

**Oregon, 2015-17: A Politically “Blue” State with  
Economically “Red” Problems**

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**Introduction and Overview of the Session**

In the aftermath of a scandal in his office and the subsequent resignation of Governor John Kitzhaber, the five-month 2015 Oregon regular legislative session was dominated by two major issues: a failed transportation bill and a continuing struggle to fund public education. Overshadowing them but largely ignored in the session was a third issue, the increasing costs of the state public employee retirement system (PERS). While Democrats control the governor’s office and the legislature with sizeable majorities, many substantial policy issues remain problematic and seem impossible to resolve.

The session began in January with Governor Kitzhaber, inaugurating an unprecedented fourth term, addressing a joint session of the legislature with “words of hope and optimism” (Lehman 2015):

Let us commit ourselves to a common purpose to ensure that each and every one of us in this great state has an equal opportunity to meet their basic needs; to strive to reach their full potential; to have hard work rewarded with a better life; and to leave their children better off than they were both economically and environmentally (January 12, 2015).

By the fourth week of the session Governor Kitzhaber’s career was over, and Secretary of State Kate Brown became Oregon’s second woman in the governor’s office. In her inaugural speech Governor Brown promised a new beginning:

It’s been a tough few months. The people of Oregon have had reason to question their trust in state government. Oregon has been in the national news for all the wrong reasons (February 18, 2015).

With Kate Brown taking over the governor’s office, majority Democrats in both houses tackled a busy partisan agenda by passing a gun control bill, legislation to legalize recreational marijuana, a new European-style voter registration process, a bill allowing the state to retain

unclaimed class action lawsuit proceeds, and an extension of a low-carbon fuel standard that angered Republicans. Several major issues remained unresolved: new ethics legislation in the aftermath of the Kitzhaber scandal, the state's fiscally unsound Public Employees Retirement System (PERS), sustainable funding for public education, and Oregon's crumbling infrastructure. So while Democrats passed some major pieces of legislation, they kicked others to future sessions. And, as with previous legislative sessions in recent decades, the Democratic majority pursued very progressive policies in a state with a dysfunctional revenue system, making it a "blue" state in policy preferences that often finds itself in the "red" due to an unstable system of taxation.

## **The Political Setting**

With the exception of the 2010 legislative session, when Republicans and Democrats had a 30–30 tie in the House of Representatives, Democrats have had majorities in the Senate and House of Representatives since 2006, in addition to control of the governor's office (see Table 1). While in much of the country Democrats have lost seats and influence in many state legislatures, Oregon has become more "blue," with Republicans unable to win any statewide positions and having only one U.S. House member who is a Republican (from central, eastern, and southern rural Oregon). As a result of the 2014 election, Democrats picked up two new seats in the Senate for an 18–12 majority, and one new seat in the House for a 35–25 majority.

However, even with larger majorities in both houses, the "legislative session proved to be more turbulent than expected at its start" (Wong 2015). Democrats were in the driver's seat on most issues and often seemed to disregard the other party. At the session's end, Republicans struck back, unanimously opposing a major transportation bill by denying Democrats the one additional vote needed to pass the revenue portion by the required two-thirds majority.

## **The Economic Setting**

The economy in Oregon has continued to recover from the great recession. Job growth in 2015 has returned to mid-1990s levels with 3.3 percent annual growth leading to more than 57,000 new jobs (Office of Economic Analysis 2016). Economic forecasts have Oregon exceeding the national average for percentage growth in personal income, growth in wages and salaries, growth in nonfarm employment, and growth in private sector employment.

According to the Oregon Office of Economic Analysis, Oregon wages in May of 2015 were about 92 percent of the national average, the highest level relative to the nation since the great timber industry decline of the 1980s (Lehner 2015). Even with the recovery, Oregon is projected to continue with unemployment rates higher than the national average, as it has since the 1980s (see Table 2).

