

The background of the slide features a large, faint, circular seal of the Oregon State Auditor. The seal contains an eagle with wings spread, perched on a shield. Below the eagle is a banner with the text "THE UNION". At the bottom of the seal, the year "1859" is inscribed. The words "STATE OF OREGON" are written around the perimeter of the seal.

March 2021 Economic and Revenue Forecast

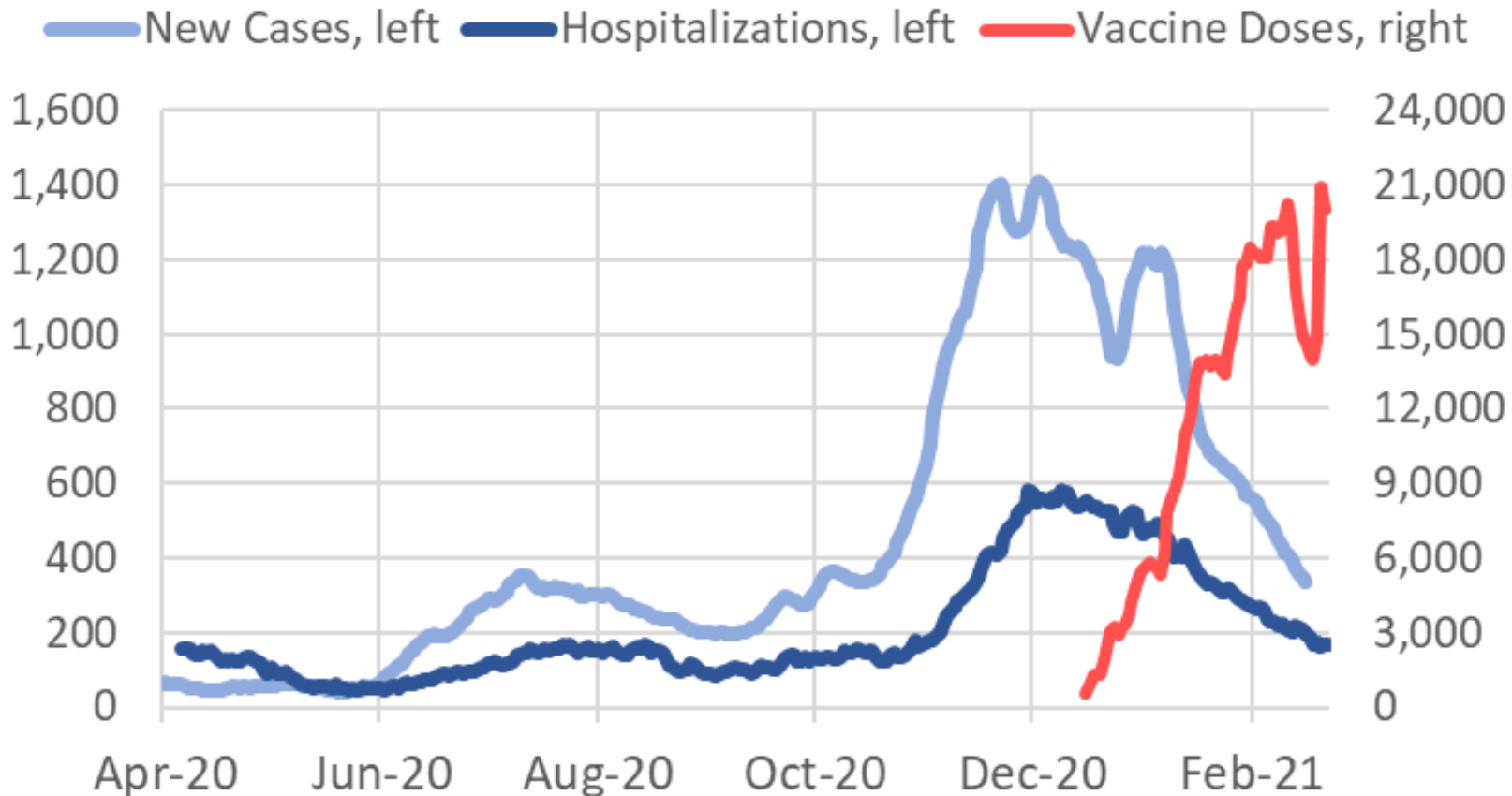
February 24th, 2020

Oregon Office of Economic Analysis
Mark McMullen
Josh Lehner



Encouraging pandemic progress

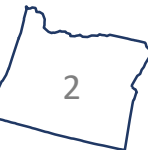
COVID-19 in Oregon



- New cases and hospitalizations down by more than two-thirds
- Nearly 550,000 Oregonian adults have received at least one dose of the vaccine (16% of total)
- Key assumptions
 - Pandemic continues to wane
 - Economy continues to reopen
 - Households feel increasingly confident in their ability to safely resume activities



