March 2015 forecast.

2013-15

CHANGE FROM CLOSE OF SESSION (\$ Million)

| General Fund Resources | Close of Session | June 2015 Forecast | Difference |
|---------------------------------------|------------------|-----------------------|------------|
| Beginning Balance | 543.5 | 475.7 | -67.8 |
| Transfer to Rainy Day Fund | -136.9 | -136.7 | 0.2 |
| Personal | 13,558.2 | 14,044.2 | 486.0 |
| Corporate | 1,056.6 | 1,097.6 | 41.0 |
| Kicker | -20.3 | 0.0 | 20.3 |
| Other | 1,027.9 | 1,019.4 | -8.5 |
| Gross GF Revenue | 15,622.3 | 16,161.1 | 538.8 |
| Shared Services Fund | -57.5 | -62.3 | -4.7 |
| Rainy Day Fund | -43.0 | -12.1 | 30.9 |
| Net GF Revenue | 15,521.8 | 16,086.8 | 565.0 |
| Lottery Resources** | 1,059.5 | 1,066.0 | 6.5 |
| Anticipated Administrative Actions*** | -18.2 | -3.3 | 14.9 |
| Net GF and Lottery Resources | 16,969.6 | 17,488.4 | 518.8 |

** All lottery resources including dedicated funds.

*** Administrative Actions equal expenses associated with cash flow management, exclusive of internal borrowing.

CHANGE SINCE CLOSE OF SESSION

- Personal income tax revenue is up \$486 million (3.6%) from the 2013 COS estimate.
- Corporate tax revenue is up \$41 million (3.9%) from the 2013 COS estimate.
- General Fund gross revenue is up \$538.8 million (3.4%) from the 2013 COS estimate.
- GF and Lottery resources are up \$518.8 million (3.1%) from the 2013 COS estimate.

EFFECT ON 2% KICKER

(\$ Million)

| Revenue Source | Close of Session | 2% Kicker Threshold | June 2015 Forecast | Amount +/- Kicker Threshold |
|------------------|------------------|------------------------|-----------------------|-----------------------------------|
| Personal & Other | 14,586.0 | 14,877.7 | 15,063.5 | 185.8 |
| Corporation* | 1,019.4 | 1,039.8 | 1,080.8 | 40.9 |

* As per the AG, the corporate kicker calculation excludes the minimum tax paid by S-corporations because it is a flat tax.

KICKER REFUNDS IMPLIED BY FORECAST

PERSONAL: A personal kicker of \$477.5 million is projected for 2015.

CORPORATE: \$61.3 million in corporate tax revenue is projected to be dedicated to K-12 education spending in 2015-17.

2013-15

CHANGE FROM PRIOR FORECAST (\$ Million)

| Combined Revenue | March 2015 Forecast | June 2015 Forecast | Difference |
|--------------------------------------|------------------------|-----------------------|------------|
| Beginning Balance | 475.7 | 475.7 | 0.0 |
| Transfer to Rainy Day Fund | -136.7 | -136.7 | 0.0 |
| Personal | 13,914.3 | 14,044.2 | 129.9 |
| Corporate | 1,060.9 | 1,097.6 | 36.7 |
| Other | 1,025.8 | 1,019.4 | -6.4 |
| Gross GF Revenue | 16,000.9 | 16,161.1 | 160.2 |
| Shared Services Fund | -62.3 | -62.3 | 0.0 |
| Rainy Day Fund | -11.9 | -12.1 | -0.2 |
| Net GF Revenue | 15,926.8 | 16,086.8 | 160.0 |
| Anticipated Administrative Actions** | -3.3 | -3.3 | 0.0 |
| Net General Fund Resources | 16,262.4 | 16,422.4 | 160.0 |
| Lottery Resources* | 1,061.8 | 1,066.0 | 4.2 |
| Net Combined Resources | 17,324.2 | 17,488.4 | 164.2 |

* All lottery resources including dedicated funds.

** Administrative Actions equal expenses associated with cash flow management, exclusive of internal borrowing.

REVENUE CHANGES

- Projected 2013-15 Net General Fund resources are up \$160 million (1.0%) from the March 2015 forecast.
- Projected 2013-15 Lottery resources are up \$4.2 million (0.4%) from the March 2015 forecast.
- Projected combined net General Fund and Lottery resources are up \$164.2 million (0.9%) from the March 2015 forecast.

