The background features a large, faint seal of the Oregon State Board of Economic Analysis. The seal is circular and contains an eagle with spread wings at the top, a central figure holding a scale, and the text "THE UNION" on a banner below. The words "STATE OF OREGON" are written around the top inner edge, and "1859" is at the bottom. The entire seal is rendered in a light blue color against a dark blue background.

Sept 2021 Economic and Revenue Forecast

August 25th, 2021

Oregon Office of Economic Analysis

Mark McMullen

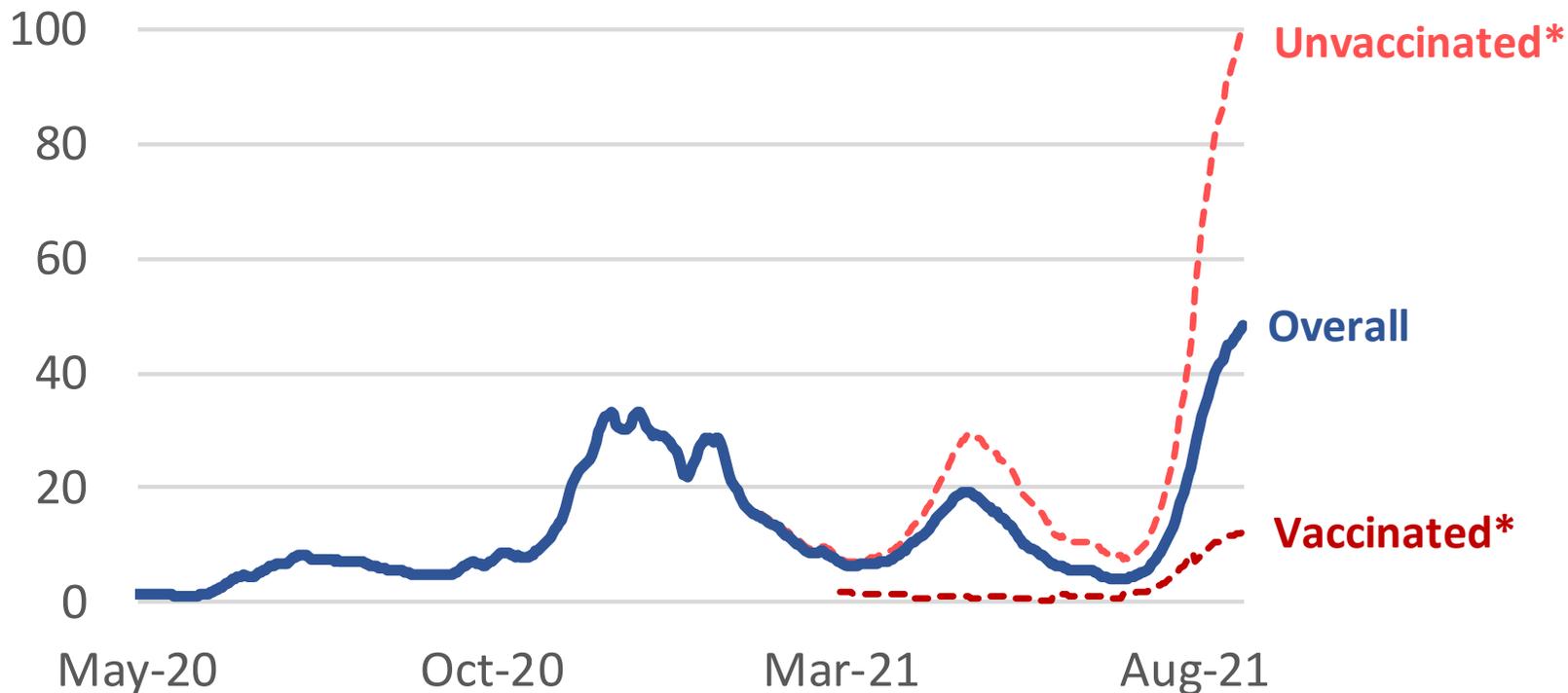
Josh Lehner



The pandemic isn't over

Oregon's Rising COVID Cases

New Cases per 100,000 Population



- Shutdowns matter the most economically
- Consumers pull back on some in-person activities, but will resume when safer
 - Slower growth in the near-term means faster growth in the medium-term

*Estimates based on vaccination rates two weeks prior to case counts, adjusts for OHA published breakthrough case counts
Latest Data: Aug 22, 2021 | Source: OHA, Oregon Office of Economic Analysis