Source: Oregon Health Authority, Oregon Office of Economic Analysis

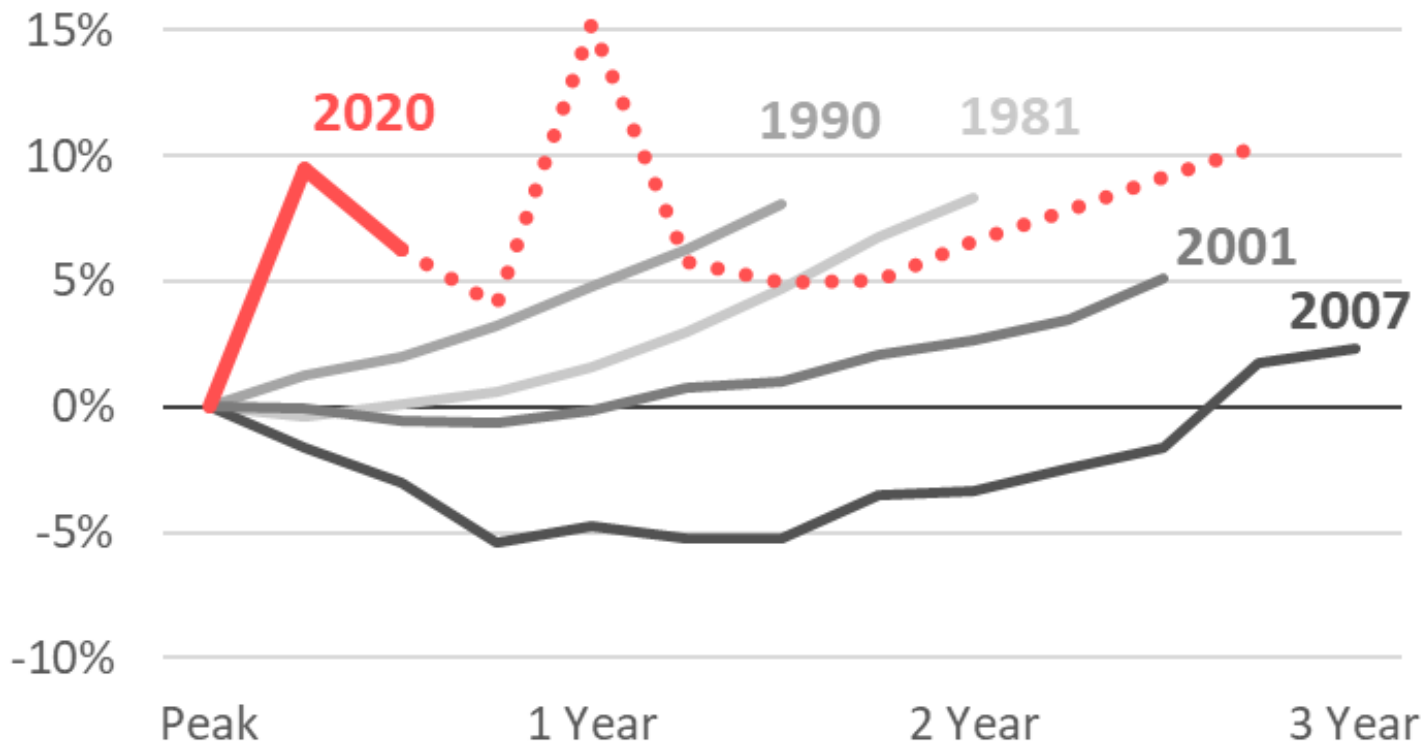




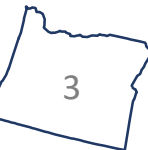
Overall income is up sharply

Total Oregon Personal Income

Nominal, Percent Change from Pre-Recession Peak



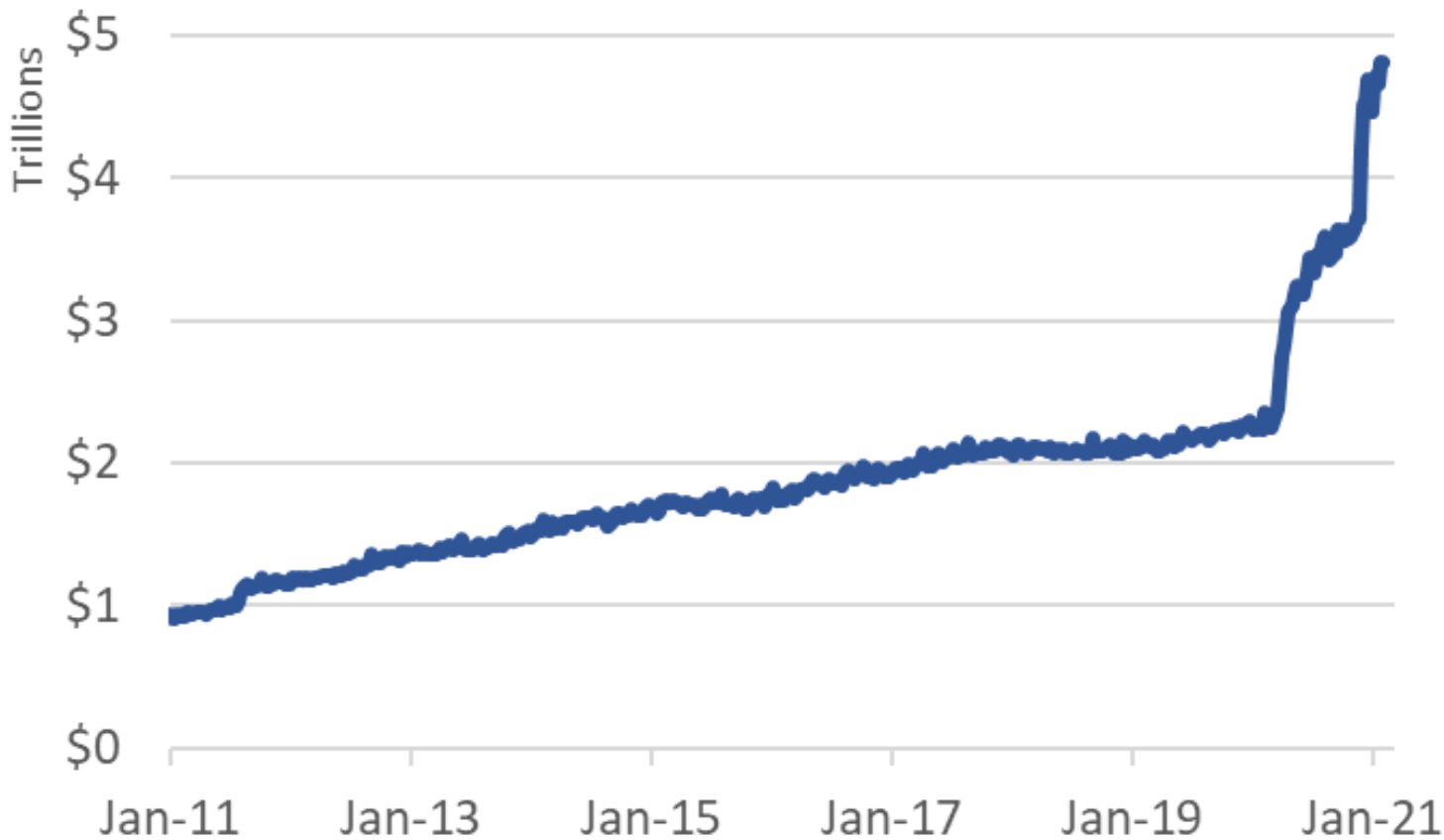
- Unprecedented federal aid has boosted incomes higher today than before the pandemic
- Oregonians expected to receive \$12 billion in UI, \$11 billion in PPP and \$8 billion in rebates
- Economy proving more resilient as well. Income excluding direct federal aid has returned to pre-pandemic levels.
 - Investment income remains healthy





Savings will support spending

U.S. Checkable Deposits



- Households have built up considerable savings in the past year
- Concentrated among middle- and high-income households
- Lower-income households continue to struggle
 - Job prospects remain dim
 - Federal aid has lapsed at different points
- Pent-up demand will be unleashed as pandemic wanes and economy reopens
- Mix of consumer spending will shift back to labor-intensive, in-person services, driving strong employment gains