Overall the Office of Economic Analysis sees revenues growing strongly, with corporate taxes, lottery taxes, and personal income taxes growing at double-digit rates over the first four months of the 2015–17 biennium (Office of Economic Analysis 2016). While revenue growth was already forecast, the amount of growth exceeded predictions by \$56 million dollars.

**Table 1. Political Makeup of the Oregon Legislature 2000–2010**

Year	House of Representatives		Senate	
	Democrats	Republicans	Democrats	Republicans
2000	25	35	18	12
2002	27	33	15	15
2004	25	35	18	12
2006	31	29	18	11 +1*
2008	36	24	18	12
2010	30	30	16	14
2012	34	26	16	14
2014	34	26	16	14
2015	35	25	18	12

\*independent

Source: Oregon Secretary of State, 2016.

**Table 2. Economic Forecast**

		2015	2016	2017	2018	2019
<b>Personal Income</b>	U.S.	4.5	4.2	5.2	5.2	5.0
<i>% change</i>	Oregon	5.8	5.8	6.7	6.5	5.7
<b>Wages and Salaries</b>	U.S.	4.8	4.8	5.3	5.1	4.9
<i>% change</i>	Oregon	6.3	7.1	7.3	6.6	5.5
<b>Unemployment Rate</b>	U.S.	5.3	4.9	4.9	4.9	5.0
	Oregon	5.8	5.6	5.4	5.6	5.6
<b>Total Nonfarm Employment</b>	U.S.	2.1	1.7	1.3	1.2	1.0
<i>% change</i>	Oregon	3.3	2.7	2.6	2.0	1.3
<b>Private Sector Employment</b>	U.S.	2.4	1.9	1.4	1.2	1.1
<i>% change</i>	Oregon	3.5	2.8	2.8	2.2	1.3

Source: Oregon Economic and Revenue Forecast, 2016.

We now turn to three unresolved issues that have enormous implications for the sustainability of the Oregon budgeting process and economy: transportation, the Public Employee Retirement System, and public education.

### **The 2015 Transportation Bill**

After 23 days in office as Oregon's new governor after the resignation of John Kitzhaber, Kate Brown signed an extension of the Clean Fuels Bill (SB 324), which limits the amount of carbon content in fuels and reduces it by 10 percent over the next decade. Republicans had

warned Democrats they would walk away from negotiations on a transportation bill if the Clean Fuels bill passed. Republicans were deeply concerned about a potential increase in gas prices for their constituents, especially in rural areas where people drive long distances to school, work, and supplies. After passage of the bill, House Minority Leader Mike McLane commented (Theriault 2015a):

From unsustainable fuel blending standards to food security and GMO concerns to unchecked increases in fuel prices to a federal criminal investigation, SB 324 is the latest costly government boondoggle imposed upon Oregonians. Additionally, the passage and signing of this bill has squandered away any chance of a bipartisan transportation package that would've fixed roads and bridges and improved infrastructure and public safety across the state. It's unfortunate that Governor Brown today chose to ignore the voices of middle-class and rural Oregonians.

Because Oregon's Constitution requires a three-fifths supermajority to pass a new tax, the Democrats needed one Republican to cross over in the House and support the transportation bill, which didn't happen due to solid Republican opposition. The \$345 million transportation funding package would have raised money for roads and bridges, etc. through fee and tax increases including a \$10 increase in the vehicle registration fee, a new vehicle title fee of \$125, a \$10 increase in driver license fee, and a \$135 increase in electric vehicle registration fees (SB 324, 2015).

A bicameral group of eight legislators secretly developed a compromise that was presented in a Senate hearing, but the proposal included cutting back the Clean Fuels Law and other provisions that alienated many Democrats and environmentalists. Nineteen Democratic House members wrote a letter to the governor stating their opposition to the legislation and the compromise attempt was over (Loew 2015). The bill also suffered from some inaccurate calculations by the Oregon Department of Transportation (ODOT), leading Director Matt Garrett to admit that his staff overestimated the amount of greenhouse gas reductions the transportation package would produce.

