



Budget Advisory Group

November 18, 2009

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Oregon's Economic Trends



Highlights of Oregon Economy

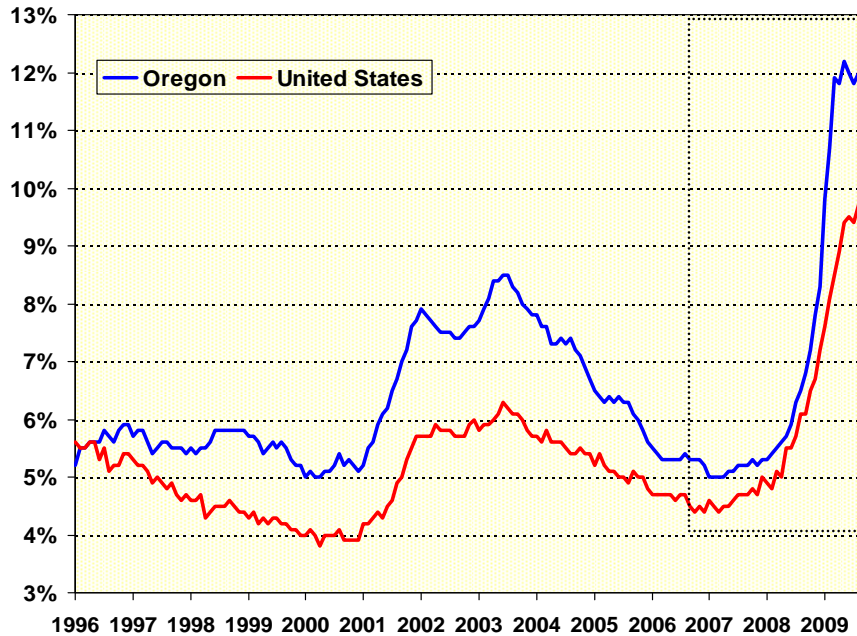
- After three years of strong economic growth, the US and Oregon economies began slowing in 2007.
- The September 2009 unemployment rate of 11.5 percent is up from the latest lowest rate of 5.0 percent in April 2007. The Oregon unemployment rate has been around 12 percent from March thru August. In September 2009, the US unemployment rate was 9.8 percent
- If you compare September 2008 with September 2009, Oregon had the 47th fastest job growth at -6.05 percent for all states.
- Total nonfarm employment dropped -5.7 percent year-over-year for the 3rd quarter of 2009. Job losses have basically occurred since January 2008, even though they rose slightly in July 2008 and July 2009. The rate of job losses, however, began slowing in April 2009. The last five months' losses averaged 4,400 per month versus 13,400 per month over the first four months of 2009.
- Personal income declined 1.4 percent when comparing the 2nd quarter of 2009 with the 2nd quarter of 2008.
- Oregon exports fell 34.3 percent in the 2nd quarter compared to the same period last year. For comparison, 2008 exports finished 17 percent over 2007 exports.



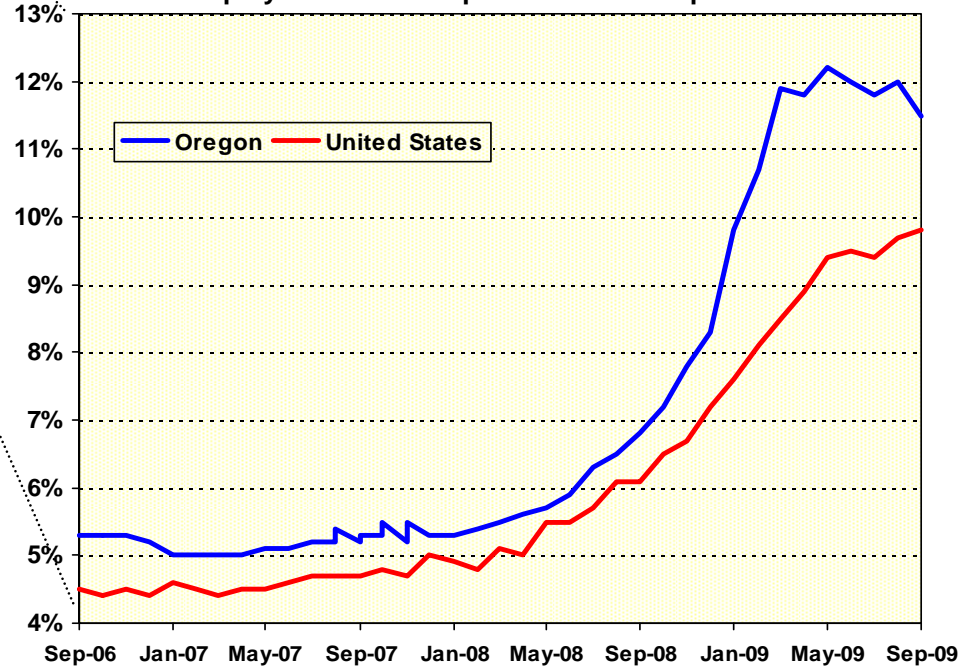
Unemployment Trends

Oregon's unemployment rate has doubled in the past 18 months, reflecting the recession's toll on Oregon's labor market.

Unemployment Rates - 1996 to 2009



Unemployment Rates September 2006 - September 2009

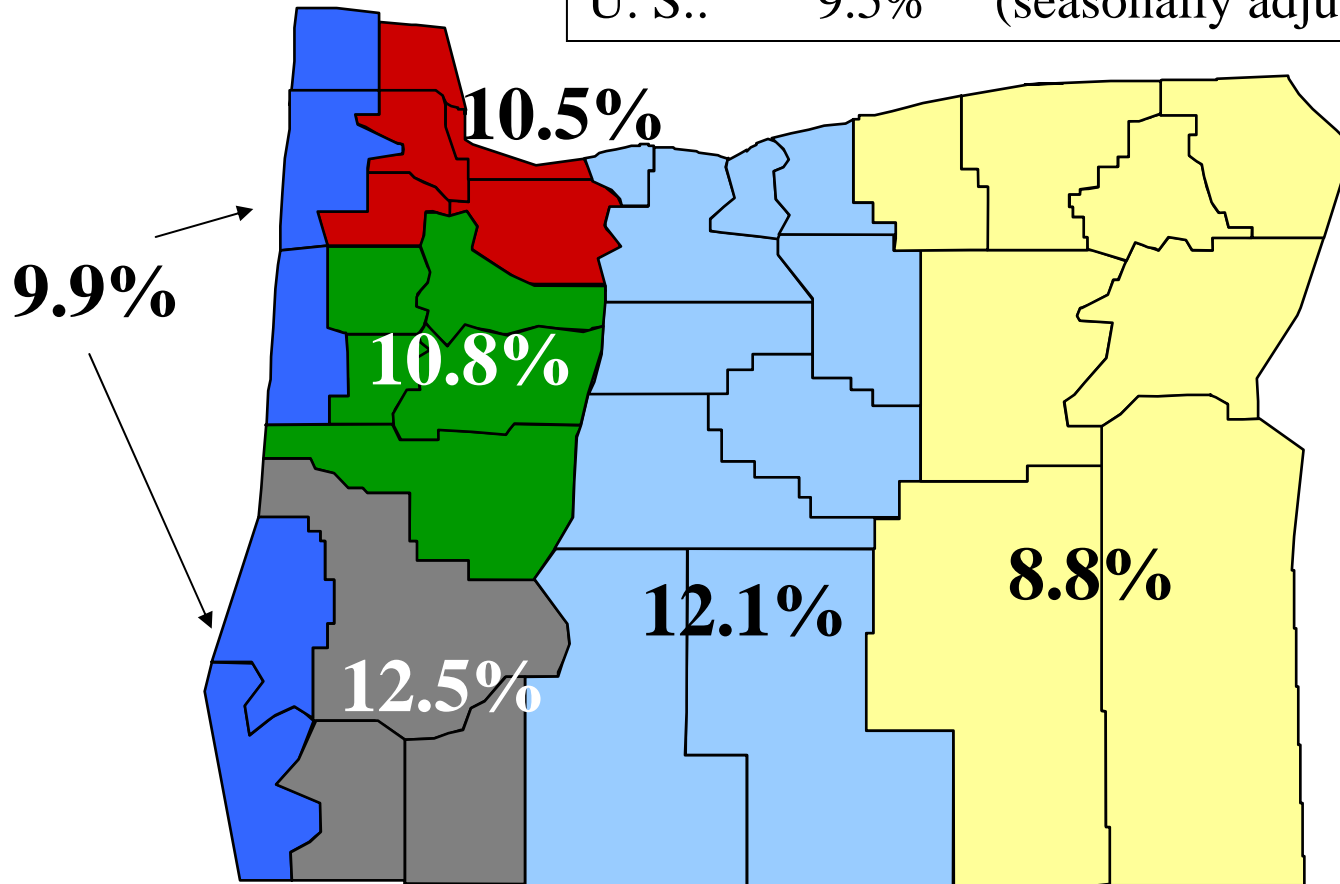




Unemployment Rate by Region, September 2009

(Not seasonally adjusted for counties)

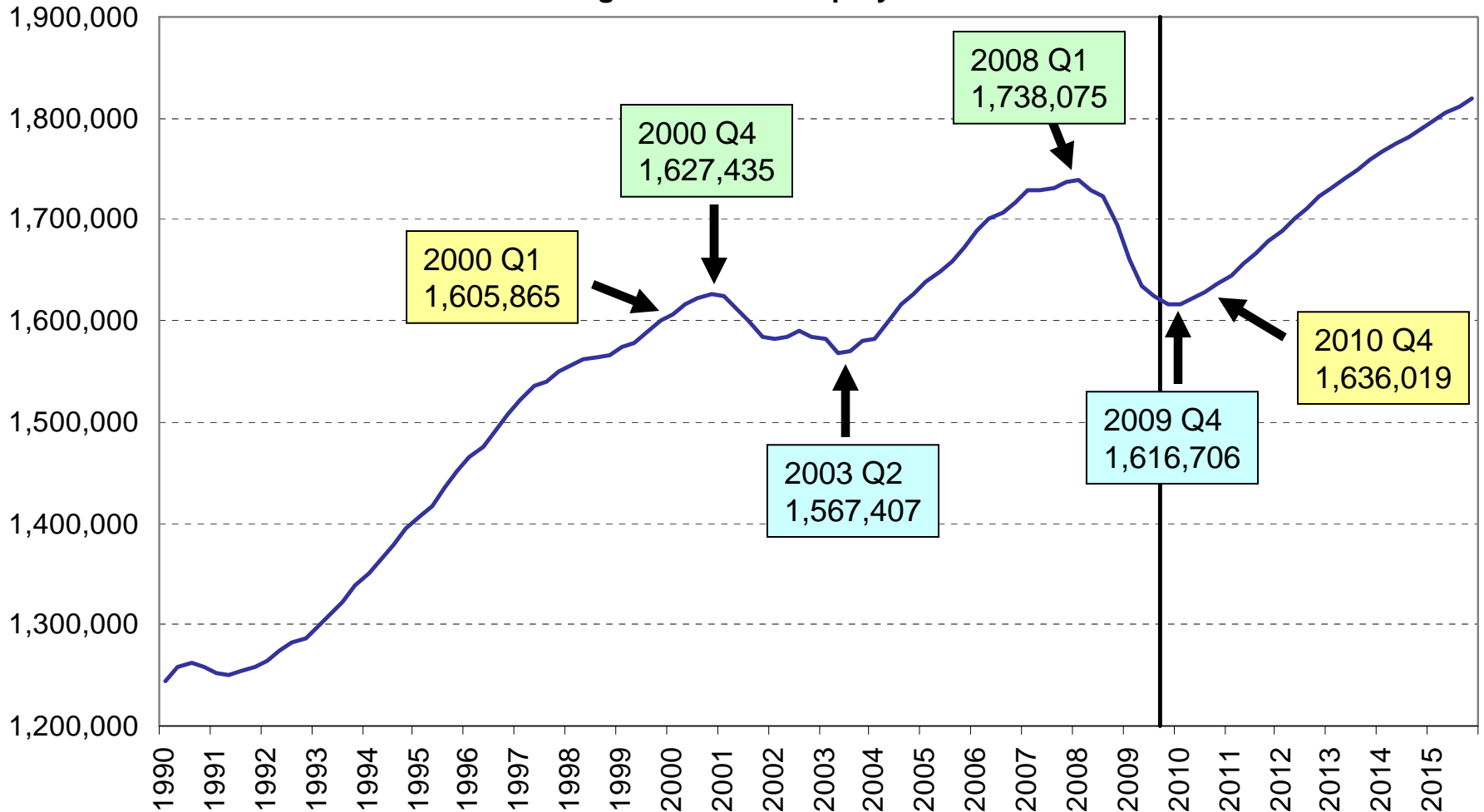
Oregon:	10.8%	(seasonally adjusted: 11.5%)
U. S.:	9.5%	(seasonally adjusted: 9.8%)





Oregon's Lost Decade?