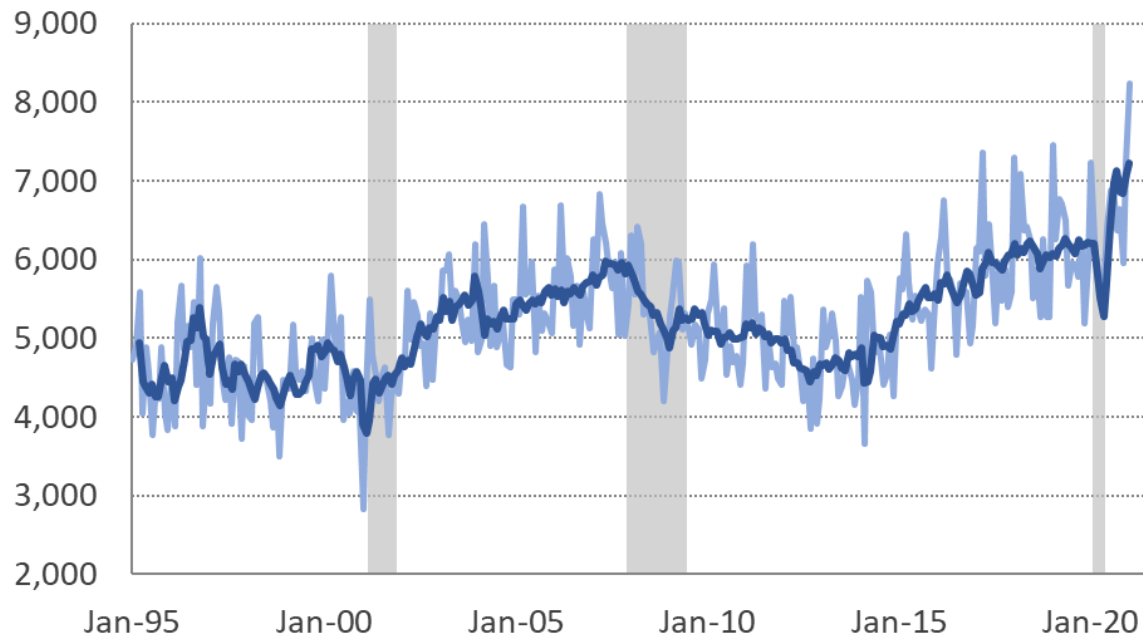


Risk: Economic scarring

New Business Formation

Oregon Business Applications

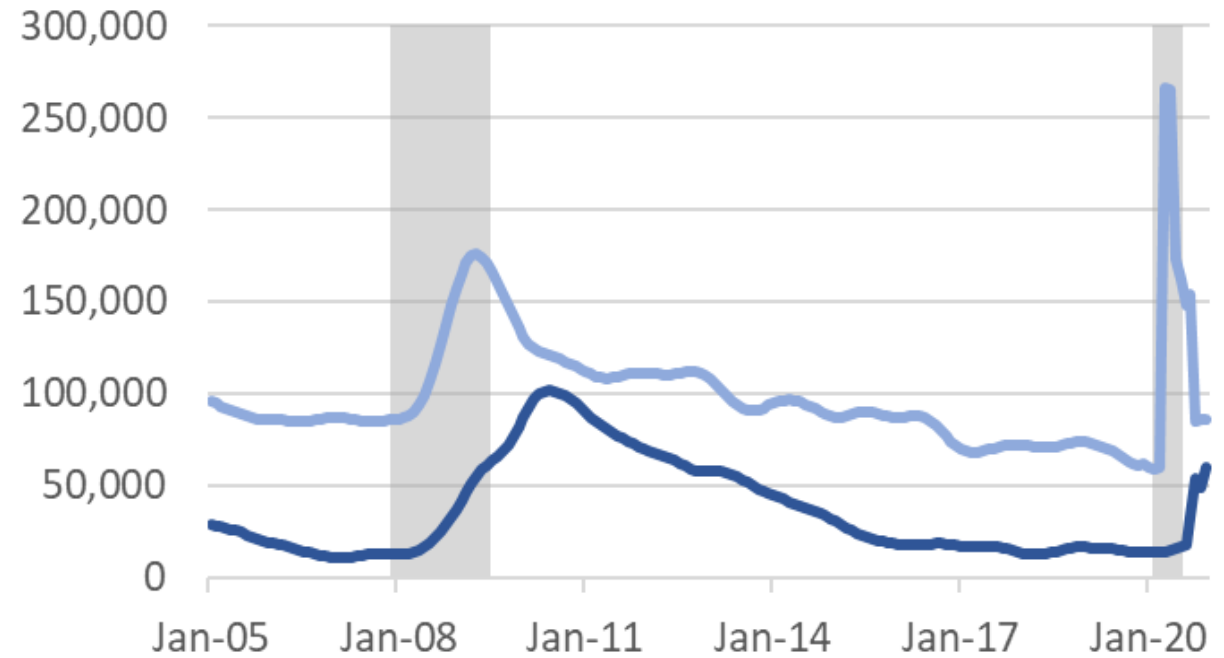
Monthly Data | Seasonally-Adjusted 3 Month Moving Average



Latest Data: January 2021 | Source: Oregon Secretary of State, Oregon Office of Economic Analysis

Unemployed Oregonians

Short-Term (<6 Months) | Long-Term (>6 Months)



Latest Data: December 2020 | Source: Oregon Employment Department, Oregon Office of Economic Analysis



Oregon Office of
Economic Analysis

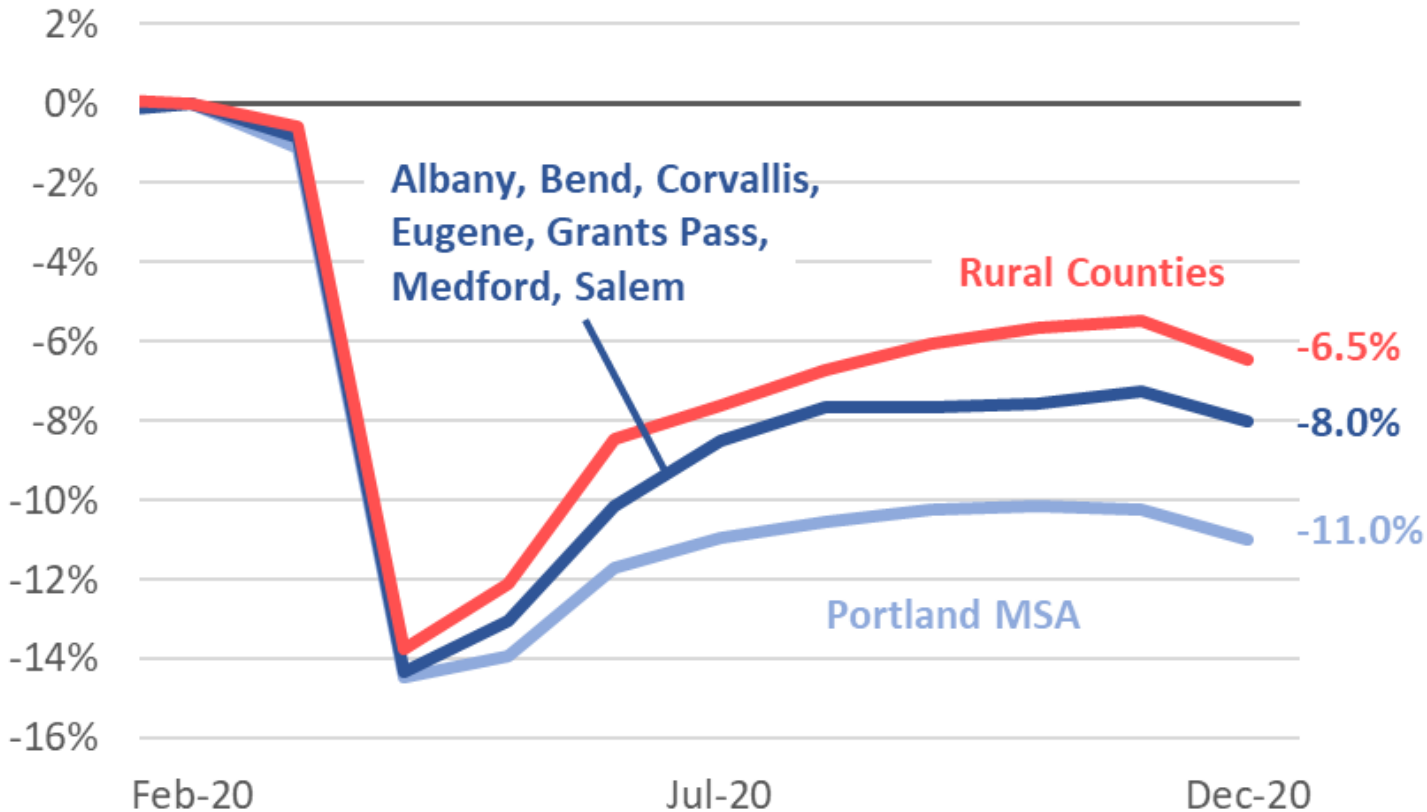




Regional performance varies

Oregon Employment: Metro and Nonmetro

Percent Change from February 2020



- Initial severity of recession affected by exposure to tourism and travel
- Rural economies supported by transfer payments to a greater degree
- Urban economies impacted by lack of business travel and working from home