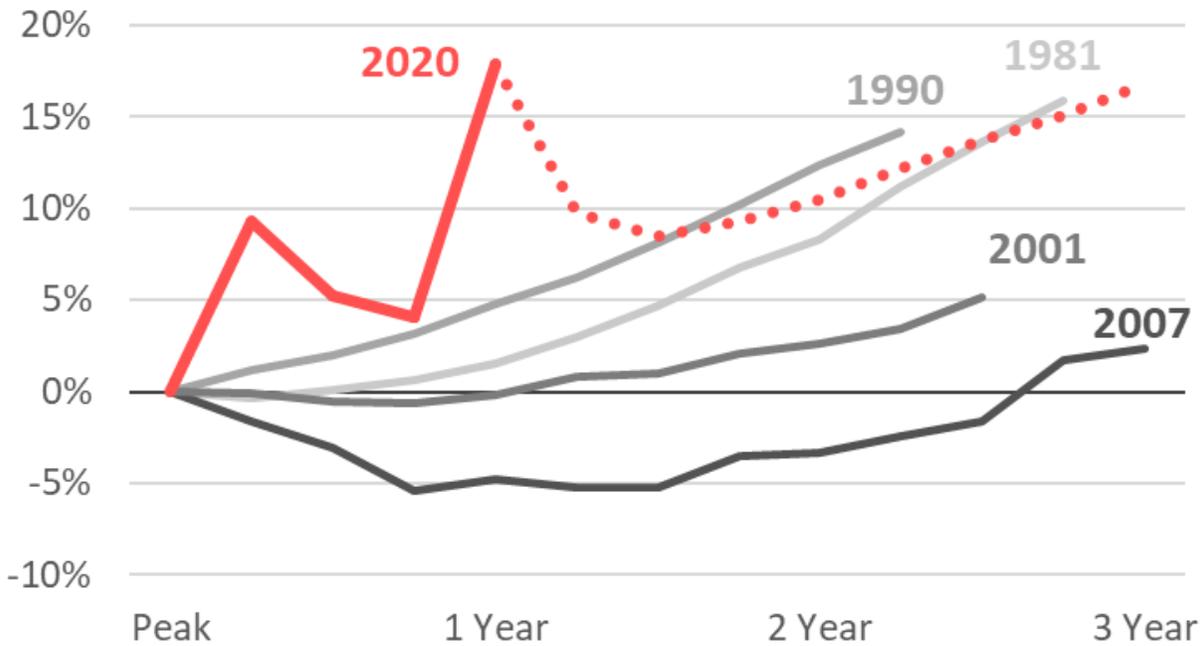


Economic outlook is still bright

Strong household finances drive front-loaded employment gains

Total Oregon Personal Income

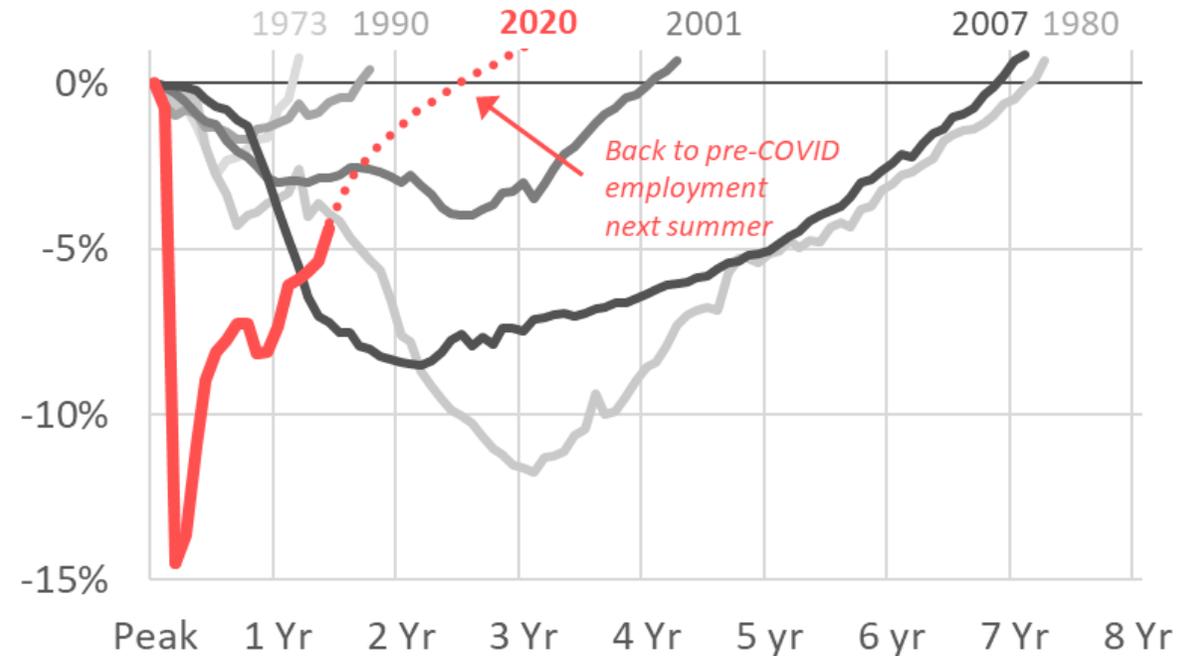
Nominal, Percent Change from Pre-Recession Peak



Quarterly data. Latest data 2021q1 | Source: BEA, Oregon Office of Economic Analysis

Oregon Recession Comparison

Employment Percent Change from Pre-Recession Peak



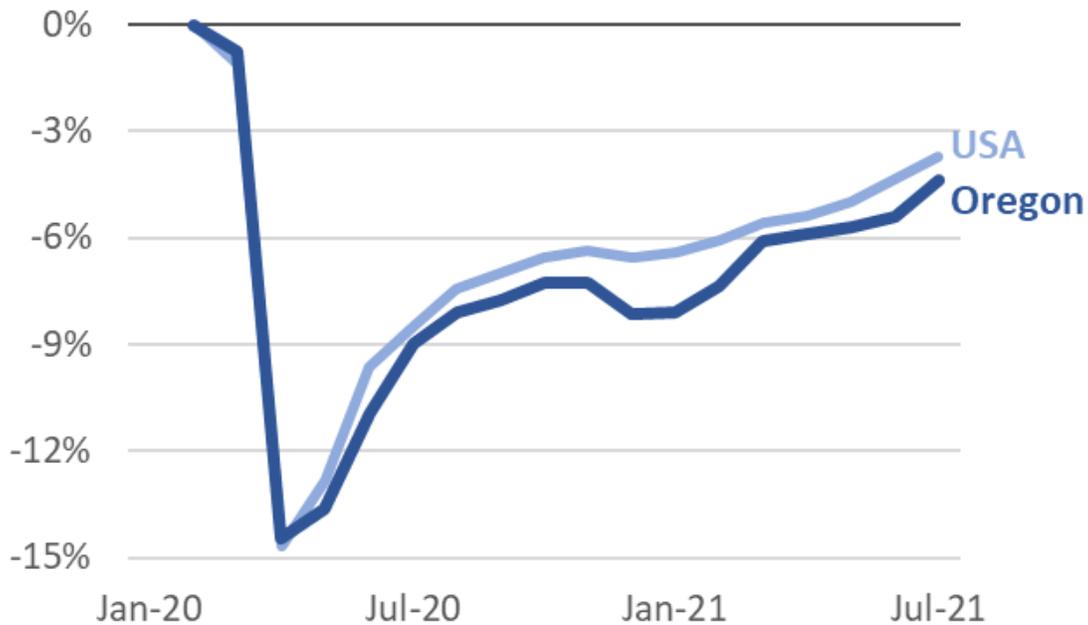
Source: Oregon Employment Department, Oregon Office of Economic Analysis



Oregon is in the middle of the pack

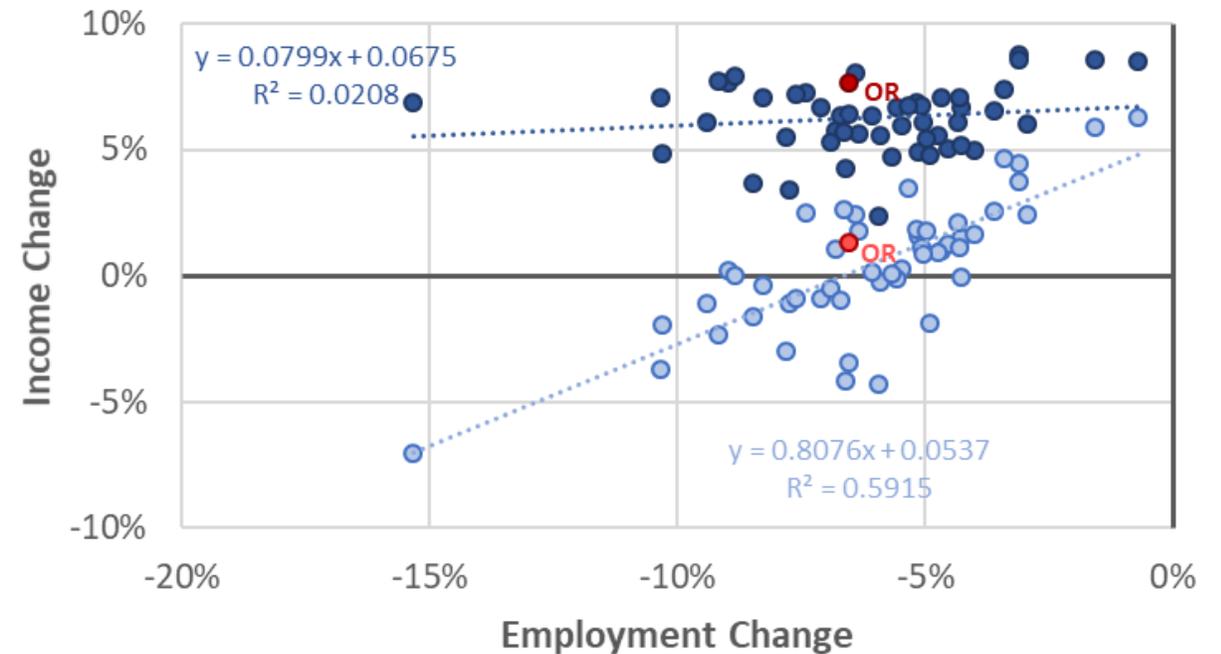
Employment Loss

Percent Change from Feb '20 (Pre-Pandemic Peak)



Federal Aid Mutes Job Loss Impact

2019 to 2020 Percent Change across States for Total Personal Income and Wages and Salaries



