

Oregon's Economic and Revenue Forecast



September 2024

OEA Staff Update



- New Chief Economist starting in September
- New additions to the team
 - Mitchell D'Sa
 - Jordan Macias
- Partially coming out of retirement
 - Michael Kennedy
- Staying in partial retirement
 - Kanhaiya Vaidya

Economic Outlook

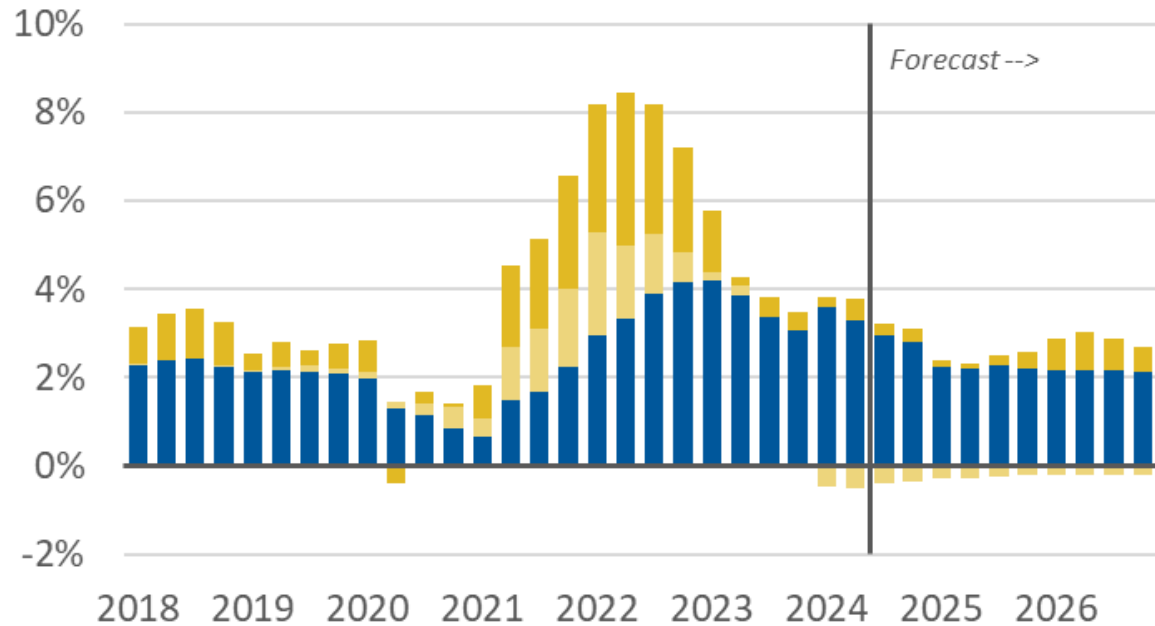


Inflationary economic boom cools. Lower interest rates *should* sustain expansion.



West Region Consumer Price Index

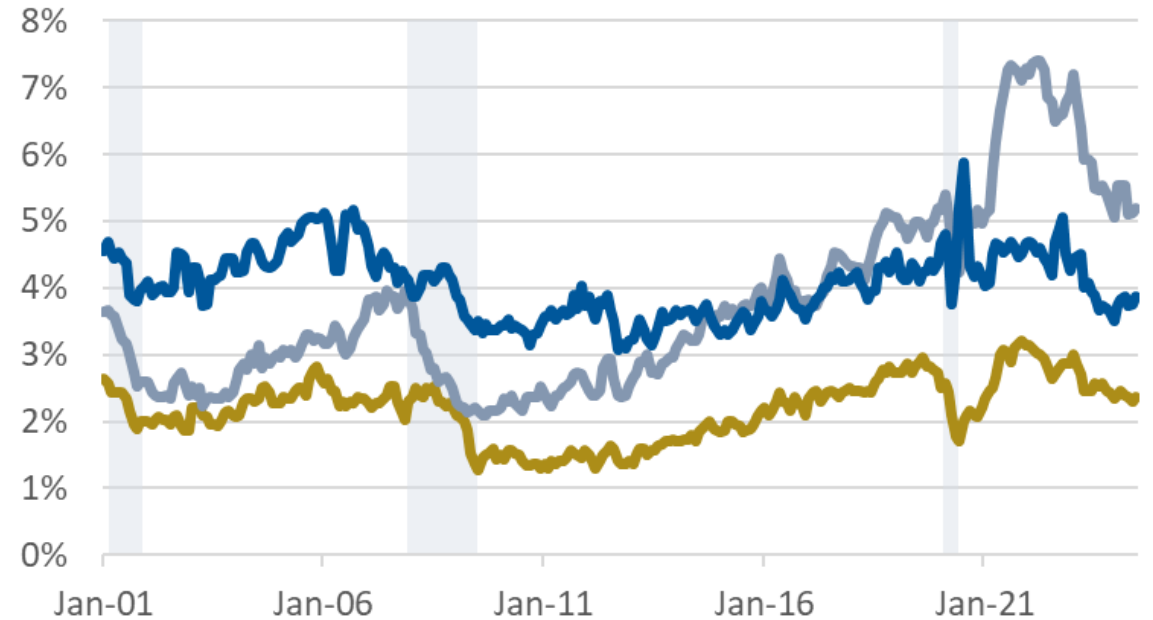
Decomposing year-over-year inflation: **Food and Energy**, **Goods**, and **Services**



Goods and services are excluding food and energy | Latest: 2024q2 | Source: BLS, IHS Markit, OR Office of Econ Analysis