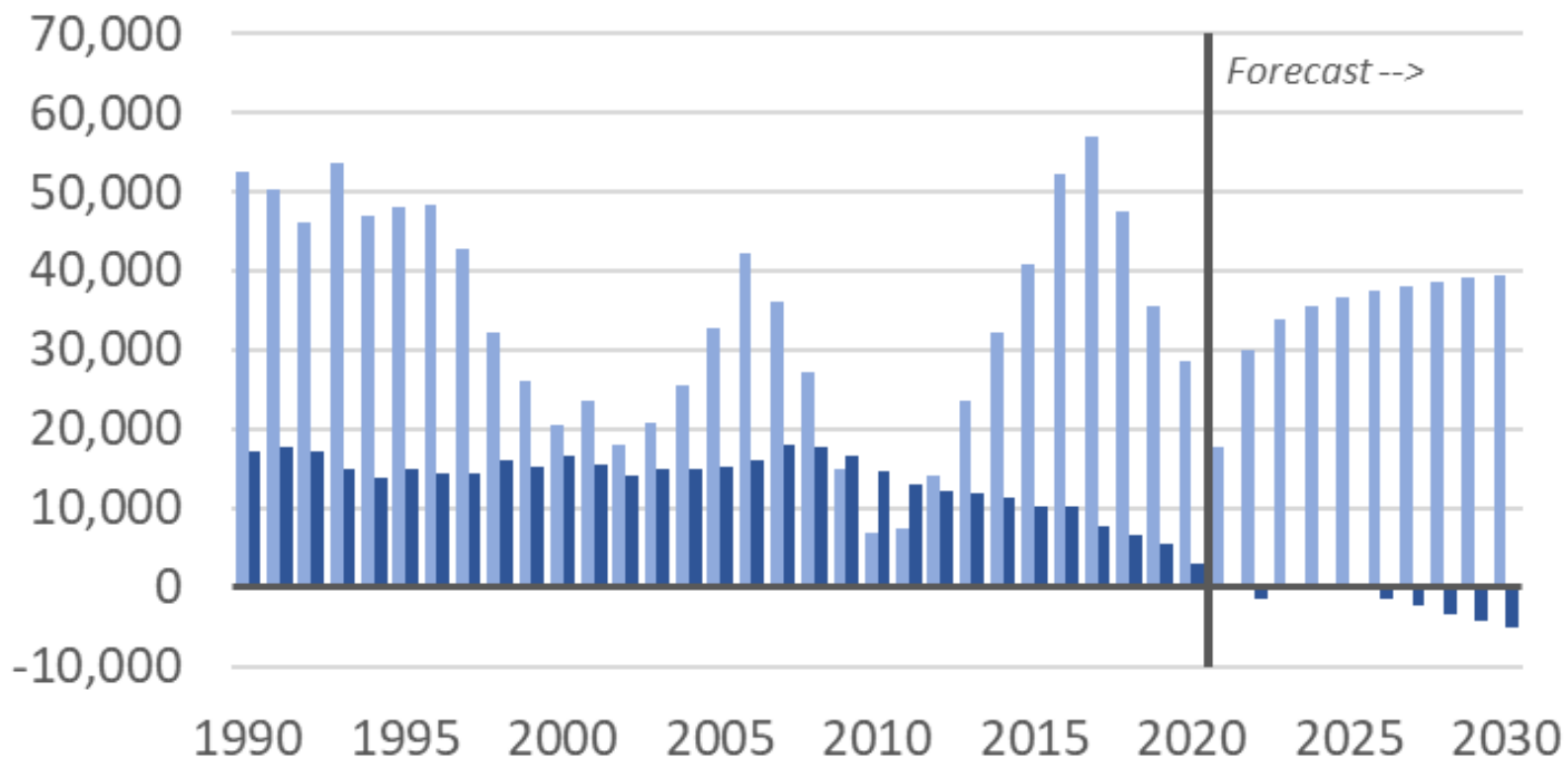




Oregon's comparative advantage

Oregon Population Growth

Natural Increase (Births minus Deaths) | Net Migration



- Population growth entirely reliant on net migration
 - Birth remain below replacement rate and deaths are rising
- What 2020 and now 2021 hath wrought could impact migration
 - Pandemic
 - Working from home
 - Wildfires
 - Drought
 - Ice storms
 - Protests

Latest Data: 2020 | Source: Census, Portland State PRC, Oregon Office of Economic Analysis

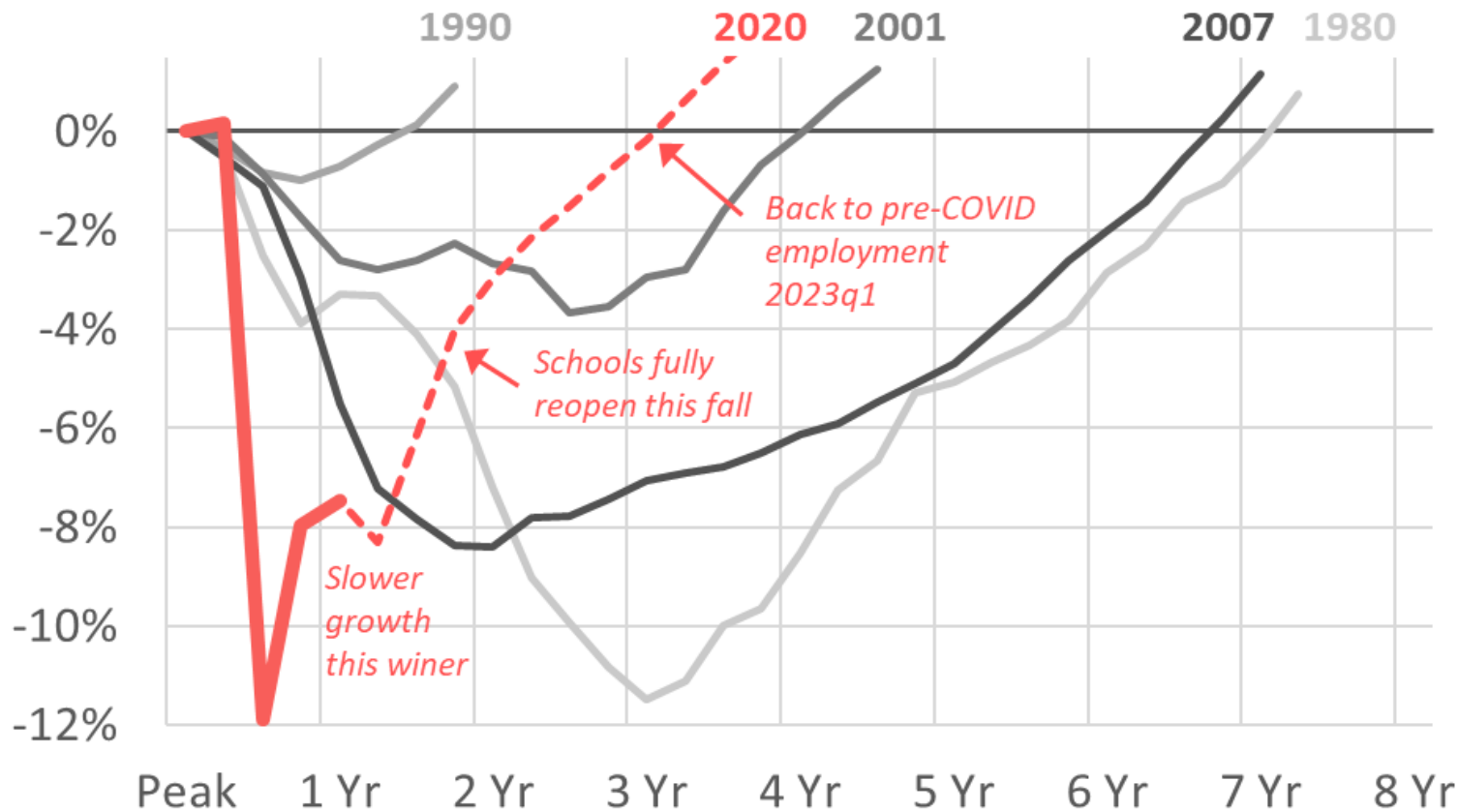




Bottom line

Oregon Recession Comparison

Employment Percent Change from Pre-Recession Peak



- Growth stalled over the winter as expected, but stage is set for rapid improvement
- COVID infections down, and vaccine rollout progressing
- Full return to in-person learning next fall
- Return to full employment expected in early 2023, 6-9 months earlier than in the December outlook