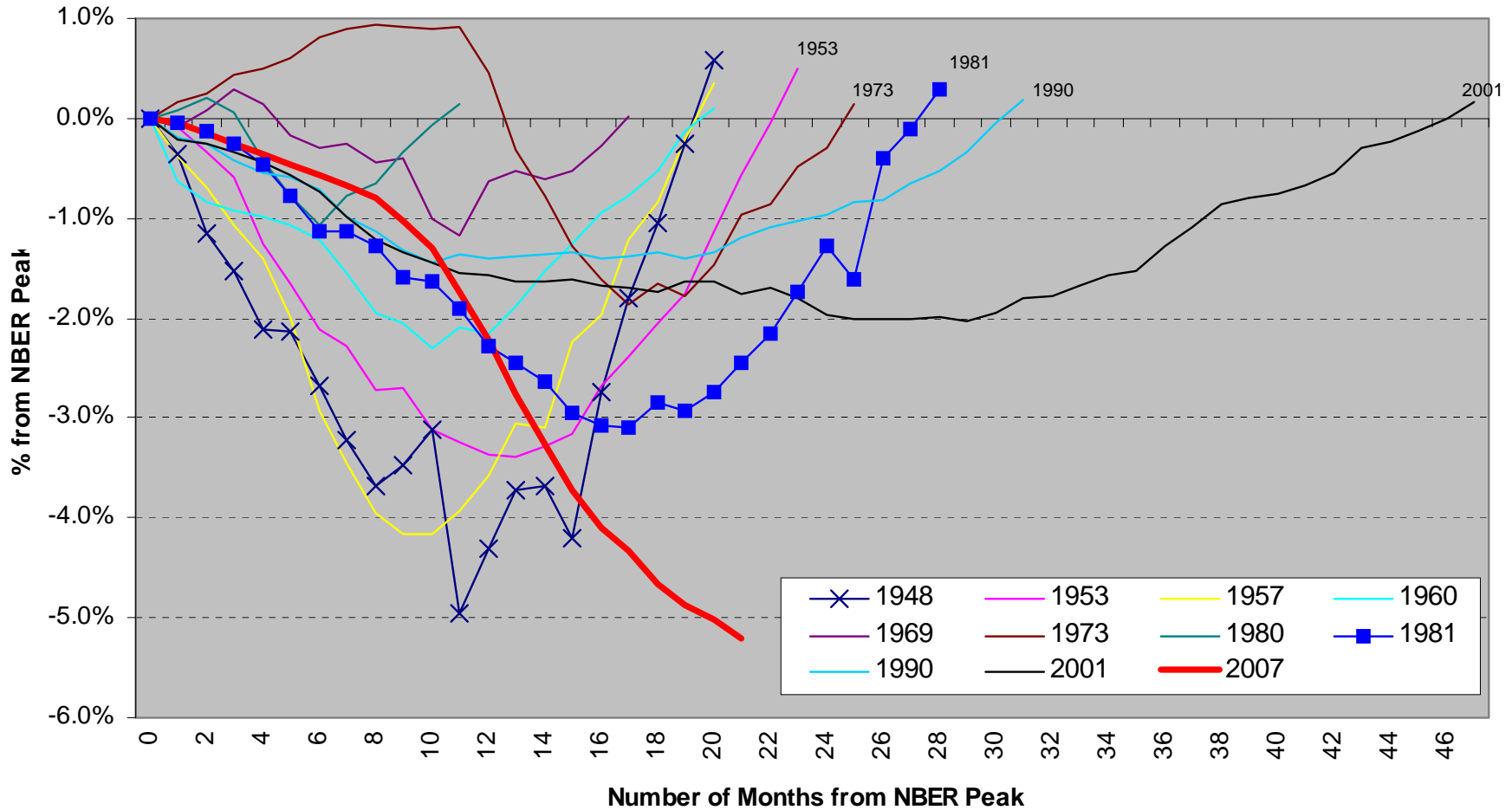
Oregon Nonfarm Employment





Employment Losses (through September 2009)

U.S. Recession Employment Losses

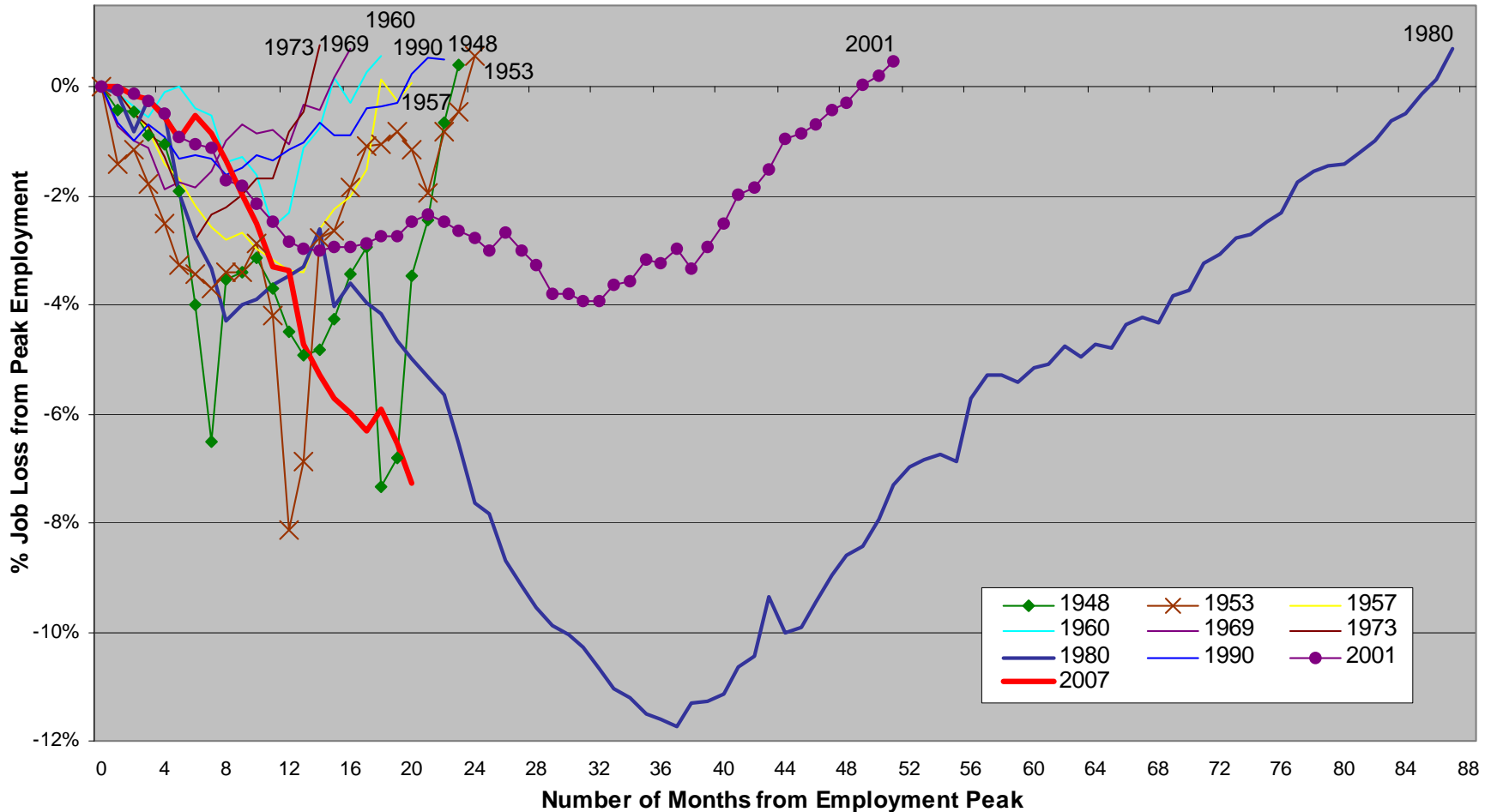




Employment Losses

(through September 2009)

