

## SENATE REVENUE COMMITTEE

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March 1, 2001 — 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Senator Rick Metsger

Senator David Nelson

Representative Karen Minnis

Representative Lane Shetterly

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Tom Potiowsky, State Economist, Office of Economic Analysis, Department of Economic Services

Cora Parker, Revenue Economist, Office of Economic Analysis, Department of Economic Services

**TAPE 059, SIDE A**

- 005 Chair Ferrioli Meeting called to order at 8:35 a.m.
- 030 Tom Potiowsky Began presentation of the March 1 Quarterly Economic and Revenue Forecast. Exhibit 1 — Oregon's Economic and Revenue Outlook.
- 039 Potiowsky Discussed page 1 lower slide: Oregon Economic Forecast.
- 049 Potiowsky Discussed page 2 upper slide: What a Ride... (New Economy?)
- 064 Potiowsky Discussed page 3 upper slide: Inflation Gradually Rises But is Under Control.
- 078 Potiowsky Discussed page 3 lower slide: Income Rise is Slowing, Consumption is Coming Down.
- Questions and answers followed.
- 094 Potiowsky Discussed page 4 upper slide: The Fed Lowered Rates Twice in Just One Month.
- 102 Potiowsky Discussed page 4 lower slide: When Will it Stop?
- 109 Potiowsky Discussed page 5 upper slide: When Will it Stop?
- 124 Potiowsky Discussed page 6 upper slide: Growth in Gross State Product: Oregon 1988-98.
- 135 Potiowsky Discussed page 6 lower slide: Real Gross State Product 1988-98.
- Questions and answers interspersed.

- 270 Potiowsky Discussed page 7 upper slide: Oregon Slowed in the Middle of 1998.
- 284 Potiowsky Discussed page 7 lower slide: Export Volume Picked up in 1999 But is Slowing Into 2000.
- Questions and answers interspersed.
- 311 Potiowsky Discussed page 8 upper slide: Vast Majority of Exports Heading to Asia.
- 318 Potiowsky Discussed page 8 lower slide: Japan, Canada, and Korea, the Biggest Markets.
- Questions and answers interspersed.
- 419 Potiowsky Discussed page 9 upper slide: Most of Growth is in High Technology.
- 449 Potiowsky Discussed page 9 lower slide: Oregon's Economic Review and Forecast.

**TAPE 060, SIDE A**

- 029 Potiowsky Discussed page 10 upper slide: Recession of 1991 Compared With Slow Growth Into 2000.
- 046 Potiowsky Discussed page 10 lower slide: Expected to Grow Above U.S. Average After 2000—Slow Growth.
- 062 Potiowsky Discussed page 11 upper slide: Lumber and Wood Stabilize Into 2003.
- 068 Potiowsky Discussed page 11 lower slide: High Tech Will Resume Growing But at a Slower Rate.
- 085 Potiowsky Discussed page 12 upper slide: Housing Starts and Price Increases Will Slow.

- 091 Potiowsky Discussed page 12 lower slide: Construction Will Stay at Moderate Levels.
- 101 Potiowsky Discussed page 13 upper slide: Looking Ahead.
- 107 Potiowsky Discussed page 13 lower slide: Allowing Oregon to Grow Faster than the U.S.
- 112 Potiowsky Discussed page 14 upper slide: Per Capita Income and Wage  
Questions and answers interspersed.
- 146 Potiowsky Discussed page 14 lower slide: Per Capita Income Growth 1990-1997.
- 155 Potiowsky Discussed page 15 upper slide: Risk Factors to the Forecast 2001-2005 (Macroeconomic Policies).  
Questions and answers interspersed.
- 200 Potiowsky Discussed page 15 lower slide: Risk Factors to the Forecast 2001-2005 (International Conditions).  
Questions and answers interspersed.
- 226 Potiowsky Discussed page 16 upper slide: Risk Factors to the Forecast 2001-2005 (Energy Prices).  
Questions and answers interspersed.
- 419 Potiowsky Discussed page 16 lower slide: Risk Factors to the Forecast 2001-2005 (Stock Market).  
Questions and answers interspersed.

**TAPE 059, SIDE B**

- 009 Potiowsky Continued comments, with questions and answers interspersed.
- 079 Potiowsky Discussed page 17 upper slide: Risk Factors to the Forecast 2001-2005 (High Tech Industry).
- 098 Parker Discussed page 18 lower slide: March 2001 Forecast Release.
- 110 Parker Discussed page 19 lower slide: Lottery Resources (Millions of Dollars) 1999-2001.
- 123 Parker Discussed page 20 upper slide: Lottery Resources (Millions of Dollars) 2001-2003.
- 134 Parker Discussed page 20 lower slide: Lottery Resources Available to the State.
- 147 Parker Discussed page 21 lower slide: General Fund Resources (Millions of Dollars) 1999-2001.
- 166 Parker Discussed page 22 upper slide: General Fund Resources (Millions of Dollars) 2003-2005 and 2005-2007 Biennia.
- 180 Parker Discussed page 22 lower slide: General Fund Resources (Millions of Dollars).  
Questions and answers interspersed.
- 238 Parker Discussed page 23 upper slide: General Fund Revenues.
- 243 Parker Discussed page 23 lower slide: Biennial Growth in General Fund Revenues.

- 247 Parker Discussed page 24 upper slide: Biennial Growth in General Fund Revenues.
- 263 Parker Discussed page 25 upper slide: Kicker Determination.
- 277 Parker Discussed page 25 lower slide: Kicker Determination (continued).
- 286 Parker Discussed page 26 upper slide: Personal Kicker "Timeline".
- 312 Parker Discussed page 26 lower slide: Kicker Calculation.  
  
Questions and answers interspersed.
- 330 Parker Discussed page 27 upper slide: How Does the Kicker Impact the March 2001 Forecast?
- 338 Parker Discussed page 27 lower slide: 2 Percent Surplus Kicker History.
- 356 Parker Discussed page 28 upper slide: Forecast Risks.  
  
Extensive questions and answers followed.

**TAPE 060, SIDE B**

- 021 Parker Continued questions and answers.
- 058 Chair Ferrioli Risk factors should be separated from accuracy of the forecast. As public policy makers, legislators should be concerned with this.  
  
Stated there is no doubt income is flattening. There is no doubt that the economy is slowing. There is no doubt that the manufacturing sector is in recession. The real question looming over

the budget is whether or not the rest of Oregon's economy follows manufacturing into recession.

Comments, and questions and answers followed.

107 Chair Ferrioli Observed that the forecast presents a mixed message for Oregonians. There is a 6% growth in revenue, but other indicators show a decline.

119 Chair Ferrioli Adjourned meeting at 10:06 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Potiowsky, Oregon's Economic and Revenue Outlook, 28 pp.
2. Potiowsky, Oregon Economic and Revenue Forecast — Summary, 13 pp.
3. Potiowsky, Oregon Economic and Revenue Forecast, 97 pp.
4. Waters, Forecast Summary, 7 pp.