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Revenue Outlook

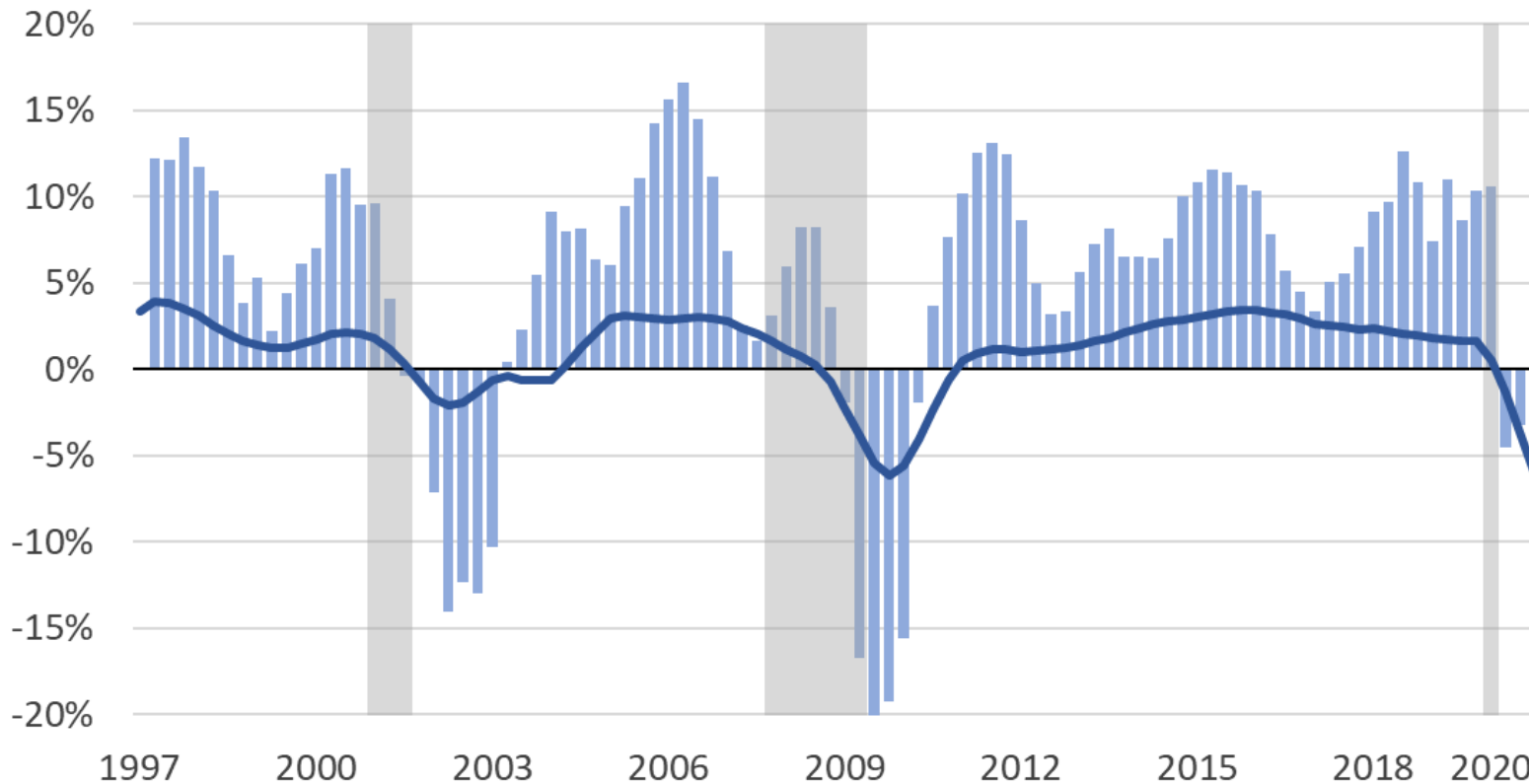


Not a typical recession for tax revenue

Oregon Tax Collections and Job Growth

Personal Income and Corporate Excise Tax and Employment

year-over-year percent change



- To date, revenue losses in the current recession pale in comparison to Oregon's recent experiences
- Job losses over the past year match the worst of the Great Recession yet revenue declines are much less severe
- Federal aid and strong investment and business income are factors