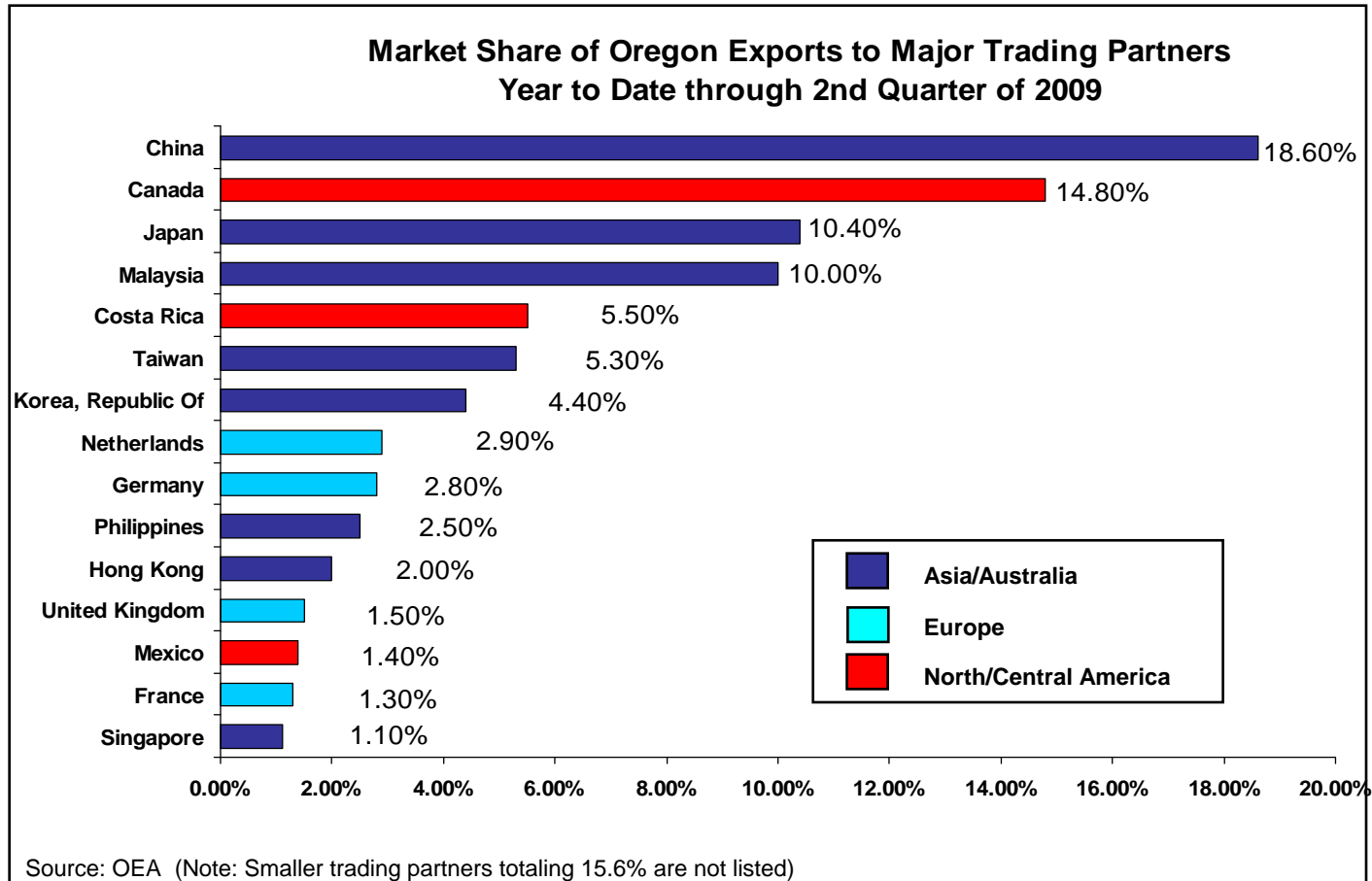
Oregon Employment Loss by Recession





Oregon Exports

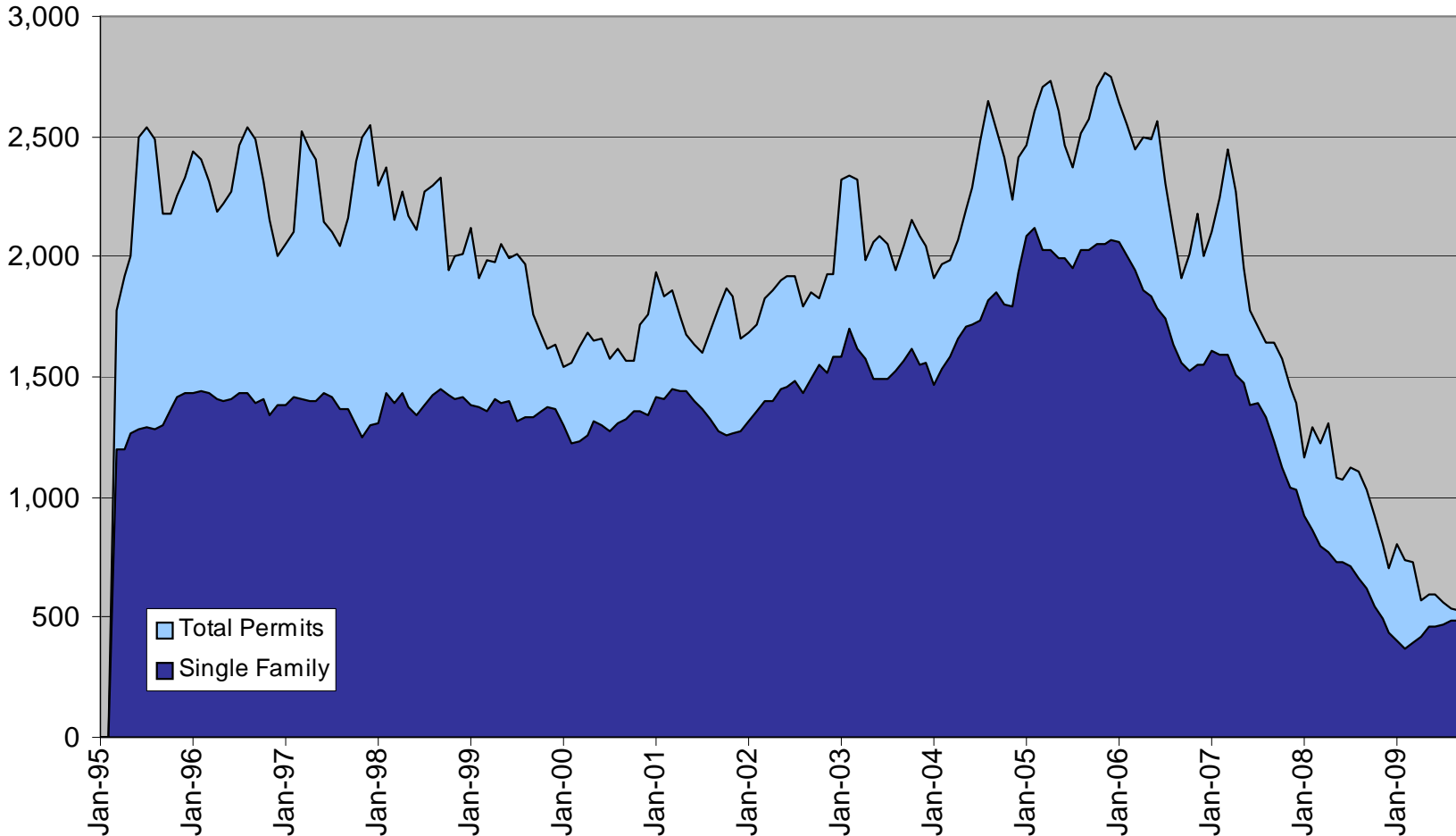
Oregon enjoys a wide range of trading partners





Oregon Housing Permits

Oregon Housing Permits (Monthly, SA 3 MMA)

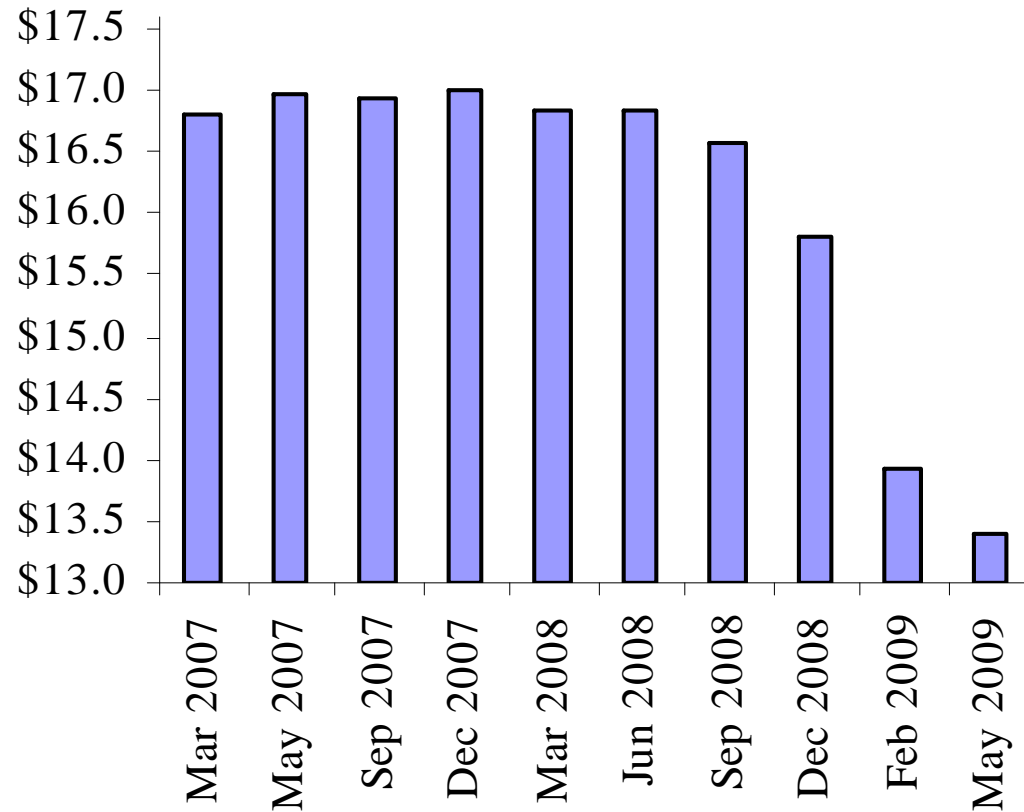




State Revenue Trends

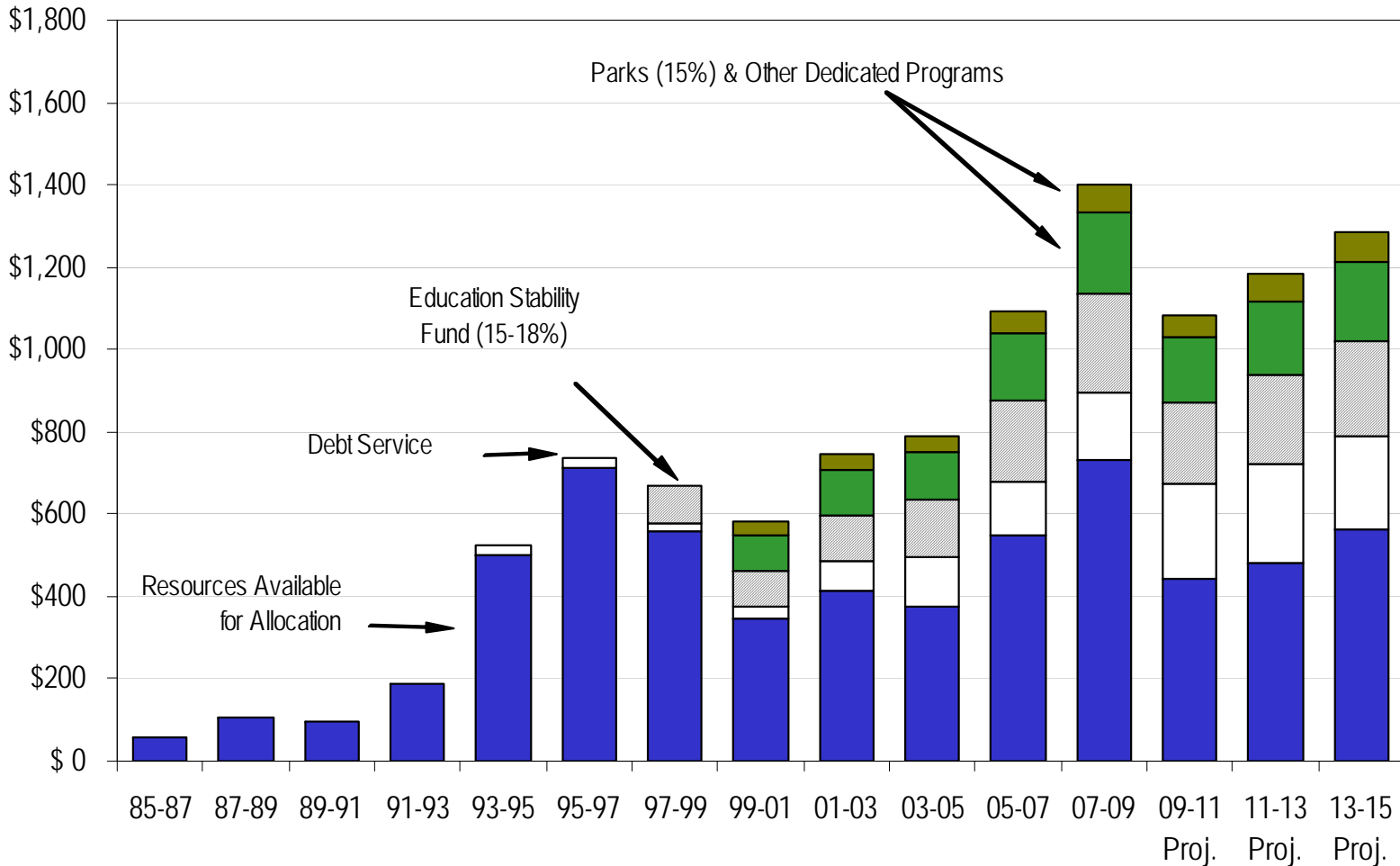


General Fund/Lottery Forecast Comparison and Expenditure Levels, 2009-11





Lottery Resources Available to the State (Millions)



Note: Resources do not include Video Lottery proceeds dedicated to the Counties. Beginning balance is included.

