

Tapes 155-156, (A\B)

Informational Meeting: Economic and Revenue Forecast

Work Session: HB 2152B

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

May 15, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair (arrived 1:32, departed 2:40)

Senator John Brennehan (arrived 1:30)

Senator Shirley Gold (arrived 1:29)

Senator Ron Grensky

Senator Bill McCoy

Senator Tricia Smith

Staff Present: Dick Yates, Legislative Revenue Office

Steve Meyer, Legislative Revenue Office

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Mike Marsh, Executive Department

Paul Warner, Executive Department

Bill Nessly, Justice Department

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005 CHAIR CEASE called the meeting to order at 1:25 and conducted administrative business.

INFORMATIONAL MEETING: OREGON ECONOMIC AND REVENUE FORECAST

014 MIKE MARSH presented an overview of the Oregon Economic and Revenue Forecast with reference to the growth of the state during the past year in personal income and employment.

045 MIKE MARSH addressed concerns relating to the Governor's recommended ending balance including: 1) over half the current law resources relate to 198 9-91 ending balances so some funds must remain in the ending balance for 199 1-93; 2) the rising value of the dollar; and 3) the timber harvest situation.

054 PAUL WARNER presented and discussed the economic forecast summary.

EXHIBIT 1

075 SEN. MCCOY questioned the loss of jobs in the high tech industry while the export figures are up.

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082 PAUL WARNER responded the decline in jobs was small but it represents a change in direction from what has been seen.

085 PAUL WARNER continued the presentation with reference to retail growth. The income growth and job growth has been negative on the national level but Oregon has continued to show growth. Oregon consumers have been in a stronger position to make purchases.

102 PAUL WARNER addressed the strong in-migration into the state which is seen in terms of home values. Discussion follows with regard to real estate.

120 PAUL WARNER used the 1970 recession as a comparison to the current economic recession with reference to two similarities: 1) both are preceded by a period of weakness in the dollar and strong export growth; and 2) in-migration has continued through both time periods.

136 PAUL WARNER continued comparing differences of the 1970 recession with

the current situation with reference to Page 3, EXHIBIT 1 depicting the personal income growth forecast for 1990-1994. Reference is made to the timber industry remaining at the current recession level which has not been the case during past recessions.

163 SEN. SMITH asked when the impact of salmon species will be included in Oregon's economic forecast.

169 PAUL WARNER responded the issue is being studied but is not included in the forecast. The impact will be more widely spread than the spotted owl issue therefore will be defused more across the state economy.

187 PAUL WARNER explained it is anticipated that Oregon will continue growing at a faster pace than the U.S. economy. The sources of strength will remain including population and export growth.

199 PAUL WARNER addressed revenues and the implication of the economic forecast with reference to Page 7, EXHIBIT 1. The changes for the current biennium are small but a concern is the overestimation for withholding which is a good economic indicator. Discussion continues with regard to EXHIBIT 1.

251 PAUL WARNER discussed the two percent kicker with reference to the graph on Page 9, EXHIBIT 1.

263 PAUL WARNER explained Page 10 which outline the revenue sources and changes for the 1991-93 biennium. Reference is made to the extended period of high oil prices which reduced the profit forecast considerably.

291 PAUL WARNER relayed in terms of the total General Fund the 1991-93 estimate is up 50.1 million.

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296 PAUL WARNER explained the details for the General Fund revenue sources are on page 11, EXHIBIT 1.

306 Discussion follows regarding the General Fund Revenues on Page 11, EXHIBIT 1.

325 PAUL WARNER referred to a chart depicting the General Fund resources of May compared to January. EXHIBIT 2

355 Discussion and questions follows regarding the General Fund Resources in EXHIBIT 2.

362 PAUL WARNER explained the "selected other funds revenues" document. Reference was made to the largest percentage adjustments were on Higher Education and Park User Fees. EXHIBIT 3

390 PAUL WARNER referred to the detailed chart depicting the "other funds revenue" for 1989-91. EXHIBIT 3

415 PAUL WARNER voiced concern in the presented economic forecast because of the unusual amount of uncertainty in the areas of international economy, the rising dollar, and international recession. There is also concern in the uncertainty in the forecast related to the timber industry. Reference was made to the spotted owl issue.

