The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, perched on a shield. Below the eagle is a banner with the text "THE UNION". At the bottom of the seal, the year "1859" is inscribed. The words "STATE OF OREGON" are written around the perimeter of the seal.

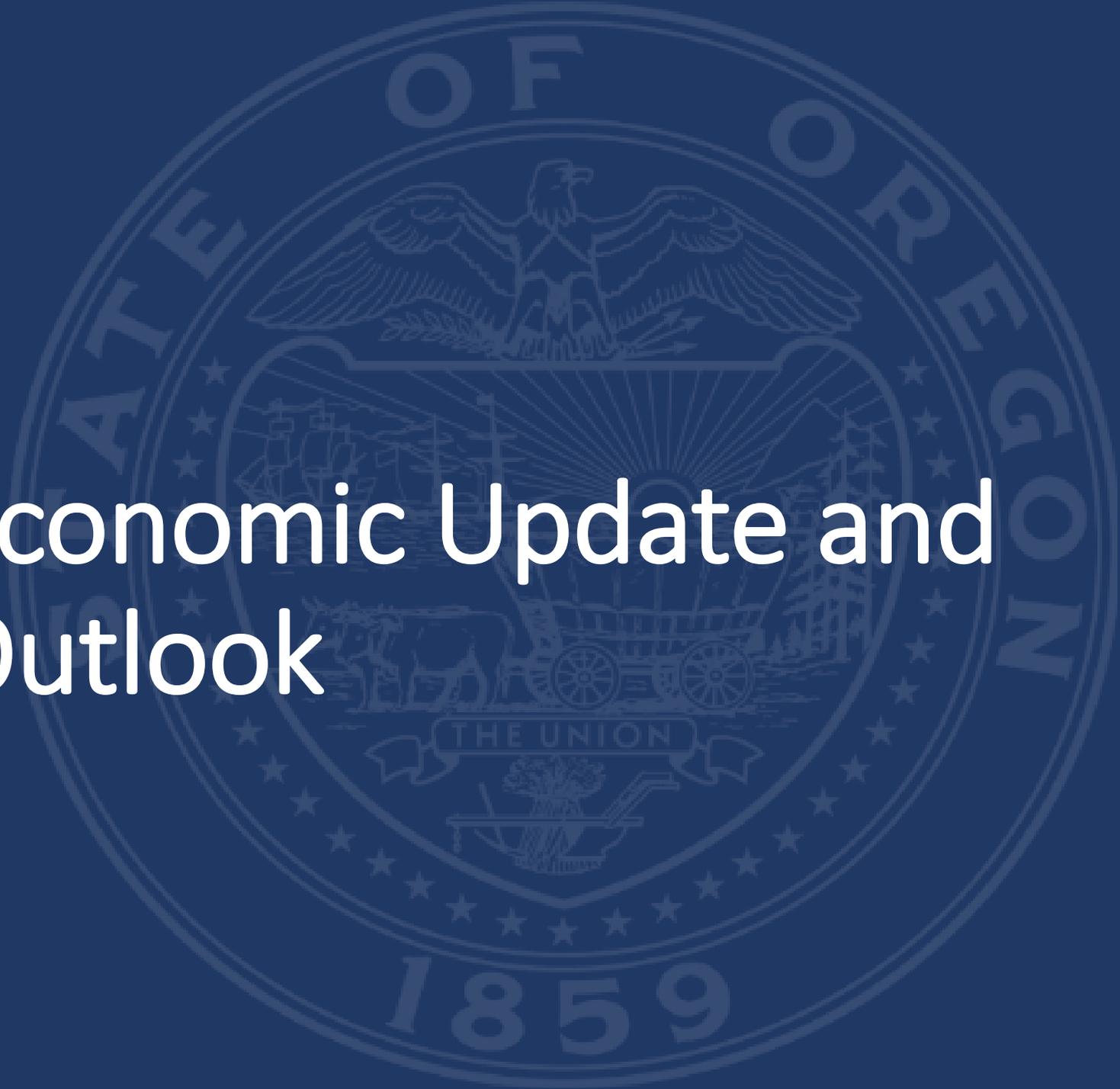
# May 2017 Economic & Revenue Outlook

May 16<sup>th</sup>, 2017

Oregon Office of Economic Analysis

Mark McMullen

Josh Lehner

The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, a plow, a sheaf of wheat, and a ship. The text "STATE OF OREGON" is written around the top inner edge, and "1859" is at the bottom. A banner across the center reads "THE UNION".

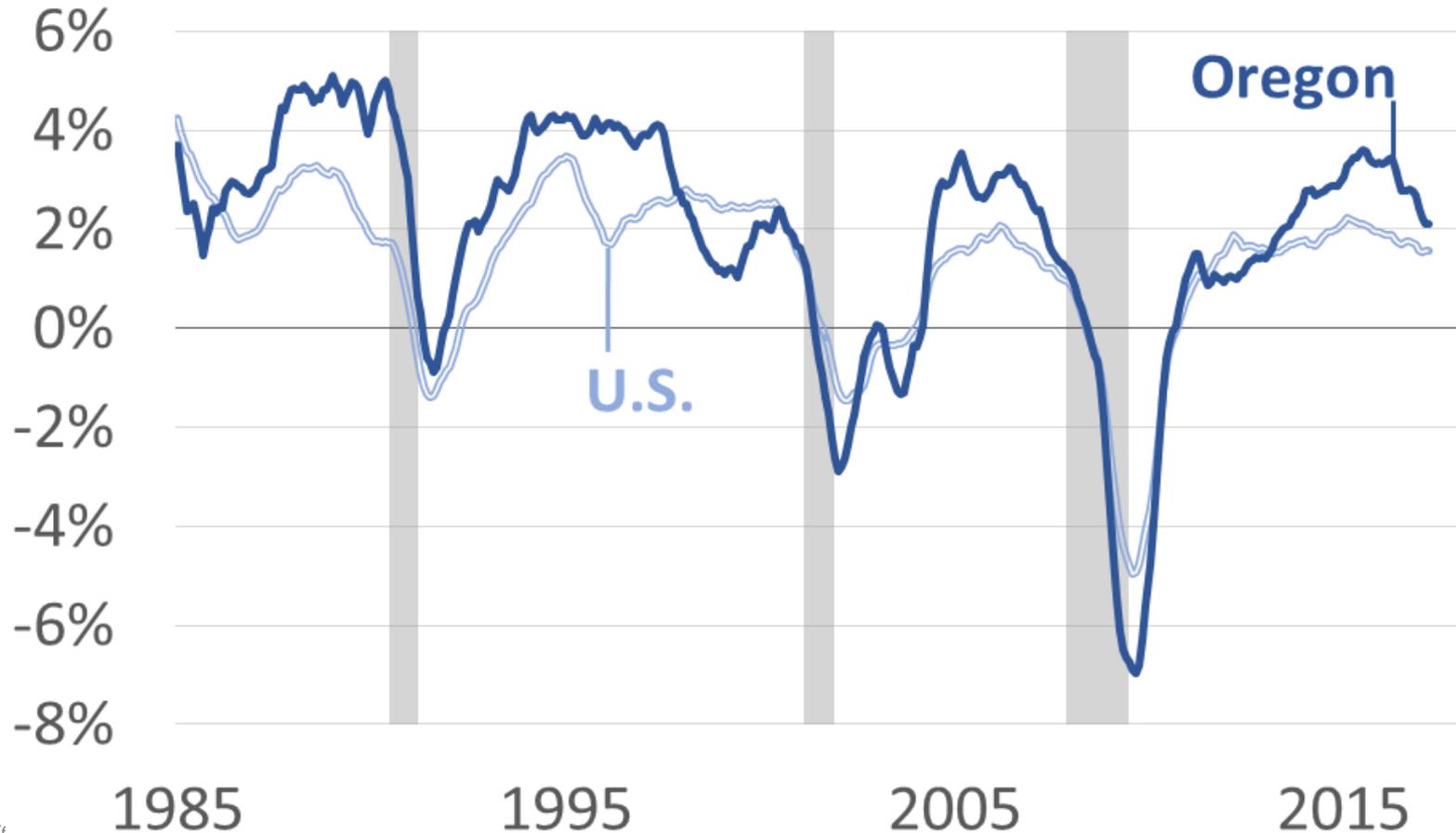
# Economic Update and Outlook



# The Slowdown Is Here

## Total Nonfarm Employment

Year-over-Year Percent Change



Ore  
Eco

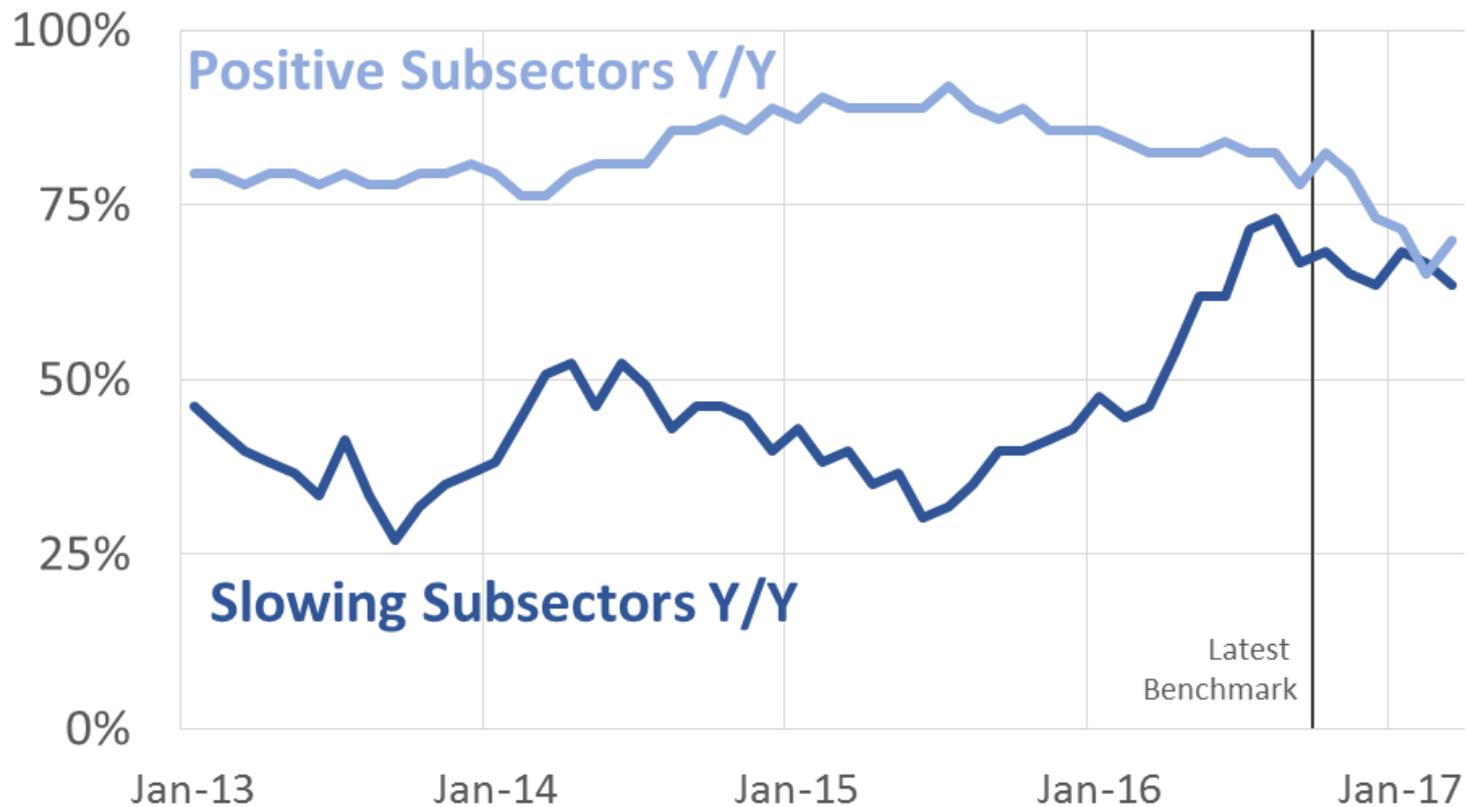
Latest data: Mar 2017 | Source: BLS, Oregon Employment Department, Oregon Office of Economic Analysis