Source: BEA, BLS, Oregon Office of Economic Analysis



Oregon Office of Economic Analysis

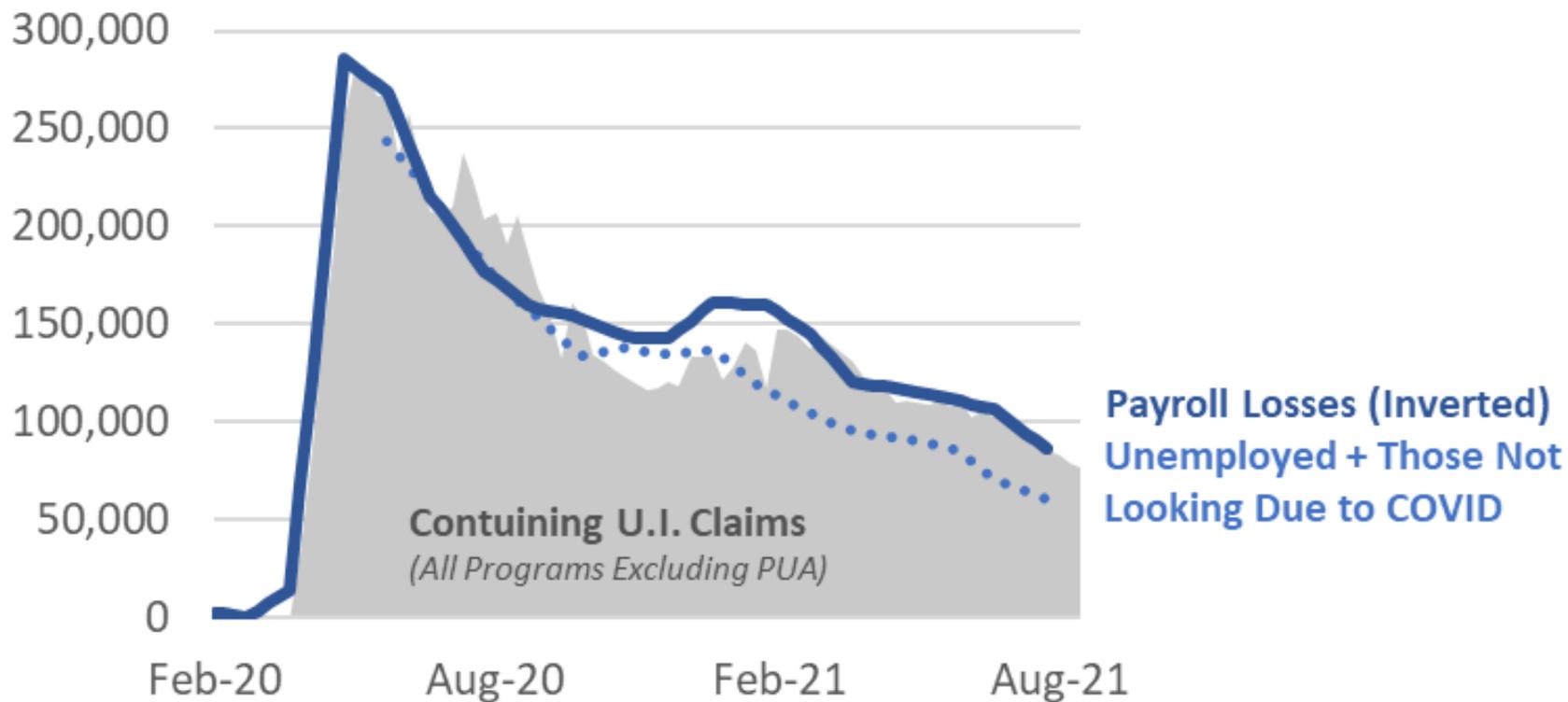




Labor market remains tight

Oregon Labor Market Improvement

Change Relative to Pre-Pandemic Levels



- Firms advertising record job openings and average wages are up 10%
- Labor supply should improve as federal aid ends and the pandemic wanes
- However the labor market will remain tight, just not acute

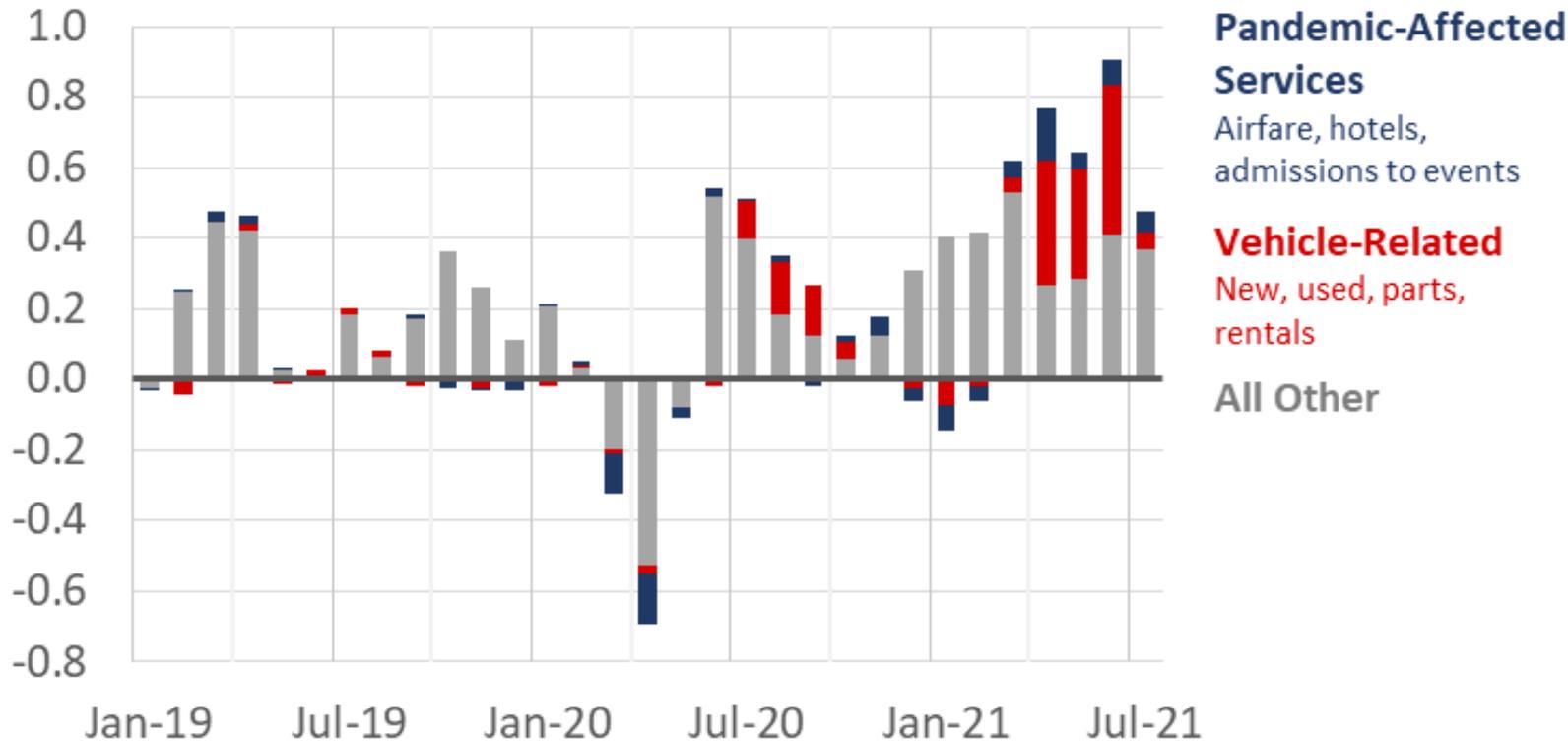




Persistent inflation is a risk

Inflation Running Above Target

Percentage Points, Monthly Rate



- Inflation will moderate as economy reopens and supply chains normalize
- Risk is inflation persistently higher than target (2-3%), and Federal Reserve raises rates to cool economy
- Interplay between actual inflation, inflation expectations, and wages and income important

Data: CPI All Items | Latest: July 2021 | Source: BLS, White House CEA, Oregon Office of Economic Analysis