TAPE 156 SIDE

A

026 PAUL WARNER explained how much of the forecast depends on in-migration which is difficult to estimate.

030 SEN. BRENNEMAN questioned the in-migration being predominately retirees.

032 PAUL WARNER responded retirees are a large number of the immigration but there has been a large number of young people moving into the Portland

area which is experiencing the greatest growth.

053 DICK YATES explained the new facts for the first quarter in 1991 with reference to a chart. EXHIBIT 4

082 DICK YATES discussed the economic indicators with reference to EXHIBIT 4.

090 DICK YATES addressed the latest revenue data with reference to Page 2, EXHIBIT 4. There is an \$11 million dollar increase in revenue as compared to the March forecast.

112 DICK YATES continued addressing EXHIBIT 4 with reference to the change in revenue forecast and the effect of the 2 percent kicker for 1991 on Page 3.

124 DICK YATES explained the effect on the ending balance and the change in the 1991-93 forecast as depicted on Page 4, EXHIBIT 4.

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164 DICK YATES discussed the effect on the spending limit with reference to the Governor's recommended budget figures as depicted on Page 5, EXHIBIT 4.

178 DICK YATES discussed the 1993-95 forecast as shown on Page 5, EXHIBIT 4.

197 JIM SCHERZINGER presented a summary of the 1991-93 budget comparing the figures from January to May. EXHIBIT 5

218 JIM SCHERZINGER discussed the January figures in EXHIBIT 5.

246 JIM SCHERZINGER continued explaining the 1991-93 balance with reference to the May forecast as depicted in EXHIBIT 5.

268 Discussion follows regarding EXHIBIT 5. Reference is made to bills currently in Legislation which may impact the figures.

308 CHAIR CEASE questioned the timing of downturning in Oregon's economy as compared to national figures.

324 PAUL WARNER responded that every recession in Oregon history has been unique. The timing was similar for Oregon as in the nation but Oregon had a weaker recovery period.

381 CHAIR CEASE asked how the costs of Desert Storm are reflected in Oregon's economy.

391 PAUL WARNER responded many of the purchases were made abroad. Benefits in Oregon was seen in the increase in food processing jobs.

In terms of the long term budget, Desert Storm will have a small effect.

419 CHAIR CEASE clarified the concerns to the economy are employment, housing starts, construction, electronics, and withholding which are all down some.

TAPE 155 SIDE

B

018 PAUL WARNER discussed the downturn of withholding with reference to the shifting between the quarters of the past biennium.

025 Discussion follows regarding the Governor's recommendation for a larger ending balance.

050 CHAIR CEASE voiced concern in the difference between the figures from January, 1991 and May, 1991.

054 SEN. SMITH asked if it is a concern that the forecast may fall down during the next biennium.

059 MIKE MARSH responded the main concern would be the timber harvest.

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066 SEN. SMITH asked for clarity that the forecast is not as fragile as it may appear.

070 PAUL WARNER responded with the positive aspect of the Gulf War ending so quickly and the sudden loss to the timber industry, Oregon is responding well during the recession.

085 CHAIR CEASE commented that good economic forecasts usually means there has not been enough negative things placed in the forecast and the budget is off.

097 PAUL WARNER responded the nature is to overforecast but chances are equal that the current document could be underforecast as easily as over.

108 SEN. MCCOY pointed out the economy is going down in other areas of the country while Oregon is holding its own and going up. Reference was made to Oregon having a two year lag on what is happening in the east coast.

120 PAUL WARNER responded that the two year theory is not true but factors show there is a convergence among regions. The growth of immigration will cause a rise in Oregon's economy.

WORR SESSION - HB

215 2-B

153 CHAIR CEASE conducted administrated business.

163 STEVE MEYER presented proposed amendments HB 2152-B8.

EXHIBIT 7

168 CHAIR CEASE reviewed HB 2152], allows the Executive Department a more efficient method for determining levying authority for payment of general obligation (GO) bonds.