# Slowing Across Industries

## Pervasive Slowing of Job Growth



Data: 3 Month Moving Average of CES NSA Employment, 65 total subsectors (generally 3 digit NAICS)  
Latest Data: March 2017 | Source: Oregon Employment Department, Oregon Office of Economic Analysis

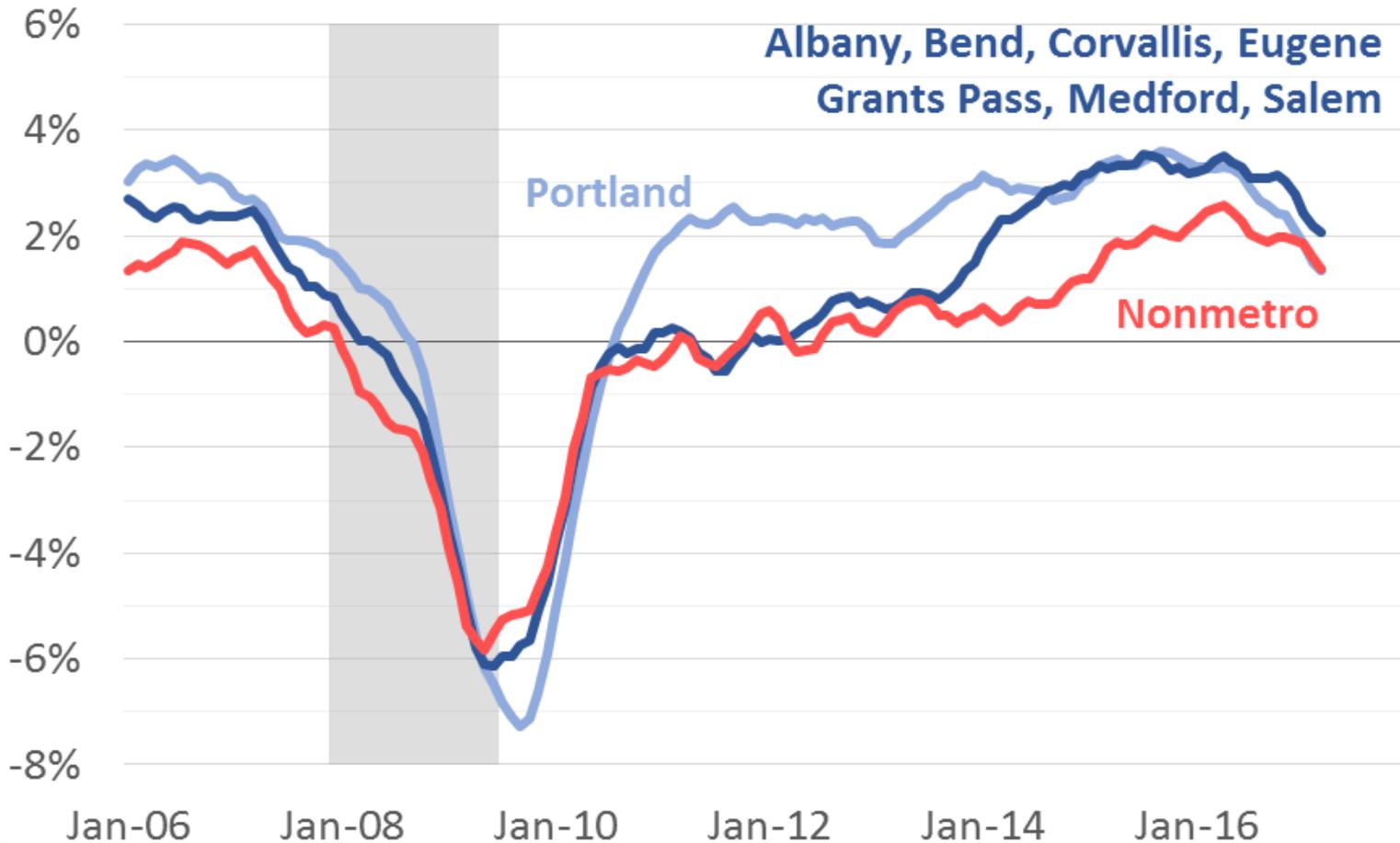




# Slowing Across Regions

## Oregon Employment: Metro and Nonmetro

Year-over-Year Change



Oregon  
Economy

Latest Data: Mar 2017 | Source: Oregon Employment Department, Oregon Office of Economic Analysis

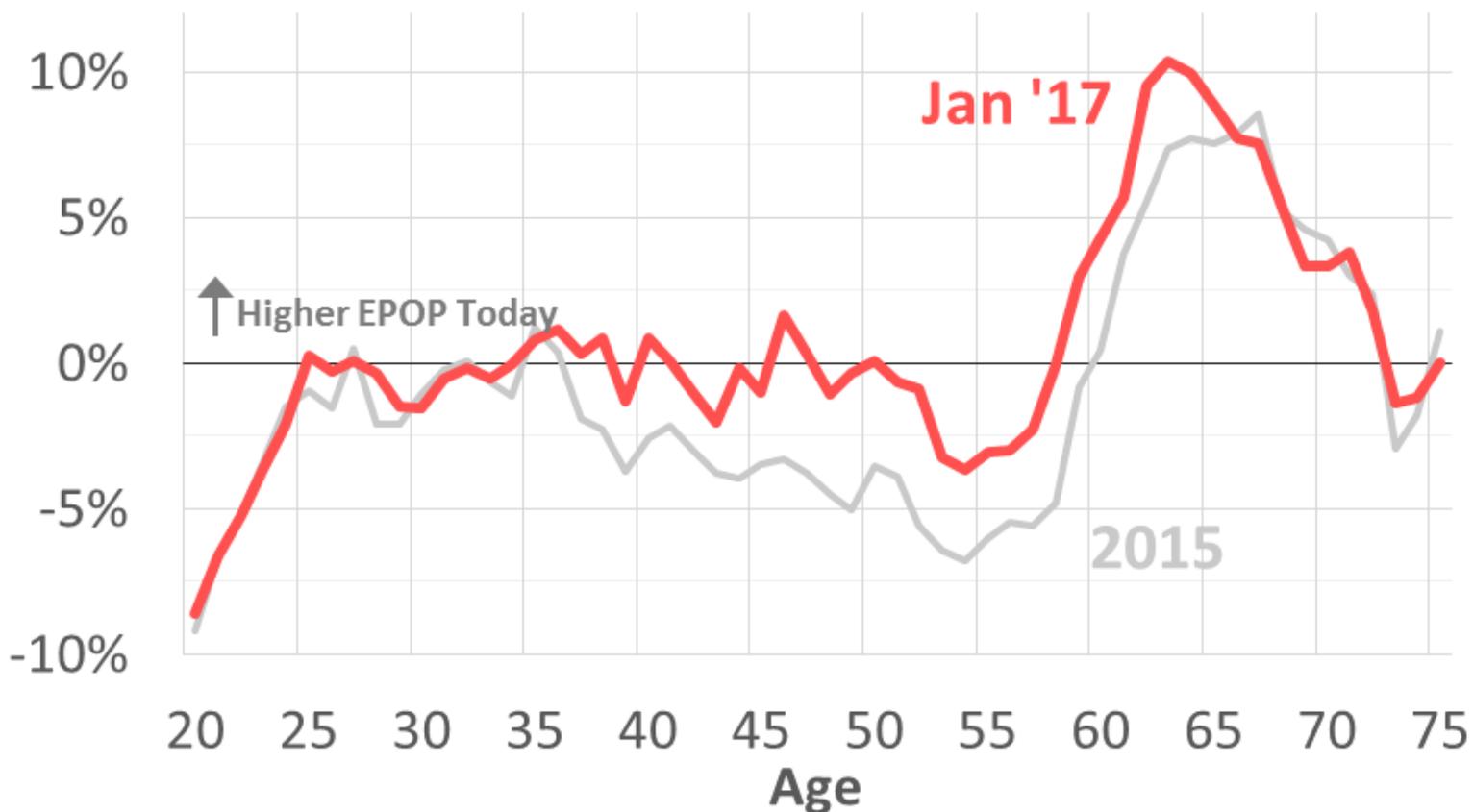




# Watch Me Work

## Oregonians with a Job

Employment-Population by Age Relative to 2007



Oregon  
Econor

Data are 7 year centered averages. E.g. the data shown for 30 year olds is the average of 27-33 year olds.  
Source: Census, Oregon Office of Economic Analysis