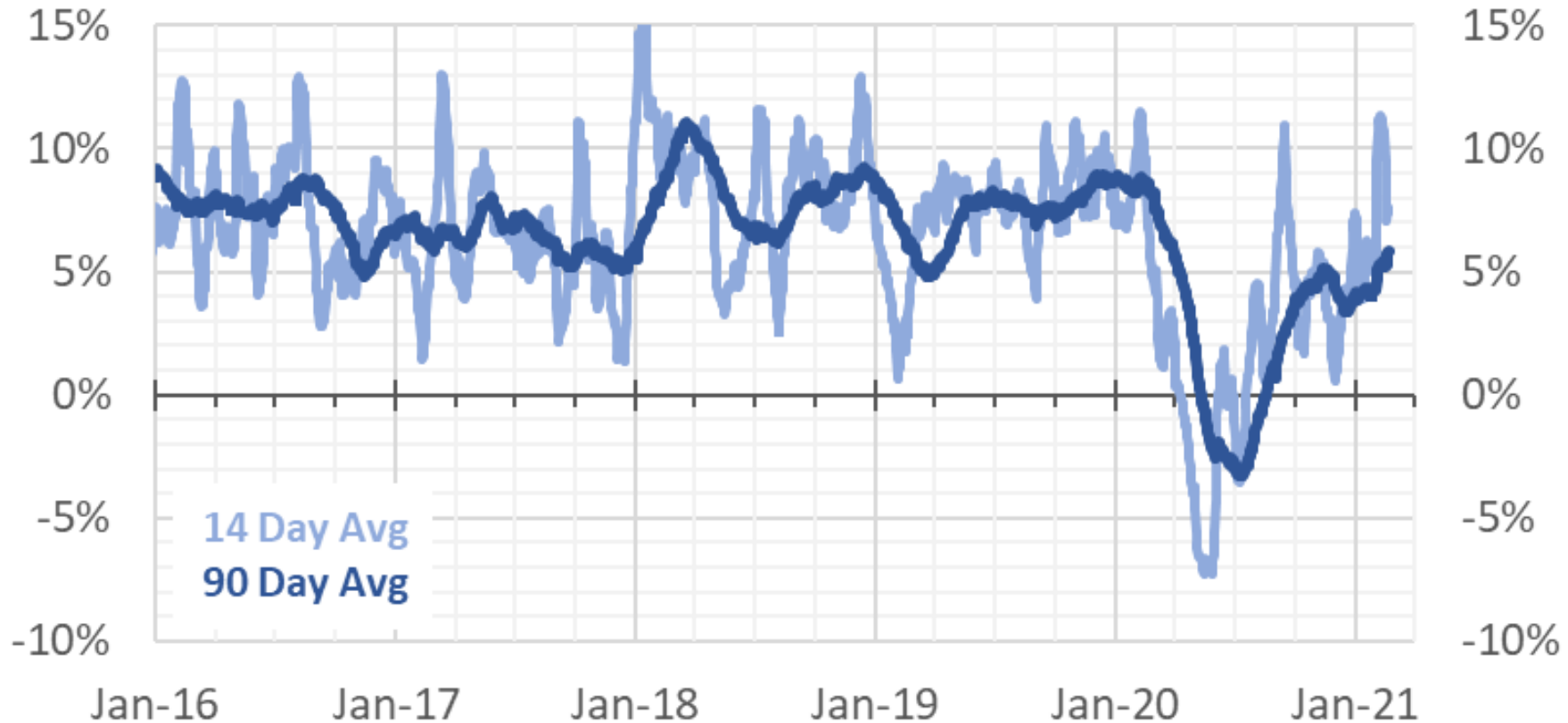




Personal Income Tax withholdings strengthen further

Oregon Withholding

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



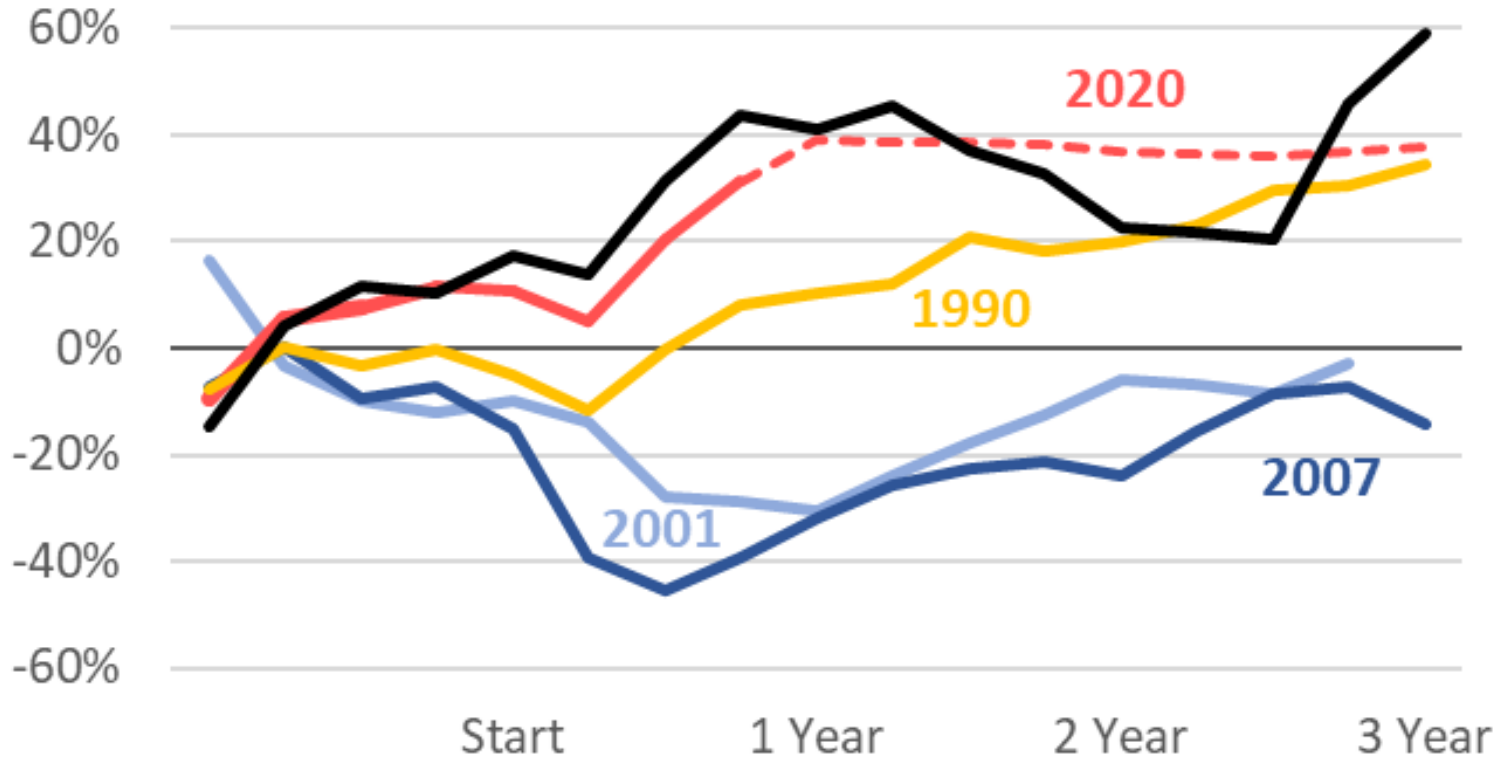


Asset markets are still healthy

Wilshire 5000 Stock Price Index

Percent Change from Start of Recession

1980



- Nonwage forms of personal income represent a wildcard for this April's collections
- Equity prices are up 20% since the start of the recession
- Last recession, losses in capital gains, rental and business income resulted in over \$1 billion less in tax revenues

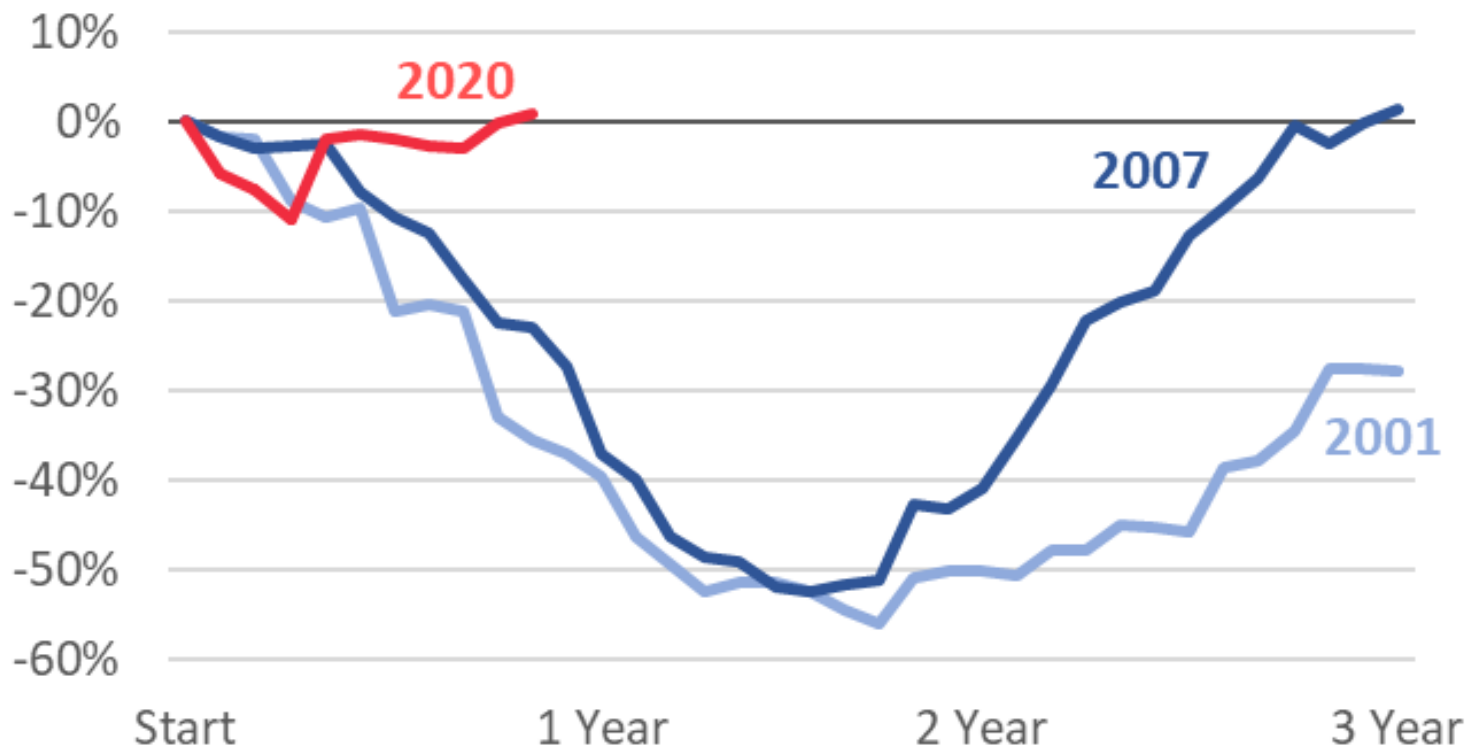




Corporate taxes are holding up

Oregon Corporate Excise Tax

Nominal, Percent Change from Start of Recession



- Corporate income and excise taxes have not yet collapsed as in previous recessions
- A 50% decline today would result in a loss of \$450 million per year
- Corporate Activity Taxes appear to be tracking with the post-COVID outlook (20% below original estimates)

