

# Revenue Section

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## REVENUE SUMMARY

### Governor's Principles on Revenue

In constructing this budget proposal, the following articulate the approach to new revenue. This budget proposal

Does not:

- Use new taxes to balance the budget.
- Rely on the passage of Ballot Measure 28 to balance. If the Ballot Measure passes, while it is clearly insufficient to fully restore services and programs, the Governor would propose spending the additional resources of approximately \$414 million to further stabilize education, public safety, and our safety net for children and other vulnerable citizens.
- Rely on increased debt or inappropriate use of one-time resources, such as borrowing from reserves or other one-time fixes that have hidden future costs, to backfill General Fund programs or for general operating costs.
- Include fee increases as a backfill for General Fund programs.

Does:

- Include issuing debt for appropriate economic development purposes and for construction that is needed to ensure public safety and health.
- Does use savings and efficiencies, both one-time and permanent to help balance agency budgets.

### Current Law Projection

The Department of Administrative Services Office of Economic Analysis projects General Fund revenue of \$10,880.49 million for 2003-05. Given the General Fund deficit for the 2001-03 biennium, no beginning balance was projected for the new biennium.

General Fund revenues are projected to grow 13.5 percent in 2003-05 from the current biennium's latest forecast. It is a 5.1 percent decrease from the Close of Session forecast for 2001-03.

Personal income tax makes up the largest share of General Fund revenues. It accounts for more than 90 percent of projected revenues. Corporate income taxes are about 3.5 percent of the total revenue amount. Other sources make up the remainder. The largest of the other sources are the cigarette tax and liquor apportionment transfer.

Personal income tax revenues will total \$9,914.7 million. This is 23 percent above the 2001-03 level.

Corporate income tax revenues will be 5 percent lower, totaling \$376 million for the biennium.

## Revenue Section

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Other General Fund revenue sources are expected to decrease 23 percent to \$589.8 million. Several one-time revenue resources were added to the General Fund in this category for 2001-03. They are not available for 2003-05.

New state Lottery resources for the biennium are forecast to be \$661.8 million. Interest on the Education Stability Fund and carry forward revenue provide an additional \$14.9 million and \$6.9 million of resources, respectively.

Dedicated distributions for Sports Action, county economic development, the Education Stability Fund, and the Parks and Natural Resources Fund will total \$245.7 million. The Economic Development Fund has \$425.5 million available for allocation in the 2003-05 biennium. This amount includes funds dedicated for debt service, administrative services, county fairs, and problem gambling treatment.

### **Governor's Recommended Revenue Changes**

The Governor recommends continuing three tax credits that are set to end in 2003-05. Only one of the tax credits affects the General Fund and its impact is negligible. The Investment in Rural Enterprise Zone is estimated to reduce the General Fund by less than \$100,000.

The Governor recommends extension of the 10-cent per pack cigarette surcharge to January 1, 2006. This change lowers forecasted cigarette sales from the current law estimate, reducing General Fund cigarette tax revenue by \$1.12 million.

When the Governor's recommended revenue changes are incorporated into the revenue forecast, total General Fund revenues for 2001-03 will be \$10,879.27 million. This is 13.5 percent increase over the latest forecast for the 2001-03 level.

### **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 \$149.8 million will be available for expenditure during the 2003-05 biennium. These funds will be used for two issues that were established during the 2001-03 biennium. About \$17 million will go to debt service on Opportunity Grants for the Oregon Health and Science University. The remaining amount will be used to begin repayment of \$150 million in tobacco securitization that was dedicated to the State School Fund during the 2002 Fifth Special Session.