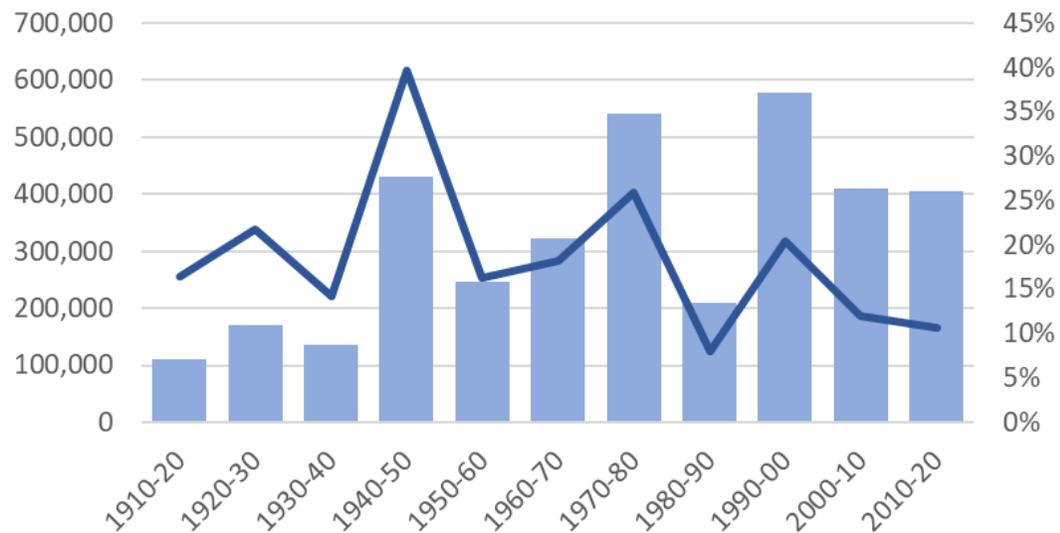


FYI: Census Data Update

2020 Census

Oregon Population Growth

-- Number of People | Percent Change -->



No 2020 ACS

- Poor response rate makes data unusable
- No information on distribution and socio-economic characteristics of
 - Income
 - Poverty
 - Migrants
 - Homeownership
 - Work from home
- 2020 was outlier so maybe best we don't overreact for 12 months
- 2021 should be back and a better gauge

- MAJOR demographic anchoring point for population, age distribution, race and ethnicity, and household types

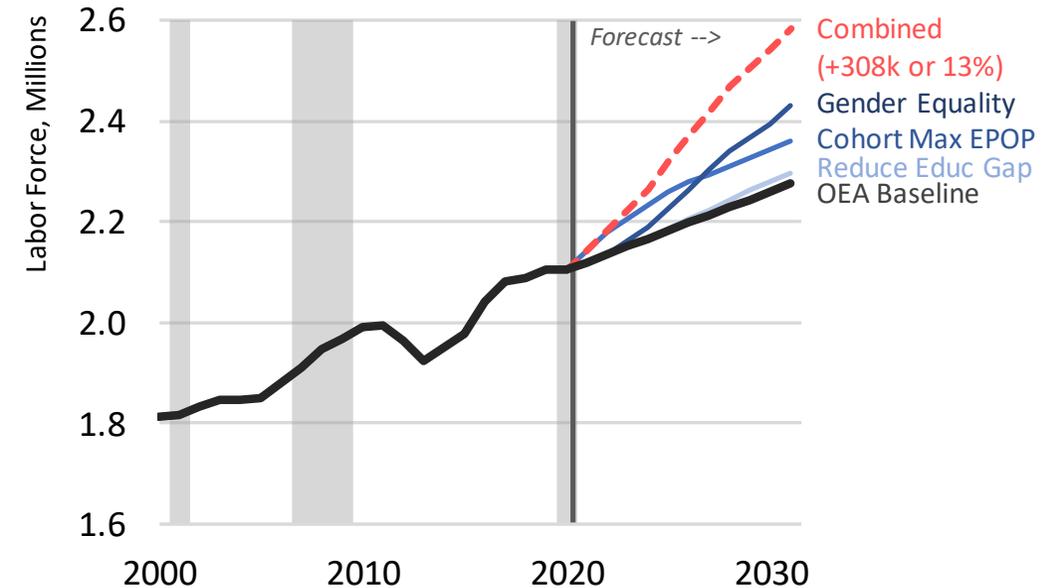




Addressing disparities would increase Oregon's long-term labor supply

Oregon's Latent Labor Force

Scenario Addressing Disparity	Labor Force Increase in 2031		Annual Population Growth
	Number	% Above Baseline	
Gender Equality (Female Employment Rates Match Male for All Cohorts)	156,000	6.8%	0.54%
Maximum Historical Employment Rate for All Cohorts	86,000	3.8%	0.33%
Eliminate Educational Attainment Gap among Younger Cohorts	21,000	0.9%	0.12%
Combined	308,000	13.5%	1.00%

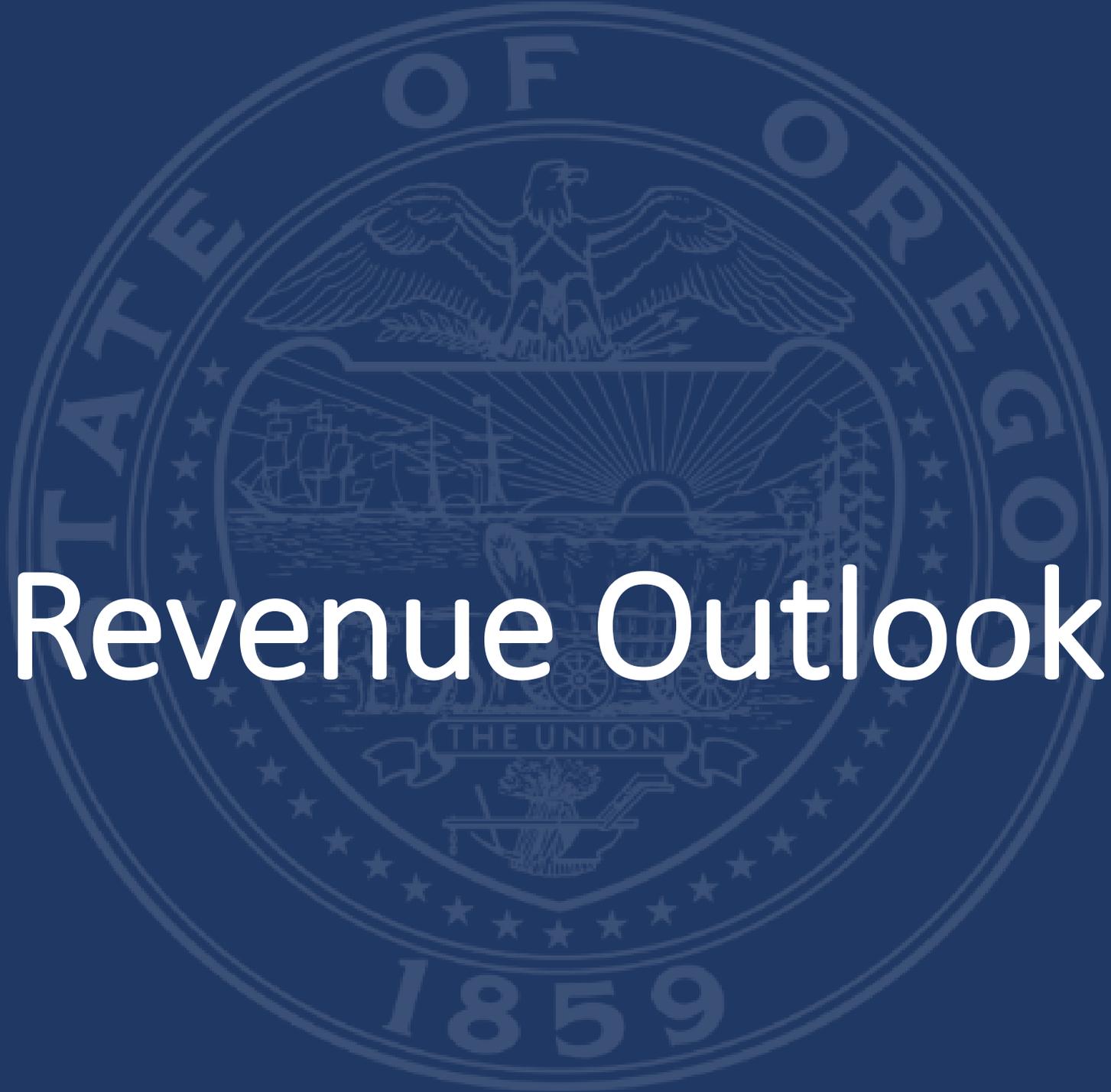


Source: BLS, Census, IPUMS-USA, Roosevelt Institute, Oregon Office of Economic Analysis