193 BILL NESSLY explained the HB 2152-B8 amendments with reference to lines 2-3 and how the director of the Executive Department has the responsibility to review and confirm the correctness of each certification.

209 SEN. MCCOY clarified that the Executive Department would be doing an in-house audit.

218 BILL NESSLY responded the independent agencies that administer the bond programs first make a certification to the Executive Department, it is all within state government but a separate agency (the Executive Department) is reviewing the certification.

228 SEN. MCCOY felt the Legislative Branch should be the one to make the final decision to have a statewide levy to cover GO bonds.

241 SEN. SMITH questioned the language of line 4 of the proposed amendments. EXHIBIT 7

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250 BILL NESSLY responded with reference to two sets of bond programs, those that certify to the Executive Department and those for which the Executive Department does the certification itself.

264 CHAIR CEASE questioned Line 6 of HB 2152-B8. EXHIBIT 7

266 BILL NESSLY responded with an explanation of the term "ordinarily". Reference is made to Line 17-18 in which the Executive Department determines what falls into what category in the event there are changes

over time.

280 BILL NESSLY explained the remainder of the proposed amendments are housekeeping changes. EXHIBIT 7

292 Discussion follows regarding the changes in the bill due to the HB 215 2-B5 amendments which have already been adopted by the committee.

308 BILL NESSLY continued explaining the proposed amendments in EXHIBIT 7.

340 Discussion and questions follow regarding the clarification of the proposed amendments for HB 2152B. EXHIBIT 7

368 CHAIR CEASE asked if the Treasurer Office and Legislative Counsel are comfortable with the proposed changes. The response was yes.

382 SEN. SMITH expressed concern in the bill having been brought through the floor of the House of Representatives and has gone through the Senate Committee twice with major changes still taking place.

394 SEN. SMITH asked for clarification of the sentence in Line 11 of the amendments.

404 BILL NESSLY explained the repayment of bonds dependent on appropriations made from the General Funds. The agencies that run the bond program must give data to the Executive Department who determines a possible shortfall and the levy of a statewide property tax.

444 SEN. SMITH understands the intent but feels it is a very cumbersome sentence. Line 11, EXHIBIT 7

TAPE 156 SIDE B

005 SEN. MCCOY suggested a change on Line 11, Page 2, of printed bill.

017 CONSENSUS CHAIR CEASE noted there was no objection to delete the words "that is" in Line 11, Page 2 of HB 2152B.

022 ORDER There being no objection, CHAIR CEASE so ordered.

024 MOTION SEN. SMITH moved to adopt the LC amendments HB 2 152 -B8 (LC 826) dated 5/15/91. EXHIBIT 7

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026 ORDER There being no objection, CHAIR CEASE so ordered.

028 MOTION SEN. MCCOY moved HB 2152B as amended to the floor of the Senate with a do pass recommendation.

034 VOTE In a roll call vote the motion passed (6-0). AYES:
Senators Gold, Grensky, McCoy, Smith, Brenneman, Cease.
Senator Dukes was excused. Senator Grensky will carry
the bill on the floor.

039 CHAIR CEASE adjourned the meeting at 2:54.

Mary Ann Zimmerman, Committee Assistant
Kimberly Taylor, Office Manager
EXHIBIT SUMMARY

1. Oregon General Fund Revenue and Economic Forecast Summary, Executive Department, 5/15/91 - Miscellaneous
2. General Fund Resources, Executive Department, 5/15/91 Miscellaneous
3. Selected Other Funds Revenues, Executive Department, 5/15/91 Miscellaneous
4. Forecast Summary, LRO, 5/15/91 - Miscellaneous
5. 1991-93 Budget Balance, LRO, 5/15/91 - Miscellaneous
6. Oregon Economic and Revenue Forecast, Executive Department, 5/15/91 Miscellaneous

7. Proposed Amendments HB 2152-B8 (LC 826), 5/15/91, HB 2152B
8. Correspondence, Jack Risner, 5/15/91 - SB 440

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