Labor market softer than it appears

Job Opening rate, Hiring rate, and Worker Quits rate in Oregon

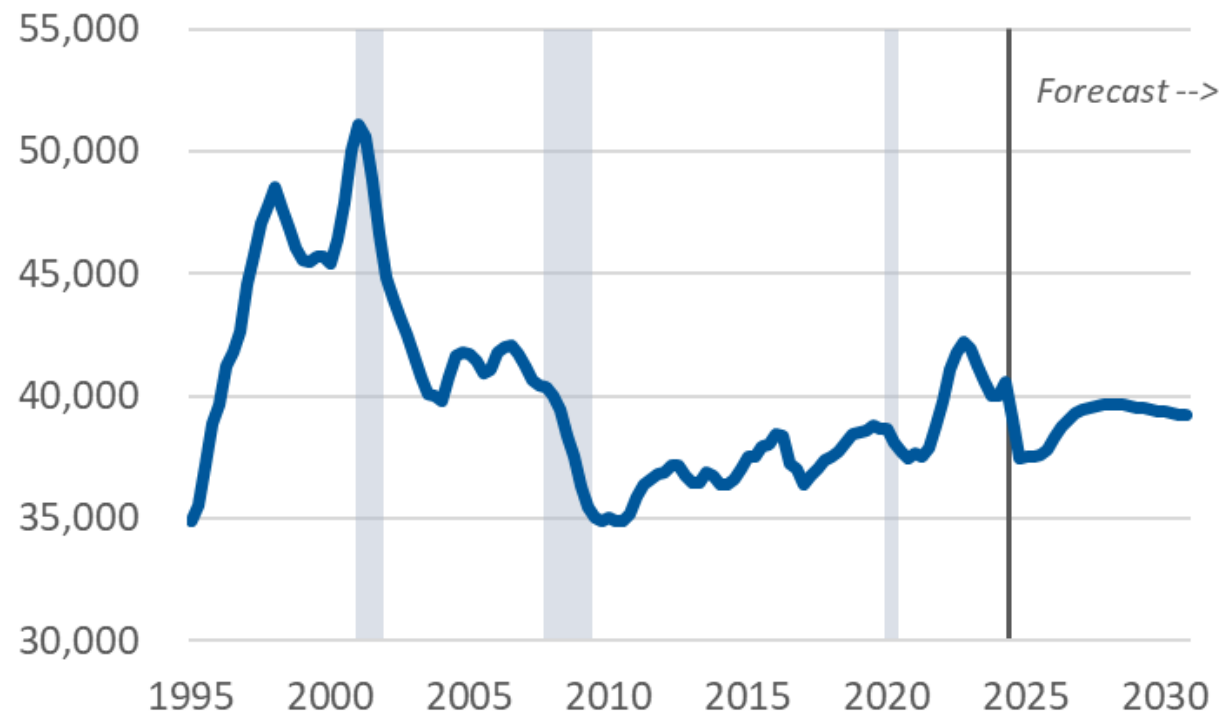


Latest Data: June 2024 | Source: BLS, Oregon Office of Economic Analysis

Anchor employer layoffs



Oregon Computer & Electronic Product Manufacturing Employment



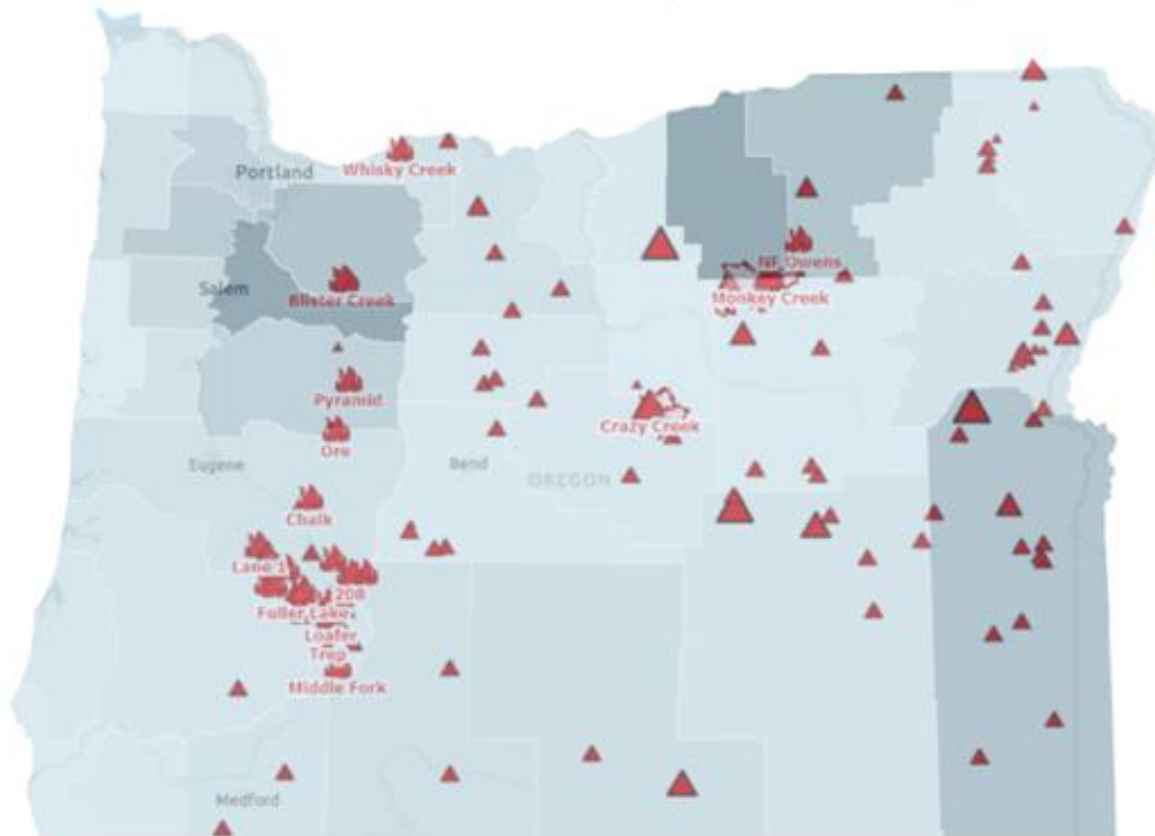
Latest Data: 2024q2 | Source: Oregon Employment Dept, Oregon Office of Economic Analysis

- Recent layoffs and announcements in three of Oregon's key industry clusters
- Business & Economic Issues
 - Is industry over- or under-performing economy, is firm over- or under-performing the industry?
- Near-Term Economic Impacts
 - Layoffs never good, but in economy with 2 million jobs, a few thousand is small
 - Softer labor market, harder to find job
- Long-Term Economic Impacts
 - Is the cluster strong enough to attract and retain talent?
 - Is the long-term outlook affected?

