

## **SB 1562 -1 STAFF MEASURE SUMMARY**

### **Senate Committee On Finance and Revenue**

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**Prepared By:** Chris Allanach, Legislative Revenue Officer

**Meeting Dates:** 2/15, 2/22

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#### **WHAT THE MEASURE DOES:**

Increases the maximum biennial, ending balance contribution to the Rainy Day Fund from one percent to two percent of General Fund appropriations. Increases the limit for making contributions into the Rainy Day Fund from 7.5 percent to 12.5 percent of General Fund revenue.

#### **ISSUES DISCUSSED:**

- Factors that affect Oregon's bond rating
- Magnitude of a recession covered by the RDF balance
- Best practices for such reserve fund accounts
- Timing of the next recession
- Balance between savings and current needs

#### **EFFECT OF AMENDMENT:**

-1 Removes from the bill, the increase the maximum biennial, ending balance contribution to the Rainy Day Fund. This would leave the contribuion cap unchanged at one percent of General Fund appropriations.

#### **BACKGROUND:**

The Rainy Day Fund was created by the 2007 Legislature, redirecting the 2005-07 Corporate kicker of \$344 million as an initial deposit. The initial source of revenue for the fund is the deposit of the biennial ending balance, up to one percent of General Fund appropriations. The 2009 Legislature added a second funding source. The current structure of this second source is the amount of corporation income/excise taxes attributable to any tax rate above 7.2 percent. Revenue is deposited into the fund as long as the fund balance just prior to the transfer is below 7.5 percent of the General Fund revenue in the prior biennium.