

Revenue Section

REVENUE SUMMARY

Current Law Projection

The Department of Administrative Services Office of Economic Analysis projects General Fund revenue of \$11,068.2 million for 2005-07. A \$90.6 million beginning balance is projected for the new biennium.

General Fund revenues are projected to grow 8.5 percent in 2005-07 from the current biennium's latest forecast.

Personal income tax makes up the largest share of General Fund revenues. It accounts for about 90 percent of projected revenues. Corporate income taxes are about 4.1 percent of the total revenue amount. Other sources make up the remainder. The largest of the other sources are insurance taxes and liquor apportionment transfer.

Personal income tax revenues will total \$9,952.7 million. This is 13 percent above the 2003-05 level.

Corporate income tax revenues will be 21.6 percent lower, totaling \$456.8 million for the biennium.

New state Lottery resources for the biennium are forecast to be \$939.5 million. This includes \$120 million anticipated to be available from gaming expansion and other potential Lottery Commission actions. Interest on the Education Stability Fund and carry forward revenue provide an additional \$3.4 million and \$32.7 million of resources, respectively.

Dedicated distributions for the Education Stability Fund, the Parks and Natural Resources Fund, sports-related games for higher education, county economic development, county fairs, and problem gambling treatment will total \$360.9 million. Funds dedicated for debt service on Lottery bonds will total \$156.9 million. The Economic Development Fund will have an additional \$418.2 million available for allocation in the 2005-07 biennium.

Governor's Recommended Revenue Changes

The Governor recommends continuing eight tax credits that are set to end in 2005-07. Only two of the tax credits have a substantive affect on the General Fund. The Qualified Adoption Expense is estimated to reduce the General Fund by \$400,000 and the Dependent Care Assistance credit will reduce the General Fund by \$2,000,000.

The Governor recommends transferring all of the Criminal Fines and Assessments (CFAA) funds to the General Fund. Currently, the majority of the funds are transferred to the General Fund and a portion is dedicated to specific programs. The General Fund is projected to increase by \$36.5 million after this action is taken.

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The budget recommends two packages that will enhance General Fund collections by the Department of Revenue. Inclusion of the packages is expected to increase General Fund by \$23.2 million.

The budget also includes expected costs for the issuance of Tax Anticipation Notes (TANs). These notes are used by the State Treasurer during the biennium to help with General Fund cash flow. The total cost for the biennium is estimated at \$34.6 million.

When the Governor's recommended revenue changes are incorporated into the revenue forecast, total General Fund revenues for 2005-07 will be \$11,221.5 million. This is an 8.8 percent increase over the latest forecast for the 2003-05 biennium.

Tobacco Settlement Proceeds

The Governor recommends using the proceeds received under the Master Settlement Agreement of 1998 between states, including Oregon, and the United States tobacco products manufacturers. About \$149 million in new resources will be available for expenditure during the 2005-07 biennium. The majority of the funds are dedicated for debt financing related to OHSU grants and appropriation bonds. Approximately \$24.5 million is not dedicated and has been used to fund the Oregon Health plan in the recommended budget.