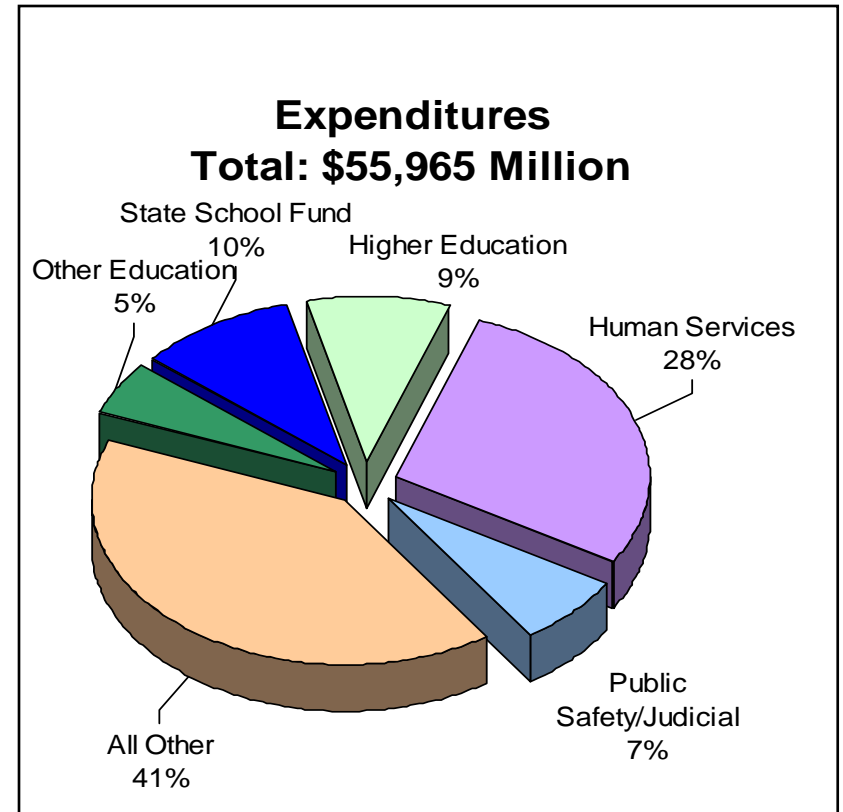
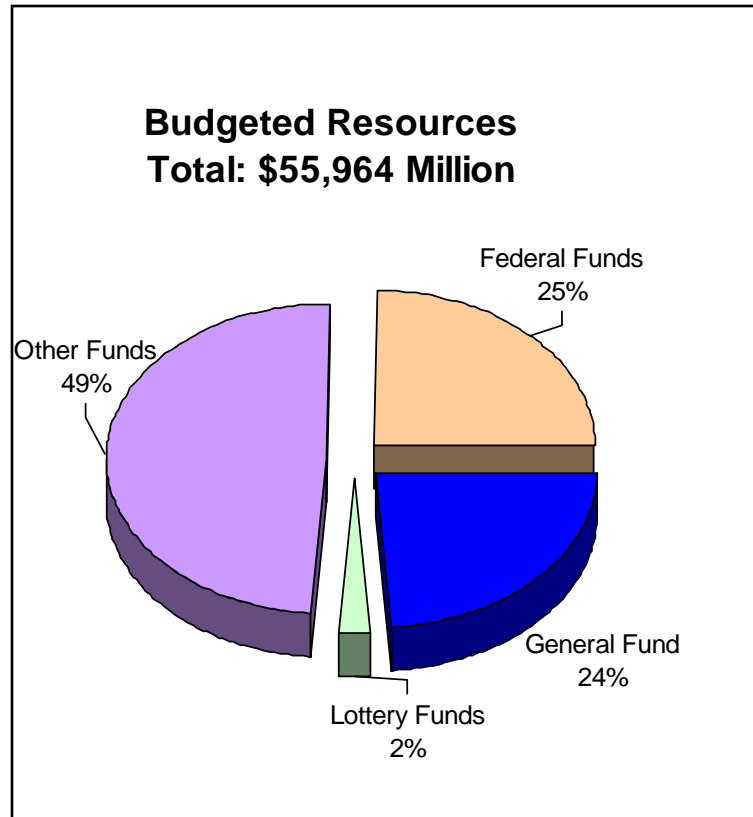
2003-09 debt service figures do not reflect any Education Endowment Fund or reserve earnings designated for debt service on education bonds.



State Expenditure Trends and Budget Drivers



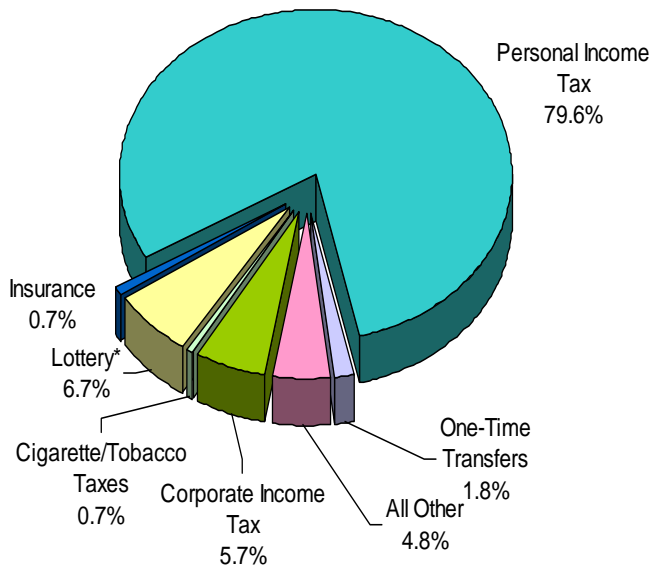
2009-11 Legislatively Adopted Budget Total Funds



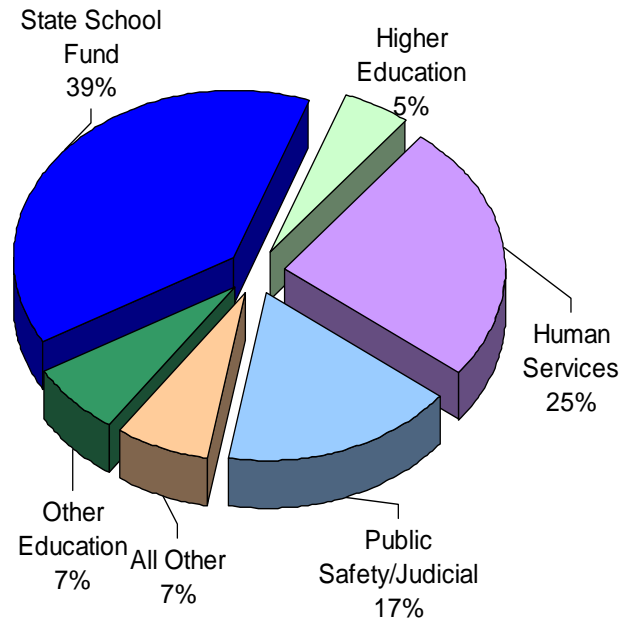


2009-11 Legislatively Adopted Budget General Fund and Lottery Funds

Resources Budgeted
Total: \$14,512 Million



Expenditures
Total: \$14,256 Million

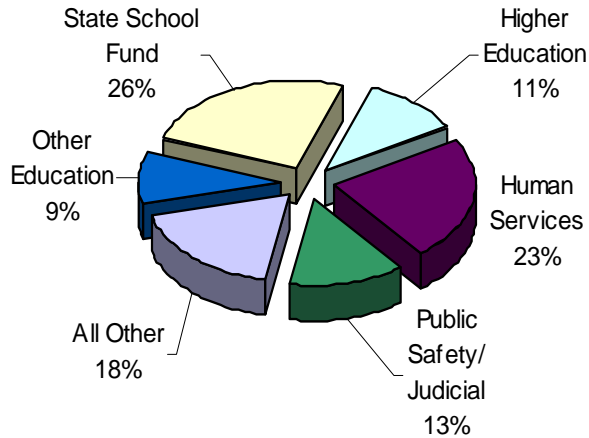




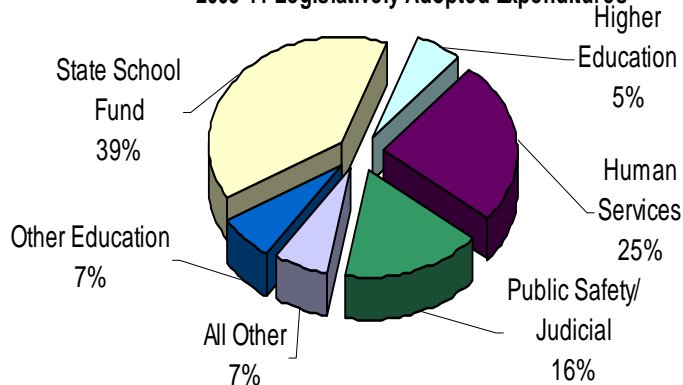
General Fund and Lottery Funds Budget Trends

Overall Expenditure

1989-91 Legislatively Approved Expenditures

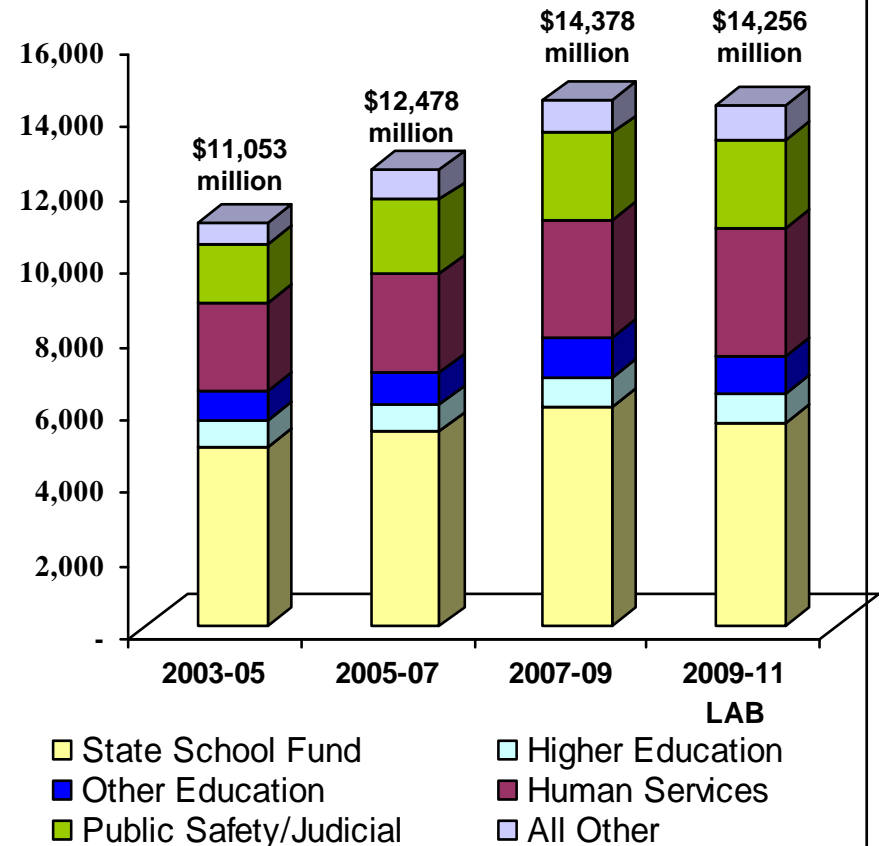


2009-11 Legislatively Adopted Expenditures



General Fund and Lottery Trends

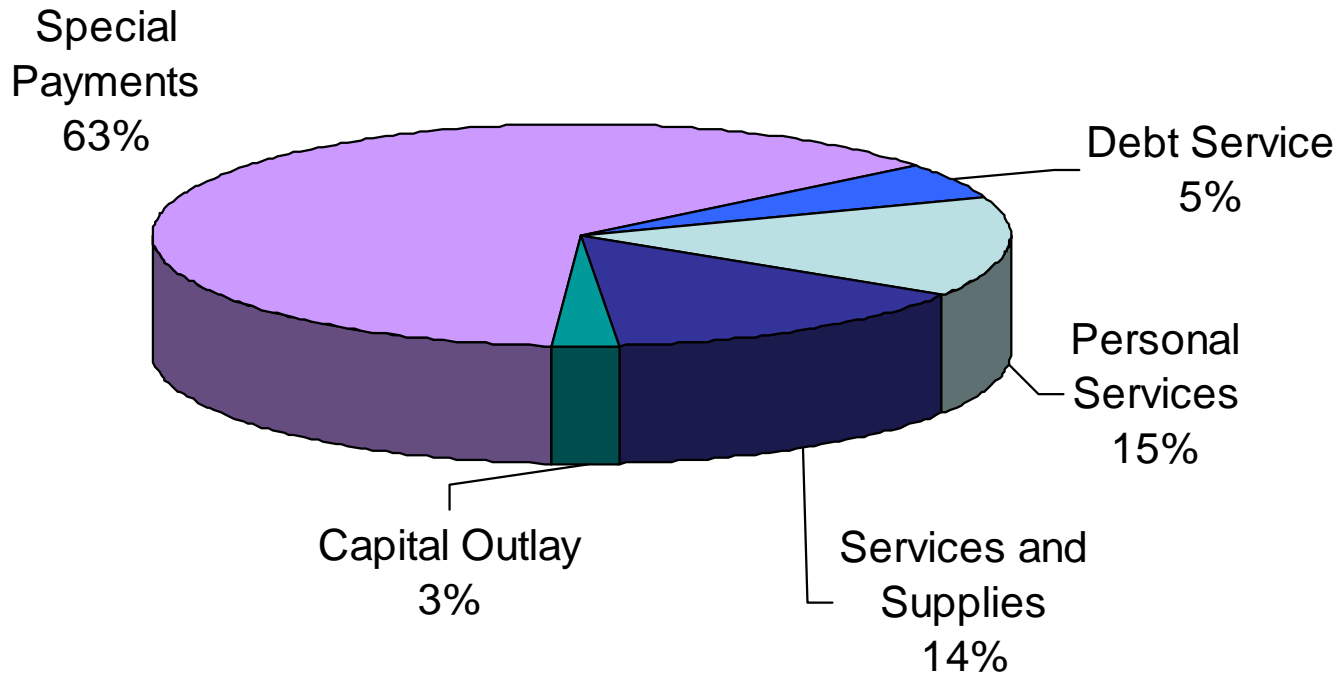
General Fund & Lottery Funds Budgets Over Past Three Biennia