# Risk: Federal Policy

- Fiscal Policy

  - General Impact

  - Tax Rates

  - Infrastructure

  - Deregulation

  - Immigration

  - Larger OR Impact

  - Tax Base Broadening

  - Trade Wars

  - Federal Lands

  - Health Care

- Monetary Policy

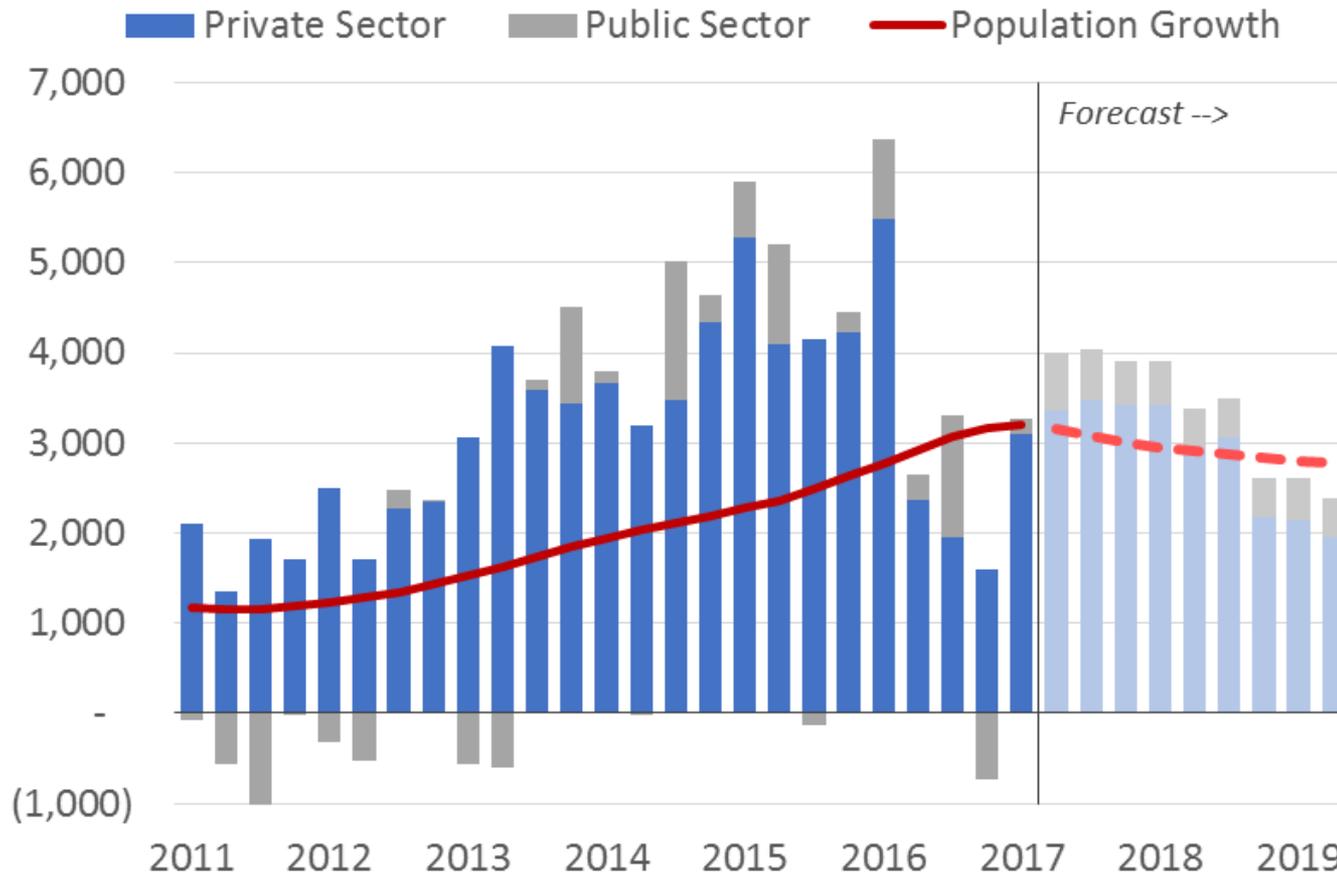
  - Rising Interest Rates





# Economic Outlook

## Oregon Employment Gains

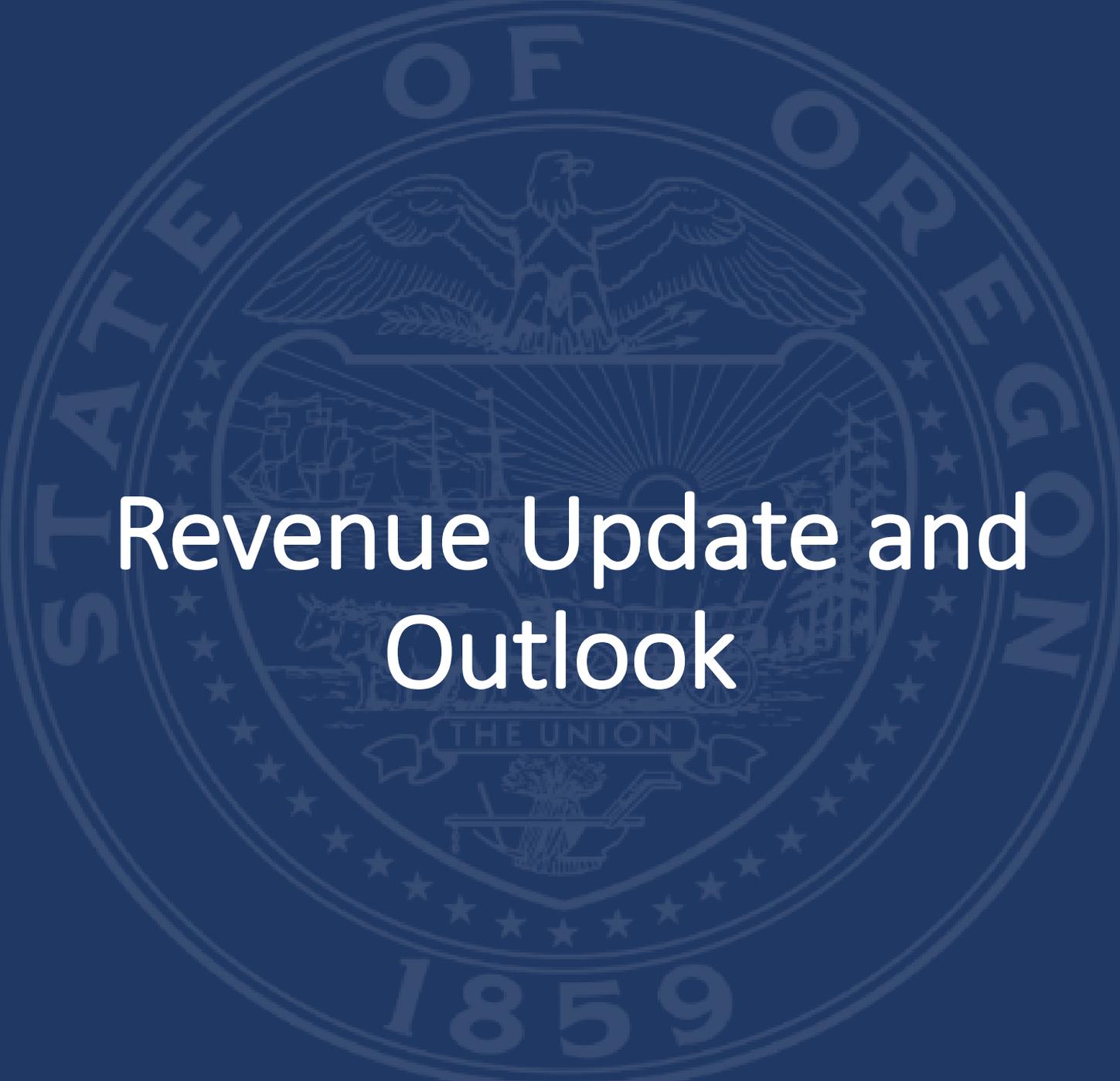


Latest Data: 2017q1 | Source: Oregon Office of Economic Analysis



Oregon Office of  
Economic Analysis



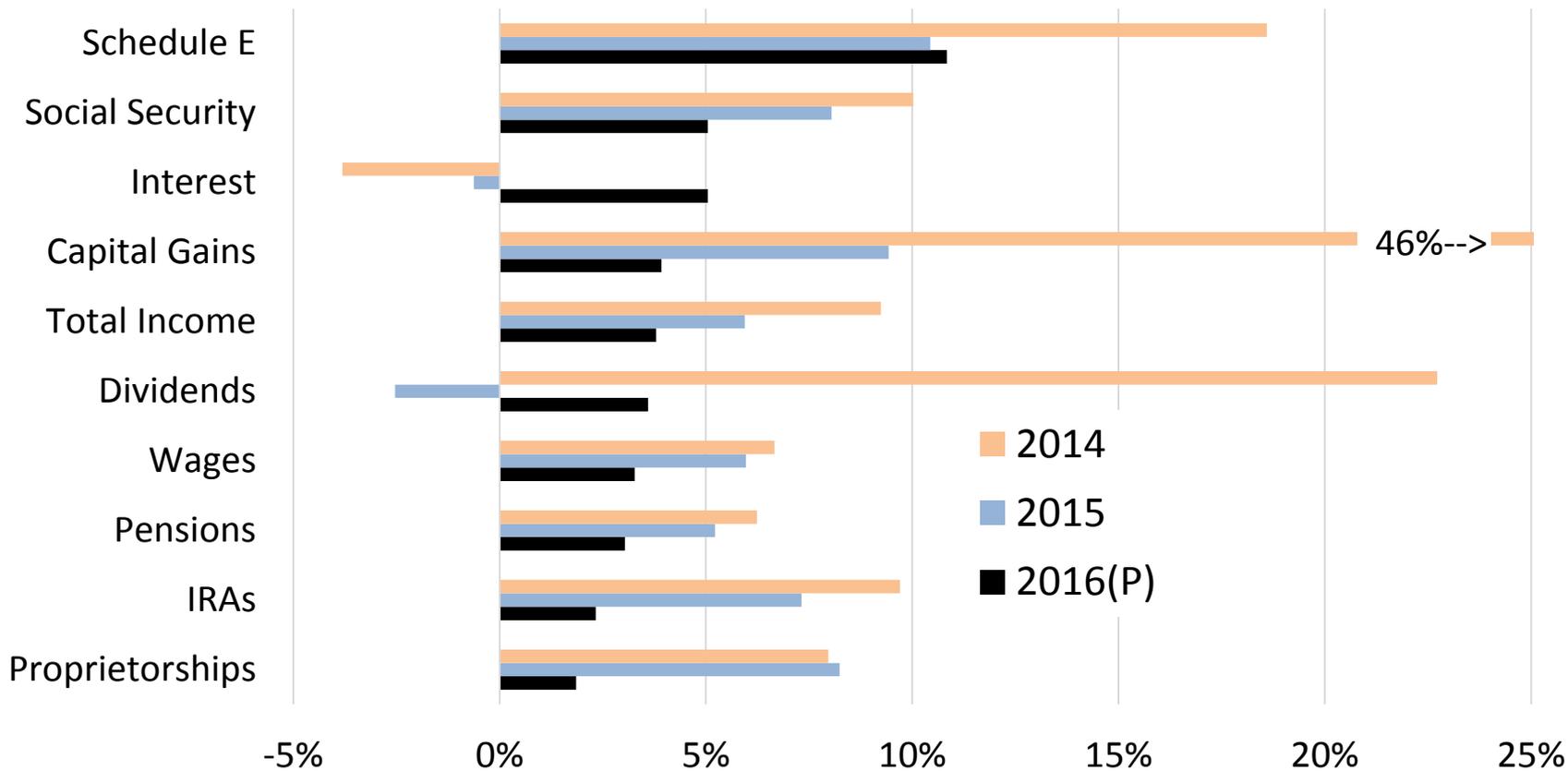
The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, a ship, a plow, and a sheaf of wheat, with the text "STATE OF OREGON" and "1859" around the perimeter and "THE UNION" at the bottom.

# Revenue Update and Outlook



# Slower Income Growth in 2016

Broad-Based Slowdown:  
Matched Returns, Full-Year Tax Filers, % change

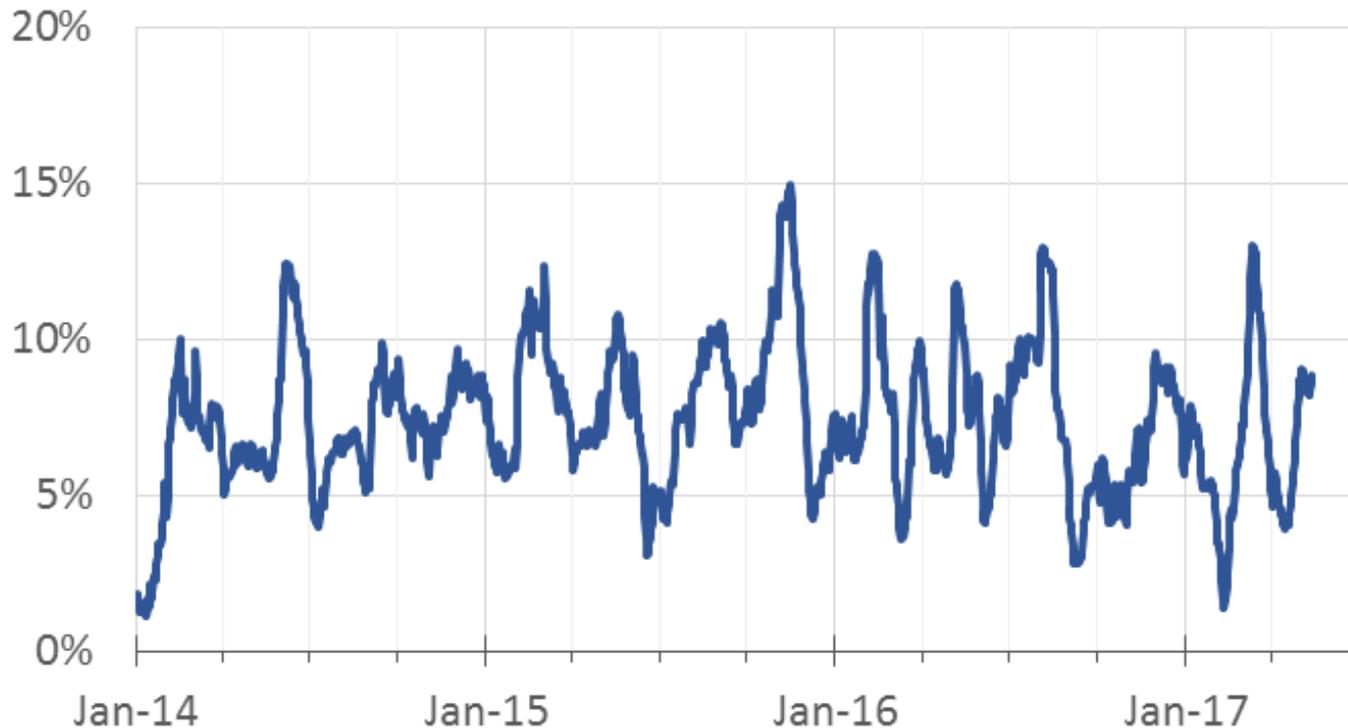




# PIT Withholdings Slow a Bit

## Oregon Withholding

30 Day Rolling Sum of Collections, Year-over-Year  
Percent Change, 2 Week Moving Average



Latest Data: May 12, 2017 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis

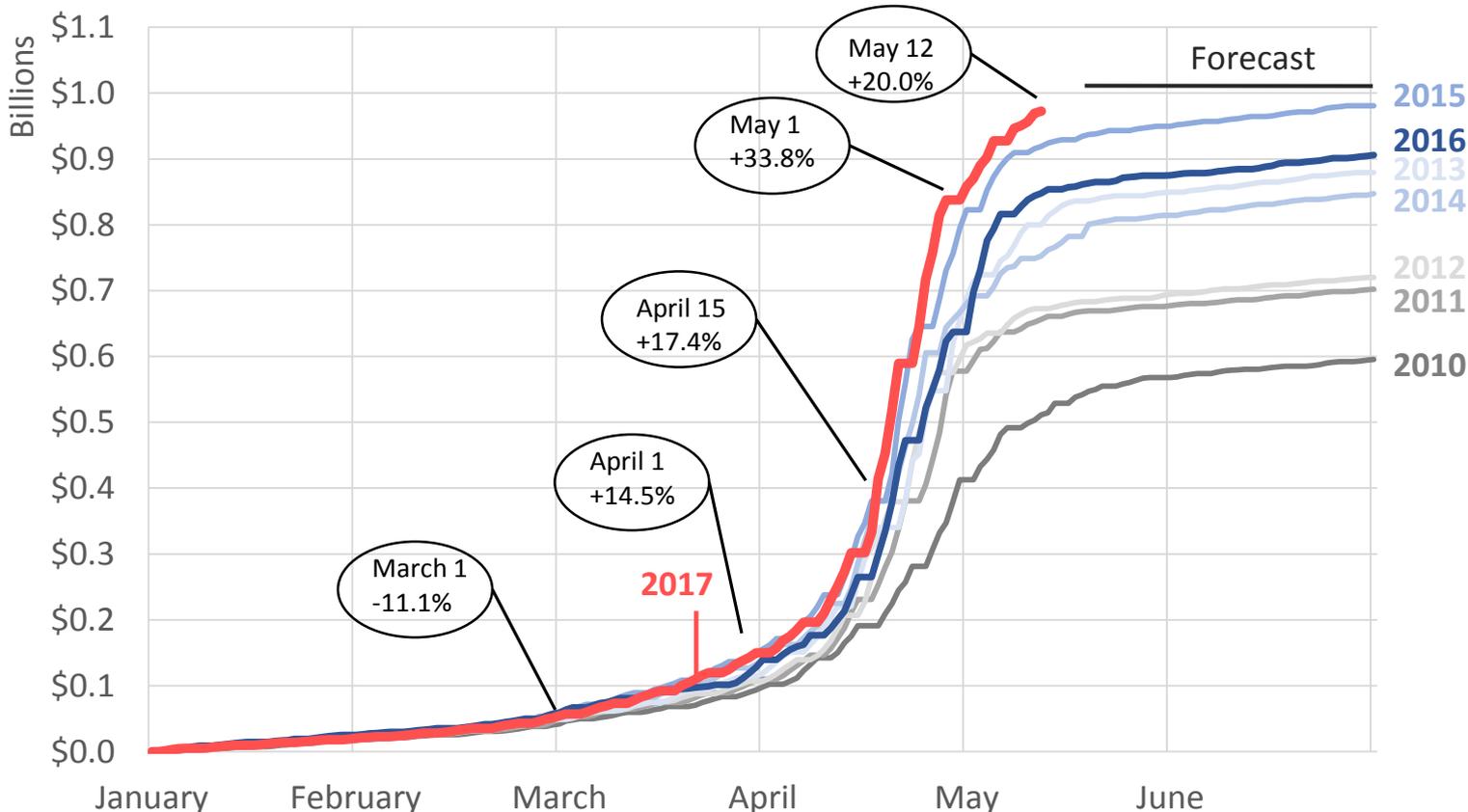




# April Payments on Track

## Still Processing Year-End Tax Payments

Oregon Cumulative Personal Income Tax Payments



Latest Data: May 12, 2017 | Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis



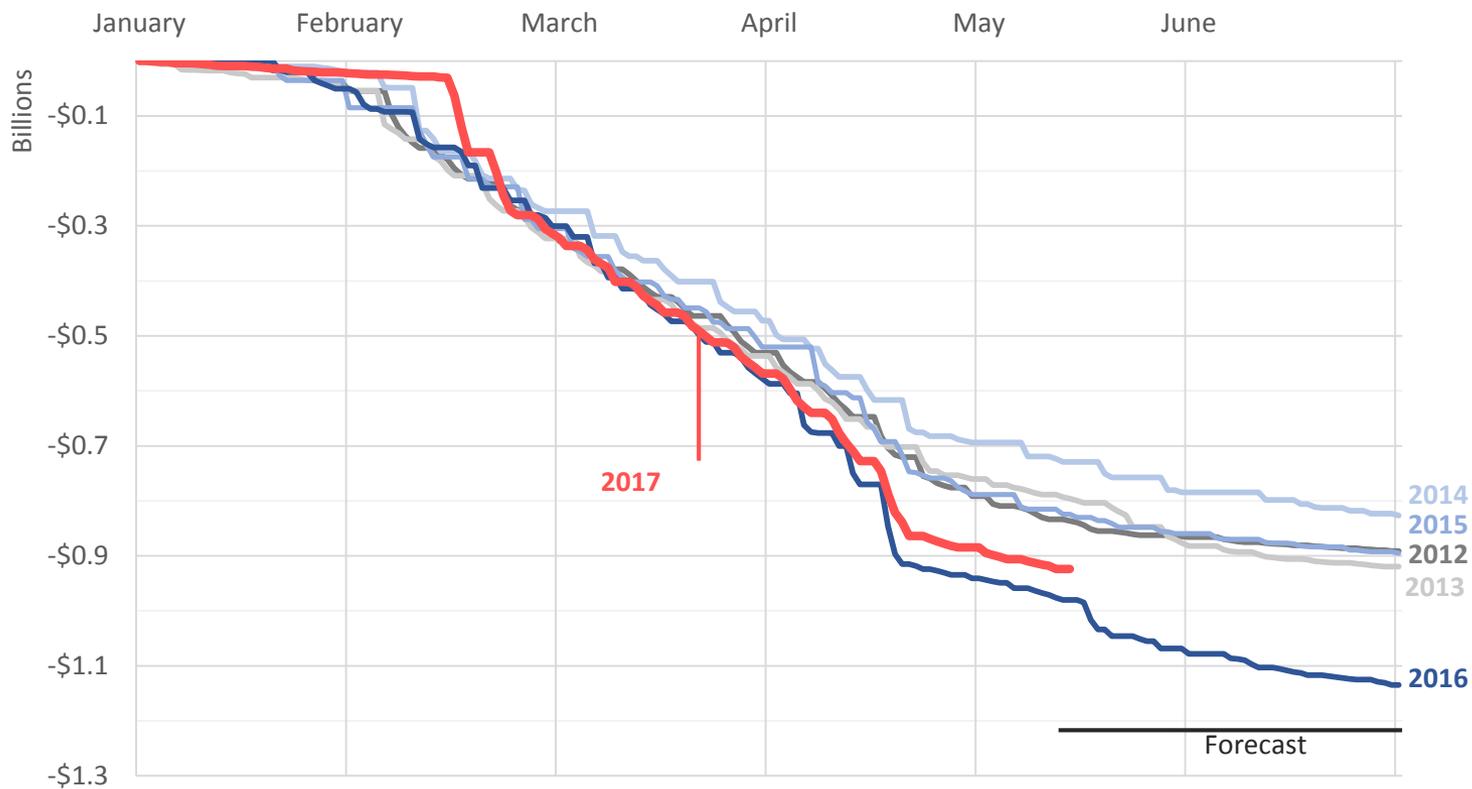
Oregon Office of  
Economic Analysis





# Refunds Coming Up Short

Where Will Refunds Land?  
Personal Income Tax Refunds, Cumulative



Latest Data: May 12, 2017 | Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis



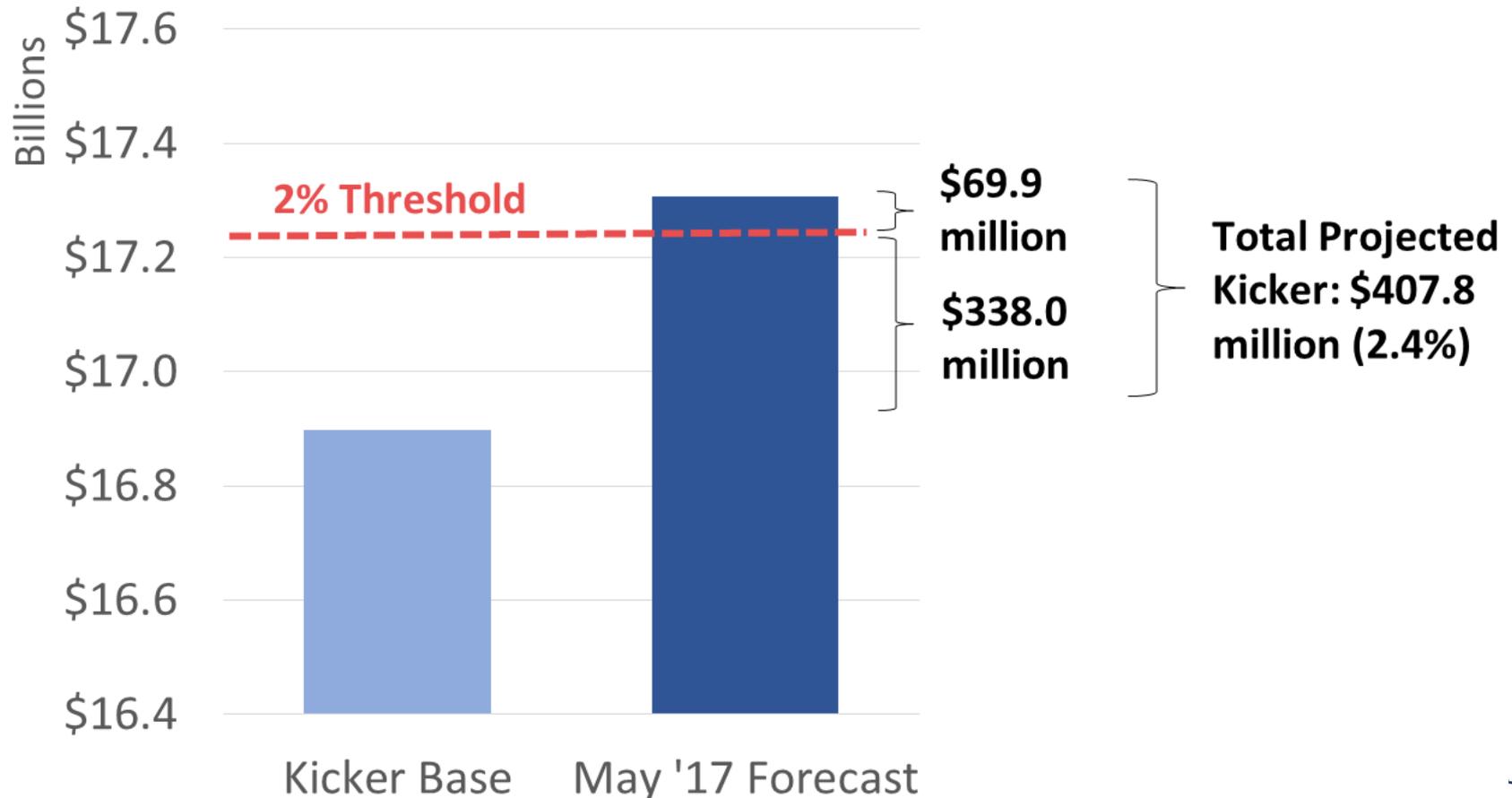
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# Kicker 101

## 2015-17 Kicker Calculation



*Kicker Base is Determined by the Close of Session Forecast for General Fund Less Corporate Taxes.*  
Oregon Office of Economic Analysis  
*Close of Session = May 2015 Forecast + 2015 Legislative Actions*



# What Is Your Cut?

Income Group	Adjusted Gross Income*	Rough Estimate of Kicker Size**
Bottom 20%	< \$10,489	\$5
Second 20%	\$10,490 - \$24,488	\$32
Middle 20%	\$24,489 - \$45,159	\$91
Fourth 20%	\$45,160 - \$82,786	\$191
Next 15%	\$82,787 - \$165,174	\$408
Next 4%	\$165,175 - \$368,109	\$1,002
Top 1%	> \$368,109	\$4,505
<b>Average</b>	<b>\$57,165</b>	<b>\$210</b>
<b>Median</b>	<b>\$30-35,000</b>	<b>\$85</b>