For more see the Oregon Office of Economic Analysis' September 2021 economic and revenue forecast document and the [Roosevelt Institute's "Reimagining Full Employment" report](#)



The background of the slide features a large, faint, light blue watermark of the Seal of the State of Oregon. The seal is circular and contains the text "STATE OF OREGON" around the top and "1859" at the bottom. The central emblem depicts an eagle with wings spread, perched on a shield. Below the eagle is a landscape with a sun rising over mountains, a river with a ship, and a plow. A banner at the bottom of the seal reads "THE UNION".

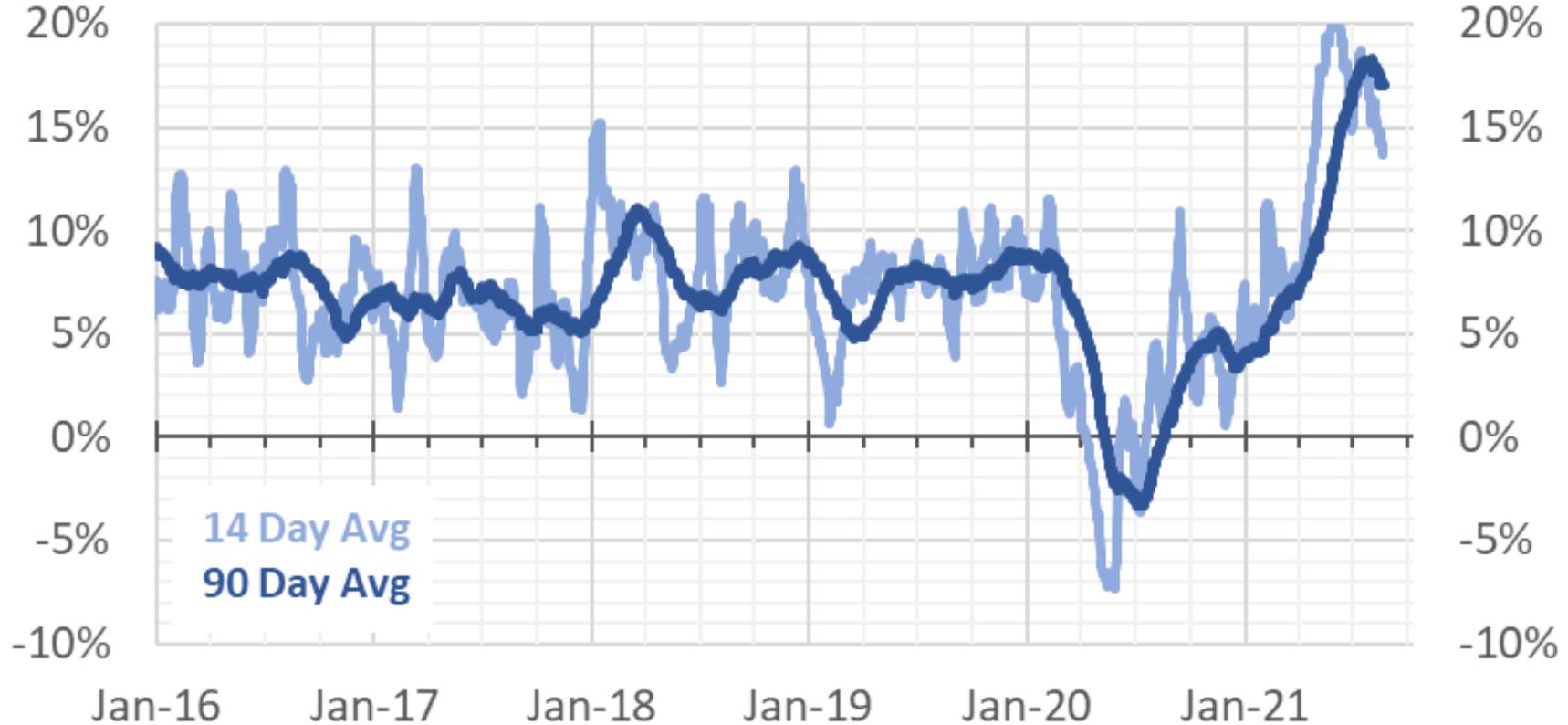
Revenue Outlook



Withholdings continue to boom

Oregon Withholding

30 Day Rolling Sum of Collections, Year-over-Year Change

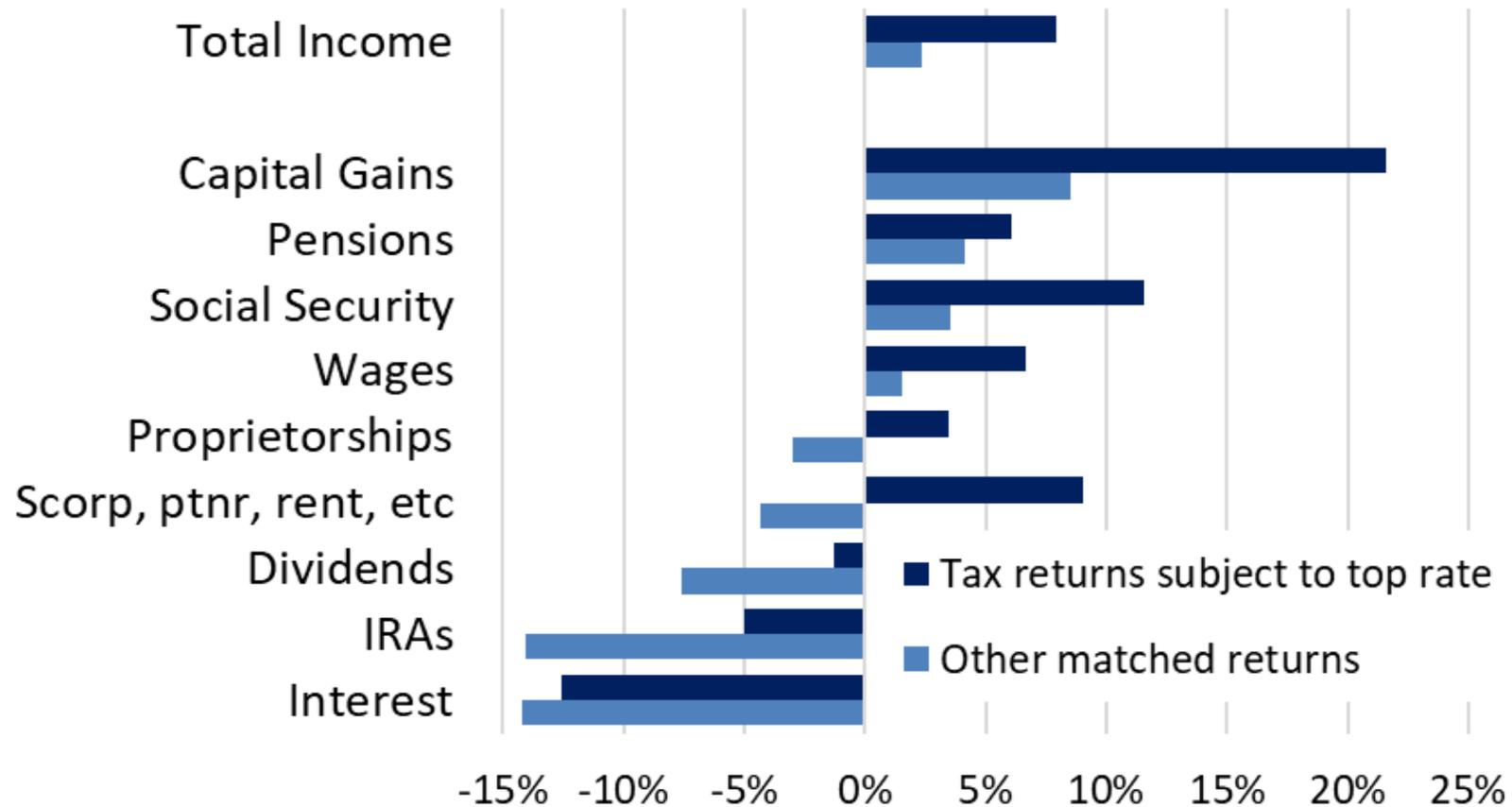


Latest Data: Aug 20, 2021 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis



High-Income Filers Drive PIT Growth