Expenditures by Category Total Funds

2009-11 Legislatively Adopted Budget *
Total: \$55,965 million

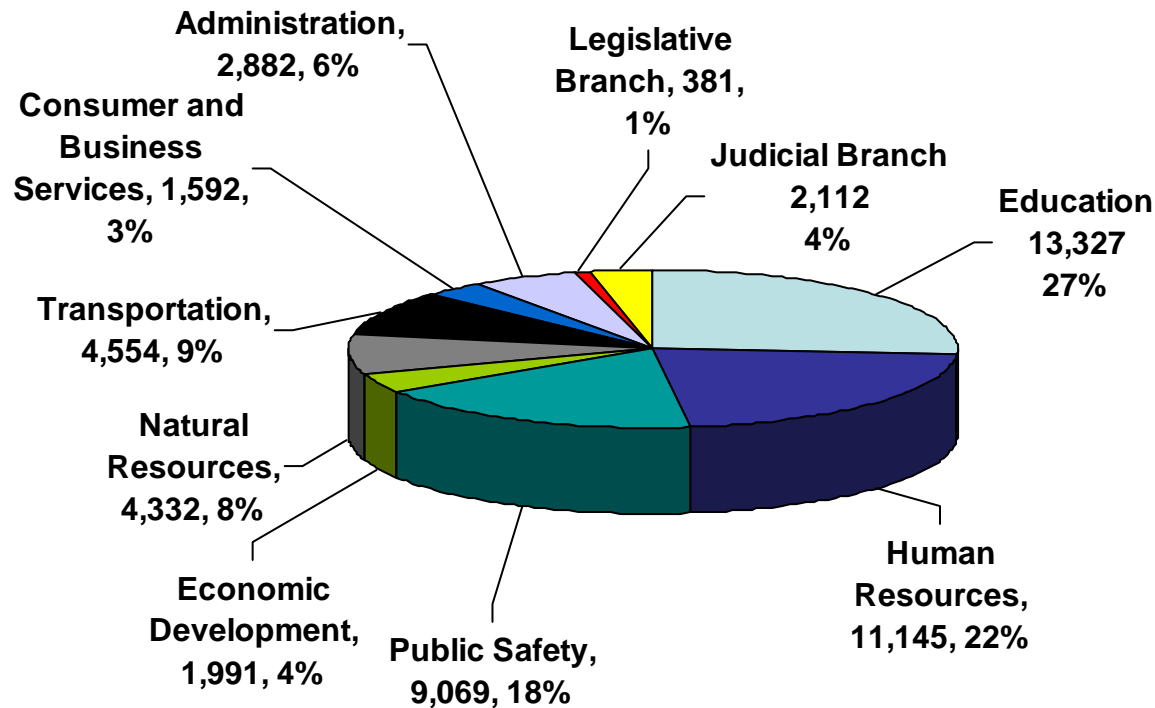


* Preliminary information, with one agency audit still to complete



2009-11 Full-Time Equivalent Positions

Total: 51,107



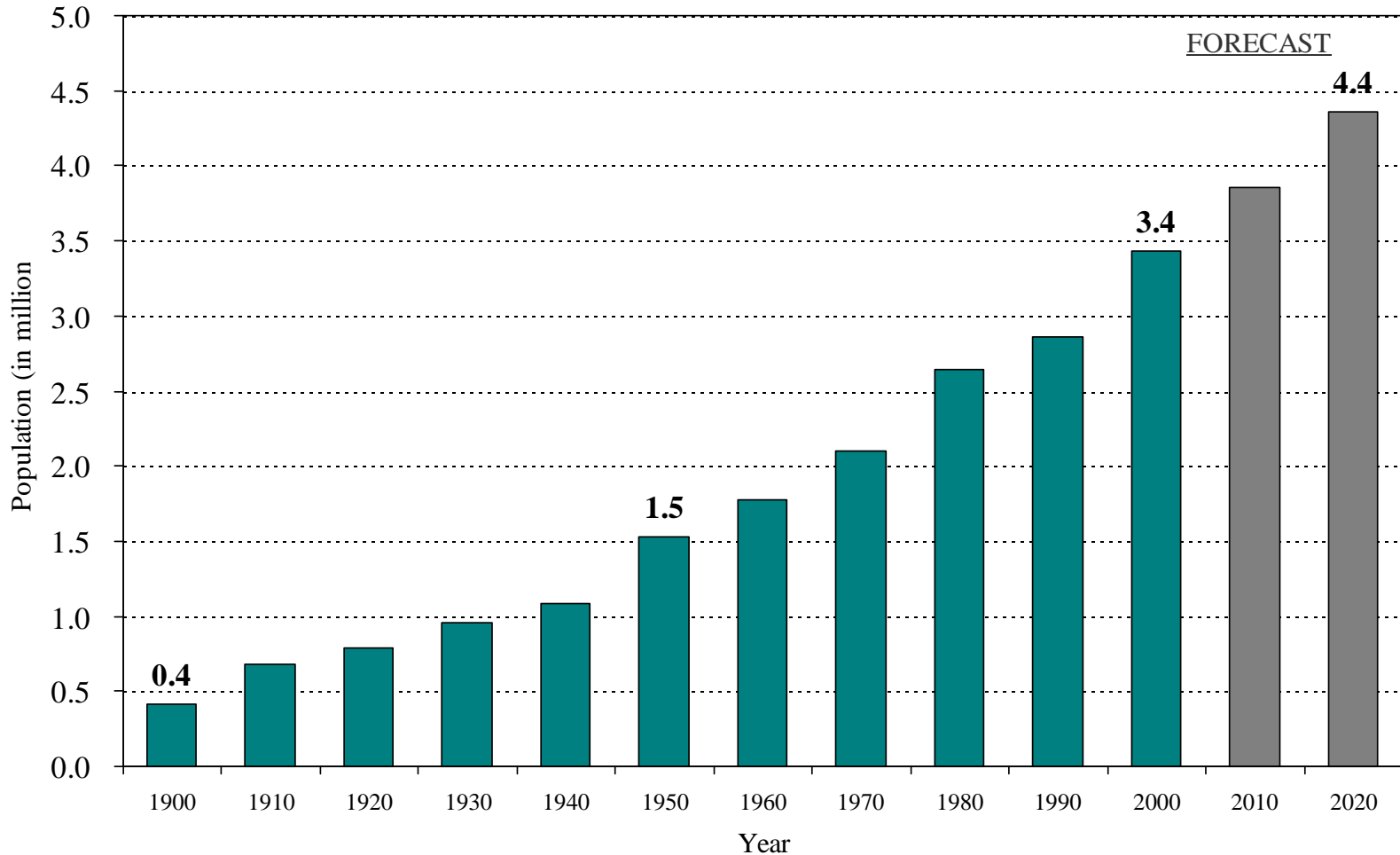


What has caused the General Fund expenditure growth since 1989?

- **Primary**
 - Population
 - Initiatives
 - Policy decisions
- **Secondary**
 - Inflation
 - Lawsuits



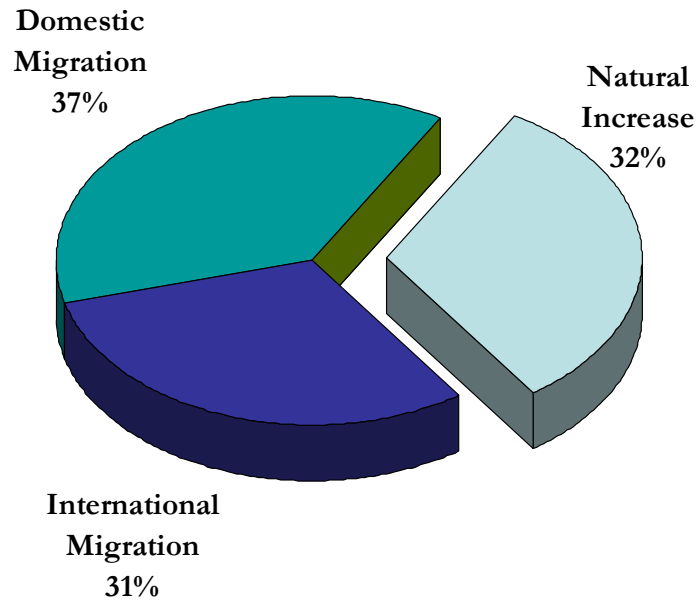
A century of growth ... and beyond (in millions)