Wildfires and Agriculture



Wildfires on High-Value Agricultural Counties:
Current and Year-to-Date Large Incidents in Oregon



County	YTD Acres Burned (% of state)	Agricultural Products Sold (% of state)	Top Commodity
Baker	22%	1%	Cattle
Malheur	16%	8%	Cattle
Harney	13%	1%	Cattle
Umatilla	12%	8%	Grains/Hay
Morrow	11%	13%	Cattle
SUM	74%	31%	

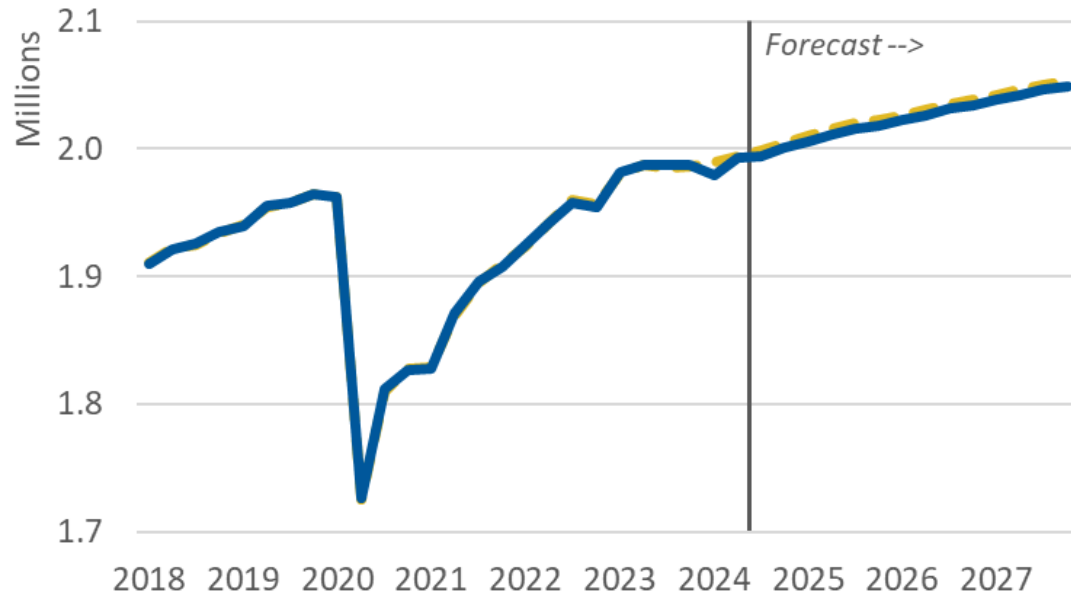
Data: 2022 Ag Census | Source: USDA- NASS, ICS-209 NWCC 2024, Oregon Office of Economic Analysis
Note: Large fire defined as \geq 100 acres in timber, \geq 300 acres in grass/brush

Stable economic forecast, and green shoots of stronger growth



Oregon Employment

Current Forecast | Previous Forecast



Latest Data: 2024q2 | Source: Oregon Employment Dept, Oregon Office of Economic Analysis

Oregon Withholding

90 Day Sum of Collections: Year-over-Year Change | Moving Average



Latest Data: Aug 16, 2024 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis

Revenue Outlook



Personal income tax collections coming in above forecast



2023 Growth

Total PIT Returns	3.0%
No. of matched returns	3.2%
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Population forecast	0.6%

Source: Oregon Dept of Revenue, Portland State

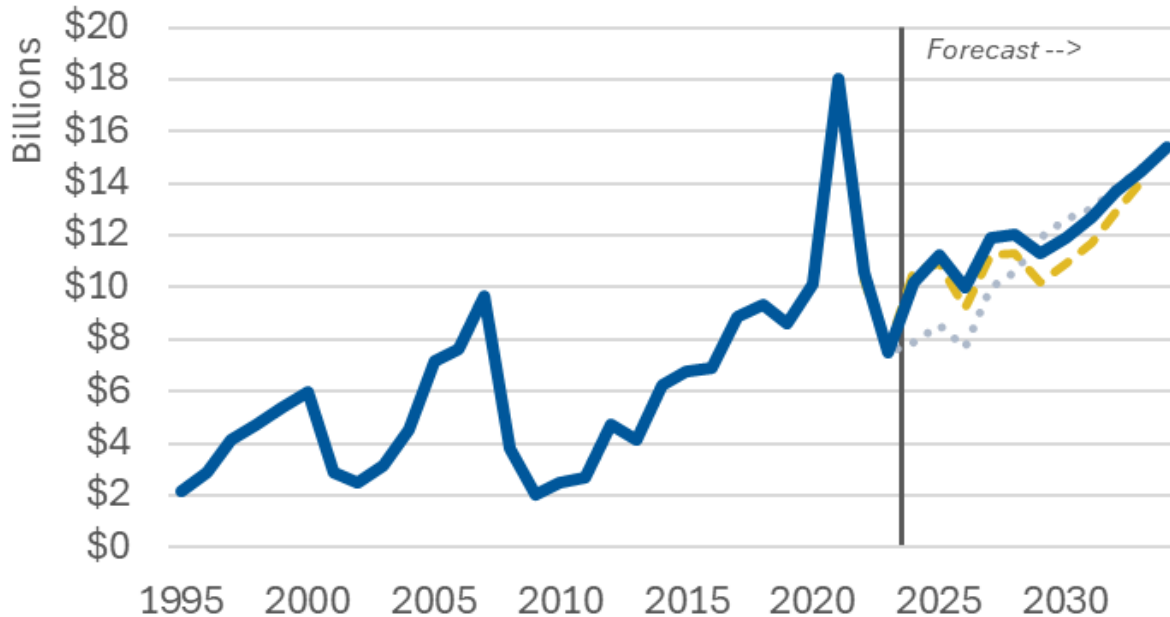
- Actual tax collections continue to come in above forecast
- A full accounting of tax year 2023 has to wait until extension filers this fall
- Key items to watch:
 - Total number of filers
 - Income liability per return
 - The effective tax rate in part impacted by the types of income earned
 - Extension filer pattern of payments vs refunds