2020 Income Growth among Matched Tax Returns



1.6 million matched returns to date with 70 thousand subject to the top rate

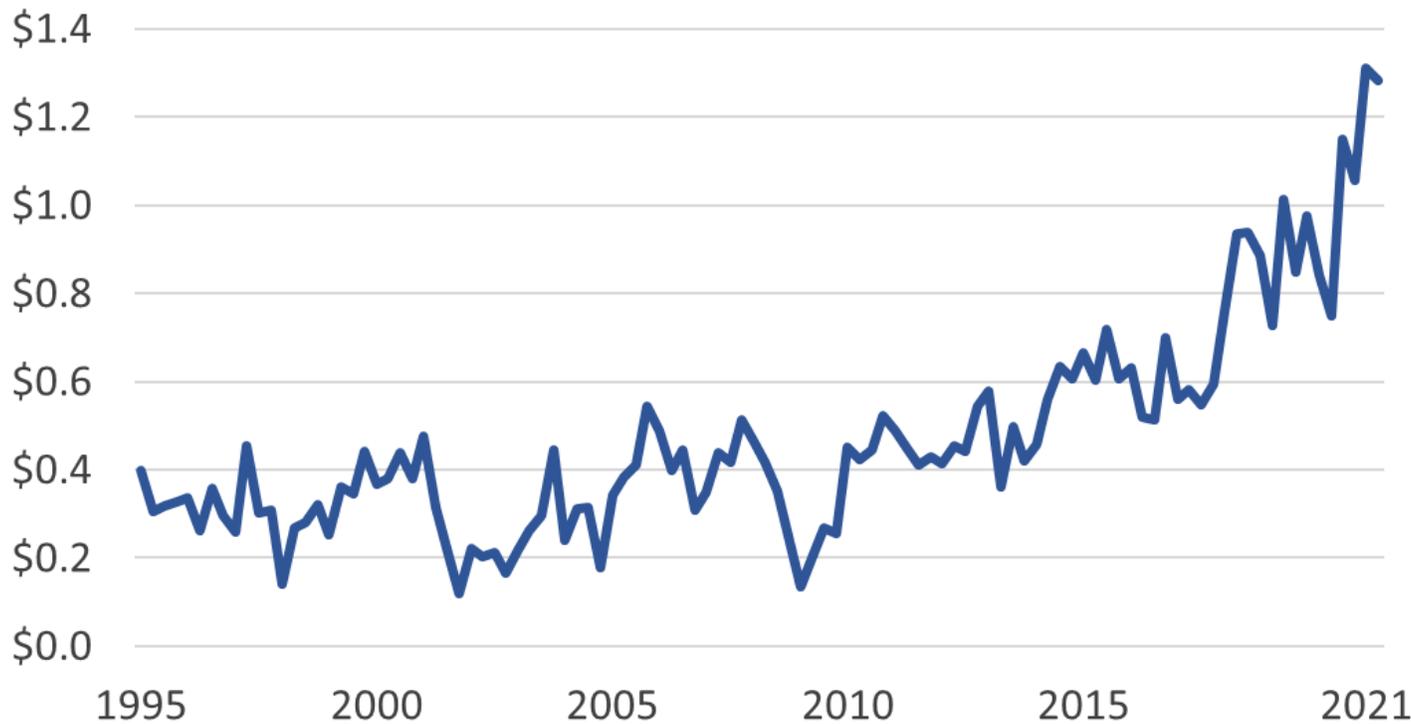
- The delayed 2020 tax filing deadline led to a late tax season, with most collections arriving after the May forecast
- Collections eventually came in very strong, driven by growth among high-income filers
- Many filers moved income into the 2020 tax year in an attempt to get ahead of potential federal rate increases



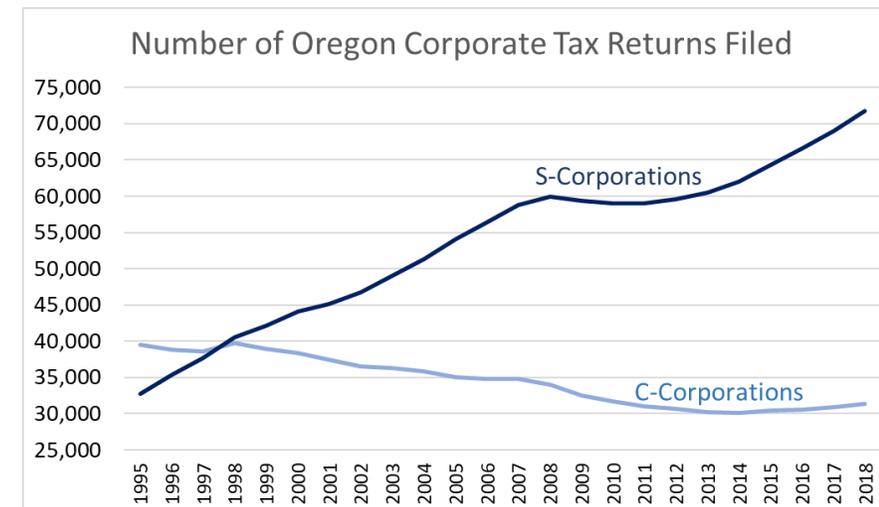
Traditional Corporate Collections Boom

Oregon's Corporate Excise Tax Collections

\$billions, seasonally adjusted at an annualized rate



- Corporate Income taxes doubled over the past two budget cycles, with 44% growth in FY2021. CAT above forecast as well
- 2019-21 corporate kicker of \$847 million, and 2021-23 corporate kicker of \$67 million (spent on K-12)



Latest Data: 2021q2 | Source: Oregon Department of Revenue, Oregon Office of Economic Analysis