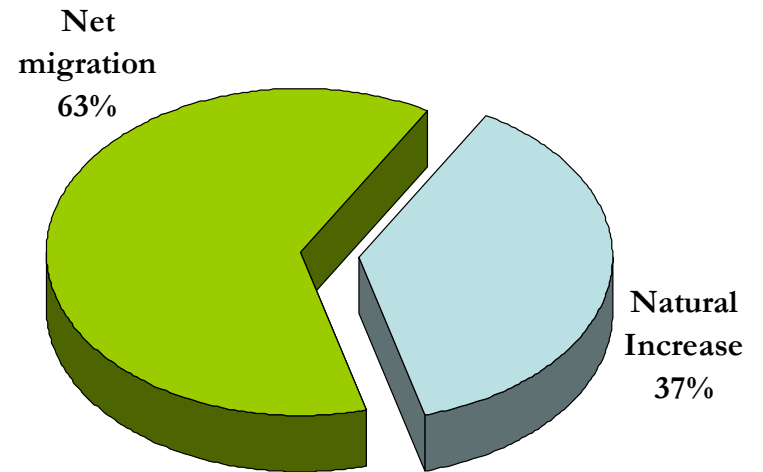


Components of population change: 2000-06 and 2015-20

2000-2006

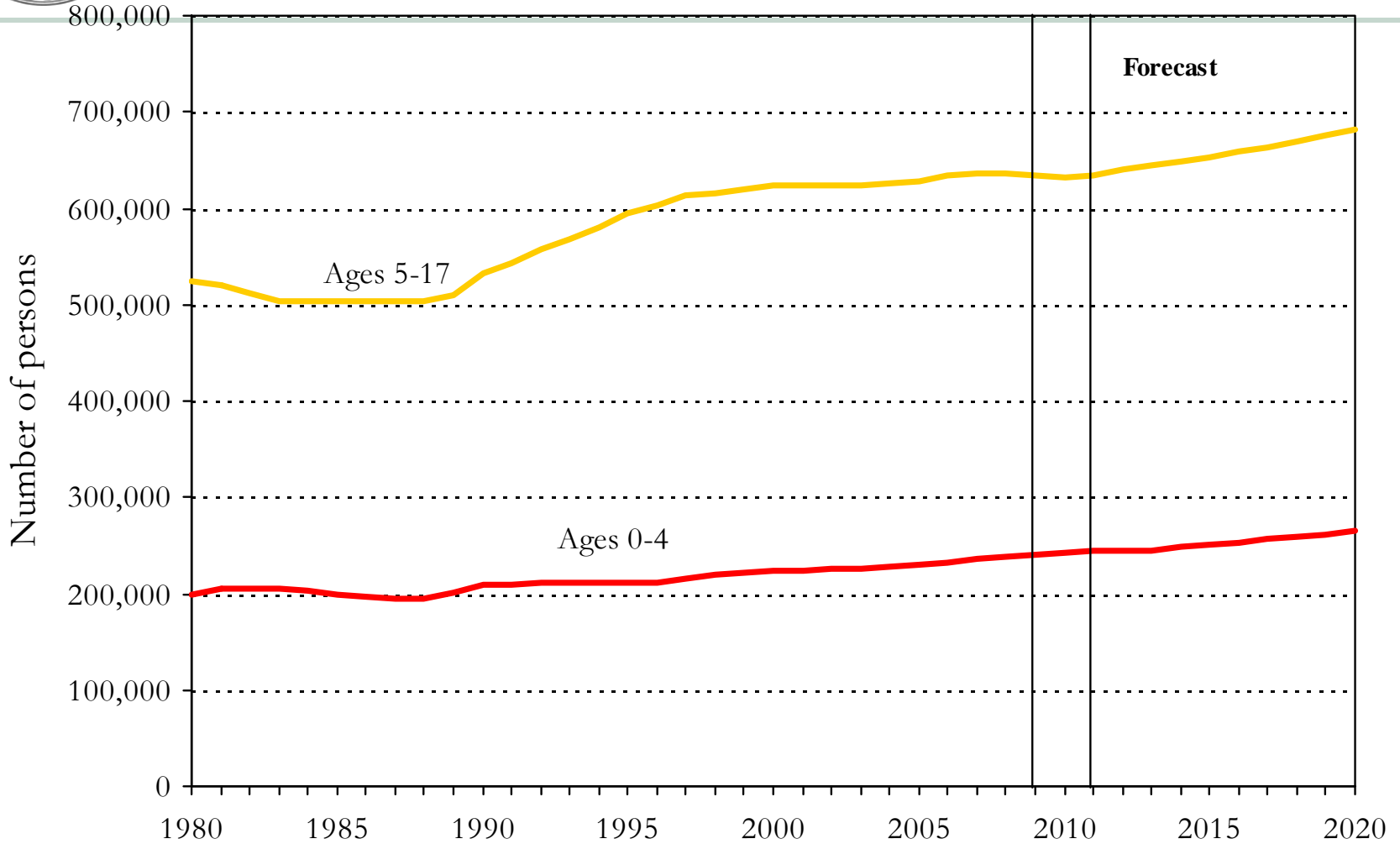


2015-2020



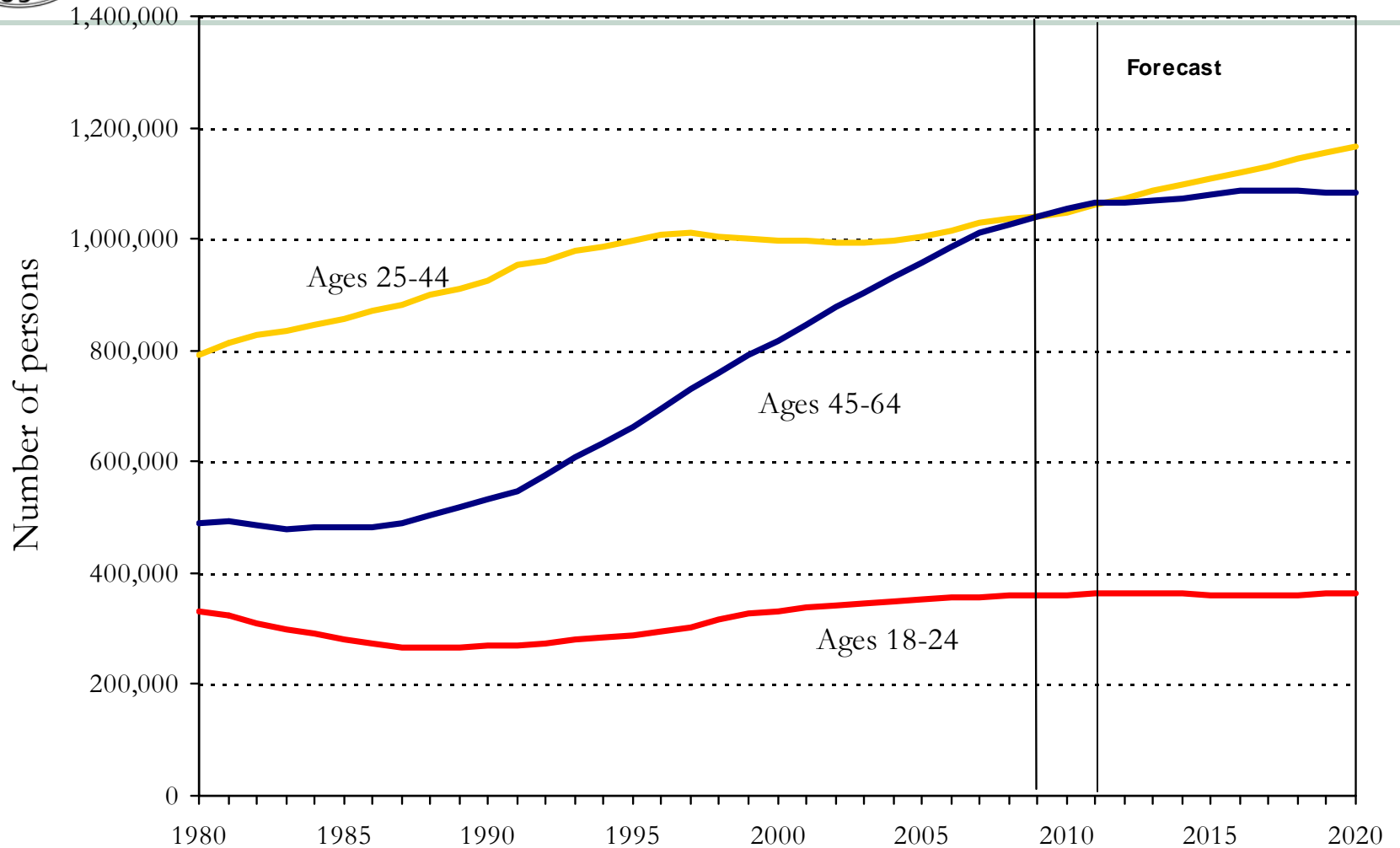


Young-age Population: 1980-2020



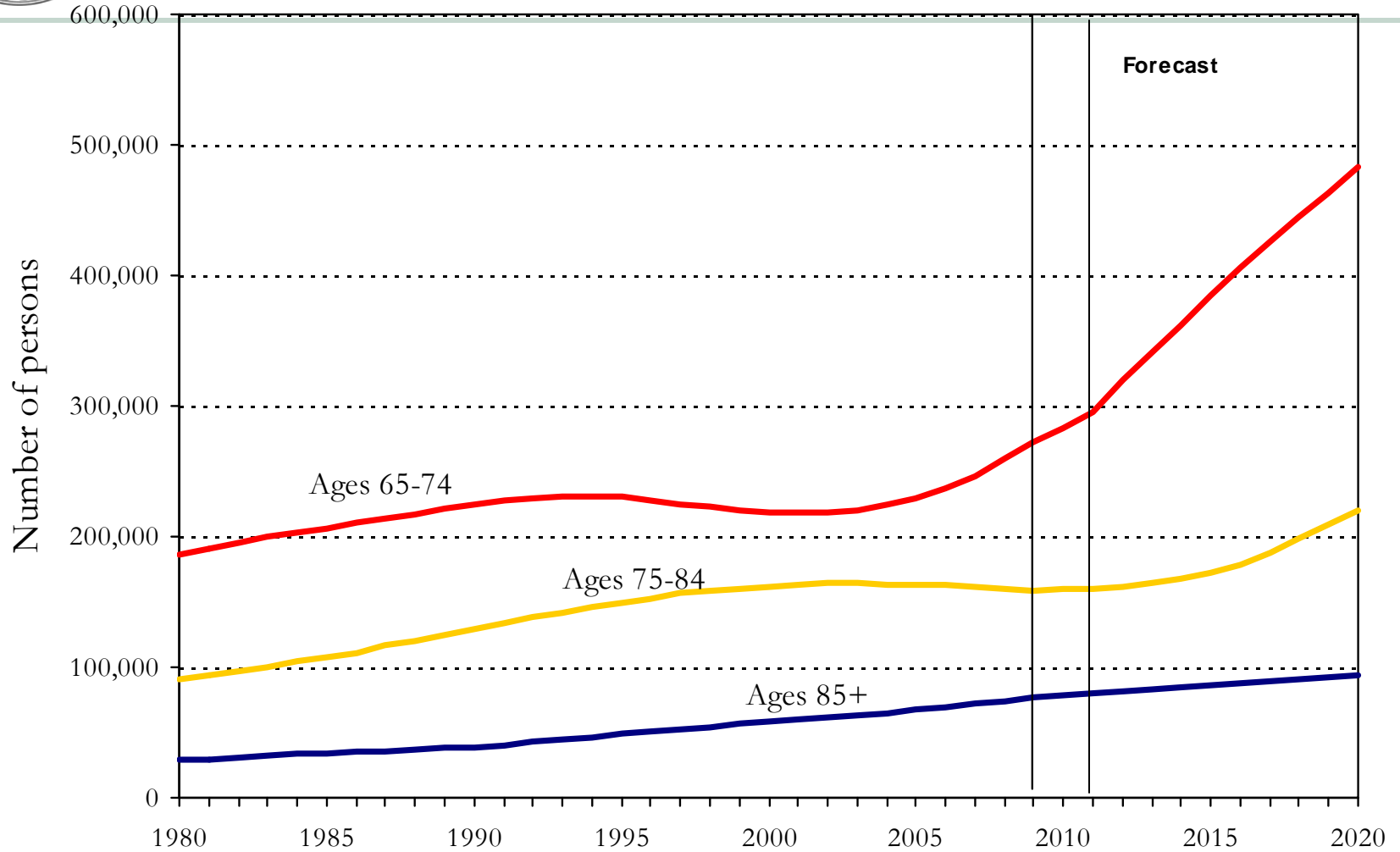


Working-age Population: 1980-2020



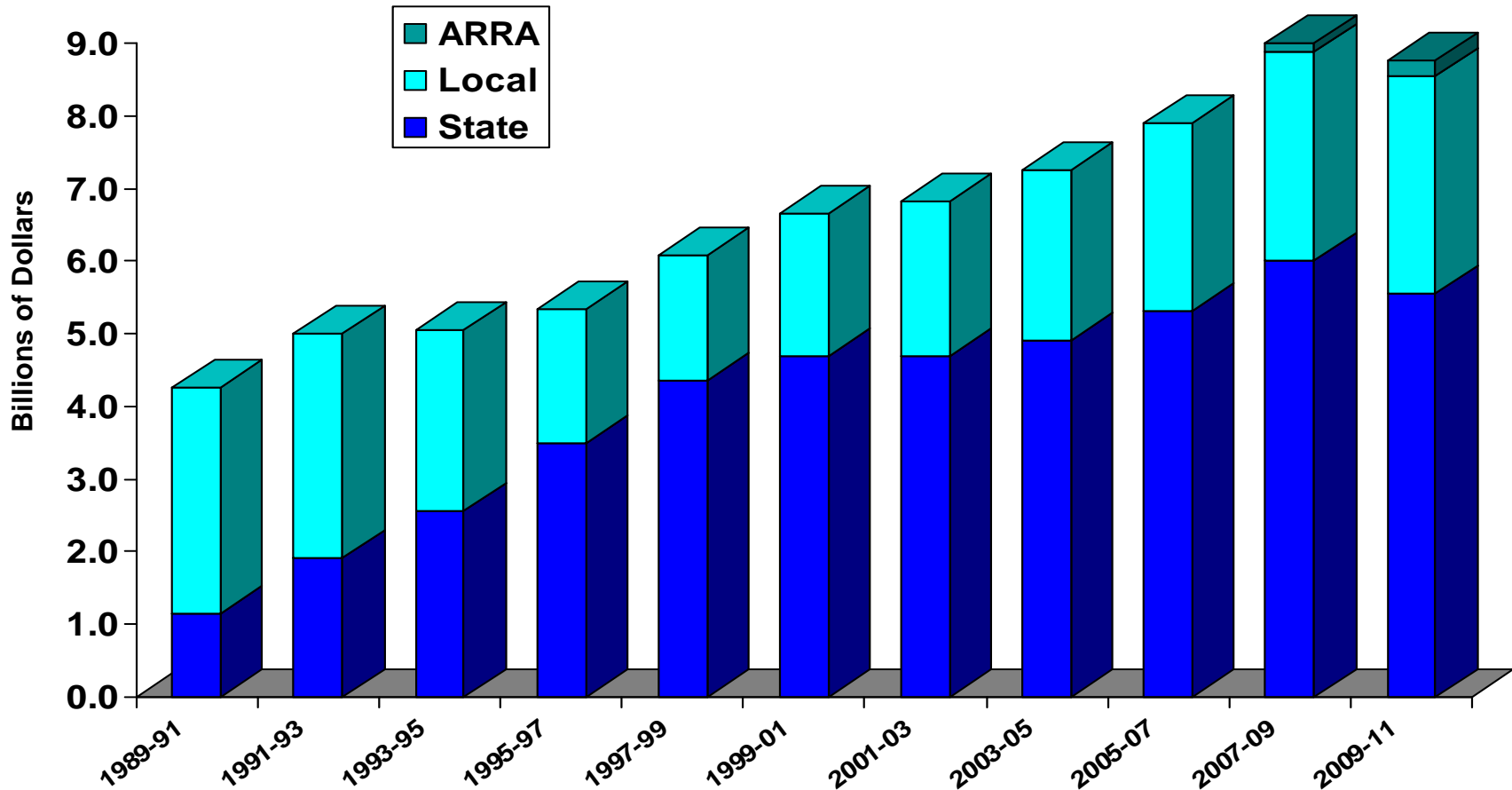