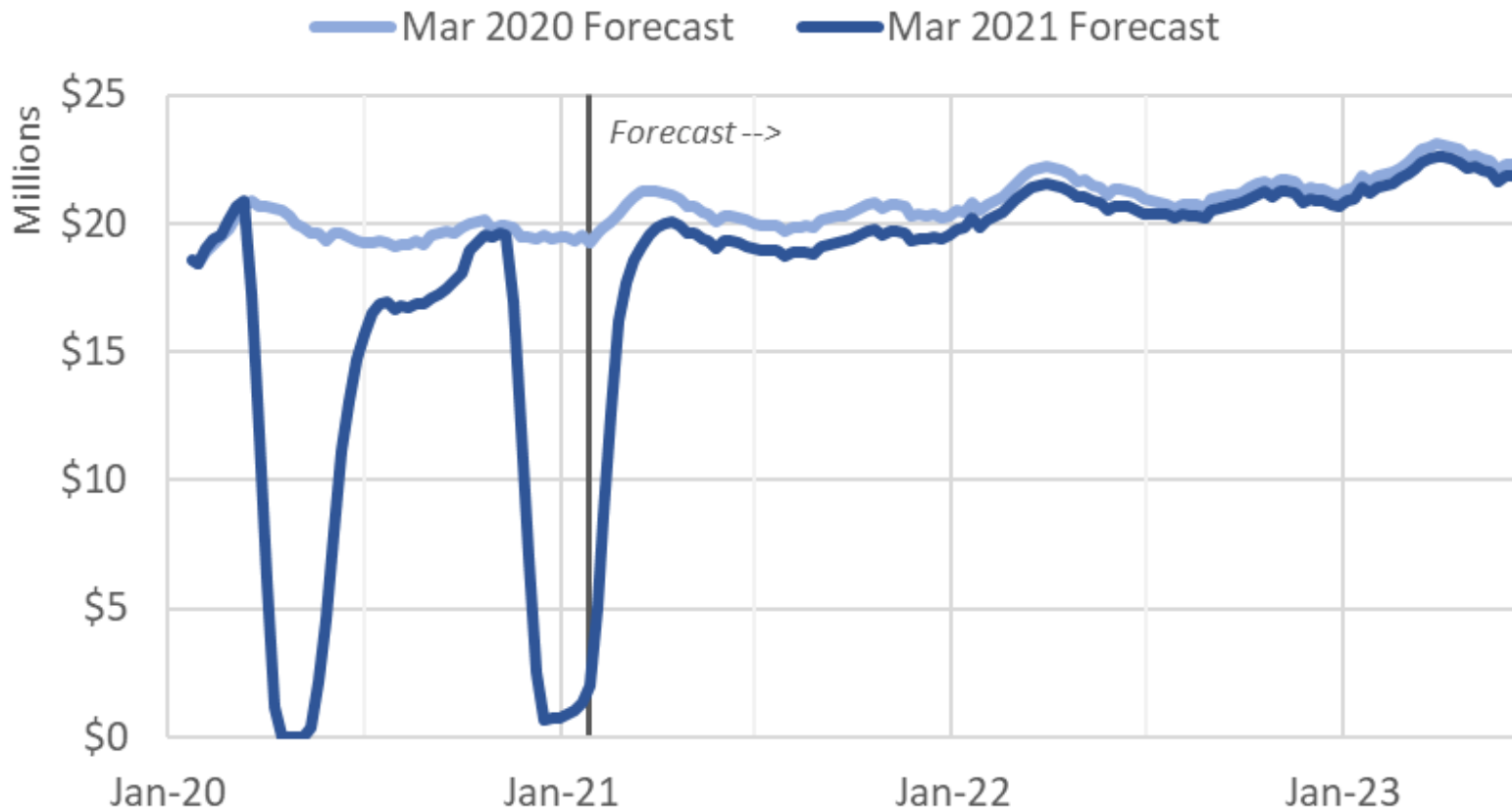




Lottery outlook improves

Oregon Video Lottery Sales

4 Week Average



- 2019-21 revised down due to health restrictions over the winter
- 2021-23 and beyond revised upward due to improving economic outlook and strong lottery sales in recent weeks
- Risks:
 - Pent-up demand for entertainment stronger than anticipated
 - Future health restrictions due to hot spots
 - Competition for entertainment dollars as economy reopens



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Bottom Line



Revenue bottom line

March 2021 Forecast Changes

General Fund Revenues	\$ Millions from Dec		
	19-21	21-23	23-25
Personal Income Taxes	498	135	600
Corporate Income Taxes	223	-120	-1
Other	23	-5	6
Total	743	10	605

Other Revenues	\$ Millions from Dec		
	19-21	21-23	23-25
Lottery	-101	46	46
Corporate Activity Tax	40	56	13
Marijuana Tax	-5	-1	0
Total	-66	101	59

	\$ Millions from Dec		
	19-21	21-23	23-25
Total Sum	677	111	665

- Including resources from the current biennium, budget writers are expected to have nearly \$800 million in additional revenue to work with this session
- The outlook for most major tax instruments has been revised upward
- Lottery sales are an exception due to restrictions

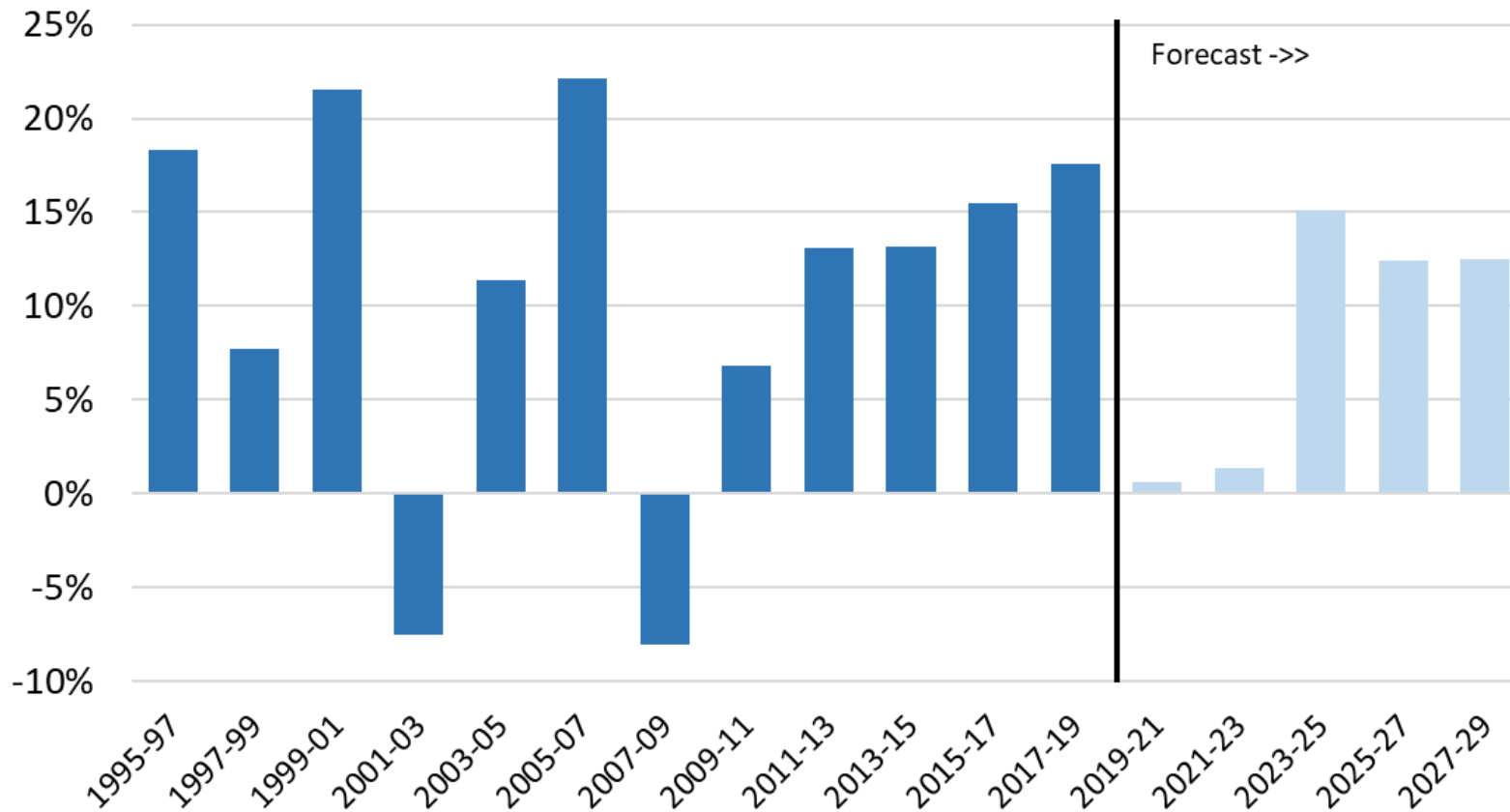




Revenue bottom line

Net General Fund and Lottery Revenue

% change over biennium



- Overall resources expected to be roughly flat over three budget cycles (excluding CAT)
- While much better than in most recessions, revenue gains are not fast enough to keep up with rising need and cost of public services
- Significant downside risks over the next two budget cycles