Capital Gains and non-wage income is volatile



Oregon Realizations of Capital Gains

Sept '24 Forecast | Jun '24 Forecast | Dec '23 Forecast



2023 estimate based on Full Year filer returns through July 22, 2024
Source: Oregon Dept of Revenue, Oregon Office of Economic Analysis

Capital Gains

Oregon, share of US

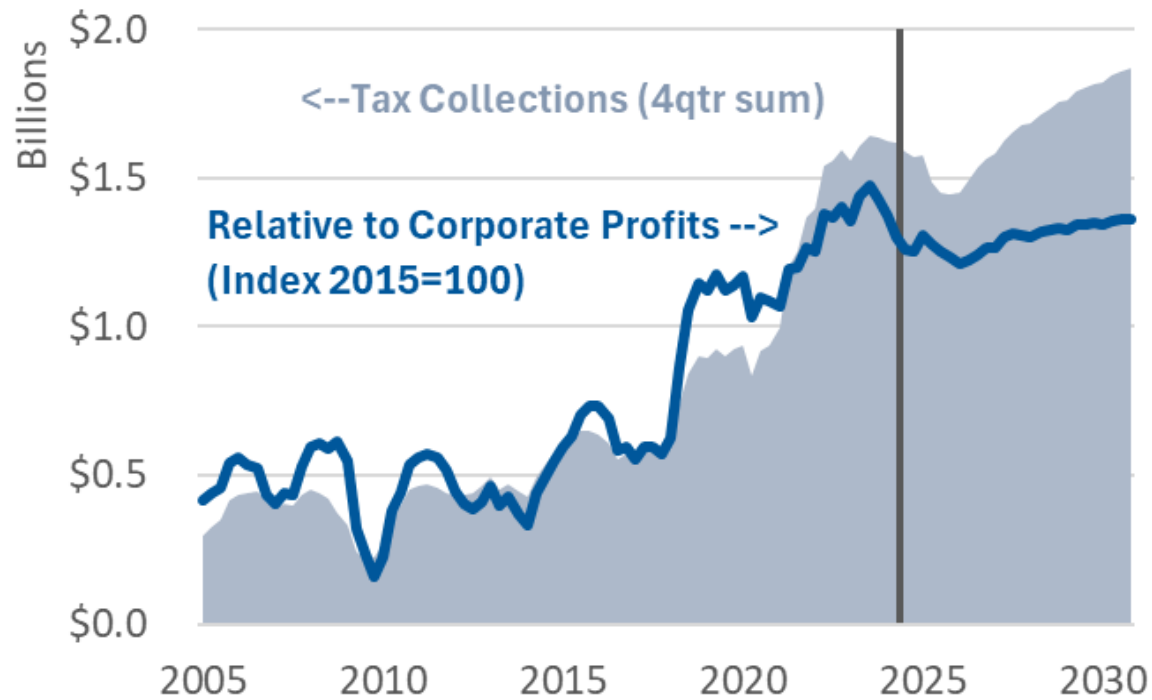


Source: CBO, IRS, Tax Foundation, OR Dept of Revenue, OR Office of Econ Analysis

Corporate excise and income taxes are raised as profits remain strong



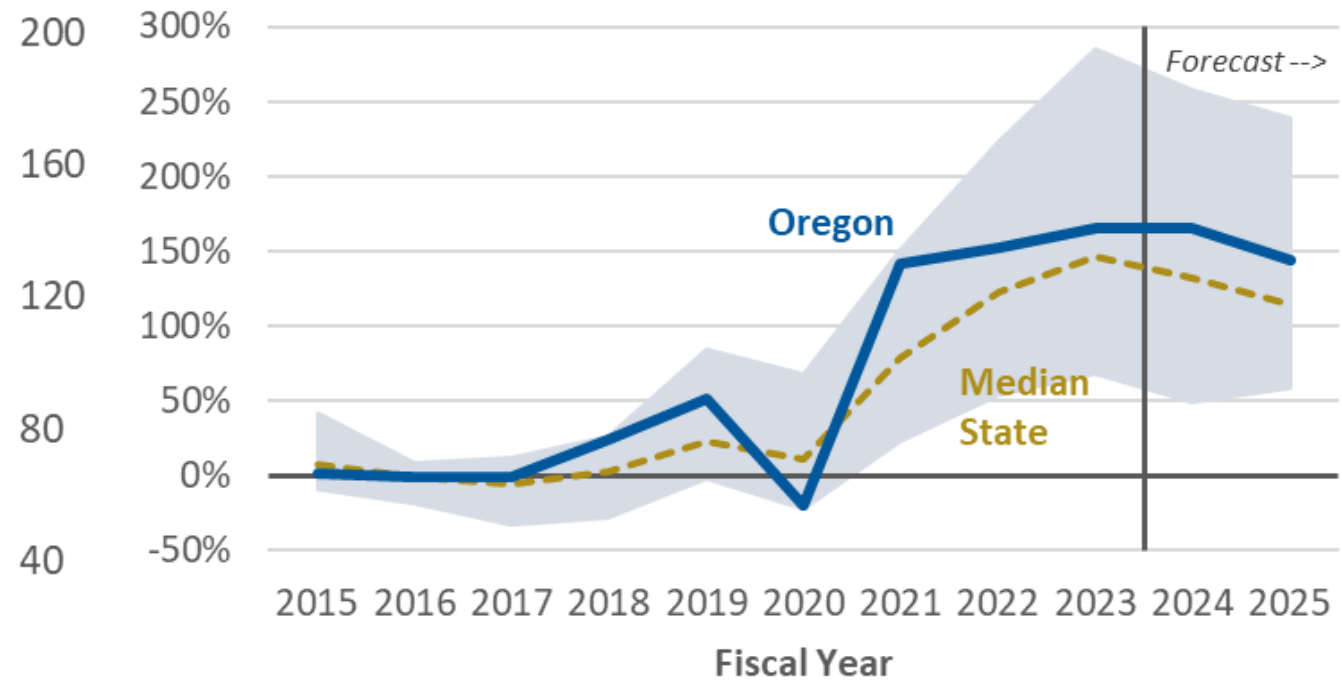
Oregon Corporate Excise & Income Tax



Latest Data: 2024q2 | Source: BEA, OR Dept of Revenue, OR Office of Economic Analysis