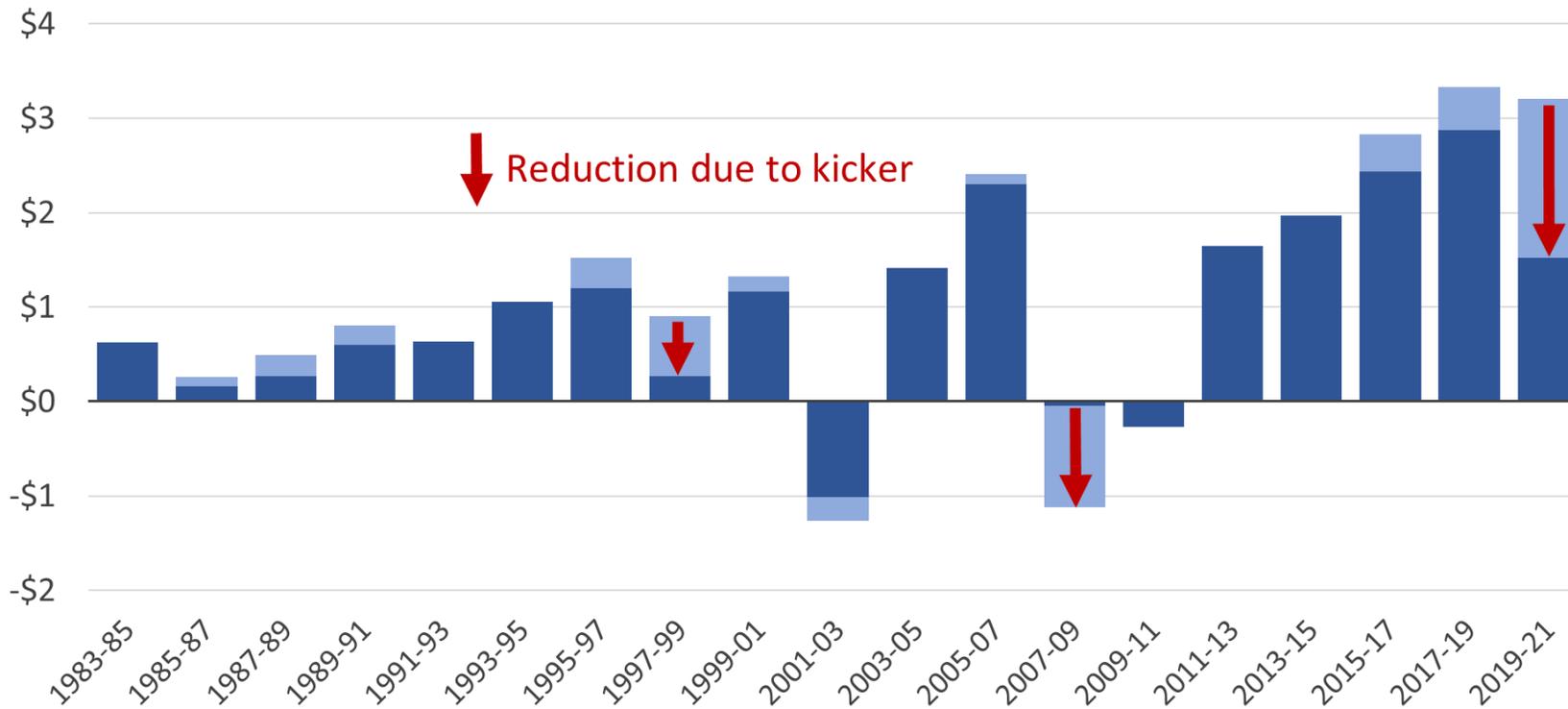
Oregon Office of
Economic Analysis





General Fund Changes by Biennium

General Fund Revenue Changes by Biennium, billions



- Oregon's General Fund has roughly doubled over the past 5 budget cycles (10 yrs)
- During this time, kicker credits have totaled \$2.6 billion, amounting to a 2.6% reduction of GF resources
- Kicker credits of \$1.9 billion will be issued in 2021-23 and beyond



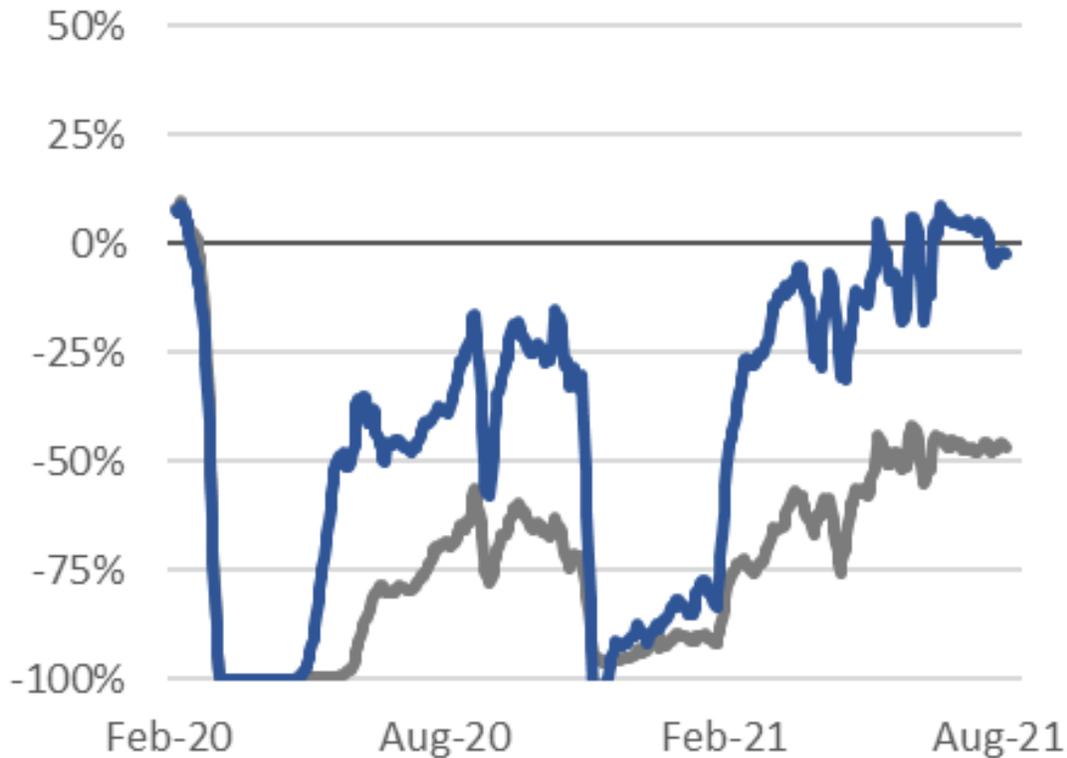


Lottery still setting records

(Charts: Percent change from corresponding day or week in 2019)

