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REVENUE FORECAST
WORK SESSION SB 252
TAPES 046A & 047A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MARCH 01, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
Sen. Shirley Gold, Vice Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden (excused 1:37 pm)

Excused: Sen. Eugene Timms

Witnesses: Paul Warner, Office of Economic Analysis, Department of
Administrative Services
David Griffiths, Office of Economic Analysis, Department
of Administrative Services

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 046 SIDE A

046 Chair Phillips -calls the meeting to order at 1:10 pm
-announces work plan for the day
-greetes students from Sellwood Middle School

REVENUE FORECAST

016 Paul Warner -State Economist, Office of Economic Analysis, Department of
Administrative Services
-outlines his presentation which includes: the forecast process, economic
forecast, general fund revenue estimates, update of lottery estimates, and
preliminary look at underlying forces that may impact the 1997-99 budget

026 -explains forecast process illustrated by flow chart on page one of
Oregon Economic and Revenue Forecast (Exhibit A)

048 -discussion about update of the Oregon Economic Model

071 Warner -comments on the corporate profit shift phenomenon which impacts
corporate income tax collection
-explains the role of Governor's Council and the DAS Advisory Committee in
the forecast process

090 -goal of the forecast process is to provide an unbiased, objective
assessment of the economy and the revenues that will flow from that
economic activity

Warner -references and comments regarding Exhibit A:

110 page 4 - Nonagricultural Job Growth by State

138 page 5 - Real GDP Growth Rate

160 page 6 - Interest Rates

177 Warner page 7 - Personal Income
page 8 - Job Growth

203 page 9 - Oregon Construction Employment and Housing Starts
page 10 - Oregon Timber Harvest & Employment

268 page 11 - High Tech Manufacturing Employment

290 page 12 - 1993-95 General Fund Forecast
page 14 - Corporate Income Tax Revenue

335 -questions and discussion about corporate profits, high levels of profit
reinvestment into expansion and capital equipment, and the status of

S-corporations

TAPE 047 SIDE A

018 -discussion continues about distribution of profit growth between small and large businesses

030 Warner - continues explanation of Exhibit A:

pages 15 -16 - 2% Kicker

070 page 13 - General Fund Forecast

082 Warner -questions and discussion about reversions, unfunded liabilities uncertainties in 1997-99 preliminary budget, and carry forward of \$52.7

million to the bottom line which generates an additional \$54.3 million in resources available for the general fund budget

124 Warner -states expectation that growth of Oregon economy will slow

133 David Griffiths -Office of Economic Analysis, Department of Administrative Services

-outlines his presentation about the lottery portion of the forecast which includes the "numbers" followed by methods/background that drive the numbers

149 -refers to page 17 of Exhibit A - Lottery Revenues Available to State,

March 1995

179 -points out unusual nature of large ending balance which is carried

forward

212 -change in retailer commission rates is included in 1995-97 budget

234 -summarizes forecast of lottery revenues

240 -questions and discussion about assumptions used in forecasting lottery revenue and uncertainty of adjustment for impact of Indian gaming

300 Griffiths -explains that unresolved issues impact accuracy of the lottery

forecast and points out that lottery data is only available from March, 1992 forward

295 Chair Phillips -comments that lottery revenue growth "far exceeds expectations" and that no apologies are necessary for uncertainty of forecasting data

-discussion about effects of beginning and ending balances on lottery

forecasting

362 Griffiths -explains equation used to forecast lottery growth

-refers to page 18 of Exhibit A - Lottery Sales

TAPE 046 SIDE B

005 Paul Warner -refers to Assumptions for 1997-99 Preliminary Budget (Exhibit B) which illustrates forces that impact the budget

075 -questions and discussion about impact of 15% diversion of lottery revenue to the education trust fund and "Key Uncertainties" in Revenue and Expenditures as described in Exhibit B

127 Warner -in response to a question from Chair Phillips, explains that next

Revenue Forecast will be available to committee around May 15 so data is available for final budget decisions

134 Steve Bender -distributes Summary of Change from Prior Forecast (Exhibit

C)

-describes "change in beginning balance" which shows higher revenues than expected along with reduction of expenditures in the current biennium

169 -under current "kicker" law, the \$44.6 million increase is not retained,

but becomes additional credit to be returned to taxpayers

217 Bender -the figure which summarizes the revenue forecast is \$62.5 million

in additional available resources

2:18 pm - quorum established

SB 252 WORK SESSION

225 Steve Meyer -presents staff overview of SB 252 which changes from \$5 to \$10 the minimum amount of excessive property tax advance payment that need not be refunded to taxpayers

-discussion

251 Delores DeVine -Oregon Association of County Tax Collectors

-clarifies purpose of measure

264 Meyer - continues explanation of measure at Section 2 - Notice of Tax on Delinquent Property

275 -Section 3 - pertains to reserve account

315 -discussion and questions

330 Chair Phillips -MOVES DELETION OF SECTION 3 FROM SB 252

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

-MOVES RENUMBERING OF SECTIONS NECESSITATED BY DELETION OF SECTION 3

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

356 -discussion and questions

360 Jim Manary -gives assurance that SB 252 will achieve consistency with changes in law made last legislative session

380 Sen. Gold -MOVES AMENDED SB 252 TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

389 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 4-0

-SENATORS VOTING AYE: HARTUNG, TROW, GOLD & PHILLIPS

EXCUSED: TIMMS &

WALDEN

-Senator Gold to carry measure on the Senate floor

-adjourns meeting at 2:30 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

A. REVENUE FORECAST, Warner, Department of Administrative Services "Oregon

Economic and Revenue Forecast Summary", March, 1995

B. REVENUE FORECAST, Warner, Assumptions for 1997-99 Preliminary Budget

C. REVENUE FORECAST, Bender, Summary of Change From Prior Forecast 3/1/95

D. REVENUE FORECAST, Warner, Oregon Economic and Revenue Forecast, March, 1995

E. REVENUE FORECAST, Warner, News Release "Revenue forecast up, but economic growth to slow in 1995-97", with attached Revenue Forecasting description, 3/1/95