Corporate Income Tax

Percent change from FY2015-2017 average



Source: NASBO, Oregon Office of Economic Analysis

2023-25 Forecast Changes



2023-25 General Fund Forecast Summary

(Millions)	2023 COS Forecast	June 2024 Forecast	September 2024 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$21,019.7	\$21,567.1	\$21,889.4	\$322.3	\$869.7
Corporate Income Tax	\$2,228.9	\$2,817.0	\$3,111.7	\$294.8	\$882.8
All Other Revenues	\$2,011.3	\$2,046.0	\$2,150.4	\$104.3	\$139.1
Gross GF Revenues	\$25,259.9	\$26,430.1	\$27,151.5	\$721.3	\$1,891.5
Offsets, Transfers, and Actions ¹	-\$437.0	-\$450.3	-\$496.1	-\$45.8	-\$59.1
Beginning Balance	\$7,493.5	\$8,082.5	\$8,082.5	\$0.0	\$589.0
Net Available Resources	\$32,316.4	\$34,062.3	\$34,737.8	\$675.5	\$2,421.4
Appropriations	\$31,873.6	\$32,897.2	\$32,897.2	\$0.0	\$1,023.6
Ending Balance	\$442.8	\$1,165.1	\$1,840.6	\$675.5	\$1,397.8
Confidence Intervals					
67% Confidence	+/- 4.4%		\$1,183.7	\$25.97B to \$28.34B	
95% Confidence	+/- 8.7%		\$2,367.3	\$24.78B to \$29.52B	

- Expected General Fund Revenues have increased by \$676 million relative to the March forecast
- Two-thirds of the increase is simply due to tracking in recent months
 - Personal and Corporate income taxes
- Estimated 2023-25 Kickers
 - Personal: \$987 million
 - Corporate: \$883 million
- Revenue uncertainty remains high
 - Personal income tax extension filers still to come this fall, and one more tax filing season to go
 - Corporate profit outlook more uncertain



2025-27 Forecast Changes

Oregon General Fund Forecast Changes

Difference between the September 2024 and June 2024 forecast

Millions of dollars

	2023-25	2025-27
Personal Income Tax	\$322.3	(\$310.5)
Corporate Income Tax	\$294.8	\$159.5
Other Gen Fund	\$104.3	\$65.0
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Gross GF Revenues	\$721.3	(\$86.0)
Beginning Balance	-	\$675.5
Transfers	(\$45.8)	\$20.0
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Available Resources	\$675.5	\$609.5

- 2025-27 resources down slightly overall
 - Personal income taxes are reduced due to larger projected kicker being paid out
 - Corporate income taxes are increased due to the stronger profits forecast
 - Estate and interest earnings revised higher
 - Transfers reduced, meaning more money retained in the General Fund due to HB 4002 (2024) eliminating the BM110 cost savings calculation
- When combined with 2023-25 changes, net available resources up

General Fund Bottom Line



General Fund Revenue Forecast Changes

\$ millions, change from June 2024 to September 2024

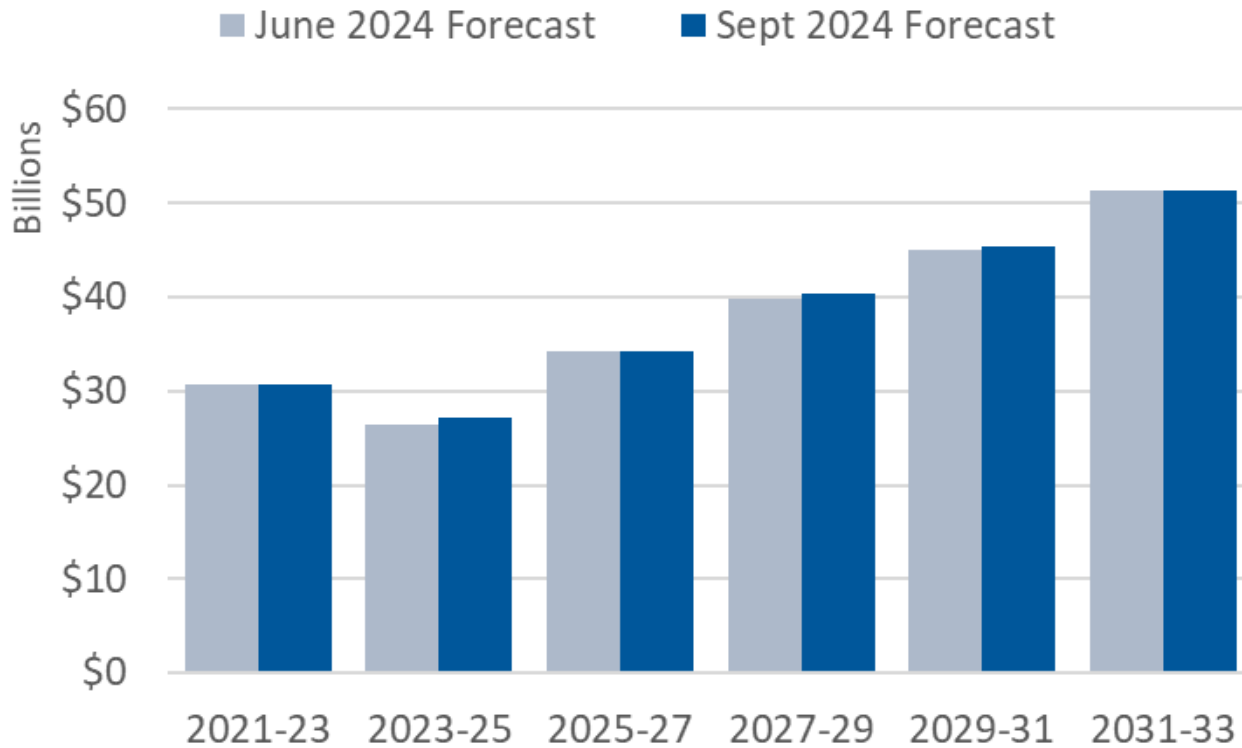
	2023-25	2025-27	2027-29	2029-31	2031-33
Personal Income Tax	\$322	-\$310	\$177	\$96	-\$202
Corporate Excise Tax	\$295	\$159	\$215	\$167	\$73
Other General Fund	\$104	\$65	\$71	\$77	\$103
<i>Transfers</i>	-\$46	\$20	\$17	\$19	\$16
Net GF Revenue Total	\$676	-\$66	\$480	\$358	-\$10