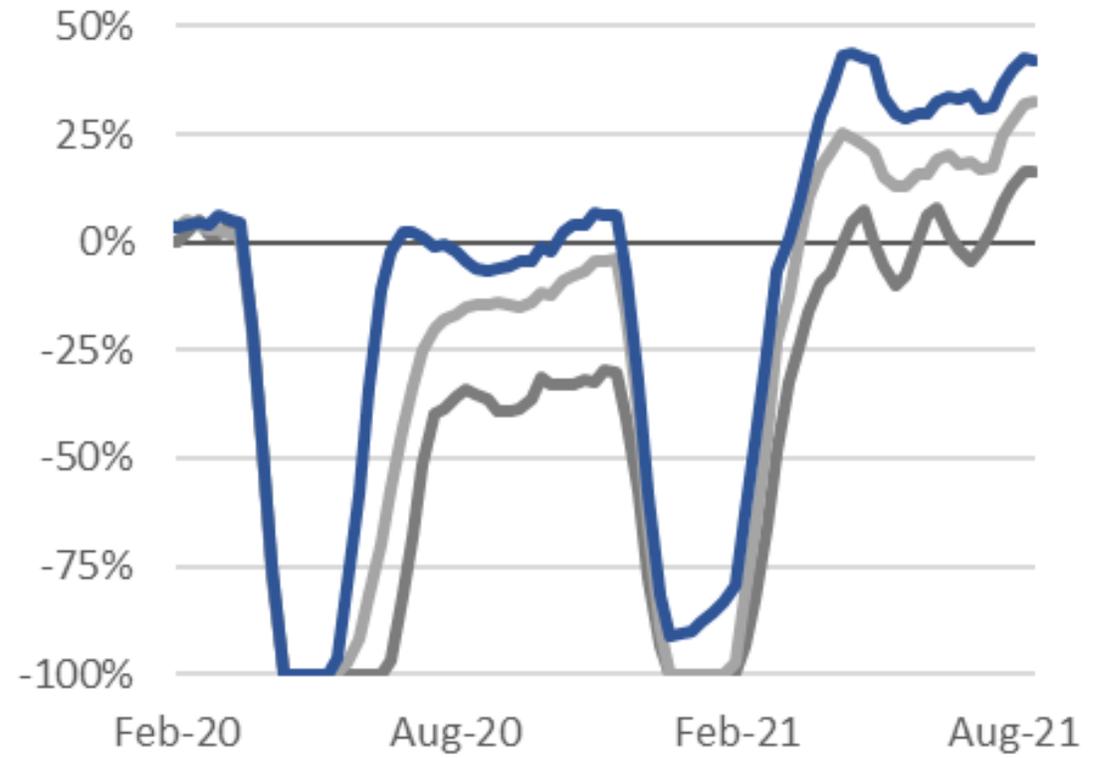
OpenTable Seated Diners

Portland | Rest of State



Video Lottery Sales

Downtown Portland | Portland Region | Rest of State



Source: OpenTable, Oregon Lottery, Oregon Office of Economic Analysis



The background of the image is a dark blue gradient. Centered in the background is a large, faint, light blue watermark of the Seal of the State of Oregon. The seal is circular and contains the following elements: an eagle with wings spread at the top; a central scene with a sun rising over a body of water with a ship; a plow and a sheaf of wheat below the water; and a banner with the words "THE UNION" across the bottom of the central scene. The words "STATE OF OREGON" are written in a circular path around the inner border, and the year "1859" is at the bottom. There are small stars separating the text from the central imagery.

Bottom Line



What is your cut?

Income Group	Adjusted Gross Income*	Rough Estimate of Kicker Size**
Bottom 20%	< \$12,100	\$30
Second 20%	\$12,100 - \$29,300	\$200
Middle 20%	\$29,300 - \$52,100	\$440
Fourth 20%	\$52,100 - \$95,000	\$790
Next 15%	\$95,000 - \$195,600	\$1,600
Next 4%	\$195,600 - \$442,700	\$3,780
Top 1%	> \$442,700	\$16,880
Average	\$67,500	\$850
Median	\$35,000-\$40,000	\$420

- Total kicker \$1.9 billion
- Kicker paid out as equal share of tax liability (17.5%), meaning the largest dollar payments go to the highest earners
- Economic impact of increased consumer spending from kicker is affected by higher-income households having higher savings rates, and lower marginal propensity to consume

* Based on 2019 actual tax returns

** Based on OEA's 2020 tax liability





Revenue bottom line

September 2021 Forecast Changes

General Fund Revenues	\$ Millions from COS/May		
	21-23	23-25	25-27
Personal Income Taxes	29	148	141
Corporate Income Taxes	66	60	52
Other	4	-1	-16
Total	99	207	177

Other Revenues	\$ Millions from COS/May		
	21-23	23-25	25-27
Lottery	46	13	15
Corporate Activity Tax	8	9	6
Marijuana Tax	-2	0	0
Total	52	22	21

	\$ Millions from COS/May		
	21-23	23-25	25-27
Total Sum	151	229	198

- Going forward, the revenue outlook is stable, with modest upward revisions to future budgets in the September forecast
- After the strong tax season, the ending balance for 2019-21 increased by \$699 million
- In addition to General Fund resources, Lottery and CAT revenues have come in larger than expected

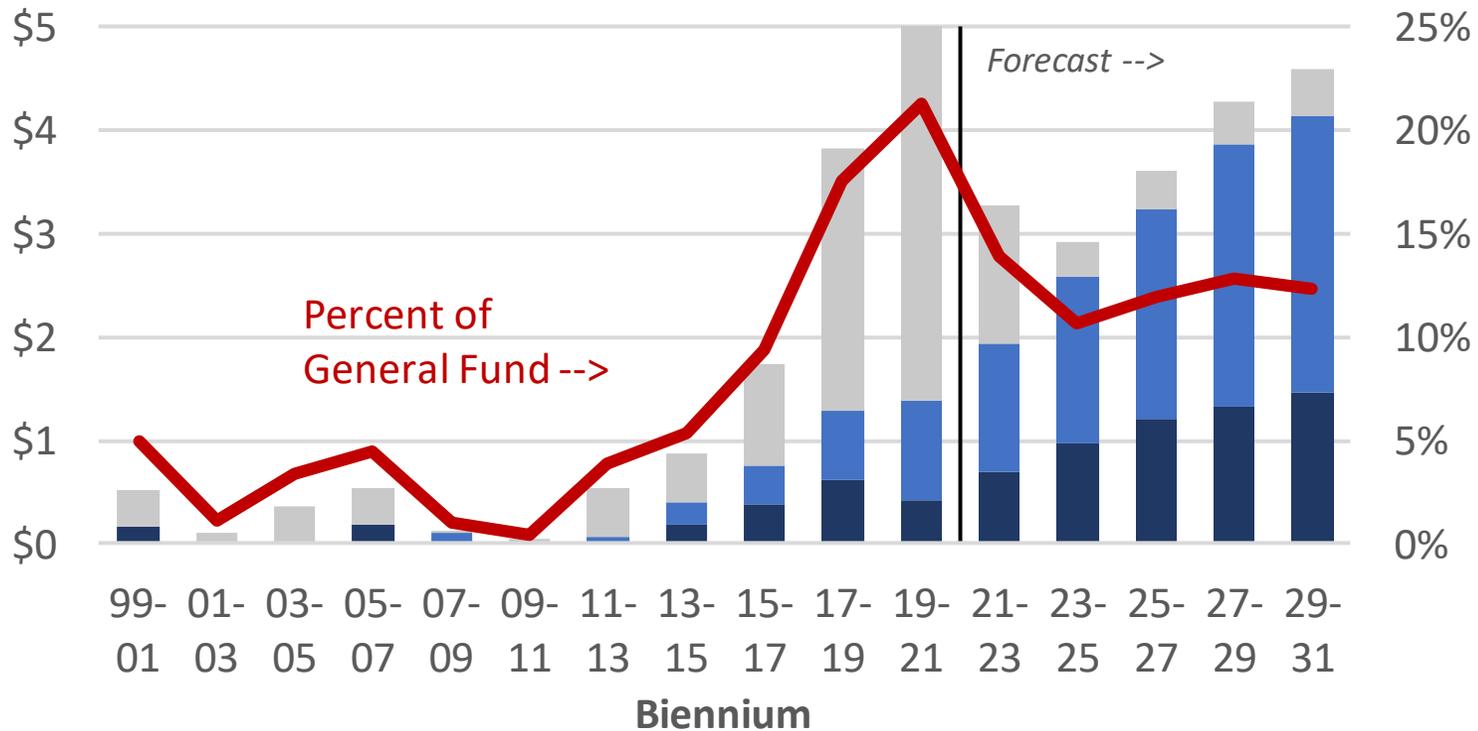




Sizable reserves remain

Oregon Budgetary Reserves (billions)

■ Educ. Stability Fund ■ Rainy Day Fund ■ Gen. Fund Ending Balance



Effective Reserves (\$ millions)

	<i>End</i> 2019-21	<i>End</i> 2021-23
ESF	\$415	\$690
RDF	\$962	\$1,256
Reserves	\$1,377	\$1,946
Ending Balance	\$3,697	\$1,330
Total	\$5,074	\$3,276
% of GF	21.3%	13.9%

Source: Oregon Office of Economic Analysis





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