Assistant Director of ODOT Travis Brouwer calculated the bill's failure cost counties and cities approximately \$100 million (\$40 million for cities and \$60 million for counties) in funds for transportation (Mann 2015). He said ODOT would be spending "less on transportation projects over the next five years due, in part, to declining gas tax revenues caused by more fuel-efficient cars and reduced driving by Oregonians" (Mann 2015).

Another concern about the lack of a transportation-funding bill is the potential negative impact on the economy. Two recent ODOT economic studies—"Rough Roads Ahead" and "Oregon Highways Seismic Plus Report"—suggest serious economic consequences without proper investment in transportation infrastructure. The "Rough Roads Ahead" study predicts a loss of up to 100,000 jobs by 2035 due to "slower economic growth due to deteriorating conditions" of Oregon's highways and bridges (ODOT 2015). The "Seismic Plus Report" conducted an economic analysis of a Cascadia subduction zone earthquake on Oregon roads and bridges. The study concluded the state would reduce its economic losses due to earthquake by \$84 billion with investments in key bridges and highways. The study also suggested that businesses and jobs may well leave the state permanently with a destroyed infrastructure. ODOT Director Matthew Garrett comment about the report (ODOT 2015):

Though they're talking about different scenarios, their conclusions are similar: pay for needed upkeep now, or pay a lot more later, after our transportation infrastructure fails. Oregon's future economy rides on decisions we make today about our roads and bridges.

## Public Employees Retirement System (PERS)

Established by the state legislature in 1946, Oregon Public Employment Retirement System (PERS) is a comprehensive employee pension system for state and local employees. Since its creation, PERS has gone through many reforms that helped create looming fiscal uncertainty in a system that promises more than its current funding model can cover.

Four major reforms stand out as core elements of the current system. In 1967, lobbying by the Oregon School Employees Association, the Oregon Education Association, the Oregon State Employees Association, the American Association of University Professors, and PERS itself, convinced the legislature to change the PERS program by moving from a “money purchase” system to a formula-driven guaranteed pension, altering the employee contribution requirement and establishing the Oregon Investment Council to invest funds in the stock market. The 1967 reform also provided PERS benefits to state legislators. Allowing the more flexible investment of reserve funds, which was promoted by State Treasurer Robert Straub, was truly innovative, and for a long time proved a great financial success for the system (PERS 2010). While former Governor Sprague and others challenged the legislation in the courts, it was ultimately implemented two years later.

In the 1970s, facing high inflation and cost of living increases, the legislature once again passed a series of reforms to benefit pensioners including a new law in 1973 that permitted employees to retire at age 60 with 30 years of service or at 62 with 25 years of service, increased annual cost-of-living adjustments from 1.5 percent to 2.0 percent, increased retirement benefits by 25 percent for employees who had retired before 1968, and increased the percentage factor used to determine individual benefits thus increasing pensions (PERS 2010). The stagflation of the 1970s created pressure for raises for public workers while the economy remained moribund. To increase take-home pay and reduce Social Security obligations, the state legislature allowed public employers, most notably the state, to pick-up the employee’s portion of the PERS premiums. This meant that many public employers paid both the six percent employer and the six percent employee contributions. Many local governments in PERS followed this pattern and by 2015, 72 percent of all state and local employees in Oregon made no contribution to their retirement accounts (PERS 2015).

By the 1990s there was great concern about the sustainability of PERS due to the number of employees retiring, the rate of return on investments, the six percent “pick-up” by the state, and the guaranteed eight percent return on investment regardless of the performance of the stock market. Several initiatives were placed on the ballot by antitax organizations to reign in and limit PERS retirement benefits, but the courts found the reforms to be unconstitutional violations of employee contractual or property rights (PERS 2010). The commitments combined with the collapse of the financial market in 2008–2009 and the aging public workforce to make corrective action almost unavoidable.