\* Based on 2014 actual tax returns

\*\* Based on 2014 actual tax returns, PIT kicker amount (\$408 million) and the Oregon Office of Economic Analysis' forecast for tax liability

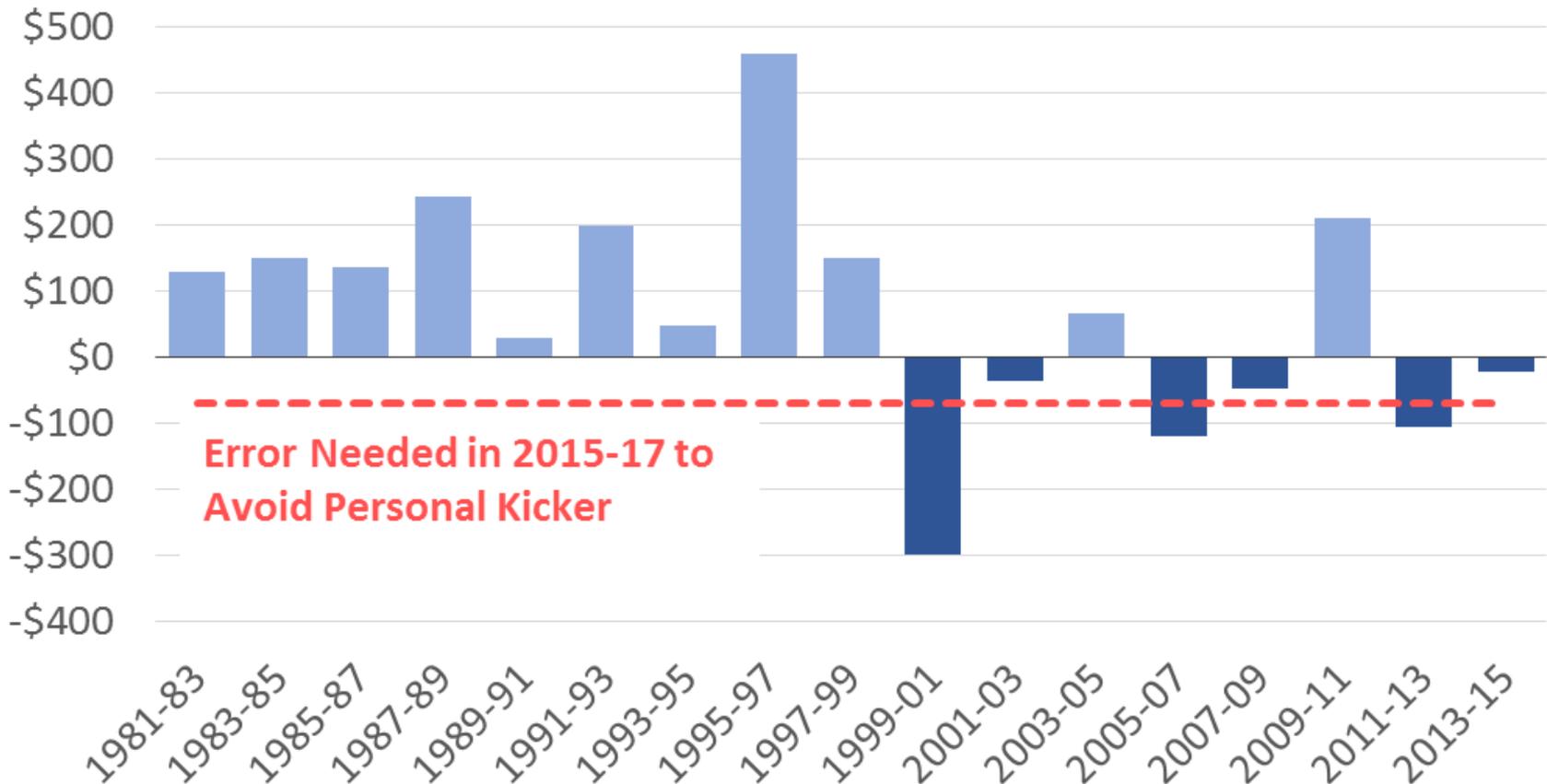




# Kicker: Not A Done Deal Yet

## Closing Out the Biennium

Forecast Error: May to the End of Biennium  
Errors Adjusted for Current Size of the General Fund



Source: Oregon Office of Economic Analysis

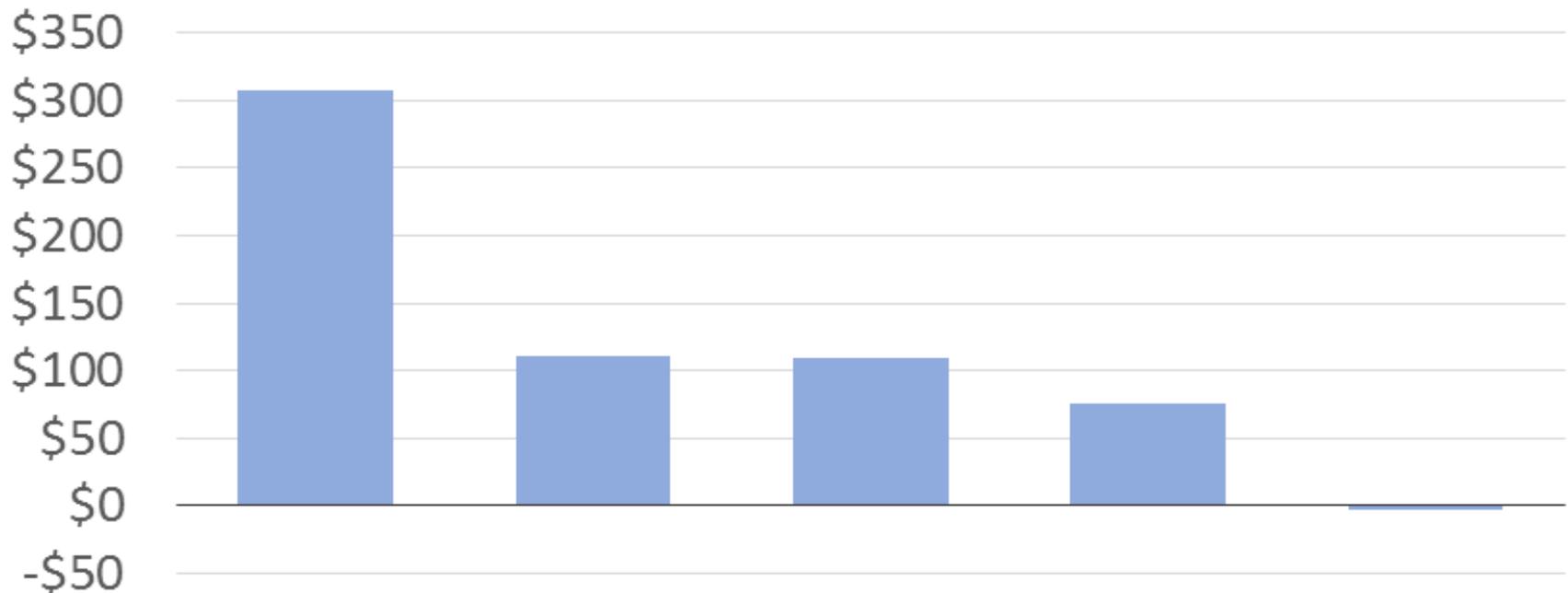




# 2015-17 Errors

## 2015-17 Forecast Tracking

Difference between May 2017 Forecast and COS



	PIT	Estate	Lottery	CORP	Other GF
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% of Revenues

	80%	2%	6%	6%	6%
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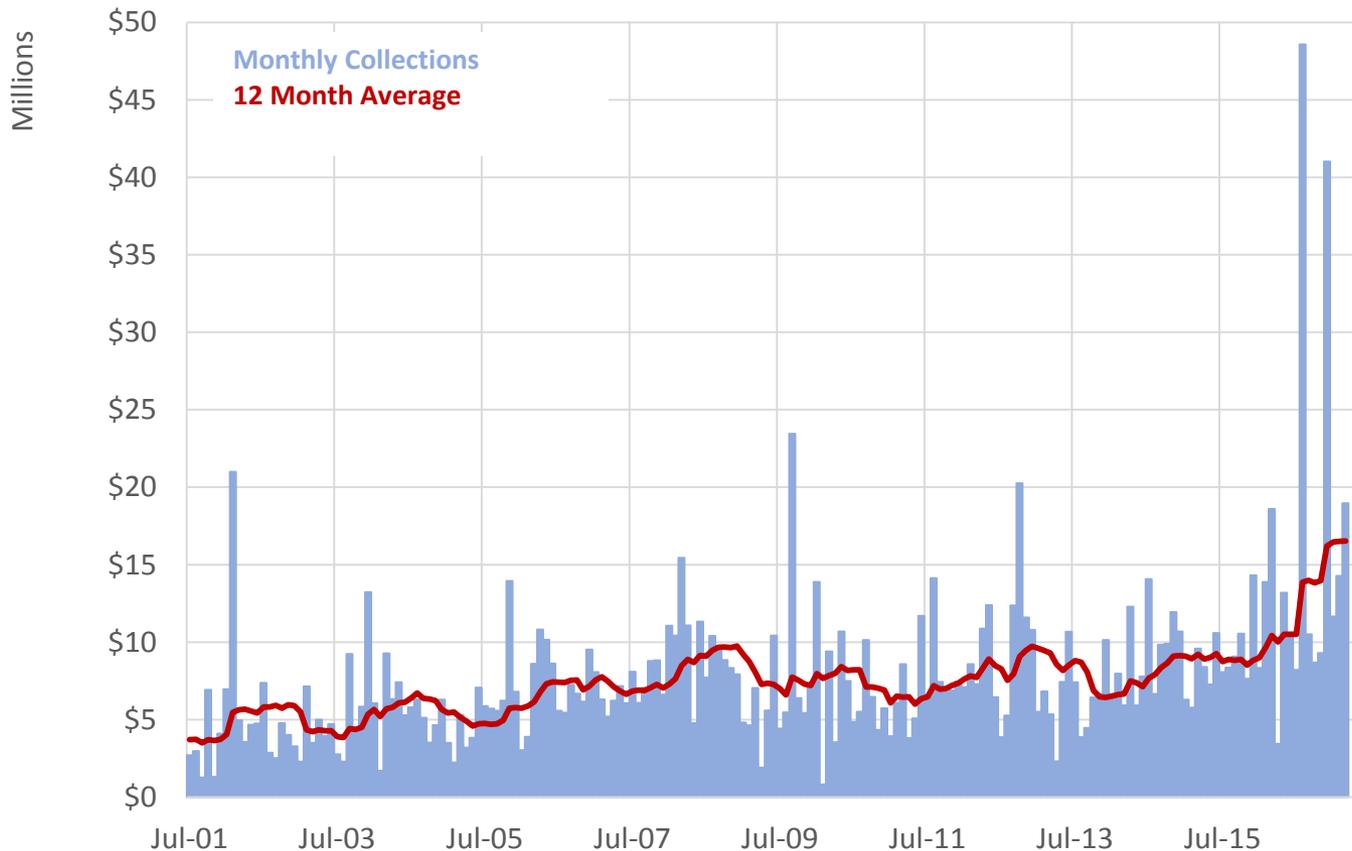
% of Error

	51%	18%	18%	13%	-1%
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# Estate Taxes