- Largest revenue changes are in near-term biennia
- The long-run revenue forecast is more stable
- Other revenues driven by estate, interest earnings, and liquor
- Transfers out of General Fund are smaller due to elimination of BM110 cost savings

General Fund forecast changes



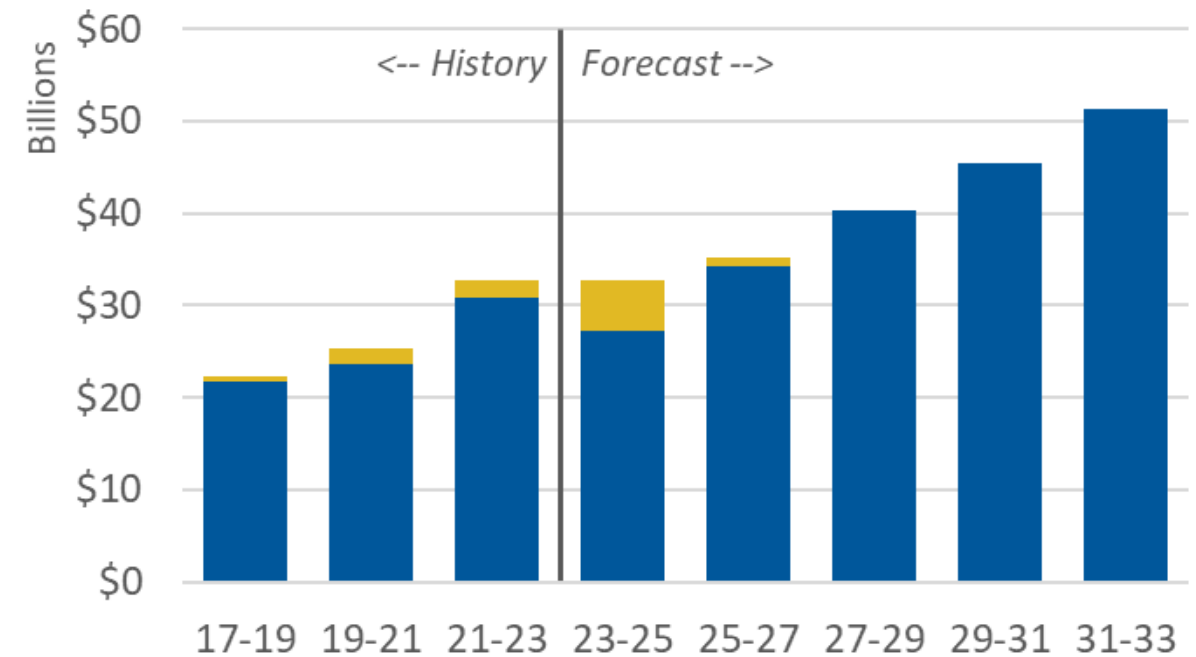
Oregon General Fund Forecast



Source: Oregon Office of Economic Analysis

Oregon General Fund Forecast

Current Revenue Forecast | Last Biennium's Kicker Being Paid Out



Source: Oregon Office of Economic Analysis

Other Fund Bottom Line



Other Fund Revenue Forecast Changes

\$ millions, change from June 2024 to September 2024

	2023-25	2025-27	2027-29	2029-31	2031-33
Lottery	-\$1	-\$15	-\$14	-\$11	\$7
Corporate Activity Tax	-\$25	-\$7	\$1	\$2	-\$3
Marijuana	-\$1	-\$12	-\$45	-\$56	-\$47
Sum	-\$27	-\$34	-\$58	-\$65	-\$43