As part of a “grand bargain” with Republicans, Governor Kitzhaber and the legislature passed new legislation during the 2013 special session to reform the PERS system to be more sustainable. The legislation included Senate Bill 861 to reduce cost-of-living increases potentially saving \$400 million a year and reducing the system’s \$14 billion dollar unfunded liability by \$14 billion over 20 years. In addition, the passage of Senate Bill 862 changed how PERS benefits are calculated and removed future legislators from PERS (Zheng 2013). The legislation was challenged by retirees and public employee unions in the courts and culminated

with an Oregon Supreme Court ruling in 2015 partially overturning the cost-of-living legislation (Supreme Court Justices are also enrolled in PERS).

The justices ruled that it was unconstitutional to lower annual cost-of-living adjustments for past service and the two percent annual adjustment must be restored (Sickinger 2015a). On hearing the decision, PERS forecast “a potential cost increase as high as \$870 million in the 2017 to 2019 biennium” (Sickinger 2015a). The Oregon Legislative Fiscal Office estimated that PERS rates for public school employers would increase by an average of 5.5 percent in 2017–2019, which would lead to an additional \$358 million K-12 school districts would need to pay (Legislative Fiscal Office 2014). The executive director of the Oregon School Boards Association (Jim Green) said, “That translates to teacher layoffs and higher class sizes” (Sickinger 2015a). We discuss this comment in our next section of the paper.

The cost of living increases, combined with recent weaker PERS investment returns, have created a situation where the unfunded liability in the PERS system “has more than doubled in the last year and now hovers at its highest-ever-level. The last official estimate was \$18 billion. But if current investment returns hold through year end, it will exceed \$20 billion” (Sickinger 2015b). Without strong action, these increasing costs could mean drastic service reductions. Perhaps looking at the upcoming 2016 elections, the Democratic legislature made little effort to correct this complex issue in the 2015 session and the 2016 short session (*Oregonian* 2016). Possibly following the pattern that legislative inaction promotes a turn to the initiative process, public employee unions are promoting a 2016 measure that could increase corporate taxes by \$2.5 billion (Sickinger 2015b).

The failure of successful PERS reform also creates a risk to the state’s currently positive economic outlook. According to the Oregon Office for Economic Analysis (Office of Economic Analysis 2016, 12):

One risk to the outlook is the recent Oregon Supreme Court decision that reversed earlier Public Employees Retirement System (PERS) changes enacted by the Legislature. The extent to which the court decision will impact hiring by local and state public entities is unknown, but it is a risk to the outlook.

The inherent legal and financial complexity of the PERS issue is further clouded in the public eye by the fact that a few ex-public employees receive absurdly high benefits. While the average PERS beneficiary retiring in 2014 receives about \$28,168 annually (PERS 2015), the extreme amounts going to top recipients in the system are well publicized. Top examples include Former University of Oregon football coach Mike Bellotti (\$513,000 annually); Neil Swanson, retired Oregon Health and Sciences University administrator (\$463,053); Steven Goldschmidt, retired Director of Human Resources, Portland Public Schools (\$267,322); and David Frohnmayer, former attorney general and president of the University of Oregon (\$261,234) (*Oregonian* 2016).

## **School Funding**

Education funding in Oregon has been one of the most controversial policy areas since the passage of Ballot Measure 5 in 1990 and Measure 50 in 1997, which reduced school reliance on local property taxes and increased the state’s share of K-12 school funding from about 30 percent to 70 percent between 1990 and 1999 (Oregon Legislative Revenue Office 1999). There is a consensus among Oregonians that K-12 public education is the most important function of government. Public opinion surveys conducted by researchers at Oregon State University

between 1992 and 2013 indicate that over 74 percent of the general public has “some” to a “great deal” of confidence in their local public school district, and public education is always among the “top three issues” facing the state in any given year (Burns 2011; Cochran 2015).

Most moderate, conservative, and progressive legislators generally have been supportive of Oregon’s K-12 public education system. At the same time, however, there have been frequent conflicts over school revenues (e.g., property taxes), funding levels, and specific education policies. As with many other policy issues in Oregon, there are very progressive ambitions with a limited budget. Nothing epitomizes this more than Oregon’s “40–40–20” education plan.