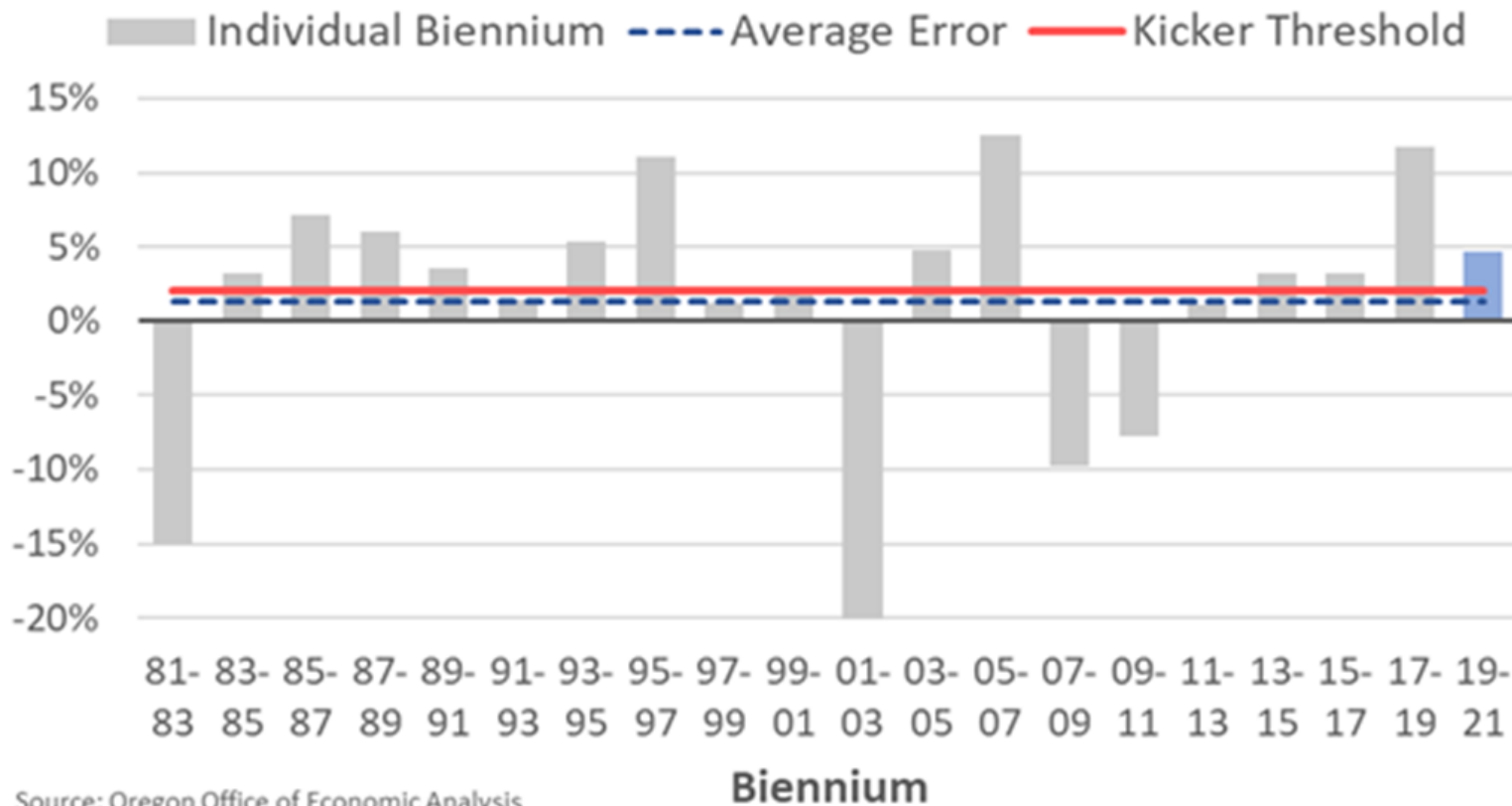




Oregon's unique kicker law

Oregon General Fund Forecast Errors

Percent Difference between Close of Session and Actuals



Source: Oregon Office of Economic Analysis

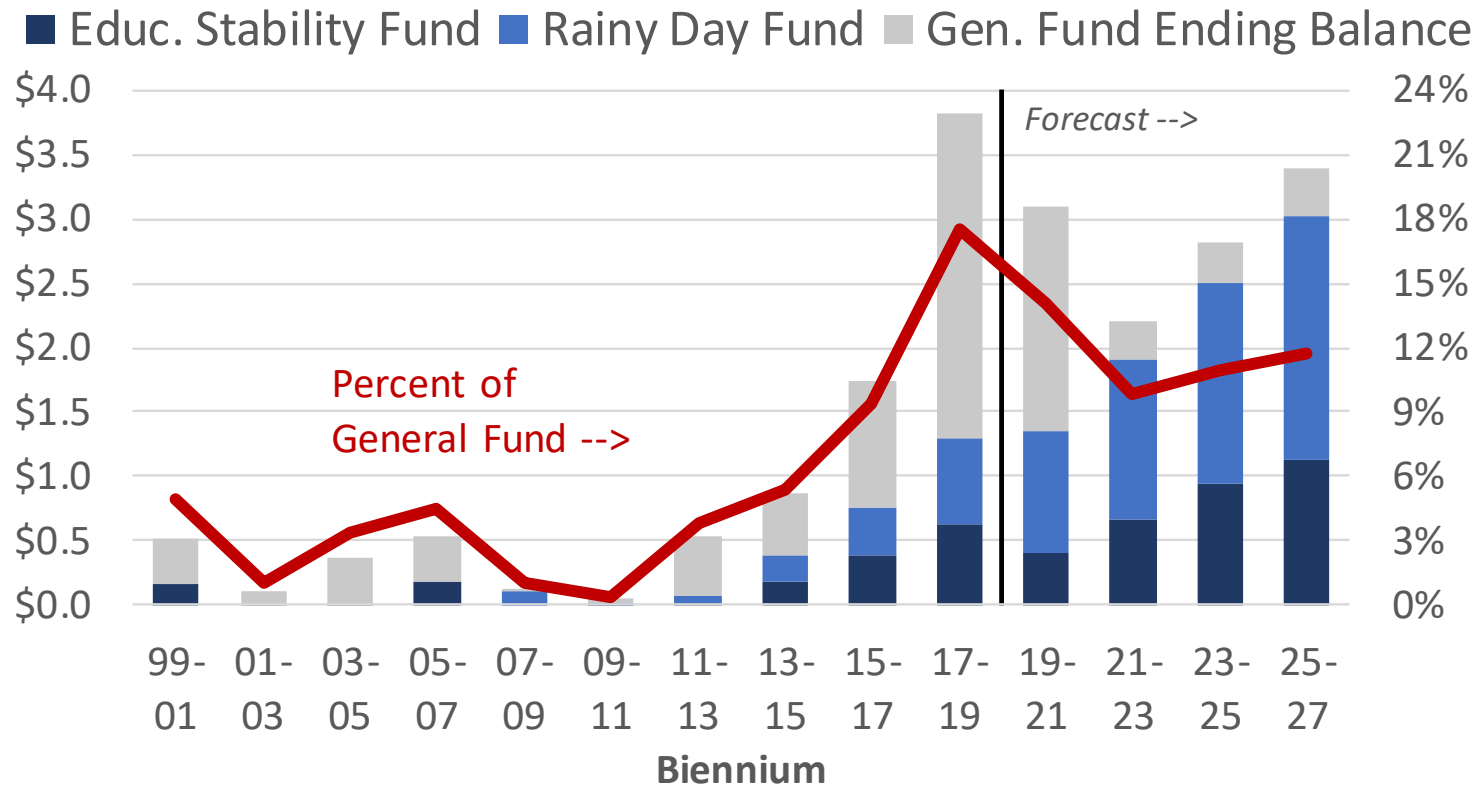
- March forecast puts kicker credit back in play
- Kicker credit is far from a sure thing since the tax season has yet to get under way
- Projected Kickers
 - Personal kicker \$571 million (2.88%)
 - Corporate kicker \$420 million (dedicated to K-12)





Sizable reserves remain

Oregon Budgetary Reserves (billions)



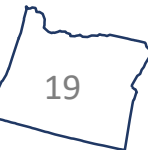
Effective Reserves (\$ millions)

	Dec 2020	End 2019-21
ESF	\$771	\$411
RDF	\$885	\$946
Reserves	\$1,656	\$1,357
Ending Balance	\$1,737	\$1,737
Total	\$3,393	\$3,094
% of GF	15.4%	14.1%

Source: Oregon Office of Economic Analysis



Oregon Office of Economic Analysis





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