Oregon Estate Taxes

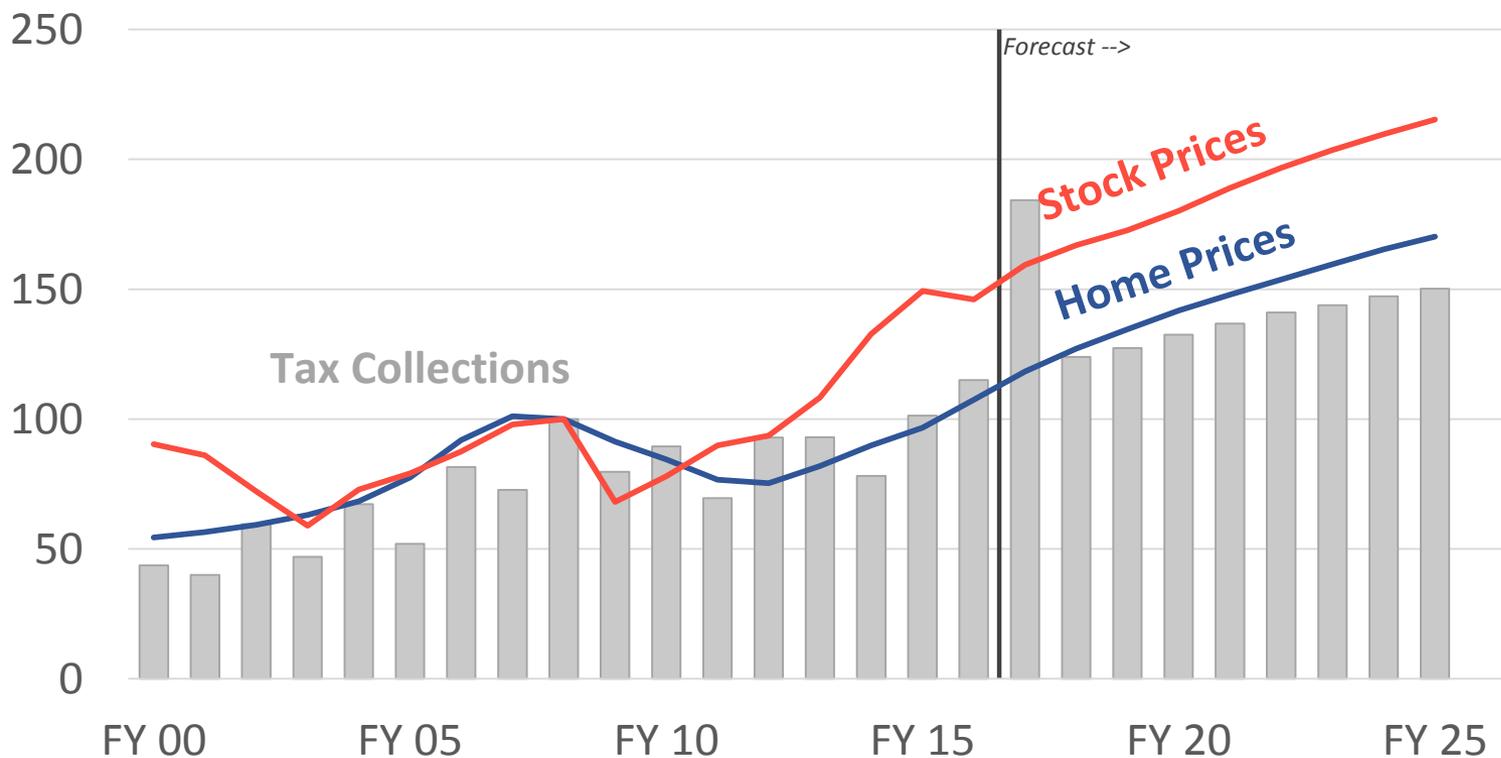




# Estate Taxes

## Oregon Estate Taxes

Index, FY 2007=100



Latest Data: Fiscal Year 2016 | Source: Oregon DOR, Oregon Office of Economic Analysis



Oregon Office of  
Economic Analysis

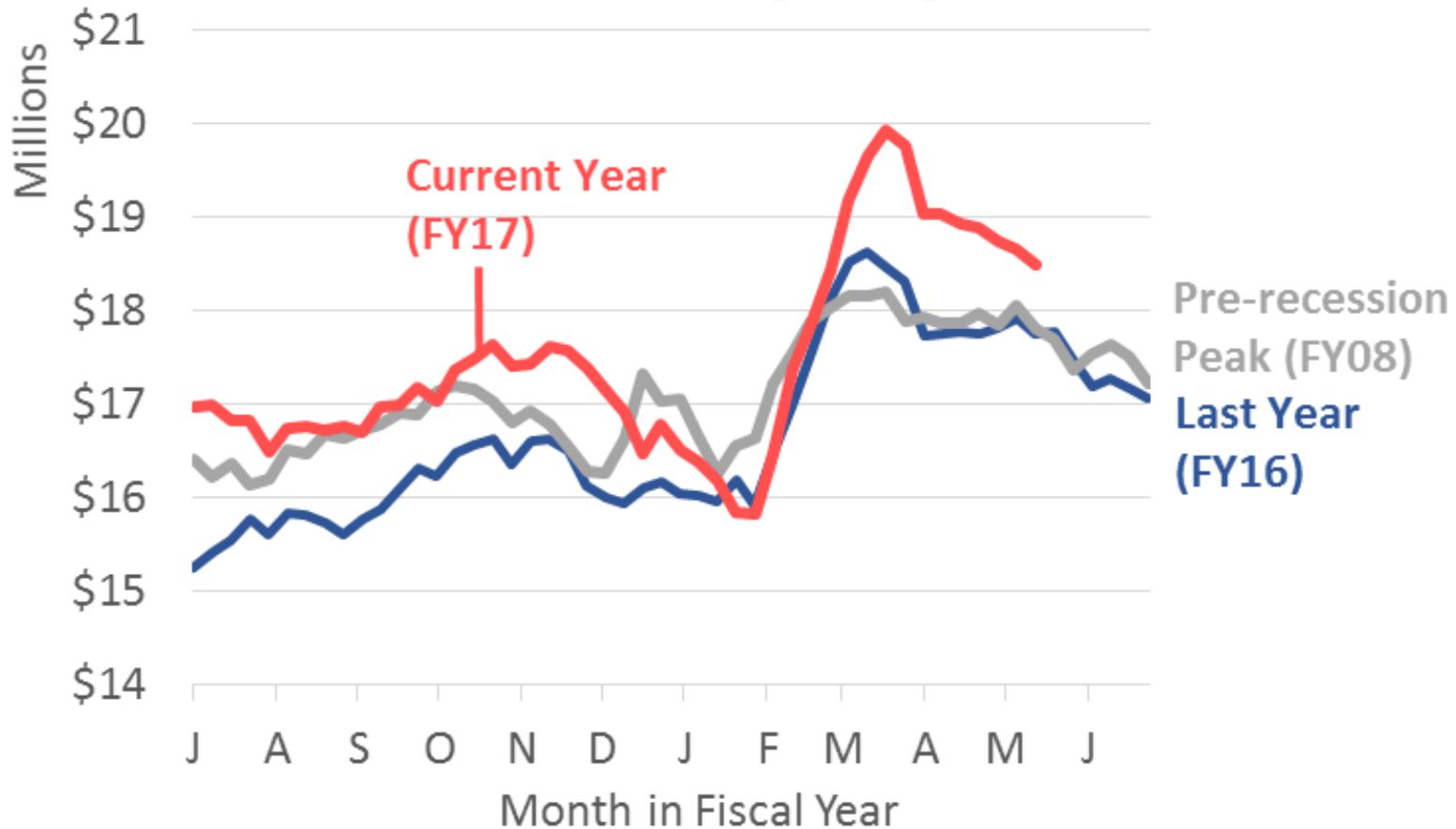




# Lottery Uncertainty

## Video Lottery Sales

4 Week Moving Average



Oregon Econor

Latest Data: May 13, 2017 | Source: Oregon Lottery, Oregon Office of Economic Analysis



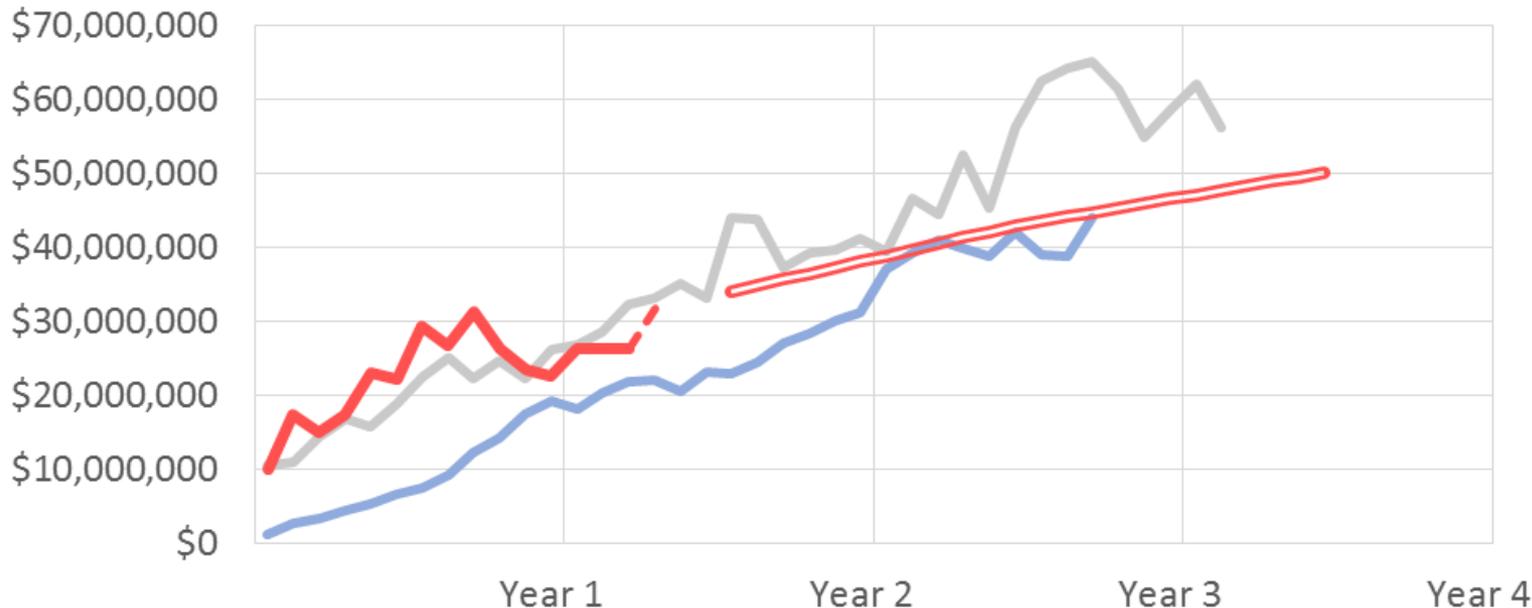


# New Forecast: Marijuana

## Recreational Marijuana Sales Base

Estimates, Based on Tax Receipts

— Colorad (Adj) — Washington (Adj) — Oregon — 2017-19 Forecast



### Upside

- Usage
- Black, Gray, Medical market conversion

### Downside

- Price
- Supply
- Federal Government

(Adj) data accounts for the relative size difference between CO, WA, and OR's adult population.