Governor Kitzhaber and the legislature adopted SB 253 in 2011, which established the “40–40–20” goal for the state. The goal states that by 2025, 40 percent of Oregonians should have a baccalaureate degree or higher, 40 percent should have an associate’s degree or certificate, and 20 percent should have a high school diploma or equivalent. The ambition of this goal is impressive, since in 2015 only 31 percent of Oregonians had bachelor’s degrees, 17 percent had associate’s degrees, and 10 percent had not earned a high school degree.

In 2013, Oregon had the highest high school dropout rate in the nation (Johnson 2015). Despite this lofty goal, few resources have been put in place to realize such outcomes until the 2015 session. A national study by the Urban Institute found that between 2000 and 2014, Oregon cut higher education funding more than all but one state (Baum and Johnson 2015; Read 2015).

As the discussion of the PERS system illustrates, there are serious pressures on K-12 and higher education budgets in Oregon with rising and unsustainable retirement costs, rising tuition at public universities and colleges, one of the highest high school dropout rates in the country, and some of the largest K-12 classes in the country. A recent editorial in the Oregonian newspaper described the situation as follows (Hammond 2016):

Oregon’s graduation rate for many groups of students—including whites, Latinos, blacks and low-income students—remain among the worst in the nation. At least 42 other states already had a higher rate for each of those groups last year. And Oregon is likely to rank worst or second-worst again this year for the graduation rate of its white students, now 76 percent.

While there have been improvements in graduation rates the last couple of years, the situation remains dire.

During the 2015 session, majority Democrats in the House introduced HB 5017, which included \$7.255 billion for K-12 education. This was a substantial increase from the previous biennium and increased overall funding for K-12 and funded all-day kindergarten statewide. But the amount of funding still had negative consequences for some school districts that had flat budgets or even minor cuts. Republicans offered a \$7.56 billion alternative plan that would be paid for with cuts to public safety and human service programs.

The debate in both chambers over HB 5017 was rancorous with Senate Republicans marching in unison off the floor in protest. Ultimately, HB 5017 passed both chambers without a single Republican vote. Governor Brown signed the bill on April 9 and promised more revenues for K-12 if revenue forecasts looked better (Theriault 2015b). The silver lining for some school districts was that property values increased over the previous year, producing another \$125 million from taxes.

After passage of the bill, Senate Majority Leader Diane Rosenbaum commented: “I know we can do better. But this budget is responsible, it’s realistic, and it’s what we have to do” (Kullgren 2015). On the other hand, Senate Minority Leader Ted Ferriolli replied: “I can’t believe anyone is really happy with the state of Oregon education. What we would like, what we need, what

we're asking for is listening and cooperation. That's far more important than making a partisan stand on a number" (Kullgren 2015). The fundamentals of K-12 funding remain problematic. A significant amount of the 2015 increase must pay for the new universal free pre-K education program, and the backlog of underfunding and looming problems of PERS cast a pall over the future.

As for higher education, the 2015 session provided \$550 million for community colleges and \$665 million for public universities. This meant a 22 percent increase in state support for public universities and an 18 percent increase for community colleges. It raised state support per university full-time equivalent from \$5,194 to \$6,455. The amount is less than the state provided in the 1999–2001 biennium (adjusted for inflation). The presidents of the University of Oregon, Oregon State University, and Portland State University calculated it would take a \$755 million budget just to get back to prerecession levels of support. An editorial in *The Oregonian* commented (Sarasohn 2015): "The budget is a major step forward, but it gets Oregon from being one of the bottom five states in higher education support to somewhere in the bottom 10."

Ben Cannon, executive director of the Oregon Higher Education Coordinating Commission, said (Read 2015): "Oregon's enrollment and disinvestment in higher education exceeded virtually every other state in the nation. The majority of universities' revenue used to come from the state." Now it is tuition and fees, increasingly from international and nonresident students at the University of Oregon and Oregon State University that cover budget shortfalls.