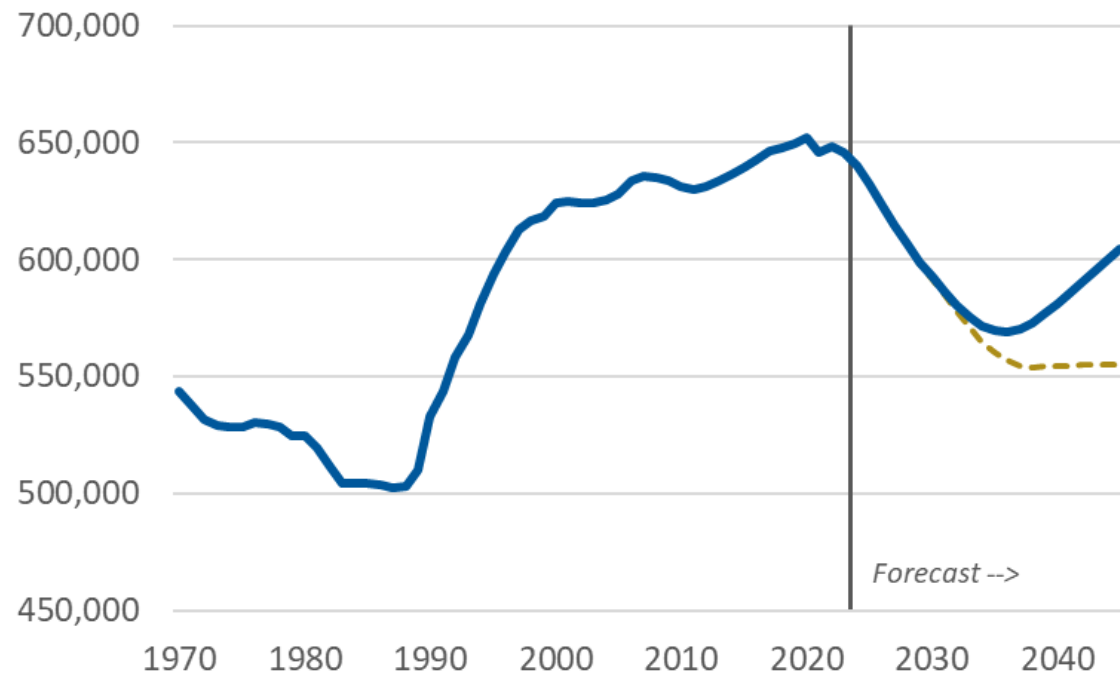
- Oregon's consumption-based revenues are tracking forecast closely in recent months
- Lottery is unchanged in 2023-25 as stronger traditional & sports betting offset weaker video sales
- CAT is lowered in part due to recent collections while outlook stable
- Marijuana is tracking closely, long run outlook lowered given ongoing low prices and large harvests
 - Approx 44% of the outer biennia decline is due to lowering the impact of taxing medical marijuana starting in 2028. Our office had not been previously adjusting this impact even as recreational forecasts were lowered.

Our new demography starts now



School-Age Oregonians

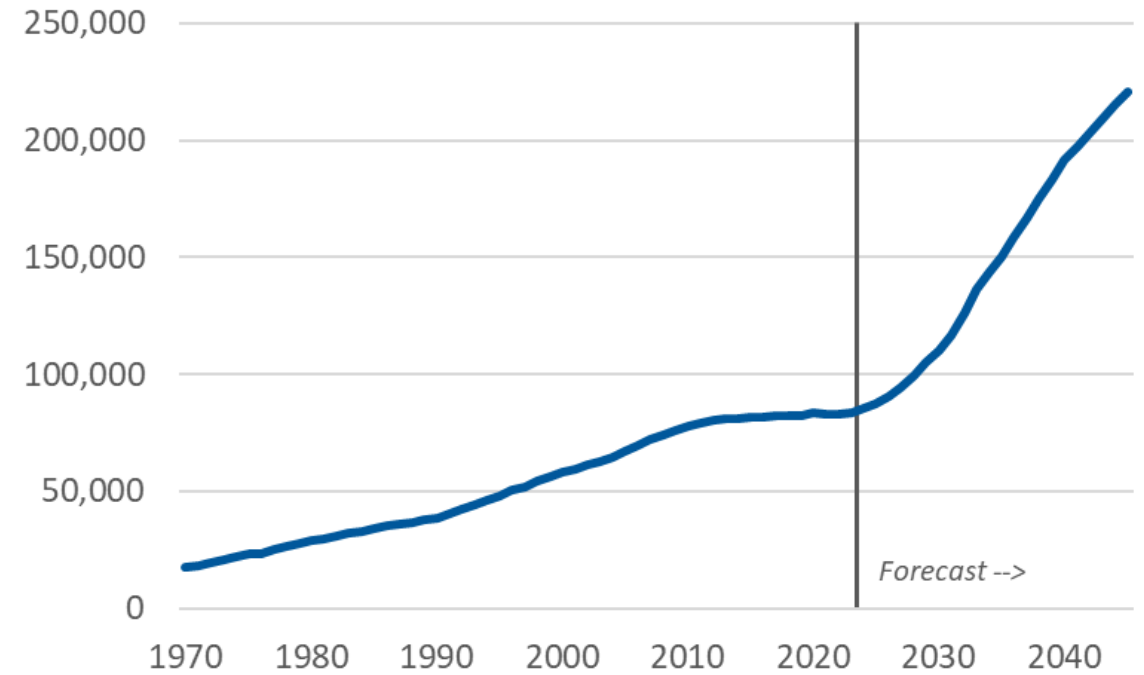
Oregonians 5-17 years old



Source: Oregon Office of Economic Analysis

Older Oregon Adults

Oregonians 85 years and older



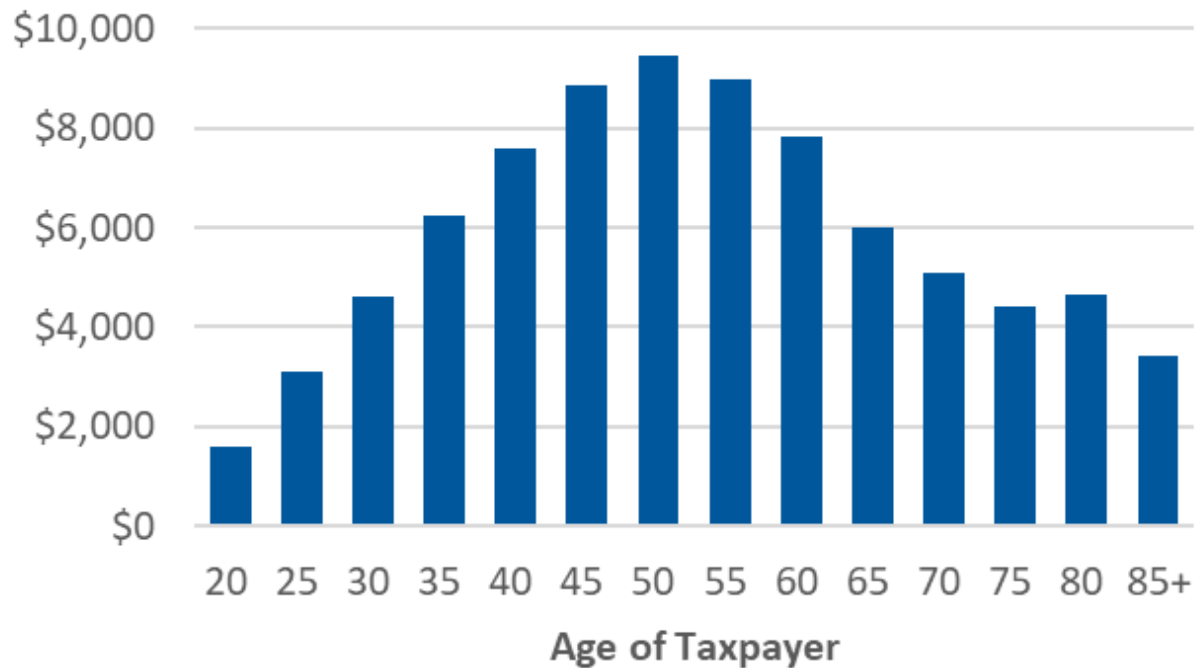
Source: Oregon Office of Economic Analysis