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| 2013-15 |
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EFFECT ON ENDING BALANCE

Current vs. Close of Session
(\$ Million)

| General Fund | Close of Session | June 2015 Forecast | Difference |
|----------------------------|------------------|-----------------------|------------|
| Beginning Balance | 543.5 | 475.7 | -67.8 |
| Transfer to Rainy Day Fund | -136.9 | -136.7 | 0.2 |
| Revenue | 15,521.8 | 16,086.8 | 565.0 |
| Administrative Actions | -18.2 | -3.3 | 14.9 |
| Total Resources | 15,910.1 | 16,422.4 | 512.2 |
| Expenditures | 15,608.7 | 15,919.0 | 310.3 |
| Ending Balance | 301.5 | 503.4 | 201.9 |
| Rainy Day Fund Transfer | 156.1 | 159.2 | 3.1 |
| Remaining Balance | 145.4 | 344.2 | 198.8 |

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| ENDING BALANCE |
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- The projected ending balance is up \$201.9 million (67%) from the 2013 Close-of-Session estimate.
- The projected ending balance is up \$155.7 million (44.8%) from the March 2015 forecast.
- The Rainy Day Fund is projected to receive \$159.2 million following the 2013-15 biennium.

Current vs. Prior Forecast
(\$ Million)

| General Fund | March 2015 Forecast | June 2015 Forecast | Difference |
|----------------------------|------------------------|-----------------------|------------|
| Beginning Balance | 475.7 | 475.7 | 0.0 |
| Transfer to Rainy Day Fund | -136.7 | -136.7 | 0.0 |
| Revenue | 15,926.8 | 16,086.8 | 160.0 |
| Administrative Actions | -3.3 | -3.3 | 0.0 |
| Total Resources | 16,262.4 | 16,422.4 | 160.0 |
| Expenditures | 15,914.7 | 15,919.0 | 4.3 |
| Ending Balance* | 347.7 | 503.4 | 155.7 |
| Rainy Day Fund Transfer | 159.1 | 159.2 | 0.0 |
| Remaining Balance | 188.6 | 344.2 | 155.6 |

* Includes the Supplemental Ending Balance.

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| 2013-15 |
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|------------------------------|--|--|--|--|
| Reserve Fund Position | | | | |
|------------------------------|--|--|--|--|

| | Education Stability Fund * | Rainy Day Fund | General Fund | Reserves Available |
|--------------------------|-------------------------------|-------------------|--------------|-----------------------|
| | (\$ Millions) | | | |
| Beginning Balance | \$7.4 | \$61.9 | | \$69.3 |
| Deposits | \$171.9 | \$148.8 | | \$320.7 |
| Interest | \$1.0 | \$1.3 | | \$2.3 |
| Withdrawals | -\$1.0 | \$0.0 | | -\$1.0 |
| Projected Ending Balance | \$179.3 | \$212.0 | \$503.4 | \$894.7 |

*Excludes funds in the Oregon Growth and the Oregon Resource and Technology Development subaccounts.

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| 2015-17 |
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CHANGE FROM PRIOR FORECAST
(\$ Million)

| Combined Revenue | March 2015 Forecast | June 2015 Forecast | Difference |
|----------------------------|------------------------|-----------------------|------------|
| Beginning Balance | 347.7 | 503.4 | 155.7 |
| Transfer to Rainy Day Fund | -159.1 | -159.2 | 0.0 |
| Personal | 15,489.7 | 15,749.7 | 260.1 |
| Corporate | 1,102.9 | 1,080.7 | -22.2 |
| Other | 1,003.7 | 1,021.6 | 17.9 |
| Gross GF Revenue | 17,596.3 | 17,852.1 | 255.8 |
| Shared Services Fund | -94.9 | -86.2 | 8.7 |
| Rainy Day Fund | -10.0 | -10.1 | -0.1 |
| Net GF Revenue | 17,491.4 | 17,755.8 | 264.5 |
| Administrative Actions* | -20.2 | -20.2 | 0.0 |
| Net General Fund Resources | 17,659.7 | 18,079.8 | 420.1 |
| Lottery Resources* | 1,107.5 | 1,150.6 | 43.1 |
| Net Combined Resources | 18,767.2 | 19,230.4 | 463.2 |

* Administrative Actions equal expenses associated with cash flow management, exclusive of internal borrowing.