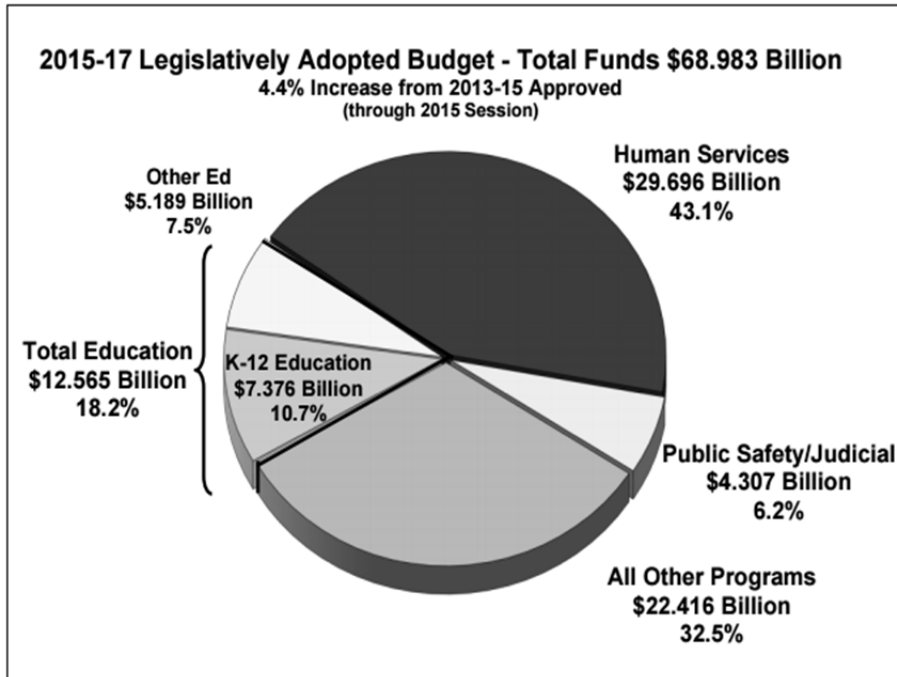
### **The 2015–2017 Budget Highlights**

Oregon's state budget includes the total funds budget, the general fund/lottery funds budget, the other funds budget and the federal funds budget. State departments and agencies have their own mix of reliance on these budgets, and where the money comes from has important consequences for the agency. The largest component of the budget is "other funds," but in terms of discretion and political significance General Funds take precedence. When legislators and reporters use the term "state budget," they generally refer to the General Fund, although this can depend on the context and purposes of the commentator. Meanwhile, total lottery resources are used for dedicated transfer, debt service payment, program allocations and the ending balance.

In the 2015-17 governor's budget, Kitzhaber proposed three priorities for spending in Oregon that are still adopted by his successor Kate Brown: investing in children and families, creating good jobs, and building statewide prosperity. As revenue growth remains strong, especially in personal income tax collection, additional investments in education, especially in state school funds, are possible.