Elderly Population: 1980-2020





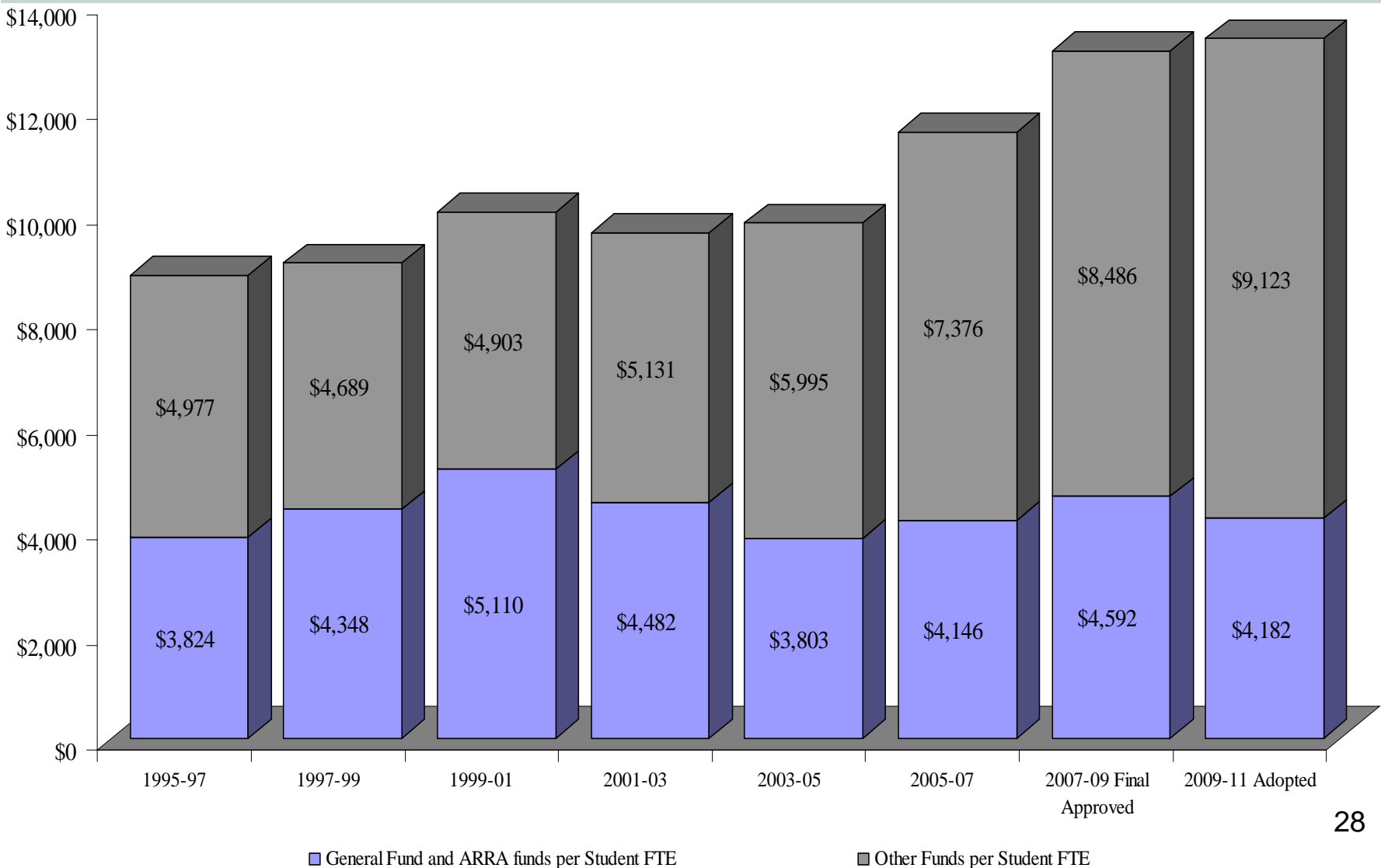
State and Local Resources for K-12 School Funding



Note: 2009-11 does NOT include the "triggered" \$200 million.

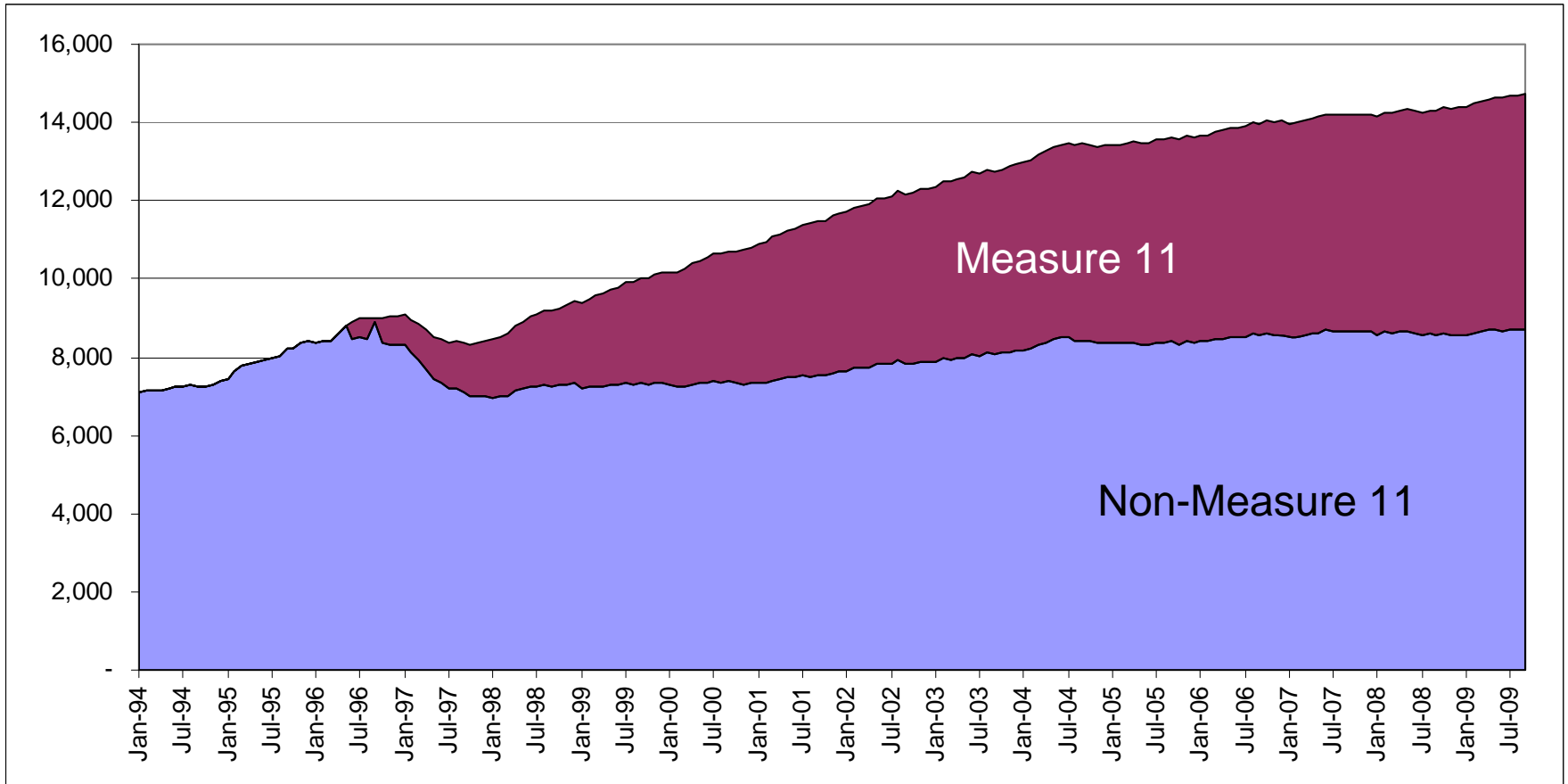


Oregon University System Education & General Services General Fund and Other Funds Per Student