Aging and state revenues



Oregon Average Income Tax by Age

2022 Full-year returns



Source: Oregon Department of Revenue, Oregon Office of Economic Analysis

- Aging's economic impacts
 - Increased retirements, slower labor force gains
 - Lower income and spending
 - Shift in the type of income and spending
 - Higher levels of accumulated wealth
 - Aging in place until moving into residential care facility later in life
- Aging's revenue impacts
 - Slower growth in taxable income, and corporate profits
 - CAT base is broader than traditional sales tax, however a relative slowdown in many types of consumer spending is expected
 - Estate tax growth expected to continue

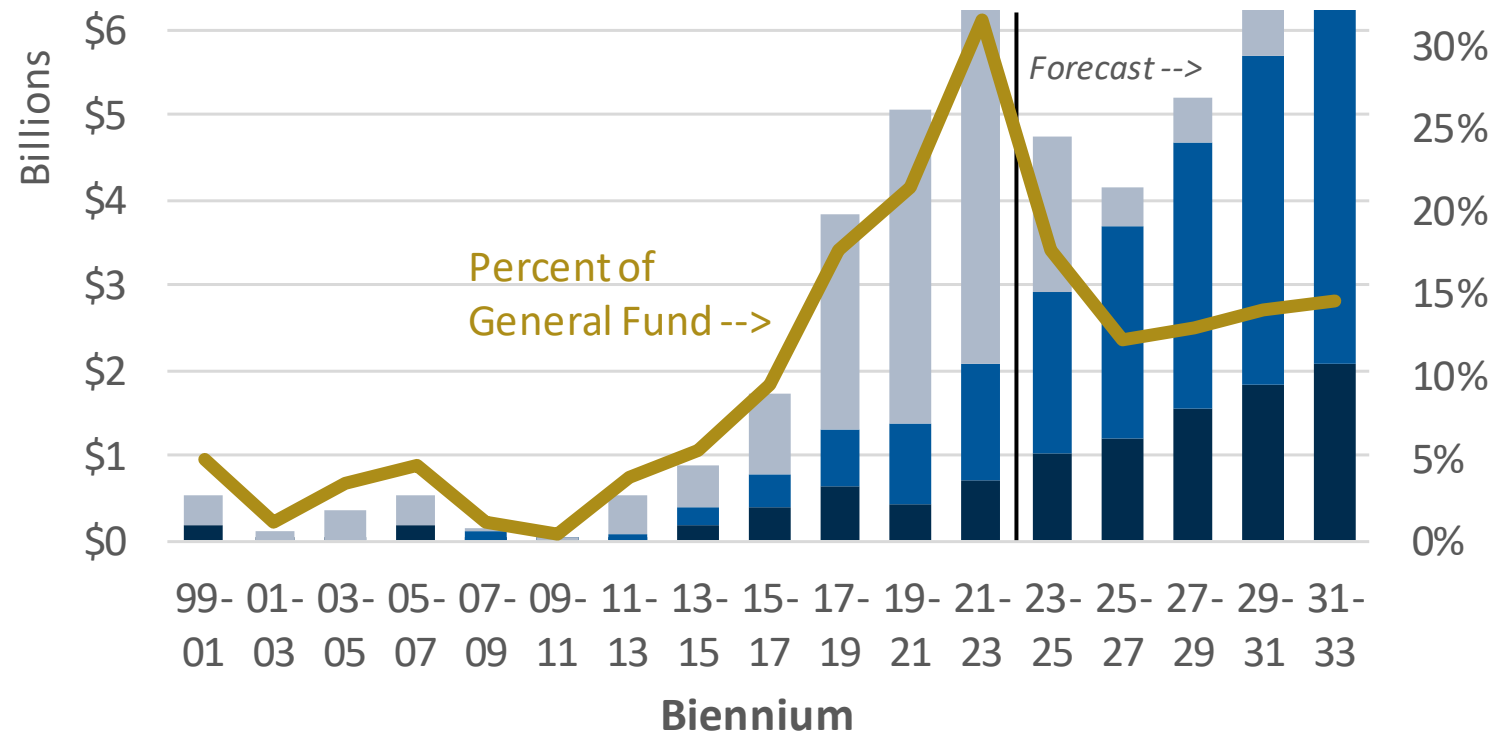
Sizable reserves remain

ESF expected to hit its statutory cap in FY27, ORDF is not expected to hit its new cap within the 10 year forecast horizon



Oregon Budgetary Reserves

Education Stability Fund | Rainy Day Fund | General Fund Ending Balance



Effective Reserves (\$ millions)

	<i>Current Jul-24</i>	<i>End of 2023-25</i>
ESF	\$900	\$1,007
RDF	\$1,692	\$1,899
Reserves	\$2,592	\$2,906
Ending Balance	\$1,841	\$1,841
Total	\$4,433	\$4,747
% of GF	16.5%	17.6%

Source: Oregon Office of Economic Analysis

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