Source: CO Dept of Revenue, OR Dept of Revenue, WA Econ & Rev Forecast Council, Oregon Office of Economic Analysis



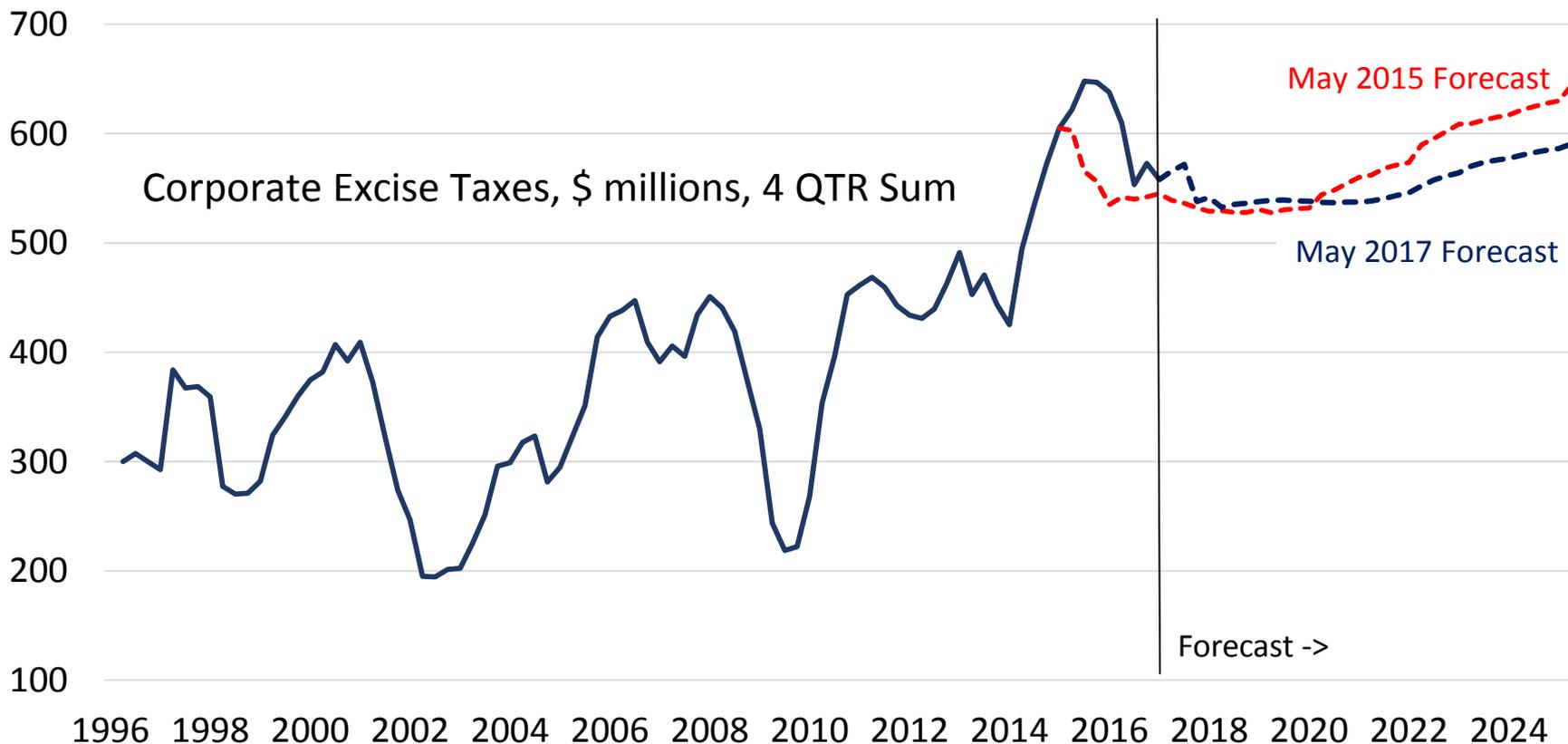
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Economic Analysis





# Corporate Taxes: Are Declines Over?

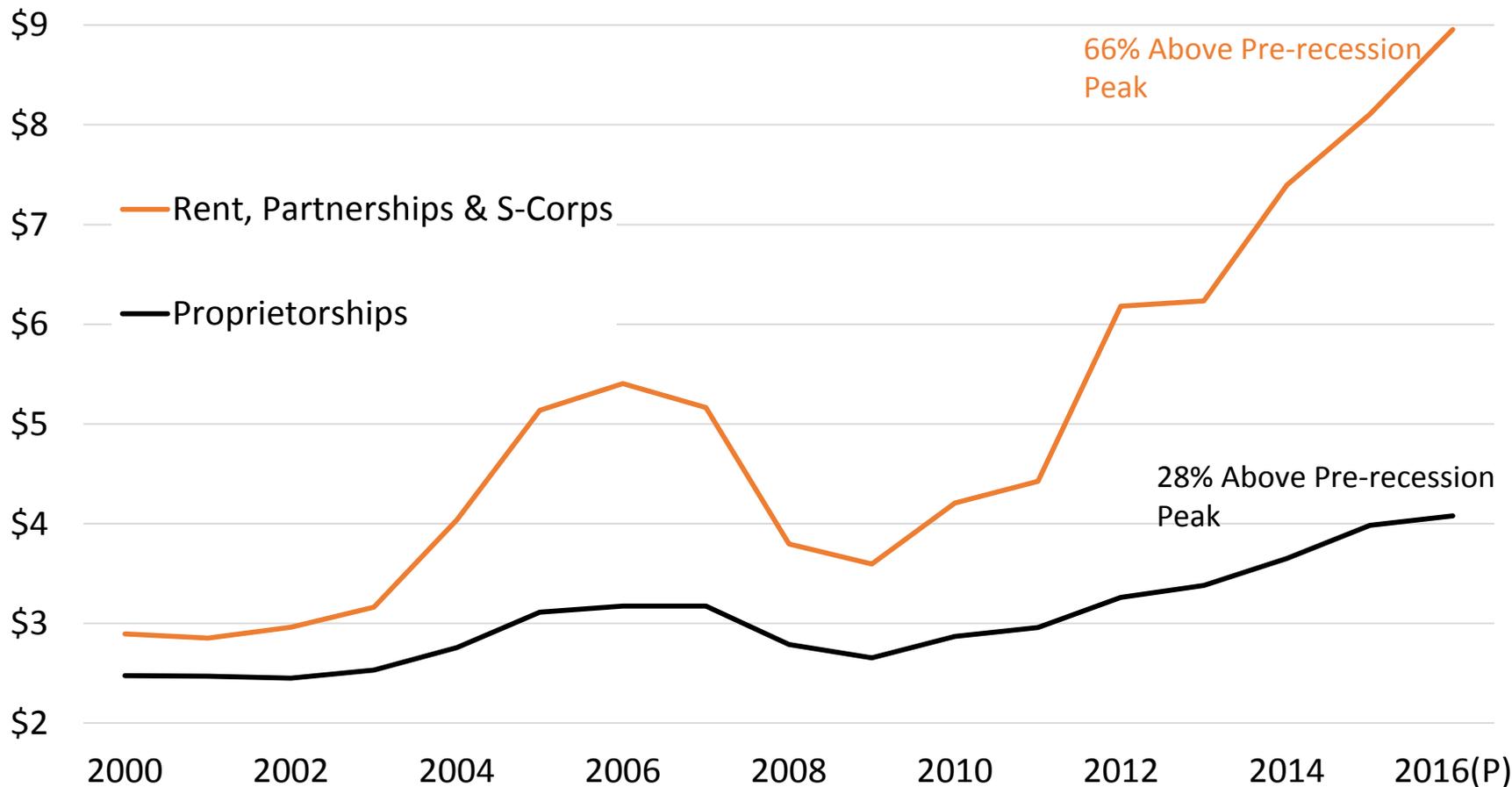
## Corporate Taxes Are Expected to Stabilize





# Pass-Through Income

Oregon Income Reported by Full-Year Tax Filers, billions



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# Forecast Changes



# General Fund Forecast Summary

**Table R.1**

**2015-17 General Fund Forecast Summary**

(Millions)	2015 COS Forecast	March 2017 Forecast	May 2017 Forecast	Change from Prior Forecast	Change from COS Forecast	Positive Factor	Negative Factor
<b>Structural Revenues</b>						Personal Income Taxes	Court Fines, Fees & Assessments
Personal Income Tax	\$15,713.5	\$15,709.8	\$16,020.8	\$311.0	\$307.3		
Corporate Income Tax	\$1,100.0	\$1,136.2	\$1,175.7	\$39.5	\$75.7	Corporate Excise Taxes	
All Other Revenues	\$1,184.6	\$1,264.6	\$1,285.1	\$20.5	\$100.5	Estate Taxes	
<b>Gross GF Revenues</b>	\$17,998.1	\$18,110.6	\$18,481.6	\$371.0	\$483.6	Insurance Taxes	
Offsets and Transfers	-\$42.8	-\$44.4	-\$45.2	-\$0.8	-\$2.4		
Administrative Actions <sup>1</sup>	-\$20.2	-\$14.0	-\$14.0	\$0.0	\$6.2		
Legislative Actions	-\$158.9	-\$158.3	-\$158.3	\$0.0	\$0.6		
<b>Net Available Resources</b>	<b>\$18,309.1</b>	<b>\$18,422.7</b>	<b>\$18,792.9</b>	<b>\$370.2</b>	<b>\$483.8</b>		
<b>Confidence Intervals</b>							
<b>67% Confidence</b>	+/- 0.9%		<b>\$173.0</b>	<b>\$18.31B to \$18.65B</b>			
<b>95% Confidence</b>	+/- 1.9%		<b>\$346.0</b>	<b>\$18.14B to \$18.83B</b>			

Along with expenditure savings, this increases the ending balance for 2015-17 by \$376 million

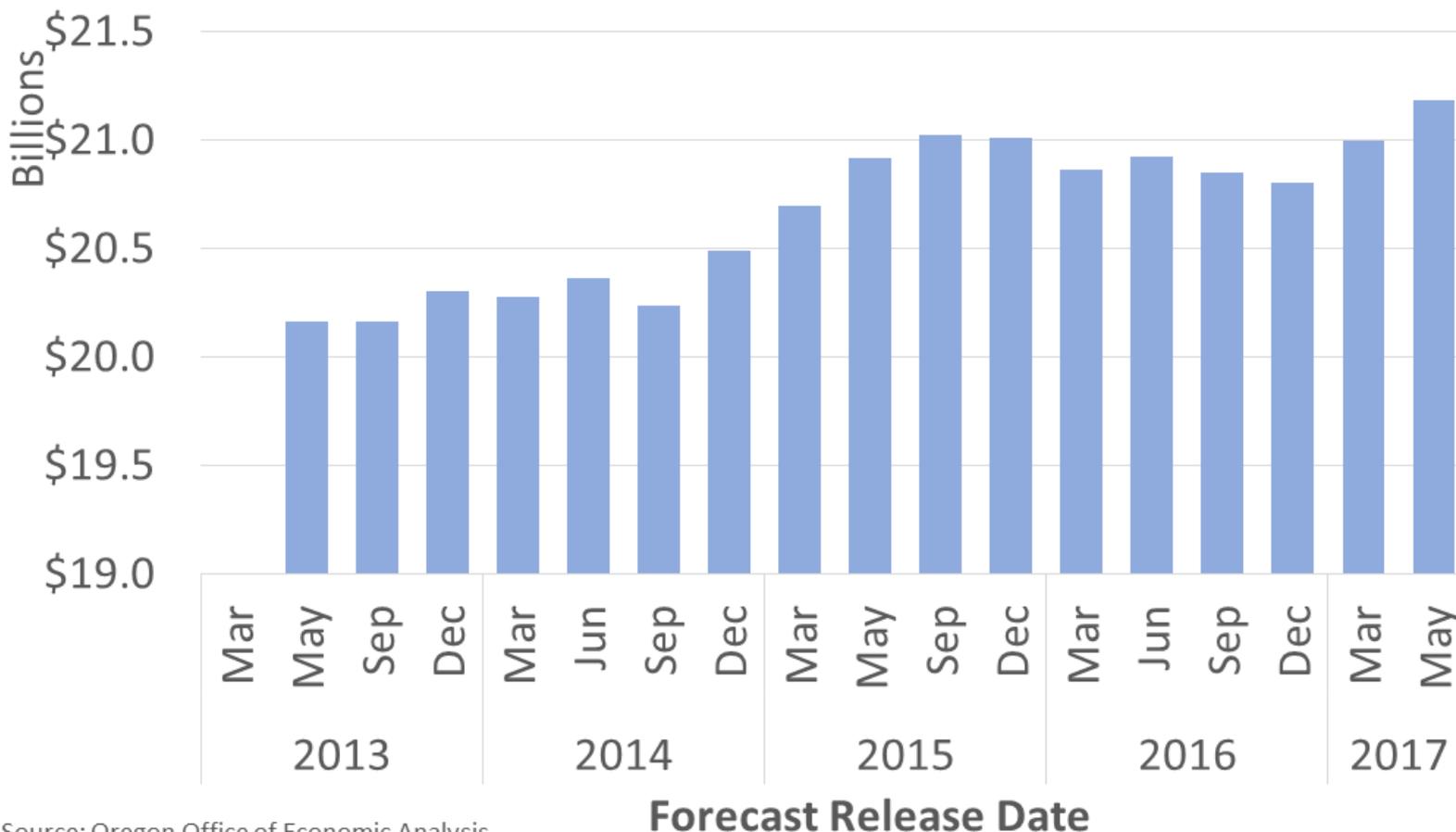


<sup>1</sup> Reflects cost of cashflow management actions, exclusive of internal borrowing.