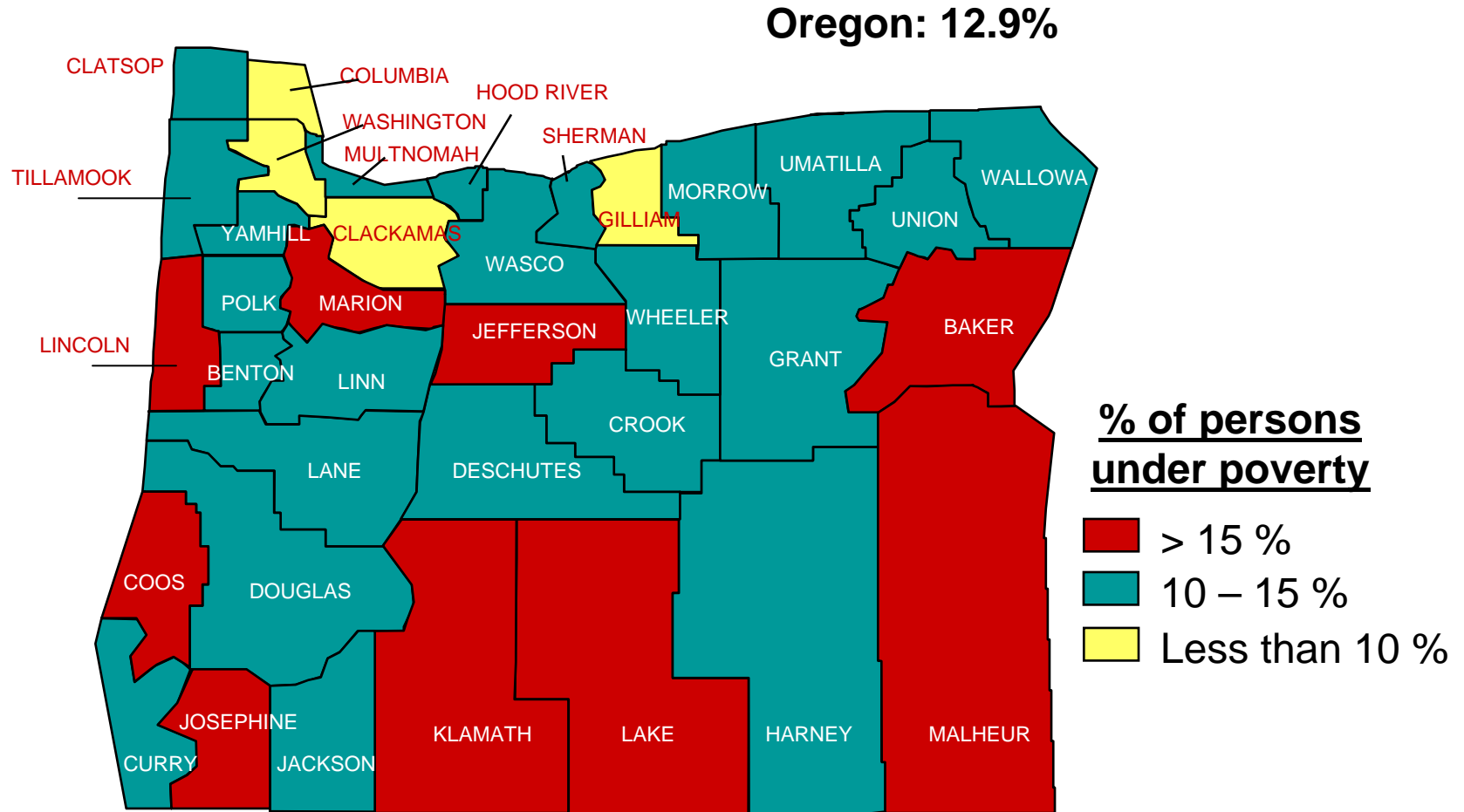


Estimated Impact of Measure 11 on Oregon's Prison System



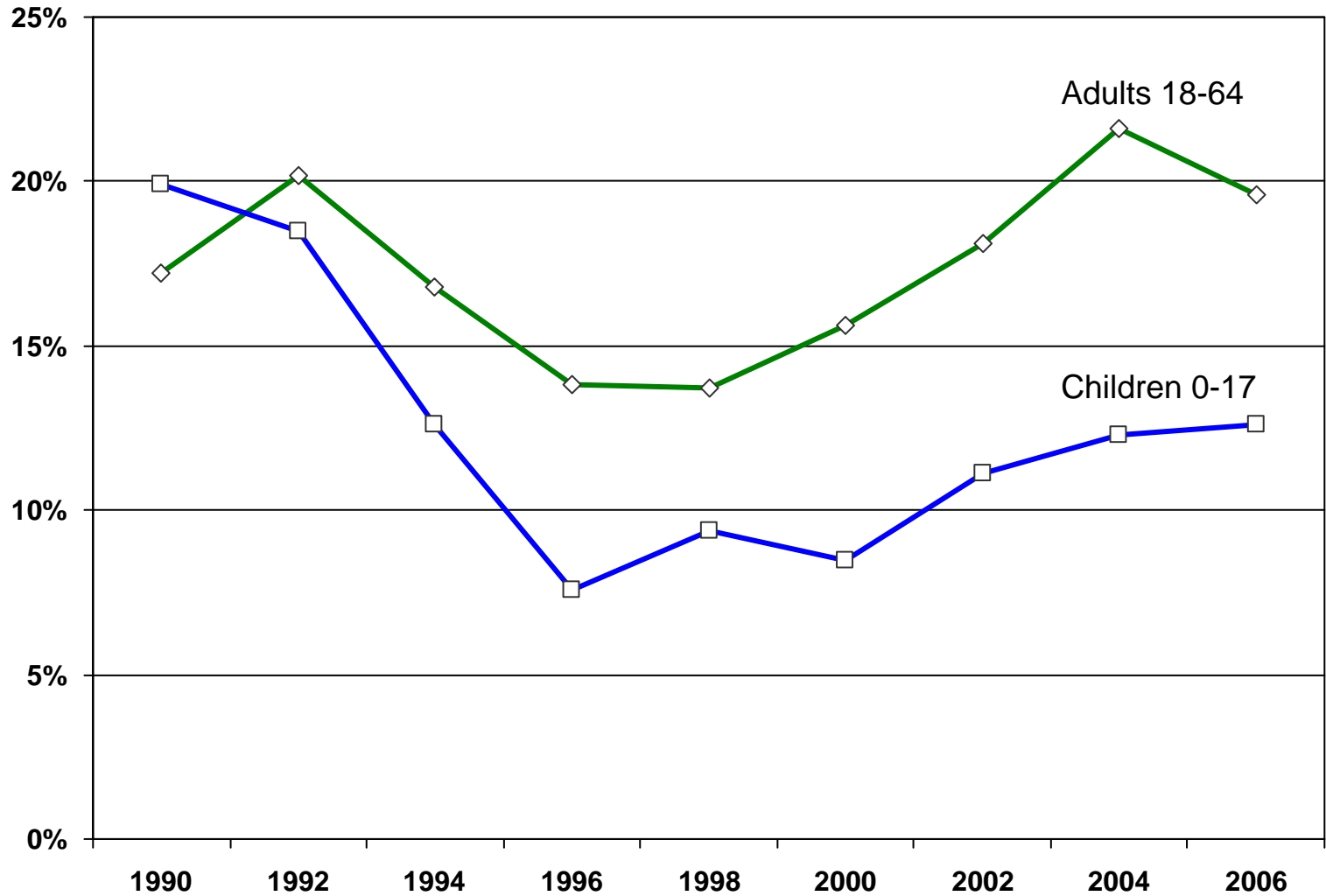


Estimated Poverty Rate, 2004





Oregon Health Care Uninsurance Rates: 1990-2006



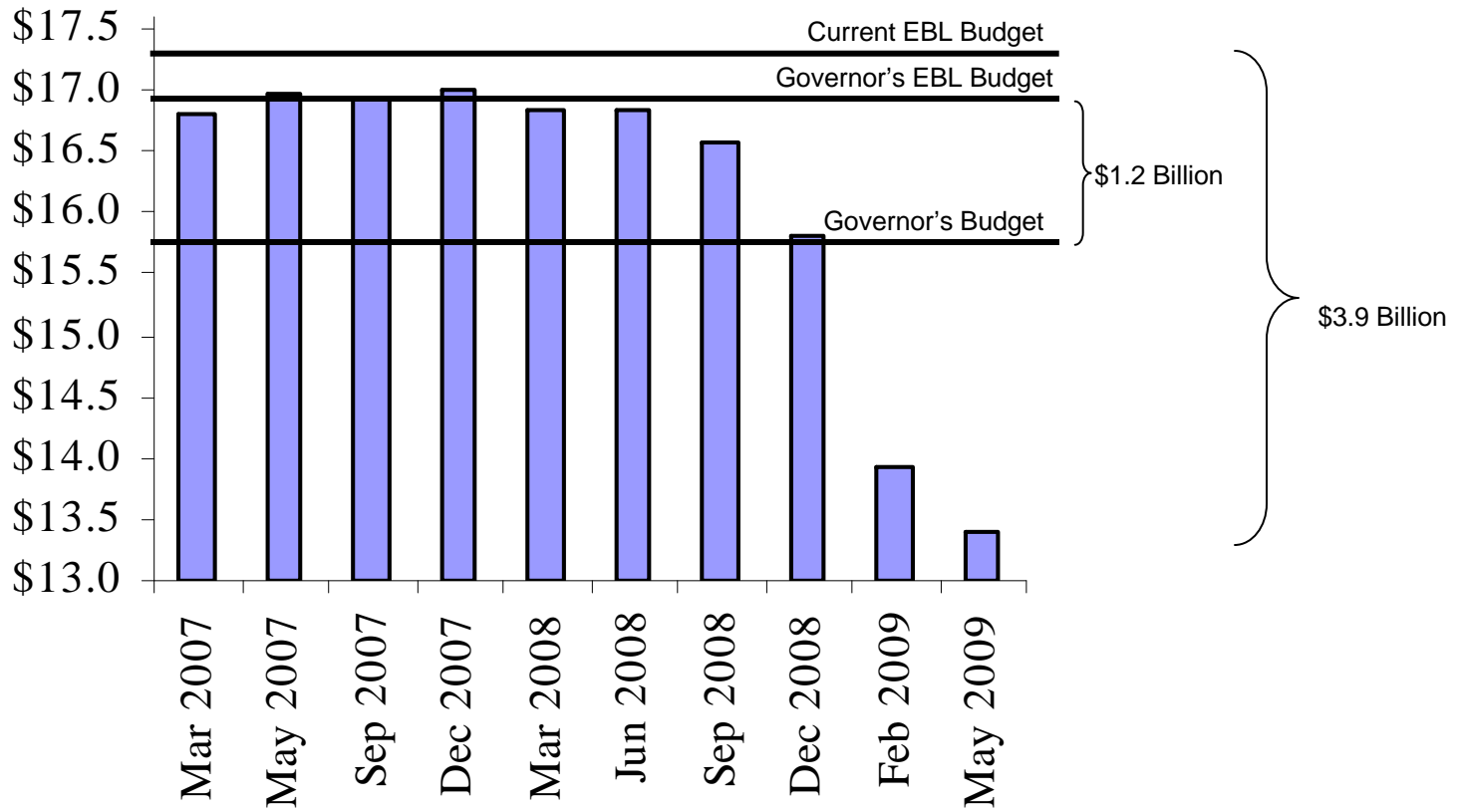
Source: Office for Oregon Health Policy and Research, Oregon Population Survey 2006.



Balancing the State Budget



General Fund/Lottery Forecast Comparison and Expenditure Levels, 2009-11





2009-11 General Fund Revenue Forecast (Close of Session 2009 Forecast)

2009-11 General Fund Resources (\$ Millions)	
Beginning Balance	\$0
Projected Revenues – May 2009	\$12,474
Legislative Changes	
Increase Revenue Collections	61
Transfer from Rainy Day Fund	225
Personal Income Tax Increase	472
Corporate Tax Increase	261
Other Miscellaneous Changes	39
Net Available Resources	\$13,532



2009-11 General Fund Budget Projections Legislatively Adopted Budget (in Billions)

Revenues – Close of Session 2007 Forecast	
Beginning Balance	\$0.0
Projected General Fund Revenues	12.5
Legislative Changes	1.1
Total Resources	\$13.5
Expenditures – Legislatively Adopted Budget	
Cost of Continuing Existing Programs	\$16.1
Federal Stimulus Funds used to Balance the Budget	- 1.0
Other Cuts/Reductions to Balance the Budget	- 1.8
Total Expenditures	\$13.3
Ending Balance	\$0.2



Oregon's Budget Reserves

- Continued growth of the Education Stability Fund
 - 18% of biennial net Lottery revenues are dedicated to this reserve account
- Establishment of a Rainy Day Fund in the 2007-09 Budget
 - Seeded with Oregon's projected 2005-07 Corporate Kicker of \$319.3 million
 - All interest earnings on the Rainy Day Fund are retained in the Rainy Day Fund
 - Automatic transfer to the Rainy Day Fund of one percent of Oregon's General Fund expenditures from the State's ending fund balance at the completion of each biennium
 - Beginning in 2013, incremental growth in corporate taxes approved by the 2009 Legislature will be placed in the Rainy Day Fund (estimated at \$70 million per biennium).

Projected Budget Reserves on 6/30/11		
(\$ Millions)		
	<u>Close of</u> <u>Session</u>	<u>Sept 09</u> <u>Forecast</u>
Education Stability Fund	\$ 194	\$ 187
Rainy Day Fund	170	133
Ending Balance/Emergency Fund	234	95
TOTAL	\$ 598	\$ 415



Other Issues

- **General Risk**
- **Reserves/Other Fund Balances**
- **PERS/Labor**
- **Kicker**
- **Additional Lawsuits**
- **Bond Rating**
- **Annual Sessions**
- **Accountability/oversight vs. Reduced Administration**
- **Regulatory Reform**
- **Economic Growth/Downturn**
- **Pent-up Budget Demand**
- **Potential Initiatives**
- **One-time Revenues**