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| 2017-19 |
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CHANGE FROM PRIOR FORECAST
(\$ Million)

| Combined Revenue | March 2015 Forecast | June 2015 Forecast | Difference |
|-------------------------|------------------------|-----------------------|------------|
| Personal | 17,359.3 | 17,593.0 | 233.7 |
| Corporate | 1,045.5 | 1,057.1 | 11.7 |
| Other | 1,036.2 | 1,054.1 | 17.9 |
| Gross GF Revenue | 19,441.0 | 19,704.3 | 263.3 |
| Shared Services Fund | -63.6 | -57.8 | 5.9 |
| Rainy Day Fund | -38.3 | -40.3 | -2.0 |
| Net GF Revenue | 19,339.1 | 19,606.3 | 267.2 |
| Lottery Resources* | 1,194.3 | 1,261.2 | 66.9 |
| Net Combined Revenue | 20,533.4 | 20,867.5 | 334.1 |

* All lottery resources including dedicated funds

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| 2019-21 |
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CHANGE FROM PRIOR FORECAST
(\$ Million)

| Combined Revenue | March 2015 Forecast | June 2015 Forecast | Difference |
|-------------------------|------------------------|-----------------------|------------|
| Personal | 19,228.8 | 19,466.0 | 237.2 |
| Corporate | 1,103.6 | 1,106.4 | 2.8 |
| Other | 1,112.6 | 1,129.8 | 17.1 |
| Gross GF Revenue | 21,445.1 | 21,702.2 | 257.1 |
| Shared Services Fund | 0.0 | 0.0 | 0.0 |
| Rainy Day Fund | -40.7 | -41.9 | -1.2 |
| Net GF Revenue | 21,404.4 | 21,660.3 | 255.9 |
| Lottery Resources* | 1,260.2 | 1,344.7 | 84.5 |
| Net Combined Revenue | 22,664.6 | 23,005.0 | 340.4 |

* All lottery resources including dedicated funds

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| 2021-23 |
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CHANGE FROM PRIOR FORECAST
(\$ Million)

| Combined Revenue | March 2015 Forecast | June 2015 Forecast | Difference |
|----------------------|------------------------|-----------------------|------------|
| Personal | 21,181.5 | 21,380.8 | 199.3 |
| Corporate | 1,182.4 | 1,198.8 | 16.4 |
| Other | 1,178.5 | 1,189.3 | 10.8 |
| Gross GF Revenue | 23,542.4 | 23,768.9 | 226.5 |
| Shared Services Fund | 0.0 | 0.0 | 0.0 |
| Rainy Day Fund | -43.7 | -45.9 | -2.3 |
| Net GF Revenue | 23,498.7 | 23,723.0 | 224.3 |
| Lottery Resources* | 1,340.4 | 1,433.7 | 93.3 |
| Net Combined Revenue | 24,839.1 | 25,156.7 | 317.5 |

* All lottery resources including dedicated funds

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| Biennial Net Revenue Growth: 1993 - 2021 |
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| | Personal | Corporate | Other | Total |
|---------------------------|----------|-----------|--------|-------|
| 1993-95 to 1995-97 | 17.1% | 18.8% | 28.4% | 18.3% |
| 1995-97 to 1997-99 | 13.0% | -13.9% | -17.6% | 7.7% |
| 1997-99 to 1999-01 | 22.6% | 28.2% | 2.8% | 21.5% |
| 1999-01 to 2001-03 | -11.9% | -44.4% | 97.9% | -7.5% |
| 2001-03 to 2003-05 | 16.8% | 52.5% | -35.4% | 11.4% |
| 2003-05 to 2005-07 | 22.8% | 31.7% | 6.4% | 22.1% |
| 2005-07 to 2007-09 | -8.6% | -18.9% | 10.2% | -8.0% |
| 2007-09 to 2009-11 | 3.7% | 20.9% | 29.8% | 6.8% |
| 2009-11 to 2011-13 | 15.7% | 6.8% | -4.1% | 13.1% |
| 2011-13 to 2013-15 | 15.5% | 22.8% | -13.3% | 13.6% |
| 2013-15 to 2015-17 | 12.0% | -1.4% | 0.2% | 10.4% |
| 2015-17 to 2017-19 | 11.9% | -5.0% | 3.2% | 10.4% |
| 2017-19 to 2019-21 | 11.0% | 4.7% | 7.2% | 10.5% |
| 2019-21 to 2021-23 | 9.8% | 8.3% | 5.3% | 9.5% |