# Ending Balances Help to Offset the Kicker in BI2017-19

## General and Lottery Fund Revenues 2017-19



Source: Oregon Office of Economic Analysis

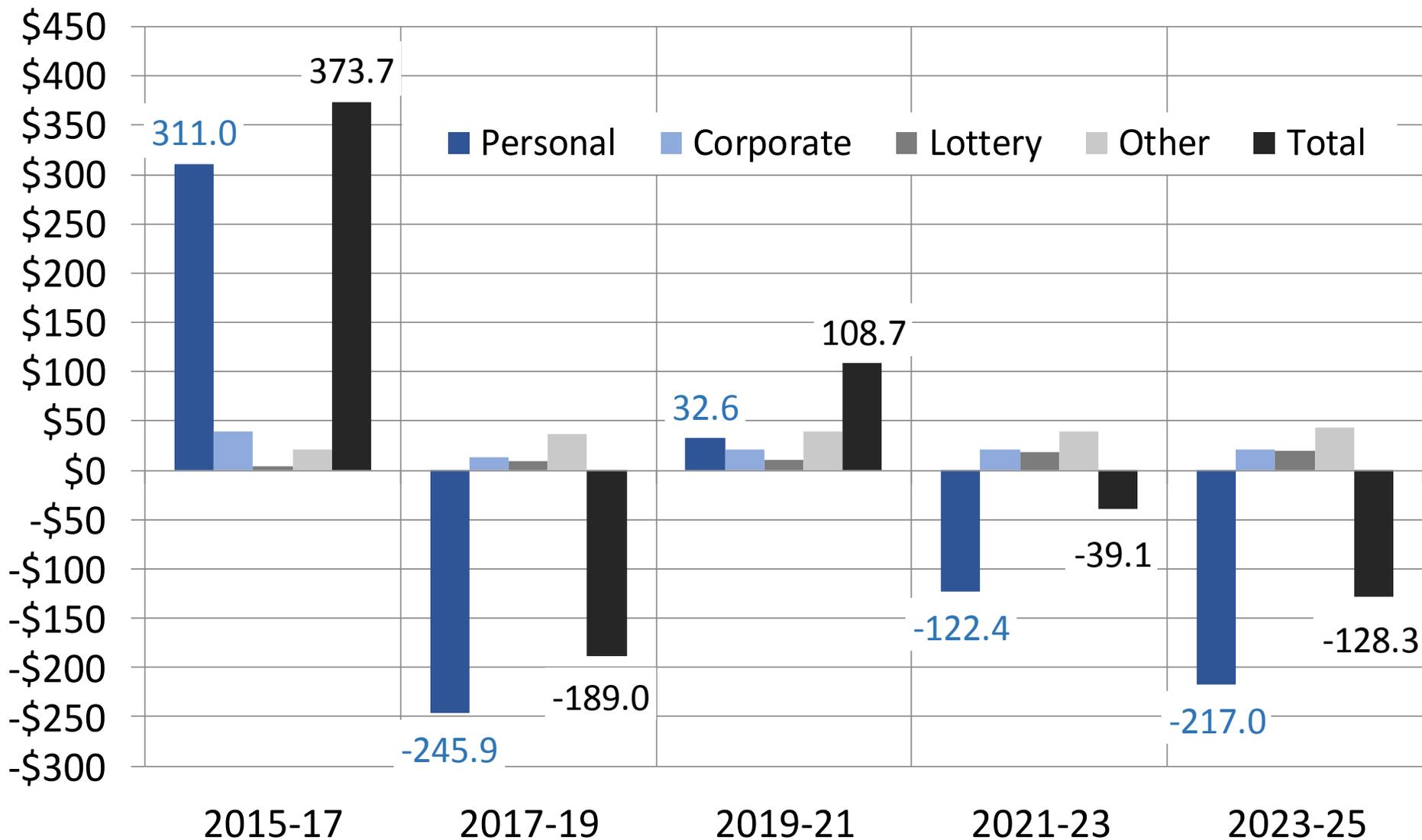
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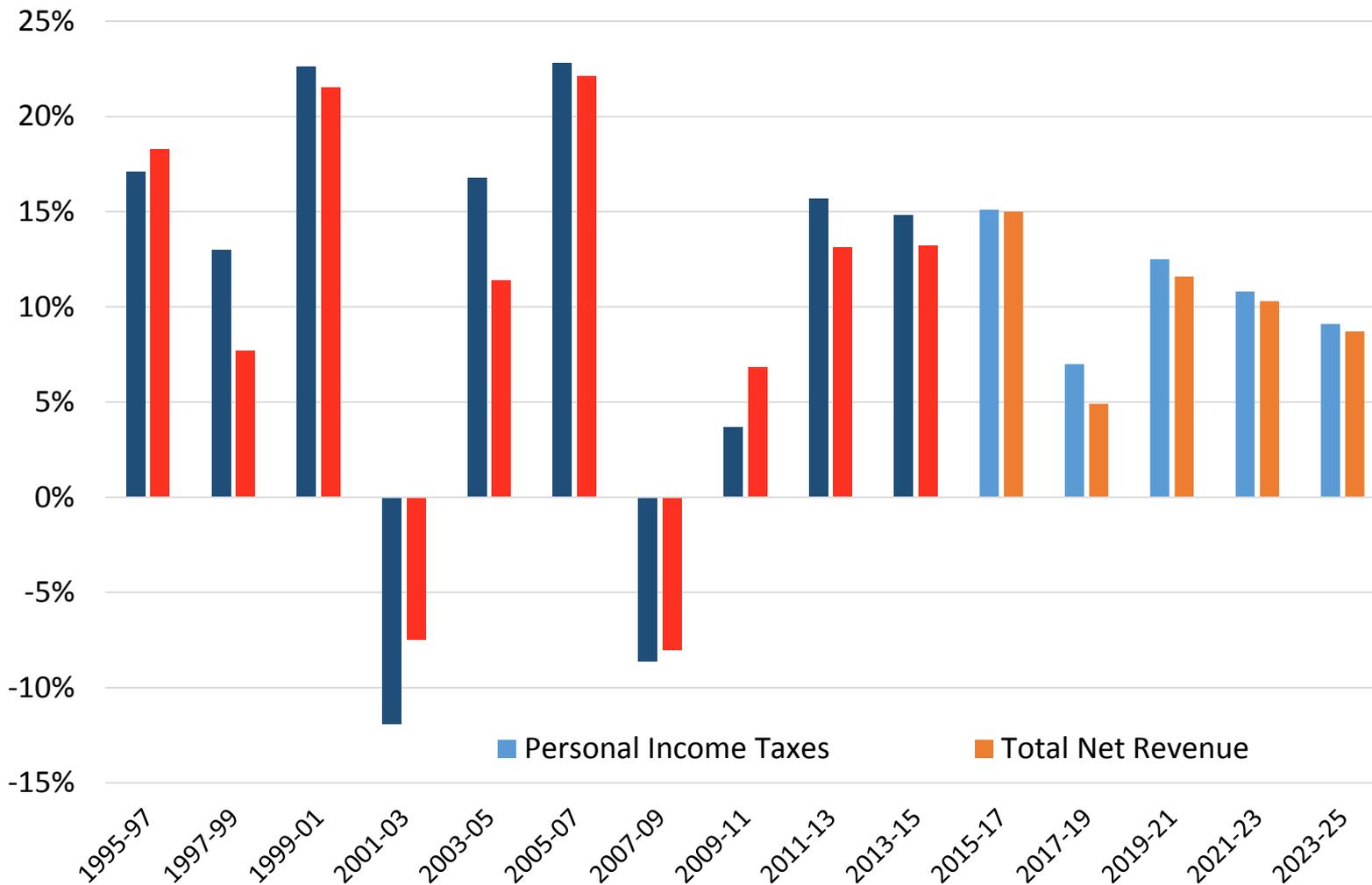
# Forecast Changes

Difference from March Forecast, \$ millions





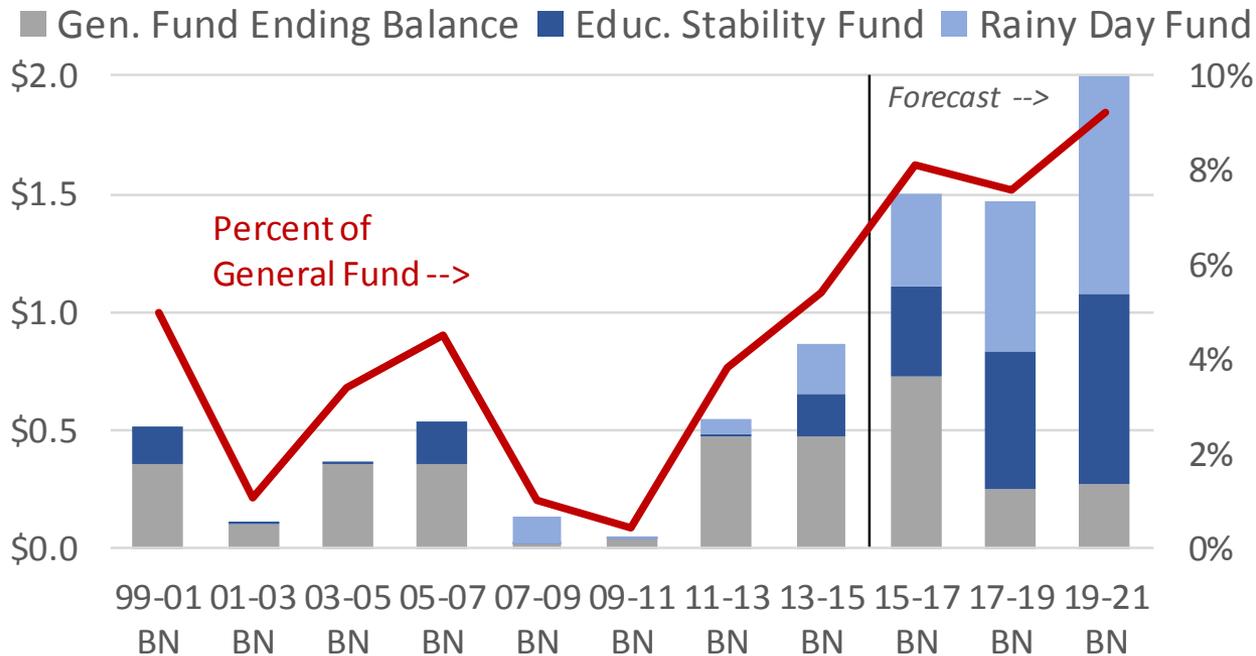
# Biennial Revenue Growth





# Reserves

## Oregon Budgetary Reserves (billions)



Source: Oregon Office of Economic Analysis

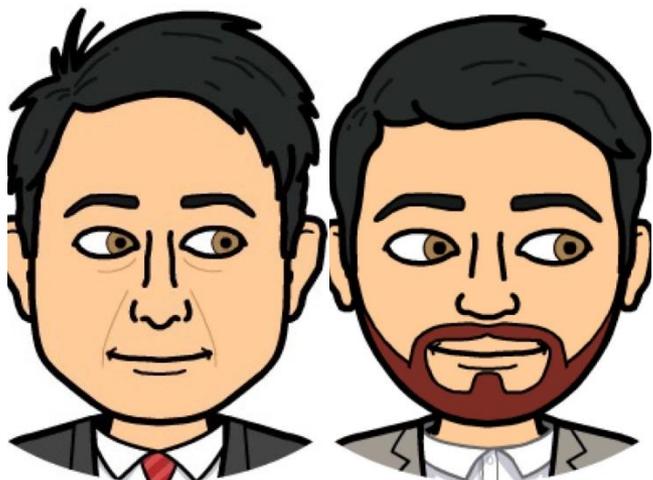
## Effective Reserves (\$ millions)

	<u>Apr</u> <u>2017</u>	<u>End</u> <u>2015-17</u>
ESF	\$356.8	\$383.8
RDF	\$375.5	\$388.8
Reserves	\$732.3	\$772.5
Ending Balance	\$723.9	\$723.9
<b>Total</b>	<b>\$1,456.2</b>	<b>\$1,496.4</b>
% of GF	7.9%	8.1%





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