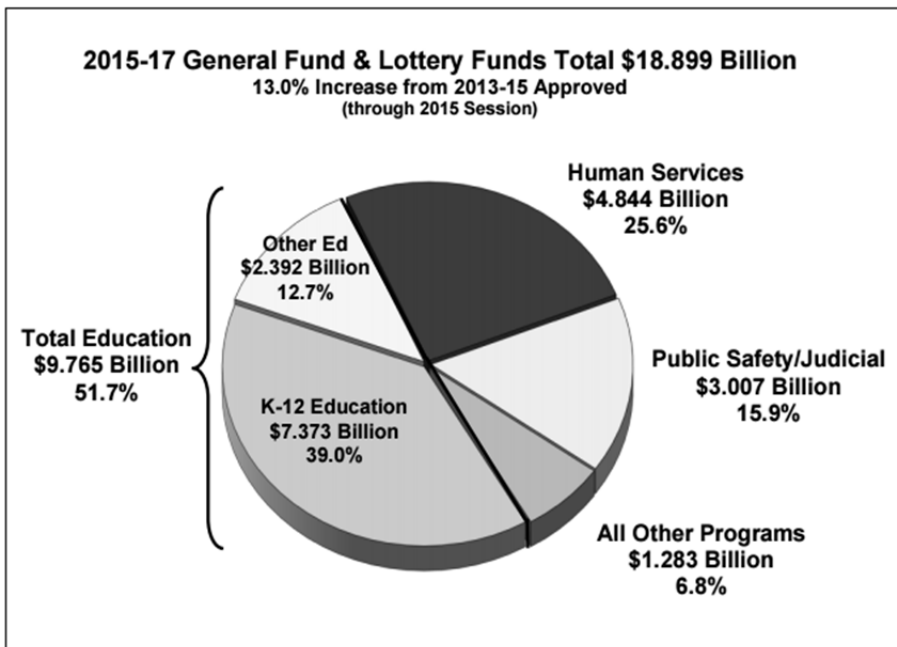
The legislature's budget for the 2015–2017 biennium has \$68.983 billion in total funds, \$18.899 billion in the general and lottery funds, \$28.523 billion in other funds and \$21.561 billion in federal funds. This is 4.4 percent higher than the 2013–2015 budget of \$66.047 (Legislative Fiscal Office 2015, 1). Although the growth in total funds is basically the lowest since 1987–1989, in terms of General Fund expenditures the legislative budget continues significant double-digit growth. The 2015–2017 budget was based on the May 2015 economic and revenue forecast by the Office of Economic Analysis of the Department of Administrative Services.

**Figure 1. Legislatively Adopted Budget—2015–2017**



Source: Legislative Fiscal Office 2015.

**Figure 2. General Fund and Lottery Funds—2015–2017**



Source: Legislative Fiscal Office 2015.

Figures 1 and 2 show the allocations of the 2015–2017 legislation adopted budget for total funds as well as for the General Fund and lottery funds. Of the \$68.98 billion total funds for 2015–17, the majority of the budget goes to human services, which accounts for \$29.70 billion, or 43.1 percent of the funds. However, counting the General Fund and the lottery funds alone, as much as 51.7 percent of the budget is allocated to education, which comprises 39 percent for K–12 education and 12.7 percent for other education programs. Meanwhile, human service counts for only 25.6 percent of the General Fund and lottery funds (Legislative Fiscal Office 2015, 1–2).

For the General Fund and the lottery funds, the co-chairs of the Joint Committee on Ways and Means initially set a budget of \$18.509 billion based on the revenue projection from December 2014. An adjustment made after the May 2015 economic and revenue forecast resulted in an additional \$420 million in available General Fund resources for the 2015–2017 budget (compared to the March 2015 forecast). The Joint Committee on Ways and Means has then decided to direct 40 percent of the General Fund increases, around \$106 million, to the state school fund (Legislative Fiscal Office 2015, 2–3).

A strong commitment to investments in education is further shown by continuous two-digit growth in the education budget, i.e., 16.6 percent between 2011–2013 and 2013–2015 and 10.8 percent between 2013–2015 and 2015–2017 (See Table 3). This reflects the state commitment to reach the 40–40–20 goals in education (Chief Financial Office 2015, ii). But, it is not nearly enough to achieve such a goal by 2025.

Most Oregon General Fund revenues come from the personal income tax. For the 2015–2017 legislative budget, personal income tax collection is expected to count for 87 percent of total General Fund revenues. Based on the latest economic and revenue forecast in March 2016 (the Office of Economic Analysis 2016), personal income tax revenues keep expanding at a two-digit annual rate. Table 4 shows that personal income collection in the 2015–2017 biennium has reached \$15.69 billion, an increase of 12.39 percent compared to 2013–2015. Meanwhile, incomes from the corporate tax, cigarette and other tobacco product taxes, and insurance and estate taxes, remain the same compared to the previous biennium revenues.

