

JOINT REVENUE COMMITTEE
May 15, 2003 9:00 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams
Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Witness Present: Tom Potiowsky, State Economist
Michael Kennedy, Revenue Economist

Staff Present: Paul Warner, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Tara Lantz, Committee Assistant

TAPE 165, SIDE A

004	Chair Shetterly	Calls meeting to order at 9:04 am.
017	Tom Potiowsky	Gives brief overview of the economic forecast process (Exhibit 1, slide 2).
041	Potiowsky	Discusses U.S. business investment from the last four years (Exhibit 1, slide 3).
055	Potiowsky	Discusses consumer sentiment (Exhibit 1, slide 4).
062	Potiowsky	Discusses federal funds rate (Exhibit 1, slide 5).
072	Potiowsky	Discusses recent news and national economic recovery signs (Exhibit 1, slide 6).
106	Potiowsky	Discusses Oregon's exports (Exhibit 1, slide 8).
127	Potiowsky	Discusses Oregon employment growth (Exhibit 1, slide 9) and unemployment rates (Exhibit 1, slide 10).
155	Potiowsky	Discusses flat employment after recovery (Exhibit 1, slide 11). Discussion on confidence in data follows.
190	Sen. Deckert	Asks what factors lead them to believe there is a recovery.
191	Potiowsky	Responds that low interest rates, federal fiscal packages, stabilizing

industries, and consumer spending are all factors.

- 222 Potiowsky Discusses expected employment growth (Exhibit 1, slide 12).
- 235 Potiowsky Discusses lumber and wood product employment growth (Exhibit 1, slide 13), high tech employment growth (Exhibit 1, slide 14), and construction employment growth (Exhibit 1, slide 15).
- 272 Potiowsky Discusses per capita income (Exhibit 1, slide 16).
- 279 Rep. Barnhart Asks if there are any significant changes in national per capita income.
- 281 Potiowsky Responds that Oregon is following in step with the U.S.
- 298 Potiowsky Discusses risk factors to the forecast 2003-2005 (Exhibit 1, slide 17).
- 336 Potiowsky Discusses national deflation.
- 399 Sen. Corcoran Asks about the federal tax break package and how it would benefit.
- 401 Potiowsky Responds that the upper class would not spend money in the short term, but would invest in companies in the long term.
- 421 Sen. Corcoran Asks why they don't give tax breaks to lower class people who will spend it.
- 425 Potiowsky Responds that he agrees.
- 431 Potiowsky Continues discussion of risk factors.

TAPE 166, SIDE A

- 024 Rep. Farr Asks at what point the federal tax breaks would make an impact on the economy.
- 035 Potiowsky Responds that there will be indications such as personal savings, which wouldn't be bad, but wouldn't have an immediate effect.

Discussion follows.
- 066 Rep. Barnhart Asks to what extent SARS would affect tourism in Oregon.
- 069 Potiowsky Responds that it will not be large.
- 090 Sen. Corcoran Asks why capital projects that involve tax increases would strain the economy.
- 093 Potiowsky Responds that they would not.
- 108 Rep. Hass Asks about the effect of loss of federal money due to budget cuts.
- 111 Potiowsky Responds that it would not greatly affect the federal side and for Oregon it is a double hit.
- 119 Potiowsky Continues discussing risk factors.
- 145 Potiowsky Compares personal income growth for the last three forecasts (Exhibit 1, slide 18) and employment growth for the last three forecasts (Exhibit 1, slide 19).
- 156 Michael Kennedy Discusses significant revisions of personal income tax factors (Exhibit 1, slide

22).

181	Kennedy	Discusses estimate liability from collections (Exhibit 1, slide 23).
200	Kennedy	Compares final tax payments with refunds (Exhibit 1, slide 24).
243	Kennedy	Discussion weakening withholding (Exhibit 1, slide 26).
254	Kennedy	Discusses flat estimated payment in 2003 (Exhibit 1, slide 27).
264	Sen. Deckert	Asks if there would be more assurance of predictability now.
	Kennedy	Responds affirmatively.
287	Kennedy	Compares the May and March income and liability forecasts (Exhibit 1, slide 28).
342	Kennedy	Discusses effect tax rates (Exhibit 1, slide 29).
400	Kennedy	Discusses signs of corporate recovery (Exhibit 1, slide 30).
415	Kennedy	Discusses the general fund forecast (Exhibit 1, slide 32).
440	Kennedy	Discusses immediate risks (Exhibit 1, slide 33).
478	Kennedy	Discusses general fund revenue forecast (Exhibit 1, slide 34).

TAPE 165, SIDE B

042	Kennedy	Compares actual revenue with COS forecast (Exhibit 1, slide 35).
072	Kennedy	Gives recommendations (Exhibit 1, slide 36). Clarifying questions and answers interspersed.
100	Rep. Barnhart	Asks if the high rate concerns them as well.
112	Kennedy	Discusses extended general fund forecast (Exhibit 1, slide 37).
121	Kennedy	Discusses general fund revenue growth (Exhibit 1, slide 38).
140	Kennedy	Discusses long-term risks (Exhibit 1, slide 39).
171	Kennedy	Discusses lottery revenues (Exhibit 1, slide 41).
201	Kennedy	Discusses extended lottery forecast (Exhibit 1, slide 42).
213	Kennedy	Discusses lottery resources available to the state (Exhibit 1, slide 43).
226	Rep. Hass	States that Oregon is too dependent on the income tax and should look at a sales tax.
246	Sen. Corcoran	States that they should look at a rainy fund with such a high possibility of a kicker.
254	Rep. Barnhart	Agrees with Sen. Corcoran in looking at policy changes.
262	Sen. Ferrioli	Questions the assumption that research and development won't follow manufacturing trends.

276	Potiowsky	Responds that it is one of the recognized risks and that it is unknown how technology will change.
297	Chair Shetterly	Meeting adjourned at 10:17 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. Tom Potiowsky, Oregon's Economic and Revenue Outlook Presentation, 22pp.
2. Tom Potiowsky, Oregon Economic and Revenue Forecast, 17pp.
3. Lizbeth Martin-Mahar, LRO Forecast Summary, 6pp.