While personal income tax collection continues to expand, a March 2016 economic and revenue forecast reports that in the first six months of the 2015–2017 biennium, collections of corporate taxes are falling below forecast, while income from the cigarette tax is growing beyond the forecast. A contraction in corporate tax collection is largely due to rapid appreciation of the U.S. dollar globally, which resulted in a decline of corporate profit throughout the nation (Office of Economic Analysis 2016, 22). Meanwhile, a slight increase in cigarette tax revenues is expected as cigarette sales in 2015 were 2.7 percent higher than in 2014, which counts for approximately 360,000 more packs. Several reasons may explain the increase in cigarette sales: the interplay between tax policy and tax rates in Oregon and Washington, the increases of disposable income due to lower gas prices, and slow sales of e-cigarettes as a good substitute (Office of Economic Analysis 2016, 24).

Meanwhile, income from lottery sales has been very strong after experiencing a decline in the 2009–2011 biennium. Recent collections have surpassed projected incomes for 2015–2017. In just three months after the December 2015 outlook, actual sales of lottery games and programs have reached \$16.3 million above the forecast, with \$9 million due to a record setting Powerball jackpot and the rest to the strong sales record. This performance is sensitive to risk and cannot be guaranteed over a longer period.

**Table 3. Recent Biennial Budgets, General Funds/Lottery Receipts**

	2009-2011	2011-2013	2013-2015	2015-2017
Schools K-12	\$6.90	\$5.70	\$6.65	\$7.37
Other Education	\$1.59	\$1.73	\$1.99	\$2.39
Public Safety	\$2.73	\$2.40	\$2.14	\$2.31
Human Services	\$3.62	\$3.80	\$4.28	\$4.84
Natural Resources	\$0.36	\$0.32	\$0.40	\$0.37
All Other	\$0.45	\$0.60	\$1.26	\$1.60
<b>Total</b>	<b>\$15.85</b>	<b>\$14.70</b>	<b>\$16.73</b>	<b>\$18.90</b>

Note: Figures in table are in billions.

Source: 2015–2017 Budget Highlight, Legislative Fiscal Office, September 2015, p. 6.

**Table 4. General Fund (GF) and Lottery Revenues, 2005–2017**

	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17
Personal Income Tax	\$9.95	\$11.20	\$13.10	\$12.00	\$13.96	\$15.69
Corporate Income Tax	\$0.46	\$0.65	\$0.88	\$0.95	\$1.12	\$1.13
Cigarette & Tobacco Taxes	\$0.11	\$0.88	\$0.11	\$0.13	\$0.13	\$0.13
Other Taxes	\$0.58	\$0.58	\$0.56	\$0.54	\$0.32	\$0.34
Other income	\$0.12	\$0.16	\$0.19	\$0.74	\$0.58	\$0.71
Beginning Balance		\$1.40				
<b>Total General Fund</b>	<b>\$12.00</b>	<b>\$15.01</b>	<b>\$15.98</b>	<b>\$14.17</b>	<b>\$17.11</b>	<b>\$18.01</b>
Lottery Income	\$0.77	\$1.10	\$1.50	\$0.95	\$1.06	\$1.12
<b>Total General Fund &amp; Lottery</b>	<b>\$12.00</b>	<b>\$15.01</b>	<b>\$15.98</b>	<b>\$15.31</b>	<b>\$17.17</b>	<b>\$19.13</b>

Note: Figures in Table 3 are in billions.

Source: Oregon Economic and Revenue Forecast Volume XXXV, No. 1, March 2015, Office of Economic Analysis, Department of Administrative Service.

## Conclusion

Oregon is currently experiencing strong revenue growth, especially from personal income tax collections that are expanding at nearly a double-digit annual rate. This means Oregon General Fund revenues are expected to continue growing to support the 2015–2017 budget. However, personal income tax collection could face serious challenges in the future. The Office of Economic Analysis (2016, 25) noted:

Revenue growth in Oregon and other states will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes and general sales taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

Face a threat of contracting personal and corporate tax collections, the failed 2015 transportation package, the costly Public Employees Retirement System, and public education funding, Oregon may find it difficult to maintain balanced budget-revenues in the future. At the same time, Oregon continues to aspire to a very expensive progressive policy agenda dependent on continued revenue growth.

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